

Cornhusker Economics

Evaluating the Impact of COVID-19 on Nebraska Land Auctions and Implications for Future Farm Real Estate Sales in 2021

The Nebraska Farm Real Estate Market Survey and Report 2020-2021 provides insight into recent trends on the market value of agricultural land and cash rental rates across the state. Each year, the special feature section from this report covers topics on new or emerging issues related to the agricultural land industry in Nebraska. These topics reflect interest expressed by panel members and readership of the Nebraska Farm Real Estate Market Highlights Reports. The special feature section in 2021 evaluates the effects of COVID-19 on Nebraska land auctions over the prior year and implications for this transaction method involving future agricultural real estate sales.

Land auctions might utilize public, online, or a combination of online and public transaction methods for real estate sales. The decision to utilize one of these methods may be influenced by the location of the property, attributes of the land, and potential bidder location or other characteristics. Limits placed on public gatherings due to COVID-19 influenced the ability to conduct traditional public auctions early on in 2020. Shown in Table 1 are the adjustments to land auctions indicated by respondents to comply with public meeting requirements.

As shown in Table 1, 59.4% of panel members reported an increase in the use of online or combination online and public auctions for the sale of Nebraska land auctions due to COVID-19 limiting community gatherings and related health concerns (Table 1). The change to fully online or combination public and online sales led to 17.3% of respondents indicating a decline in the use of public auctions. About 12.7% of

respondents indicated a delay in listing land for auction due to COVID-19 restrictions or other concerns arising from the pandemic. Only 10.6% of respondents reported public land auctions remained unchanged.

Table 1. Adjustments Made to Nebraska Land Auction Methods Due to COVID-19 in 2020

| Adjustment to Method | Response Rate |
|---|---------------|
| | Percent |
| Increased Online Auctions | 31.5 |
| More Combination Online & Public Auctions | 27.9 |
| Remained Unchanged | 10.6 |
| Decreased Public Auctions | 17.3 |
| Delayed Listing Land | 12.7 |

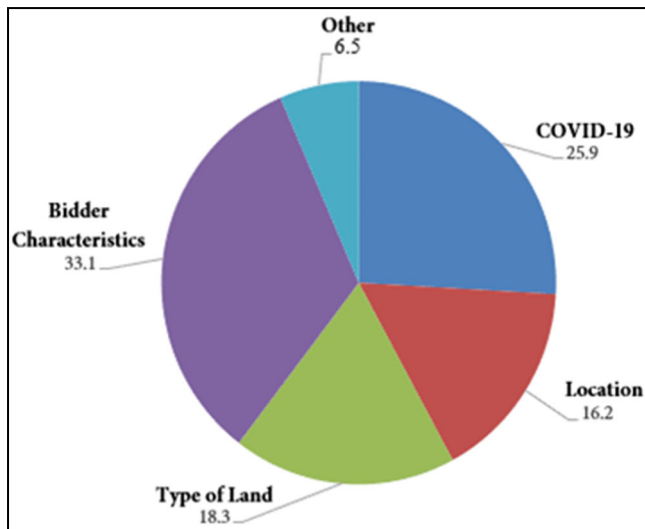
Source: UNL Nebraska Farm Real Estate Market Survey,

The decision to utilize either online or combination online and public auctions may also potentially increase the number of non-local bidders interested in a property. Online auctions increase the ability of non-local bidders to participate in live bidding without having to arrange for representation on their behalf. Panel members reported an increased interest in land as an alternative investment to hedge against inflation during the economic uncertainty of the pandemic relative to other opportunities.

Beyond the use of land for agricultural purposes such as crop production or grazing, panel mem-

also reported a renewed demand in properties for recreational activities during COVID-19. Many areas of Nebraska contain features conducive to these activities. The location of land with recreational potential relative to population centers may influence its demand or marketability. Figure 1 summarizes the major considerations for listing land through an online auction in Nebraska identified by the land industry professionals engaged in the transactions with buyers or sellers

Figure 1. Major Considerations Identified by Land Industry Professionals for Listing Land through an Online Auction in Nebraska



Source: UNL Nebraska Farm Real Estate Market Survey, 2021.

