

# COMMERCE DURING COVID-19

Land and real estate in Central Kentucky remain in demand



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## Central Kentucky real estate marketplace strong during pandemic

BY EVAN HAMMONDS

**MANY BUSINESSES HAVE BEEN AFFECTED** by the COVID-19 crisis over the past few months, but the beat goes on in the Thoroughbred industry. The breeding season, in full swing as other areas of commerce were shut down in mid-March, trudged on. Racing in pockets of the country continued, and so, too, did activity in the real estate market, especially in Central Kentucky.

After all, farms and farming are considered “essential businesses” in the Bluegrass State, and with relatively low numbers regarding confirmed COVID-19 cases—compared with some other states—Kentucky has been viewed as a safe haven. And it’s not just land that has been moving: New construction and renovation work have remained robust so far in 2020.

“The first part of the year—January, February, and the first part of March—it was really active. The economy was good, but obviously when the stay-at-home orders and travel orders were put in place, it slowed down,” said Bill Justice of Justice Real Estate. “The surprising thing is that the smaller farm, let’s say \$500,000-\$1,500,000 with a home in the country, those have been shown right

through March, April, and May. It’s very surprising.

“Last weekend we had buyers in here from Texas, Michigan, and California, and the California person ended up buying a place I had just listed. I’ve waited until the restrictions were released as far as travel goes before I put some of these smaller places on the market. We sold a 77-acre horse farm that we had listed for \$1.15 million in a week.”

Zach Davis of Kirkpatrick & Co. confirmed that his business has picked up with requests from outside the Bluegrass.

“The world has changed more in the last 90 days than anyone could have imagined. Thankfully, Kentucky seems to be proving a safe haven from some of the more tu-

multuous areas where people live,” he said. “Of the transactions we have closed since March, every single buyer has been from out of state—every single one.

“For example, I sold a farm on Russell Cave Road; it was one of the last remaining ‘family’ farms that hadn’t been hyper-developed into a Thoroughbred farm. I sold it to an entertainment lawyer from Beverly Hills, Calif. He called me last year and said, ‘Zach, I have to get out of Southern California and Kentucky seems to be an appealing place...what do you have?’ I thought this farm was what he wanted. We wrote that offer in August with a delayed closing to give the sellers time to vacate. He came into town in the middle of March—we were going to close at the end of March—and on March 16 he and I were on the farm and I looked at my phone and saw that the world was melting down and told him he should consider closing soon.

He looked at his phone and he said, ‘That’s probably a good idea.’ We closed at 10:30 the next morning. The county clerk’s office had closed the day before so the attorney had to figure out how to record the deed. It was a learning curve that none of us could have anticipated.

“A week or two later he called me and said, ‘I can’t wait to build my house on the back of that farm and run away to Kentucky where I feel perfectly safe.’”

If anything is affecting the market in Central Kentucky, it’s product.

“It’s been a factor; I’d say we’re running at two-thirds speed because as a residential and rural residential market, we have very low inventory,” said Tom Biederman of Biederman Real Estate & Auctioneers. “When something comes on the market, you better jump on it because there are people out there...there are a lot of buyers out there. It’s definitely a seller’s market.”

Biederman also said the larger operations traditionally don’t trade hands that often this time of year.

“It’s spring, so there’s not a lot of farm activity due to breeding and foaling season. Also, I think there is a lack of quality farms for sale. For the most part several have been on the market for a long time. We had a great year last year, but as far as big farms selling...it’s been a little slow. From my point of view, it means the people believe the horse business is strong and nobody is in trouble.”

### COVERED UP

The way property is shown and presented has changed dramatically over the last few months. A broker’s website and digital strategy are paramount amid the pandemic. Also, a broker’s strength, the dynamics of the one-on-one conversations while touring the Bluegrass or walking the

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Activity has been brisk from buyers outside Central Kentucky who are interested in purchasing the ‘smaller farms’

fence rows, has taken a turn.

“As far as online goes, whenever we list a farm, we have it professionally photographed and videoed,” Davis said. “In addition, we have any residences photographed in such a way that we can present a 3-D model online. I can email 3-D walk-throughs in addition to videos that I can take with my phone.”

As far as onsite visits, all brokers, and buyers, seem to be taking the pandemic in stride.

“We are wearing booties and gloves and masks and supplying those as needed. Most people are applying common sense, and I haven’t had any seller or buyer become upset over the protocols we’ve put in place,” Biederman said. “It’s easy to do because the whole country is doing it. It’s not an unusual thing to put on some gloves and a mask.”

Justice concurs.

“You are doing a lot of things digitally like sending brochures, showing aerial maps, soil maps. Buyers are looking at those things online first,” he said. “Let’s say John Doe wants to look at a farm. We will meet them—not put them in our car—but talk to them on a phone. If they go into a barn, they have to wear gloves and a mask, depending on the farm. If they go into a residence, we have lights on, doors open, closet doors open...it is wiped down

“

***Of the transactions we have closed since March, every single buyer has been from out of state—every single one.”***

— ZACH DAVIS

before and after, and we have them wearing masks and gloves and booties and ask them to touch as little as possible. We are practicing social distancing. I’ll stop in my car and stay 10 feet away while pointing out boundary lines.”

