



# LONG GREEN

Economy,  
expansion,  
and sport horse  
enthusiasts spur  
Central Kentucky  
real estate market

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BY EVAN HAMMONDS

**A**NY PLAYER IN THE THOROUGHBRED business can tell you the market for high-end bloodstock has improved dramatically over the last few years. The national real estate market has been pretty hot during the same period as well, with steady economic tailwinds also helping fan the flames for the equine property market in Central Kentucky.

“I’ve been doing this for years and this has been the busiest spring I’ve ever had,” said Bill Justice, who operates Justice Real Estate. “It’s across the board. It’s the economy...it’s good.

“People who want to move to Central Kentucky need, or have, to sell a farm before they come here. What we’ve found in the last couple of years is they are now able to get their farms moved. There have

been several transactions recently from people that have been looking for years but either needed, or wanted, to move their properties before coming here. I attribute a lot of that to the economy.”

Justice isn’t the only agricultural broker in Central Kentucky who has been kept busy over the last five years. Since the country came out of the Great Recession, demand for prime Bluegrass land



PHOTOS BY ANN M. EBERHARDT

has been strong.

“Back in 2014 I said I was pretty optimistic about the next 10 years. Five years have passed, and I continue to be optimistic about the next five years,” said Zach Davis, who heads Kirkpatrick & Co. “What we have seen, like in many other industries and many other pursuits, is it really does start at the top. The larger players in the sport right now dictate the farm market in Central Kentucky, whether they know it or not.

“The ‘1%’—and Thoroughbred farm owners are in the ‘1%’—are tepid when it comes to the Dow Jones Industrial Average, and they are worried about very real things like tariffs. God forbid there should be any conflict with other

countries...and the national debt is a significant worry to a lot of people. Land continues to be a favorable investment.”

Justice points to the price of horses at the upper end of the market and favorable tax laws as driving forces.

“There is still some emotion that goes into buying a farm, but the tax laws have been very beneficial to the writing down of horses, equipment, and things like fencing,” he said. “The sophisticated people look at that.”

While larger properties take longer to sell due to cost and the relatively few number of people who can play at that price point, farms of all shapes, sizes, and amount of improvements have

been changing hands of late.

“The upper end of the market—which would be \$4.5 million and up—has really been relatively active because you have buyers who can afford that without really thinking twice about it,” Davis said. “They feel very secure about buying farmland in Central Kentucky. We sold (Southern California horseman) Mick Ruis the 305-acre Woodford Thoroughbreds (in April). Mr. Ruis had purchased Chestnut Farm from us last year, which is 163 acres. He wanted more space...he wanted more land. When we showed him Woodford Thoroughbreds, which is exquisite and highly improved, we struck a deal on that and he bought



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every truck, tractor, trailer...everything on the farm. We frequently structure deals like that because when buyers come into town they want a farm, they want to close on it, and they want to be up and running immediately.”

Tom Biederman, who runs a real estate brokerage in Lexington and is also an auctioneer, notes international buyers, mainly from South America, continue to make waves in the local market. The Heller family’s Don Alberto operation and Oussama Aboughazale’s Haras Sumaya have made major acquisitions, as has Benjamin Steinbruch, who purchased the late Barbara Hunter’s Brownwood Farm.

“The market has been really strong for the last seven years,” Biederman said. “It follows the trends of the horse business. It really has taken off. It’s not only from the Thoroughbred side; the sport horse business is taking up quite a bit of land. It’s a supply-and-demand issue. There is a lot of land here in Central Kentucky, but there is only a finite number of spectacular acres. Not all of it is perfect to raise the kind of horses people want to raise.”

And that’s a key factor when it comes to making a purchase.

“Some buyers are naïve in regard to what it takes to run a farm,” Biederman said. “The biggest problem in the horse business—and all over the world—is labor. It’s very difficult.

“The other thing is the quality of the land. There are pockets inside the Bluegrass where it might not be the best place to raise horses. There is plenty of land in the area that looks pretty, but the old-timers didn’t raise horses there...and there’s a reason for that. Outsiders will come in and say, ‘Why is that land \$12,000 an acre and down the road it’s \$25,000? What’s the difference?’ It’s like Napa Valley; There are patches of Napa Valley that are spectacular and they’ve been growing grapes there for 100 years, and there are parts of Napa Valley where they’ve been growing grapes for 10 years because the old-timers chose that land last. It’s the same thing in the Bluegrass.”

Beyond the economy, the two driving forces in the real estate market now are the expansion of the larger outfits and an influx of people from the sport horse business.

If a farm or acreage comes on the market and it adjoins one of the larger stallion opera-

tions or farms, those concerns have a serious interest in buying it.

“The Brad Kelleys of the world...anything that is touching him, he’s buying,” Justice said.

Kelley, who made a splash when he purchased the 760-acre Calumet Farm in 2012, has continued to add to his Central Kentucky portfolio, as have Summer Wind Farm, Mike Rutherford, Fred Hertrich III, and Denali Stud, to name a few.

