

# LAND NEWS



FALL 2022 • ISSUE 30



From the desk of  
**MARC RECK**

Since our last newsletter we've seen a rapid increase in interest rates and no drought relief for most areas. These events, coupled with the time of year, mean that we're asked daily the questions below. Since many of you might also be interested, I wanted to share.

- ▶ **Are we entering a time period that's a repeat of the 80's?** I believe we're far from a repeat of the 80's. We're in a better position, and while interest rates are rising, they are still in the normal range. As long as commodity prices stay strong, and there's not a large accumulation of debt/rapidly escalating land values, I believe it will be a while before we ever see a repeat of the 80's. The properties that we have listed for sale are not being sold for financial reasons.
- ▶ **What are higher interest rates going to do to the land market?** We have become used to the below normal rates of recent history. However, the 7% range is what used to be normal for years. No doubt higher interest rates will dampen demand to some degree, but it remains to be seen how much and for how long. The bigger question might be – where/when does it stop both to borrow long-term for land but also for operating and equipment loans?
- ▶ **How is the drought going to affect land values?** With crop insurance, government drought assistance, and higher commodity prices on crops sold, most operators I have visited with say their year-end looks good. There remains interest in land mostly due to the limited availability for sale.
- ▶ **Are land values affected by the current economy, residential market, and stock market?** Agriculture remains a steady and stable industry within the economy, especially when compared to the above. Commodity prices appear to be staying strong. We're coming out of summer, where typically there are fewer land sales, and entering the sales season. This is when we'll start to see sales occur and have a better handle on what values are and how much interest there is in land.
- ▶ **Why are people buying land?** Buyers have all kinds of reasons, be it as a hedge against inflation, an opportunity to expand or as an investment. Many of the properties on the market—or coming soon—are the result of estates, and for many it's the first time in a very long time that land has been for sale.

In conclusion, for the most part I think land values will flatten. Some properties will sell above the market due to their location, the financial strength of interested buyers and the limited availability of property for sale in the area. Some more marginal properties may sell below the market due to their condition and location. My concern is what happens six months down the road - values may depend more on if commodity prices go down, if interest rates and input costs remain high, and the drought. In short, if you're thinking of selling—now is the time.

## WHAT PEOPLE SAY

*There's so much value in the level of expertise Marc and his team bring to the table. They know what they're doing, that's for sure.*

>>David Minshall

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# 1031 EXCHANGE BASICS

*This article is for informational purposes only and is not intended as professional advice; always consult your qualified advisors before making business decisions.*

We deal with 1031 exchanges quite frequently and receive many questions about them from Sellers and Buyers. Below is the definition, some of the basic rules, and how the process works.

*A 1031 Exchange is an investment vehicle established by the IRS to “defer” capital gains that would be realized and taxed when an investment property is sold.*

## BASIC RULES:

- ▶ Swap must be for “like-kind” property (investment property for another investment property). Primary residential properties are not eligible. However, the rules are flexible – agricultural land is considered an investment property so it could be swapped for commercial properties, apartments, etc. (or vice-versa).
- ▶ Proceeds from the sale must be held in escrow by a third party (a 1031 intermediary), then used to purchase the new property. If you’ve already received funds from a sale, it’s too late to do a 1031 Exchange.
- ▶ Two key timing rules must be observed – the first being the 45-day identification window. Potential replacement properties must be identified during this time period, in writing, to the 1031 intermediary. The next is the 180-day rule. You must be CLOSED on any potential replacement properties within 180 days of the sale of the old property.
- ▶ Reverse-Exchange: the process is done in “reverse.” This means that you would buy the property you want, then sell the property you currently own. The same timing rules apply. It is more costly upfront with higher fees but may alleviate the risk of not finding a replacement property within the designated time frame.
- ▶ There are rules about how long you must own the property before you are eligible for an exchange.

It is essential to know your potential tax liability when selling a property – this can help determine if a 1031 Exchange is right for you. Often the tax basis is a factor in this decision. Your tax professional should help you determine your tax basis in the land that you are considering selling. Most often, this will be the price that was paid for the land. However, if you inherited the land, you are likely currently eligible for a step-up in tax basis.

A step-up in tax basis example is as follows: if your property was purchased by your parents in 1985 and then you inherited the property upon their death in 2010, your tax basis would be the market value of the property in 2010 – not the price paid in 1985. On the contrary, if you were deeded the land from your parents without any consideration paid (did not receive the land upon their death), then the original 1985 tax basis remains and capital gains tax would apply to any appreciation from 1985 to the current date of sale.

Once the amount of capital gain is determined, the percentage of capital gains tax can vary depending upon your individual tax bracket and state that you live in. In all situations, if you are considering a 1031 Exchange, be sure to consult with a 1031 intermediary and your tax professional to determine eligibility, potential tax savings and possible issues.



