

Moving land

Appraisal firm predicts slow sales for ranchland

By LAUREN RUSSELL

Chronicle Staff Writer

The next year in ranch sales will be like “trench warfare” for weary brokers trying to rebound after a dismal year for recreation-property sales, Clark Wheeler, a Bozeman appraiser, said in his firm’s annual presentation to ranch brokers Wednesday.

Wheeler, of Norman C. Wheeler and Associates, told about 100 brokers from the Southwestern Montana Ranch Brokers that sales will probably remain slow for parcels of land larger than 1,000 acres, a sector of the market already struggling before the national financial crisis really took hold in 2008.

“It’s going to be like being in the trenches,” for brokers trying to sell these properties, Wheeler said. In general, sales volume will probably still be “very, very low.”

At its 2006 peak, ranchland in Gallatin County was valued at about \$14,000 an acre, Wheeler said, up from almost \$7,000 per acre in 2005. A year later, that number had dropped to about \$10,500 per acre, then \$5,400 in 2008. By 2009, sales of land parcels larger than 160 acres were averaging about \$3,800 an acre.

Losses in the value of this land range from 30 to 60 percent, he said. But he pegged overall value losses at 35 percent.

Despite the lower values, land still isn’t moving, Wheeler said. Some sellers aren’t lowering their list prices. The wealthy out-of-state residents, who historically make up about 90 percent of the ranch sales market, have disappeared. And the prices that these “unknowledgeable” buyers drove up still aren’t affordable for most Montanans.

Most of the parcels that have moved in the past six months are priced between \$10 million and \$30 million, he said.

“Our market has become so dependent on outside buyers and outside wealth that it has created a product that’s unavailable to locals,” Wheeler said.

The value of agriculture land, however, has remained relatively stable in the central and eastern parts of the state. And, according to the U.S. Department of Agriculture, cropland values are faring better than those of rangeland and pasture land, which have decreased by as much as 30 percent in the last year.

Wheeler also identified several trends he predicts will emerge in the ranch market this year.

New buyers will be looking to make more money off their investments by buying land with greater odds of appreciating, he said. However, fewer people will be snapping up large tracts of land for recreation and development purposes, uses that drove growth around Bozeman, Missoula and Kalispell before the start of the recession.

With the decline in land value, conservation easements are going to become less attractive to landowners, he said. Easements have depreciated along with the rest of the market, and in a time of fewer development pressures, their long-term regulations will cause buyers to pass over them in favor of less-restricted options.

The “saving grace” of the market this year, he said, will probably be land in limited supply, especially properties that border rivers or other water supplies.

“Those are the properties people want,” Wheeler said. “Those are the properties that are going to hold because they’re unique. There aren’t as many of them left.”

Greg Fay, of Fay Ranches, said that he thinks sales will improve in the next year as prices even out and buyers who want ranch land for “recreation, esthetics and a place to take their families,” begin trickling back into the market.

“The property that is adjusting to the market is getting interest,” he said.

The flagging real estate market is also driving out brokers, which Don Vaniman, an independent broker and president of the Southwestern Montana Ranch Brokers Association, said is a good thing for the ones remaining.

When the market was booming, people with little experience got into the ranch sales business to make quick money. But with the bust, the association’s membership has been cut in half, Vaniman said.

“It’s a good thing for the ones who are sticking with it,” he said.

Lauren Russell can be reached at lrussell@dailychronicle.com or 582-2635.



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