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Growth and Growing Pains for Vineyard Sales

Northwest producers are cashing out equity to finance expansion

by **Peter Mitham**



This 12.4-acre parcel of bare vineyard land overlooking Lake Okanagan just outside Penticton, B.C., is listed for just under US\$220,000, as land prices hold steady.

Vancouver, British Columbia -- The sluggish economy is prompting wineries in the Pacific Northwest to tap the equity in their holdings, buoyed by valuations taking their lead from California.

The recent launch by Sotheby's International Realty Canada, a division dedicated to marketing vineyard properties, highlights the phenomenon. Anchored by a portfolio of properties on the Naramata benchlands just outside Penticton in B.C.'s Okanagan Valley, the new vineyard division turned to Sotheby's affiliate offices in Napa and Sonoma for pricing guidance.

Naramata properties were tagged with listing prices from CAD\$250,000 (US\$228,400) per planted acre to CAD\$170,000 (US\$155,000) for an acre for bare land.

Sotheby's listings in other areas are lower. Two parcels of unplanted land totalling 240 acres in Kaleden, just south of Penticton, hit the market this week at an average of CAD\$50,000 (US\$45,150) per acre (a portion of the properties are unsuitable for vineyard planting, reducing the average value). Meanwhile, a 130-acre property on Vancouver Island with a winery and 15 acres of vines recently listed at CAD\$3 million (US\$2.7 million).

Speaking to *Wines & Vines* just before meeting with a potential client in Vancouver Island's Cowichan Valley this week, Sotheby's broker Maria Peters explained that a client's rationale for selling a property and desire for a quick sale -- or not -- will factor into list pricing. "You're going to see the premium for sure around Naramata, and then we're going to adjust downwards

for anywhere outside of that," she said.

Naramata vineyard sites are among the most expensive of Sotheby's current vineyard listings, because of the area's status as both a desirable grapegrowing area and tourism destination. But many of Sotheby's property listings have hit the market in order to fund the operation and development of the region's fast-growing wineries. Peters sees this as an emerging trend.



This thriving vineyard is one of the Homan Lang properties listed with Sotheby's in the Naramata benchland.

She expects the B.C. industry, which has doubled to more than 160 licensed wineries within the past decade, to begin consolidating in the coming years, as owners who entered the business seek to realize the equity they've built up or sell to owners better able to handle the business.

"I think a lot of people go into it because it is such an alluring ideal of a lifestyle, but they become less enamoured with the fact that when you boil everything down, it's a farmer's lifestyle," she said. "A beautiful farmer's lifestyle, but it's hard work and it costs a lot of money in infrastructure and marketing."

Holman Lang, one of the single biggest groups of wineries in the South Okanagan, with more than a half-dozen wineries to its credit, is a case in point. It has listed several properties including its Stonehill and Mistral wineries with Sotheby's, in a bid to consolidate and refinance its successful business. The two wineries have been attracting interest from as far away as China.

Washington state vintner David Groth pursued a similar strategy last fall when he sought to sell a portfolio of 19 parcels totalling more than 640 acres in the Horse Heaven Hills AVA at auction. Despite strong demand for the grapes, Groth told *Wines & Vines* at the that proceeds would help reduce debt and fund a planned conference and retreat center adjacent to his [Canyon's Edge Winery](#).

Meanwhile, broker [Mike McLain](#) of Albany, Ore., (also owner and winemaker at [Springhill Cellars](#)), said buyers acquiring vineyards and wineries for lifestyle reasons have virtually disappeared during the past two years. Back in 2007, they were accounting for about half the transactions he was handling.

But if the number of transactions has decreased slightly in the past year, the dollar volume hasn't, as long-time industry people step in to take advantage of listings that are coming to market. Two of McLain's current listings are properties whose owners are coming to terms with the fact that it's not as easy to turn a profit in the wine business as they had anticipated.

The value of vineyard land in the northern Willamette Valley is running between \$10,000 and \$35,000 per plantable acre, depending on location.

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