*From the desk of*  
**BEN GARDINER**  
*Broker Associate*

## DID YOU KNOW?

*We get asked a lot of questions about real estate terms and knowledge. If there's a topic you'd like to know more about, let us know!*

### JOINT TENANCY

Joint Tenancy is the holding of property wherein each owner holds an undivided and equal interest in the property and there exists a right of survivorship. It is the most common form of co-ownership of property used by married couples. Upon the death of a joint tenant, his or her interest in the property passes to the surviving joint tenant(s). Joint tenancy must be specifically designated in an instrument of conveyance and is never presumed without such a designation. In Joint Tenancy, one owner can't simply sell their interest without the consent of all the other owners. Estate tax on the property is delayed when passed to another owner in the event of the death of one of the owners. For example, if the owners were married and one spouse passed away, the property would transfer to the surviving spouse with no estate tax. When the other spouse passes and the property is passed down to heirs the estate tax would then be applied.

### TENANCY IN COMMON

A real estate ownership arrangement by two or more people who hold undivided interests, without right of survivorship. Interests in the property do not need to be equal (each person can own a different percentage of the property). Each person is entitled to possession of the property according to their proportionate share and ownership interest in the property can be obtained at different times. Ownership pertains to the property as a whole and owners can't claim specific parts or aspects of the property. With Tenancy in Common there is no right of survivorship, and in the event of the death of an owner their interest passes to their heirs and not the remaining owners. Tenancy in common allows for owners to sell their ownership interest in the property at any point without the agreement of the other owners.

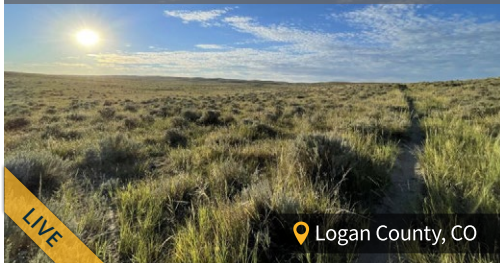


## FEATURED PROPERTIES

SCAN THE QR CODE  
TO VIEW  
ALL PROPERTIES



**CONDON RANCH  
LAND AUCTION - Nov. 3** 19,740± Ac



LIVE

Logan County, CO

**RITCHEY LAND & CATTLE ESTATE  
LAND AUCTION - Nov. 10** 3,671± Ac



LIVE

Arapahoe County, CO

**SCOTT IRRIGATED & DRYLAND  
LAND AUCTION - Oct. 27** 656± Ac



ONLINE

Phillips County, CO

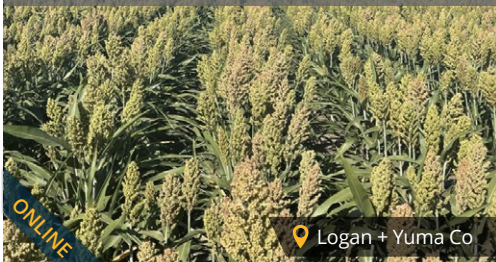
**NORTH ECKLEY IRRIGATED  
LAND AUCTION - Nov. 1** 154± Ac



ONLINE

Yuma County, CO

**ABE ELLIFF, INC. DRYLAND  
LAND AUCTION - Oct. 18** 1,118± Ac



ONLINE

Logan + Yuma Co

**SNODGRASS IRRIGATED  
LAND AUCTION - Oct. 20** 320± Ac



LIVE

Morgan County, CO

**EVERTSON WELL SERVICE  
COMMERCIAL PROPERTY** 12.6± Ac



\$960K

Kimball County, NE

**J&B WHITNEY FARM & RANCH  
COMBO** 2,739± Ac



\$4.825M

Morgan County, CO

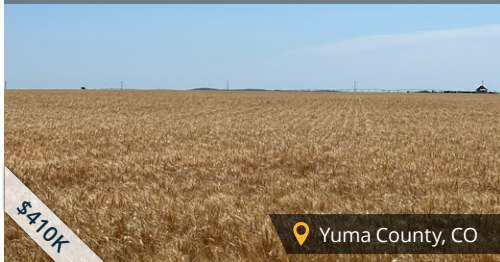
**SOUTHEAST SEDGWICK COUNTY  
IRRIGATED FARMS** 625± Ac



\$4M

Sedgwick County, CO

**CLARKVILLE DRYLAND** 318± Ac



\$410K

Yuma County, CO

**JCR FEEDLOT** 10,000± Hd



\$3.75M

Logan County, CO

**28783 CO RD L, BRUSH, CO** 407± Ac



\$800K

Morgan County, CO

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ADDRESS SERVICE REQUESTED

VISIT  
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AND INFORMATION  
ABOUT UPCOMING  
AUCTIONS



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## JOLENE BROWN SEMINAR SUCCESS

We had an amazing seminar on August 23 with world-class speaker, Jolene Brown! Over 250 participants learned from Jolene and our panel of experts –Mike Lauer (Accountant), Michael McQuillan (Attorney) and Pam Werner (Financial Advisor). Feedback from participants has been overwhelmingly positive – Jolene left the group with a fresh take on how to run a successful and high-functioning family business, what to address when considering transitioning to the next generation, and how to get started and/or keep moving on all of the above.

## HEY, FFA STUDENTS!

FFA Students in eastern Colorado and Western Kansas will again be able to apply for the \$2,500 Reck Agri Realty & Auction FFA Scholarship through the National FFA Scholarship application process - no additional application needed. In addition, Reck Agri Realty & Auction will be making a donation to FFA chapters in western Nebraska and eastern Colorado to help support their efforts. We're committed to supporting the future of rural America!