“You are getting an expansion of the established people,” Biederman said. “The people that do it well get bigger. The larger farms are getting larger. Brad Kelley added more than 1,500 acres in the last three years with the purchase of a Three Chimneys Farm property (the old Padua) that was 900 acres, and he also bought Fares Farm, so he’s continued to expand. He has 3,000 acres within two minutes of Keeneland.”

That, in turn, pushes everybody out a bit more.

Davis noted he recently sold a farm to Maurice Regan (Newton Anner Stud) that was neighboring his farm.

“I reached out to him and he indicated an interest,” Davis said. “We spent a few hours going around the farm in a 4x4, and he ended up acquiring it. I think for him it brought a lot of security knowing that his immediate neighbor—278 acres that he can see from his farm—is secure. It is right behind Keeneland and adjoins his farm on Pisgah Pike. With that location he doesn’t have to worry about his investment.”

The sport horse market is also a driving force in Central Kentucky. Farms and acreage around the Kentucky Horse Park are perhaps the hottest area.

“There isn’t as much impulse buying in the Thoroughbred business, but what is solidifying is the hunter/jumper business. Those people are starting to buy again,” Justice said. “You find more and more of those who have been renting here are actually buying here.”

“The sport horse business is just on a huge growth curve,” Biederman said. “They like to come to Kentucky as their summer base and from here they can ship to Ohio, Pennsylvania, and places like Devon. It is only four or five hours from the Lexington area to a lot of horse shows; plus, the Kentucky Horse Park is here.”



There is a big difference in the cost of raw land versus improved land

And there's a twist.

"More and more sport horse people are beginning to produce sport horses," Biederman said. "So many people used to buy horses from Europe and other places, but now there are places here such as Lisa Lourie's Spy Coast Farm. She has more than 800 acres next to the Horse Park and she's producing 50-60 foals a year and has five stallions. I hear more sport horse people saying they are going to keep their best four or five mares and maybe breed out of them."

That, in turn, increases the demand for larger parcels. It's one thing to have a smaller training operation, but with breeding and raising horses, more land is required. Where 15-20 acres would once do, now sport horse people are looking at 50 or 100-acre properties.

Another key element to living in the Bluegrass is retirement.

"People are coming here to retire," Davis said. "And by retire, I mean buyers are looking for a nice house on 30-40 acres to play around with three or four horses...and that doesn't necessarily mean Thoroughbreds. These are people that have worked hard all their lives; they've planned, they've saved, and now they have an average budget of \$1-\$2 million to come to Kentucky and buy something they will enjoy for 10-20 years. Once the maintenance becomes more trouble than it's worth, or they are spending more money on landscaping than

they really want to, then they call us up and say, 'OK, I've enjoyed it; it's time for someone else.'"

Another factor pushing up prices for land is better planning and slower development of land, especially in Fayette and Woodford counties.

"The citizens of Fayette County have been very clear about where they want development in Lexington," Davis said.

In the land close to the Kentucky Horse Park, acreage can be parceled in five-acre tracts in Scott County and 40-acre tracts in Fayette County.

"There's always outward pressure," Biederman said. "A lot of land has been taken up by Jessamine and Scott counties, which want development, and that's fine because a lot of their land is not really horse land. People have to go somewhere, and I understand that."

Biederman points to the PDR (purchase of development rights) program in Fayette County that enables property owners to sell development rights to the Fayette County Rural Land Management board, as well as the Bluegrass Land Conservancy, as being positive steps in preserving greenspace.

However, not all properties are moving briskly. Davis sees one type of property that is a tougher sell than most.

"Conventional wisdom in the U.S. real estate market 10 or 15 years ago was to build as large a house as you could afford. Our buyers, at least over the last five

years, have really shunned large houses on farms. If it comes with it, OK, but it's certainly not something they are seeking out. If you have a nice, working farm that was well-laid out, well-designed, well-maintained, and it's in a good location... that's about as good as it can get. If it has a 10,000-square-foot house on it, a lot of buyers look at it as a liability.

"Big houses are hard to move. I tell people, 'This is going to be a tough sell' when they call me up for a listing appointment and they have a 10,000-square-foot house on 10-30 acres. People have come to realize they don't need a six-car garage. The taste of the buying public has changed."

But the demand for prime land to raise Thoroughbreds is there, and the bigger players are holding on.

"There are 20-30 billionaires that own land within a half-hour of downtown Lexington," Biederman said. "And they're not giving it up. They bought it for a reason...because it's the best place in the world to raise a horse."

"There's so much money and wealth here that owns this land, and the people that own it need to be respected. They take care of it. They pay the labor; they mow it; they make it what it is. We need to preserve it, and we need to honor the people that do preserve it because that's important to the whole fabric of Kentucky and the Thoroughbred business." **BH**

