

# TAKING FLIGHT



Central Kentucky real estate has been a hot commodity during the pandemic

## *MIGRATION FROM CALIFORNIA, RETIREES DRIVE EQUINE FARM MARKET IN CENTRAL KENTUCKY, VIRGINIA*

By EVAN HAMMONDS

**T**HE WAY BUSINESS is conducted has changed dramatically since the COVID-19 virus swept the globe with earnest a year ago. The pandemic has also changed many businesses.

One market segment that has seen a dramatic uptick in the U.S. is residential real estate. The market in Central Kentucky was on fire by the end of 2020, with the Lexington-Bluegrass Association of Realtors reporting a record year.

For the record, LBAR reported transactions were 8% ahead of 2019 figures. Single-family home sales advanced to 1,194 from 994 and the average price rose 11%. Both are records. While the residential market was hot, so too

was the market for the horse farms and open space that ring the cities of Lexington, Georgetown, Paris, and Versailles.

“We had a very good year, even with COVID,” echoed Tom Biederman, who is the principal of Biederman Real Estate in Central Kentucky. “A lot of people are moving here either escaping high taxes or looking for a place where they feel comfortable living. They wanted their family to be safe and enjoy the lifestyle, but also have a place where they can get away from it all. Central Kentucky offers that.”

Biederman wasn't the only real estate outfit that had a good year. It apparently was one for the books.

“Over time you learn how your year is going



True 'turn-key' operations, ones that require little refurbishing or building, are highly sought after

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—TOM BIEDERMAN

to go,” said Zach Davis, president and principal broker for Kirkpatrick & Co. “It’s cyclical and things tend to happen at certain times of the year, and up until 2020 I could take that to the bank. When it came to scheduling and when it came to just about everything else, 2020 broke every rule in the book. Typically, I would tell my sellers from Thanksgiving week to March 1 I would not anticipate any showing or activity. We’ve been doing this a long time; we’ve learned that’s a dead time. I can’t tell you how many transactions I closed in December 2020 because we put them all under contract in October and November and they all wanted to get them done by the end of the year. They were almost all cash transactions and half of them were sight unseen.”

Bill Justice, of Justice Real Estate, is a bit more understated and put it rather succinctly: “It didn’t stop last year. The smaller farms...smaller acreage...there is more demand than supply.

“There was a realtor who sold one of his listings that wasn’t on the market...and the buyer bought one of my listings that wasn’t yet on the market. Both sales were in the \$3 million range. Our farm market is pretty healthy.”

The farm market is indeed healthy, but other factors in 2020 came into play for the heat in the market.

“Twenty-twenty was the year of the flight from California,” Davis said. “I always ask people, ‘What brings you to Kentucky? Why are you leaving California, specifically?’ The answer was always one of a few things—environmental—they had to get away from the wild fires, flooding, or

TOP AND LEFT: COURTESY BIEDERMAN REAL ESTATE



“*PRESIDENT BIDEN’S ECONOMIC POLICY AND TAX POLICY... CAPITAL GAINS.. THAT’S GOING TO HAVE AN IMPACT.”*

—BILL JUSTICE



“*INVENTORY REMAINS VERY TIGHT, AND THAT’S NOT NECESSARILY A BAD THING. IN INSTANCES WHERE WE HAVE A LOT OF INVENTORY, SOMETHING BAD HAS HAPPENED... LIKE 2008.”*

—ZACH DAVIS

the drought. Number two is tax policy. If you can afford a Kentucky horse farm, California is going to come down on you pretty hard every April 15. The quality of life in California has disintegrated. The air quality, the water quality, and the just going downtown and going out and having dinner isn’t what it used to be. They come to Kentucky...they walk around downtown Lexington...the air is clean; the water’s clean; it is just a nice place to be.”

It’s not just equine properties in Central Kentucky...Californians and buyers from larger metropolitan areas are also seeking equine properties in Virginia.

“There has been a huge increase in interest in rural properties since the onset of COVID. It’s driven by a whole number of factors, but first and foremost, people want a more rural setting and to get out of cities,” said Alex Webel, a Charlottesville, Va.-based broker with Hall & Hall.

“It seems like right now a lot of people in California who have an interest in rural land are rethinking whether they want that landholding to be in California or maybe elsewhere. Naturally they look east and then southeast to Florida to places where there are established equine facilities.

“No doubt for Virginia; Washington, D.C.; and New York... a lot of people are coming from those areas as well.”

Flight from California is a key driver of the current market. So, too, is retirement.

“I sold a house on some land to a couple. They originally were in Houston and had a house in San Diego. The wild fires along with the tax policy drove them out of San Diego,” Davis said. “He sold the house in San Diego for a record price, and there were embers in the air from the fires.

“They wake up every morning now and Spendthrift Farm is right across the road from them. They wake up every morning and see Mr. (B. Wayne) Hughes’ farm and they are pinching themselves. The couple has horses and he enjoys the game. He’s earned his money and that is how he enjoys spending it. He’s the kind of guy I love bringing to Lexington. He’s vested here and his horses are here. He trusts Kentucky horsemen to raise those horses for him, and they are happy to be here.”

Most consider the “equine” market to mean “Thoroughbred” market, especially in Central Kentucky, but that’s far from the truth.

“There are a lot of other horses in Central Kentucky and a lot of people who do different kinds of horses,” said Biederman. “I would say it was stronger last year during that area of ‘other horses’ or ‘non-Thoroughbreds.’

“Sport horses...that can also include Standardbreds. What a lot of people don’t realize is that Lexington is also the horse capital for Saddlebreds.