“It’s tough because social distancing goes against my nature,” Davis said. “I do my best work when I have a client in my car and we spend a few days together looking at properties. It helps me understand what the client wants even if he or she doesn’t realize it yet. When we show properties now, we are in separate cars. I’m losing that personal connection time. The great thing when you are looking at Kentucky farms, for the most part you are outside, so you don’t run the danger of being too close to one another and we’ve done OK with that.”

## ADDING ON

In addition to the land remaining a solid commodity in 2020 in Central Kentucky, the building business has remained steady for those adding new homes to existing acreage.

“We had a great backlog going into the COVID-19 crisis, and several of those projects were horse farms and those continued to progress nicely as we were considered an ‘essential service,’” said Greg Padgett of Padgett Construction. “There was a period where leads dried up right after the COVID-19 crisis came about, but people seem to be coming back around the last month. Things are doing really well, and we have several equine projects.

“The biggest problem we’ve had with those projects is that both are PDR (purchase of development rights) farms and the rural land management board has been unable to meet. There are several issues that need to be reviewed and improved before we can move forward.

“What’s interesting is that the people who are reaching out to us now are very serious about moving forward. We often deal with a lot of people who are ‘thinking about it.’ Those people aren’t calling due to this crisis. Everyone who calls now is really serious about moving forward.”

Padgett said about 50% of the company’s business is equine related. Most new construction takes place on properties that are 20 acres and up, with farm sizes in the 90-200-acre plots as their usual layout.

“Depending on the status of their plans, whether they have plans or need to get them drawn, there is a four-week to five-month planning process. After that, a lot of it depends on the scale of the project; in general terms, it is a 12-month build-out. More substantial projects can take up to 1½ years; smaller ones can take a lot less.

“We do do some renovations to structures. We did have two projects that were renovations to existing structures that the owner was occupying. One was an elderly client who elected to put the project on hold until all of this is resolved, and the other wanted to hold it temporarily but is

now willing to move forward.”

## MOVING FORWARD

The COVID-19 situation has most other businesses changing gears and retooling. The horse business is no different. More real estate activity takes place in the summer and fall, and in Central Kentucky, the second half of the year figures to be a flurry of activity. In addition to Fasig-Tipton's traditional July select yearling sale being moved to September (along with the company's Saratoga auctions being moved to Lexington), there is Keeneland's deep September yearling sale that will come after a rescheduled Kentucky Derby Presented by Woodford Reserve (G1). And, hopefully, Keeneland's fall race meeting will be followed by the Breeders' Cup World Championships. Those activities figure to bring a lot of people to the Bluegrass.

“I expect the fall and winter will be very, very active and very good for farm real es-



AMY MCGLOTHLIN

### Developed farms demand a premium regardless of market conditions

tate,” Justice said. “We're actually holding off on a couple of new listings until we get a sense when those people will come in; and not knowing when.”

**Biederman said: “The second six months of the year will be very busy for a lot of people; they are going to pack a year's worth of activity into six months or less.”**



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There are a few farms out there on the horizon that I think will be offered in the next six to 12 months. Those farms will get a lot of attention.

“The horse business is going to remain strong. The appetite for quality racehorses is very high, and I think that will spill over into the real estate market. Quality horses and quality real estate will remain a great commodity.

“Interest rates are so low, all over the country, for farms, residential, rural residential...everything. I don't think there is going to be a lot of pressure on farm owners or landowners to make a change.”

While all brokers asked here said the market is strong, it, of course, hasn't lifted all boats, and overall the national economy is tumultuous.

“The other conversation I've had with sellers is: If I couldn't sell your property in 2019 at a certain price, there is no way it is

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going to sell at that same price in 2020,” Davis said. “That sounds like common sense, but to some individuals, they don’t see, yet, the changes that have occurred in our world. It will sell if the presentation is there and the price is appropriate, but buyers today are savvier than they have ever been before.

“We’ve had a few cash offers come in over the last 60 days, and I’ve leaned heavily on my sellers to strongly consider them...more so than I would have last year. The numbers may not be what we want them to be, but I think a dollar in today’s market is worth more than a dollar in 2019 when somebody was putting cash on the table.

“Real estate appraisers look back—they look at what things sold for; it’s my job as a farm broker to try and look around the corner. I’m not always right, but I have to do my best. Look at how the world has



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— TOM BIEDERMAN

changed over the last 90 days. We were here in the crash during the 1980s, and, of course, we were here for the crash of 2008. We’ve done this before, and our clients,

thankfully most of them, take our counsel for what it is worth.”

Regardless of worth, acreage in Fayette County and surrounding counties is regarded as the world’s finest land for raising horses. All of our agents agree:

“Central Kentucky has a wonderful cost of living; we have excellent health care and excellent cultural scenes, fabulous dining...and again, I have clients that could live anywhere in the world and they choose to live in Central Kentucky,” Davis said.

“Land is always a good investment,” Justice said. “Central Kentucky is the horse capital of the world. People still want to be here.”

**“The people that own real estate in Central Kentucky are serious about it,” Biederman echoed. “They bought it for a reason; it has a purpose, and that purpose hasn’t changed.” BH**

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