Міністерство аграрної політики та продовольства України

ДЕРЖГЕОКАДАСТР
ДЕРЕГУЛЯЦІЯ • ДІДЖИТАЛІЗАЦІЯ • ДЕТІНІЗАЦІЯ

KSE Kyiv School of Economics

LAND GOVERNANCE REVIEW UKRAINE

October 2021

Key land market statistics in Ukraine

Share of total land registered in the State Land Cadastre	72,7% (43,8 m ha)
Share of agricultural land registered in the State Land Cadastre	75,6% (32,3 m ha)
Average normative land value for arable land	27 520 uah/ha
Average rental price for agricultural land:	
State and communal land (land auction price)*	4 039 uah/ha
Private land **	2 117 uah/ha
Average sale price of agricultural land ***	42 354 uah/ha.
Total area of agricultural land used as a collateral	584 ha
Average number of sales transactions per day****	332
Average size of the land sales transaction	2,3 ha
Total number of sales transactions for agricultural land	30 137
Total area of the registered agricultural land sales transactions	68 842 ha

* - since 01.01.2021
** - average price as of 01.01.2021
*** - weighted average price for land sale transactions occurred since July 1,.2021 till November 1, 2021.
**** - does not include weekends

Agricultural land market in October 2021

In October, for the first time in four months since the farmland market's opening, the land market's growth rate slowed down significantly. If in August the market volume tripled, and in September - almost doubled, compared to the previous months - in October, the market volume grew by only 4% in terms of transacted area and only by 0.5% in the number of transactions. It may be a sign that the market is entering into a stable volume of monthly transactions.

One of the reasons for potential stabilization in the volume of transactions is significant improvement with availabilities of notaries ready to attest sale contracts. At the beginning of the market, there were problems with notaries not having access to the register. However, as of November 2, the vast majority of notaries (5172 notaries out of about 6500) already have this access. The procedures are optimized as well. In early October, the excerpt for the land plot is supplemented with additional information on the possible pre-emption right holders, making the notary's work more straightforward.

Most of the transacted land (64,4% of total area) is the land for commercial agricultural production (‘ua: dlia tovarnogo silskohospodarskogo vyrobnyztva’), the second largest land category is the land for individual peasant farming (‘ua: dlia osobystogo selianskogo hospodarstva’), 33% of the transacted area. Not significant share of transactions was done with land ‘for farming enterprise’ (‘ua: dlia fermerskogo gospodarstva’) - 1385 ha or 2 % of total transacted area. Other categories of agricultural land made up only 0,6% of the land market transactions. At the same time, the largest number of transactions was made with the land for individual peasant farming.

By the land type, most of the sales transactions were made with the arable land (85.5% of the sold land, by area), followed by hays & pastures (11.2%). The remaining of land transactions was with either a mixture of multiple land types within the same parcel or with other land types.

Ranking of the regional activity on the agricultural land market in Ukraine*

		# of sales	Area, ha	Area, %**
1	Kharkiv	2726	9817	0,407%
2	Kherson	1359	5769	0,293%
3	Kirovograd	1821	5867	0,289%
4	Poltava	2465	6244	0,289%
5	Sumy	2407	3938	0,232%
6	Khmelnystky	2099	3518	0,224%
7	Dnipropetrovs'k	1503	5509	0,219%
8	Vinnytsya	2331	3856	0,191%
9	Kyiv	2325	3009	0,182%
10	Volyn	1258	1894	0,181%
11	**Ukraine**	**30137**	**68852**	**0,166%**
12	Chernihiv	1536	3202	0,155%
13	Mykolayiv	856	3040	0,152%
14	Cherkasy	998	1759	0,121%
15	Zaporizhzhya	683	2395	0,107%
16	Zhytomyr	1042	1580	0,105%
17	Ternopil	715	1011	0,097%
18	Luhans'k	336	1739	0,091%
19	Donets'k	452	1726	0,084%
20	Zakarpattya	419	338	0,075%
21	Chernivstsi	400	282	0,060%
22	Lviv	744	621	0,049%
23	Rivne	593	428	0,046%
24	Odesa	493	1080	0,042%
25	Ivano-Frankivs'k	576	231	0,037%