Technology allowed for land auctions to adapt during COVID-19 with changing forces and needs of buyers and sellers. Table 2 summarizes responses from panel members on planned adjustments for 2021 to be made with Nebraska land auction methods post COVID-19.

Table 2. Planned Adjustments to Nebraska Land Auction Methods Post COVID-19 in 2021

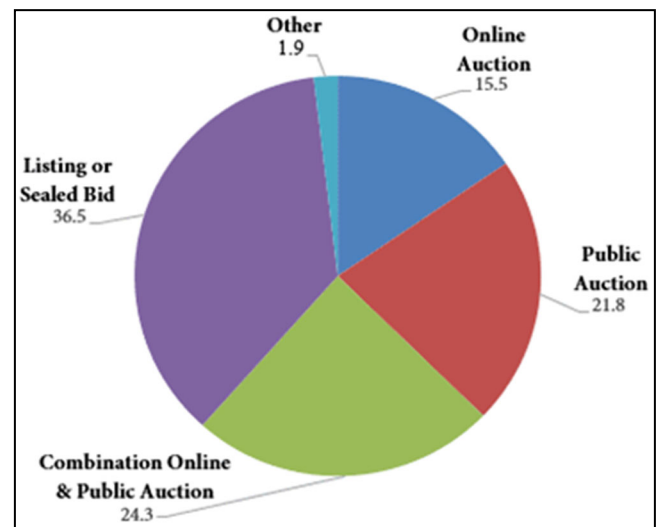
| Adjustment to Method | Response Rate |
|---|---------------|
| | Percent |
| Increased Online Auctions | 23.4 |
| Increased Public Auctions | 9.7 |
| More Combination Online & Public Auctions | 55.1 |
| Decreased Public Auctions | 8.6 |
| Decreased Online Auctions | 3.2 |

Source: UNL Nebraska Farm Real Estate Market Survey, 2021.

About 55.1% of panel members indicated that land auctions planned in 2021 for Nebraska will be more combination online and public auctions (Table 2). In addition, 23.4% of panel members indicated an increase in the use of online auctions. By contrast, only 9.7% of panel members indicated an increase in public auctions relative to online alternatives. A decline in public and online auctions accounted for the remaining 8.6% and 3.2% of responses. Overall planned adjustments tend to reflect a greater use of complete or partial online bidding technology for land auctions in 2021.

Beyond online or public land auctions, other transaction methods exist for the sale of farm real estate. Figure 2 summarizes the major transaction methods reported by panel members for land sales in Nebraska.

Figure 2. Transaction Methods Identified by Land Industry Professionals for Land Sales in Nebraska



Source: UNL Nebraska Farm Real Estate Market Survey, 2021.

Panel members indicated that listing or sealed bid at, 36.5%, was the most common transaction method for the sale of land (Figure 2). Combination online and public auction, at 24.3%, was the second most commonly used transaction method. Public and online auctions along with other sale methods accounted for 21.8%, 15.5%, and 1.9%, respectively, of land transactions in the state.

Bidder characteristics and COVID-19 were reported as the leading forces influencing the use of online or combination online and public auctions in 39.8% of land sales in Nebraska (Figures 1 and 2). The use of technology in land auctions may continue to evolve with changing preferences among buyers and sellers. Online bidding allows non-local bidders access to auctions that otherwise may not be accessible due to location. A renewed interest arising from COVID-19 placed an increased emphasis on purchases of land as a hedge against inflation and the recreational potential of certain properties across the state.

Survey results shown and discussed in this report are findings from the University of Nebraska–Lincoln 2021 Nebraska Farm Real Estate Market Survey. Complete results from the survey may be found at the Nebraska Farm Real Estate website: <http://cap.unl.edu/realestate>.

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References

Jansen, J. A. & J. Stokes. (2021, June). Nebraska Farm Real Estate Market Highlights Survey and Report. *Nebraska Farm Real Estate Market Developments Highlights 2020-2021*, 196, 1-64. Department of Agricultural Economics, University of Nebraska–Lincoln.

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