“In the Versailles area I sold a property for more than \$3 million to a Saddlebred woman and sold another property 18 months ago to a Saddlebred woman; a very nice,

high-dollar property. I also sold a nice farm to some people from California whose daughter goes to the University of Kentucky and is in the equine program. They love it here. She wanted to come here because she loved Kentucky, and they came here, looked, and ended up buying a farm, one to escape some high taxes and also the lifestyle is one they can enjoy.”

Another big driver of equine real estate in Central Kentucky is the Kentucky Horse Park, home of the Land Rover Kentucky Three-Day Event (formerly the Rolex event). The high-end program for top three-day eventers was canceled last spring due to COVID-19 and had been canceled for 2021, but the event is now back on for April 22-25.

“I n 2019 the sport horse people were driving the bus,” Justice said. “Hopefully, those people will come back into the Central Kentucky market. That should bring in participants and owners again, which will help the real estate market.”

Justice sees that window from late April to early July as an additional bump start to the market, hopefully bringing in international buyers as the world transitions from the COVID-19 shutdown.

“There will be demand for that large, commercial farm when the principals start coming in,” he said. “And typically our real estate farm activity coincides with the sales rather than with the racing. Our first major sale is Fasig-Tipton’s July (yearling sale), and that will be the measure if the pandemic slows down enough for people to travel here for it.

“President Biden’s economic policy and tax policy...capital gains...that’s going to have an impact,” he added. “We don’t know how that is going to shake out.”

What has shaken out over the last few years of a seller’s market has been prices. What is available these days at different price points? Starting at \$1 million:

“It’s really hard to be general...we sold a very nice 72-acre farm for \$1.25 million that had a 2,600-square-foot house, 13-stall block barn, a four-stall barn, and a good location,” Justice said.

Biederman noted that end of the spectrum is extremely tough to buy into.

“There are several properties around the \$1-2 million range, but most of them are too small to be a commercial property and they are not located well enough for the hunter/jumper people.

“Finding a good-enough house on smaller acreage can sometimes be difficult,” he said. “I tell a lot of clients: unless you are willing to spend retail dollars, which many of them are, you are going to have to build something. You are going to have to build a barn or build a house. You are going to have to do some work. The perfect 100-acre farm is a needle in a haystack.

“A nice farm with good improvements that are in reason-



**Having high-quality barns on the property adds to the value; most buyers in today’s market don’t want to spend time on construction**

ably good condition and has a nice-enough house for an owner can cost \$3.5-\$10 million. That sounds like a lot, but construction costs have exploded.

“There is a good market for a 200-acre, 300-acre finished horse farm that a boutique breeder can go out and enjoy and live on. They are going to cost \$5-6-7 million.

“Most people prefer to buy a turn-key property, but I’ve said that for the last two years,” Biederman continued. “People don’t want to come here and spend a year fixing a property before they can move on it. There are



outliers, like Terry Green at Jackpot Farm. He bought a beautiful property and built it from scratch, but it took him two years basically before he could put a horse on it. The term ‘turn-key’ may seem expensive until you add the time elements.”

The same is true in Virginia.

“People are drawn to established communities for all of the obvious reasons,” Webel said. “Middleburg is always at the top of that list that is really desirable, then Charlottesville as well; it’s a little larger city for central Virginia—more infrastructure, more jobs, more schools.”

Properties in the range of 100-200 acres now can cost anywhere from \$3 million to \$10 million, depending on location and improvements...if you can find one.



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**Left: Nydrie Stud in Virginia offers a sizable farm and historic buildings; right, several supersized properties are on the market in Central Kentucky**

“Inventory remains very tight, and that’s not necessarily a bad thing,” Davis said. “In instances where we have a ton of inventory, something bad has happened...like 2008. We had all kinds of farms, and we couldn’t give them away. For inventory to be low, that is an indicator of a healthy market.”

“I had some people here a few weeks ago that had a budget of \$4 million, and we couldn’t find anything they liked,” he said. “They went home and said, ‘OK, we’ll increase our budget to \$6 million.’ One thing buyers face is a little bit of a learning curve. There is some perception that they can come to Kentucky with that kind of budget and get what they want. They don’t realize that there are people in Kentucky that are just as wealthy, if not far wealthier, that have no interest in selling, no desire to sell, and don’t need to sell. I had one buyer/client express his frustration with me saying, ‘I’m sitting at the table with my checkbook open and nobody will take my money.’”

“You have to play the long game. You can’t walk in and say, ‘Name your price.’ Kentucky, specifically Lexington, is different. It drives my buyers and their accountants and lawyers crazy because they say, ‘Why is he buying this? Why is he spending more than he would?’ The answer is he wants it.”

On a much larger scale, there are the supersized properties, such as Adena Springs, near Paris, Ky., on the market.

“That is a huge property,” Biederman added. “There are not many of those for sale...and not many buyers. Although one will appear.”

“When I list a larger farm, people always ask me, ‘How long is it going to take me to get this sold?’” Davis said. “The answer is: either 30 days or a year. If you look at the stats, it follows a trend. (Mentor) Arnold Kirkpatrick always told me nothing short of a year can be considered ample marketing exposure. Sure enough, it has held to that for the larger operations.”

LEFT: COURTESY HALL & HALL; RIGHT: COURTESY BIEDERMAN REAL ESTATE



One large property in Virginia, the 580-acre-plus Nydris Stud offered by Hall & Hall is under contract. The draw, of course, its character and history.

Big operations or small, the market in Central Kentucky for the foreseeable future figures to see a multitude of buyers battling each other for desirable properties once, and if, they come on the market. The stakes remain high, but it's not a game for everybody.

"The horse business is hard," Biederman reminded. "You have to really want to own a horse farm, and thankfully we have a lot of people that enjoy owning their own farm and raising their own product and being a farmer that puts that product on the market. We are lucky that way." **BH**



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