

Investment fund launches for ranches

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Sporting Ranch Capital is targeting ranch properties that include both sides of a waterway, including its Woods Creek ranch near Driggs. Photo courtesy of Sporting Ranch Capital.

Idaho's real estate market is picking up the pieces from the bubble that burst in 2008. But a recently launched investment fund, Sporting Ranch Capital, is looking to profit from acquiring, improving and reselling ranch properties in the Intermountain West.

Sporting Ranch Capital, based in Dallas, has acquired a 160-acre ranch near Driggs among its first three ranch purchases. The company expects to close at least \$30 million in funding by the end of the year for other properties.

"This is the most inefficient asset class in real estate. There are tons of opportunities out there," said founder Jay Ellis. "There is a fortune to be made in the asset class."

The Idaho ranch, called Woods Creek, typifies the kind of properties Sporting Ranch Capital is looking for. It has a titular creek and wildlife habitat, and is close to the airport

in Jackson, Wyo., as well as shops and restaurants in Driggs and Jackson. Ellis said those amenities, especially the water on the property, are necessary for all investment properties.

"We only look at places with live water," Ellis said. "That's the main value creator that the consumer looks for: a private, pristine fishery on their ranch."

Ellis said proximity to an airport expands the market for potential buyers once the firm has improved the property.

"If a guy owns a ranch, he wants to be on that ranch within 45 minutes of landing (a plane)," he said "It's easy to buy a ranch in the middle of nowhere; they're just hard to sell."

Ellis started Sporting Ranch Capital in May, resigning from his job managing the equity sales desk for Morgan Stanley in Dallas. One of his initial investors is billionaire T. Boone Pickens.

"It is a new concept as a fund," said Eric O'Keefe, the editor of The Land Report, a magazine serving private landowners. "It's an old concept from the standpoint of individual entrepreneurs going in and buying property that's undervalued, sprucing it up and making a profit."

Once properties like Woods Creek are bought, Ellis said Sporting Ranch Capital will spend a year or more making improvements to the fishing capabilities and getting rid of unsightly equipment, structures and fencing.

"We clean it up and make it a pristine landscape, eliminating all the clutter, if you will," Ellis said. "We're creating the blank canvas of the trophy sporting ranch."

Woods Creek is slightly unique, since the investment fund will build a three-bedroom cabin onsite. The property, bought for less than \$1 million, will likely go on the market in the spring of 2014. Ellis said the listing price will depend on capital expenditures on improvements. He said the property will be marketed solely based on its outdoor recreation possibilities, not for earnings potential from cattle or crops that drive other ranch land sales.

While the property is being improved, investors in the fund are able to fly out and hunt or fish on the land that's in their portfolio. Ellis said that fund's potential returns by themselves should appeal to investors, with the land use an added perk.

"The recreational component is a nice addition," he said.

Ranch dealers also say the market is turning around after a few sluggish years.

"The trend has been horrible in the last five years," said John Knipe, president and managing broker of Knipe Land Co. in Boise. He said the market is improving due to rising prices for commodities raised on ranches, as well as more people looking to buy agricultural land. He estimated that one of every five ranches is selling within a year, whereas in the past it's taken larger ranches worth millions of dollars several years to sell.

"There hasn't been a better time to sell your property than in the last five years, because there's less on the market," Knipe said.

"There has been a fairly significant resurgence in the marketplace in 2012," said Greg Fay, owner and broker for Fay Ranches in Bozeman, Mont. He said he's seeing more buyers since there's a limited amount of usable ranch land, which is a tangible investment.

"This is a finite product. Every year there are fewer ranches," Fay said.

Fay said his company could potentially sell properties to Sporting Ranch Capital and that his company has worked on conservation efforts in the ranch market since it was founded in 1992.

"That's what they're leveraging right now, is what we've been doing for 20 years," Fay said. "We look forward to working with them."

Sporting Ranch Capital also owns ranches in Colorado and New Mexico, and Ellis said the company could expand to 15 properties within the next five years in the Intermountain West. That could include more properties in southeastern Idaho. Ellis visited several properties in that part of the state in late October.

"The Teton Valley is a stunningly beautiful area," said Ellis. "It's a wildlife mecca."

Large landowners in Idaho

More than two thirds of Idaho's 82 million square miles is owned by the federal or state government, but several large landowners have sizable holdings in the remaining stretches of land in the Gem State. At least four of the top 100 private landowners in the U.S. have property in Idaho, including two of the top 20 landowners, according to The Land Report, which releases its list yearly.

The Simplot family owns 408,663 acres in the U.S., ranking 18th on the list, followed right behind by Robert Earl Holding, who owns 400,000 acres. The Simplot land includes the property of the J.R. Simplot Co., the agribusiness giant headquartered in Boise. Holding owns the Sun Valley Resort as well as Sinclair Oil and hotels, resorts and cattle land across the country.

Eric O'Keefe, editor of the Land Report, said the Simplots and Holding represent different ways of turning land into a productive asset.

"What the Simplots have owned and built up in decades past is one of the nation's leading agribusiness companies, from a landowning standpoint," O'Keefe said. He said that while Holding focused on different industries, including hospitality and oil, a lot of his principles for land ownership are the same.

Also on the Land Report's list are Tim Blixseth, whose 189,000 acres including timberland throughout the northwest, and the VanderSloot family, which owns Riverbend Ranch, which lists ranch property in Idaho Falls and three other states. Frank VanderSloot is also the CEO of Melaleuca, a mail order company with \$1 billion in annual sales.

The Land Report's list of 100 private landowners was topped by John Malone, the chairman of Liberty Media whose 2.2 million acres is twice the size of the state of Delaware. Media mogul Ted Turner owns more than 2 million acres of land. Both Malone and Turner have sizable holdings in the intermountain west. The Land Report's list is based on self-reporting from land owners, tax and public records, media reports and data from brokers and appraisers.