Private Wealth

Pickens-Backed Firm Puts Trophy Ranches Up For Sale

OCTOBER 7, 2014 • ANTHONY GRECO

Sporting Ranch Capital (SRC), the Dallas-based real estate private equity fund that counts T. Boone Pickens among its backers, is moving to convert its trophy ranches into trophy profits for investors in its first fund.

SRC has listed for sale three of the five properties it purchased through the fund, which formed in 2012 and raised $30 million from 14 investors. The fund is targeting a net percentage return "in the mid-teens," according to founder and general partner Jay Ellis, who added, "We feel really good about that as a minimum."

Now on the market are Hidden Lake Ranch, a 760-acre property in Pagosa Springs, Colo., which is being offered for $14.9 million; Freestone River Ranch, 204 acres in Summit and Wasatch Counties, Utah, listed at $9 million; and Cañones Creek Ranch, 518 acres, located outside of Chama, N.M., and offered for $6.9 million.

Investors will receive a distribution every time SRC monetizes an asset, said Ellis.

The fund's strategy is to buy neglected, unused recreational ranch properties ranging in size from 200 to 1,000 acres, at distressed prices, throughout the Rocky Mountain West. It then transforms the properties into a sportsman's paradise by investing in the creation of natural habitats that support fisheries, water fowl, migratory and upland birds, and big and small game. As a bonus, investors have exclusive use of the properties to camp, hunt and fish until they are sold--the "trout dividend," as Ellis calls it.

SRC invested $1.8 million in upgrading the Colorado property, $1.3 million in the Utah ranch and $900,000 in the New Mexico location, according to Ellis. The remaining two properties the fund purchased likely won't go on the market until next year.

Pickens, a longtime friend of Ellis, is an SRC partner and acts as one of Ellis's advisors on the project.

Double-Edged Sword

Ellis noted "it's a seller's market" for trophy ranches. While that's good for SRC and its investors, that same seller's market is proving to be a double-edged sword. SRC has yet to officially launch its second fund precisely because of a scarcity of properties that meet its strict criteria for value, size, location, scenic beauty and availability of on-site water resources.

"I'm looking for acquisitions but there just aren't any at the price point I want," said Ellis. "Sellers are much more discerning about what they will take."

SRC's planned second fund has a target raise of $50 million and, according to Ellis, attracting investors is not the problem.

Investor interest in a second SRC fund "is overwhelming but there's no reason to call capital on that, there's no reason to start deploying capital, and there's no reason to start charging a management fee when I'm not deploying it," said Ellis. "Until I find a reason to deploy that capital I'm not going to officially launch [the second fund]. I'm not going to start actively raising the money. My anchor is set and until I can come with an acquisition or two there's just no reason to get busy."

When SRC's second fund launches, it will look to acquire eight to 10 properties. Beyond the larger portfolio of assets and capital raise, Ellis does not plan to change anything about his strategy.

"Going forward, it's going to be very interesting. It's an asset class that people have accepted and shown great interest in as far as a real estate diversification," said Ellis. "It's been a great thing for us."