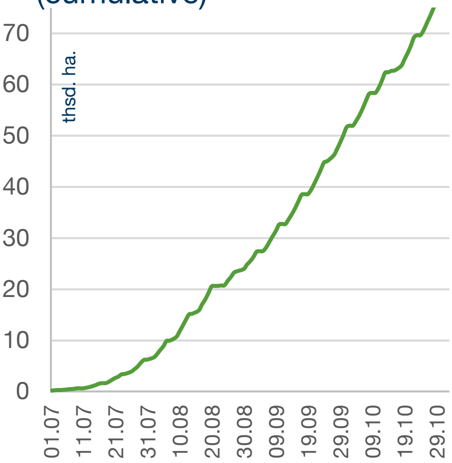
*-As of November 1, 2021

**- % of the total area of agricultural land in the region

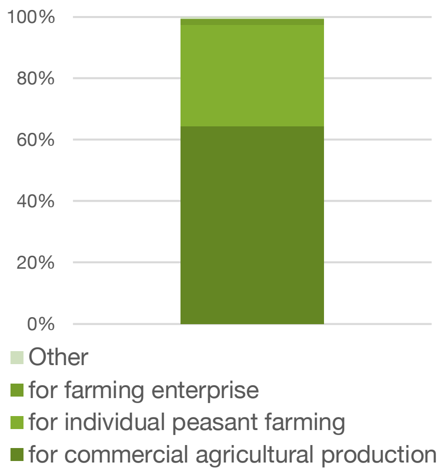
The most active region in terms of agricultural land market transactions, Kharkiv region, held his position. There were more than 2700 transactions made, accounting for 9,8 thsd. hectares or more than 0,4% of the farmland area in the region. Poltava region dropped out of the top three, moving to fourth place in the ranking, conceding its second place in the Kherson region, where 5,769 hectares were sold, or 0.29% of the region's area. In third place, as in the previous review, is the Kirovograd region. There are no significant changes in the lower part of the rating; Rivne, Odesa, and Ivano-Frankivsk regions remain outsiders regarding the percentage of land in circulation. In each of those regions share of transacted land to the total farmland in the region is approximately ten times smaller, compared to the leader of this month's rating - the Kharkiv region.

The total volume of land in circulation for the first four months of the land market amounted to 0.166% of the total area of agricultural land in Ukraine.

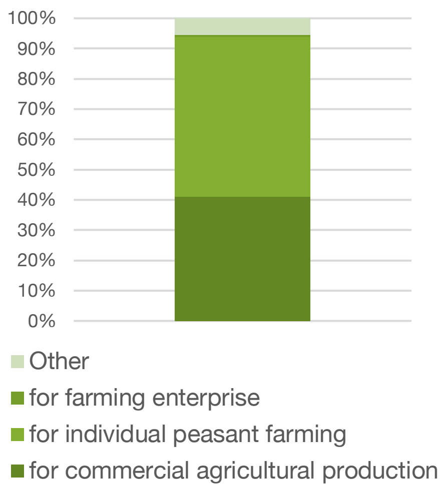
Daily number of transactions (cumulative)



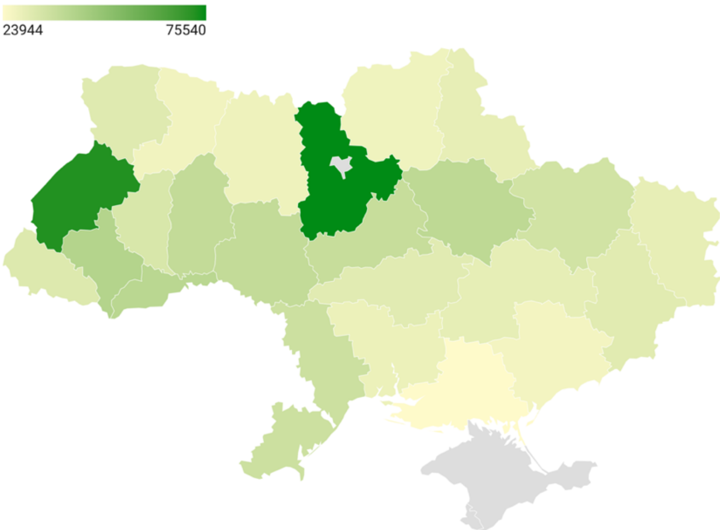
Purchase&Sale transactions structure by land purpose, % of total transacted area



Purchase&Sale transactions structure by land purpose, % of total transactions



Weighted average price of land for commercial agricultural production (uah./ha.)



Created with Datawrapper

Regional land prices: Land for commercial agricultural production

The most expensive lands with the intended purpose "for commercial agricultural production" ('ua: dlia tovarnogo silskohospodarskogo vyrobnyztva,' so-called "commercial" land) are located in Lviv and Kyiv regions. The regions with the cheapest commercial land are Kherson, Zaporizhia, and Rivne regions.

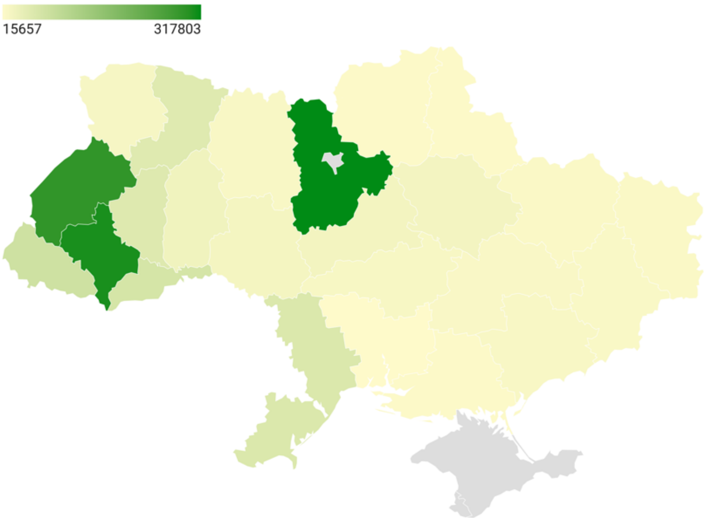
In general, we can see two factors that significantly affect average land prices in the region. These factors are soil fertility and real estate development's potential.

The weighted average land prices in the regions-leaders of the rating are substantially affected by the development potential. Setting aside regions where land prices are affected by the development potential, soil fertility is the key determinant of land prices. The most fertile lands in Ukraine, located in the central and central-western parts of Ukraine, are the most expensive. Thus, in Khmelnytsky, Vinnytsia, Poltava, and Cherkasy regions, the weighted average price per hectare of commercial land ranges from 37 to 40 thousand hryvnias per hectare.

As we already said, the average land prices in regions-leaders of this ranking are heavily affected by the development potential. While the median price in the Lviv region is is 39 thousand hryvnyas per hectare, the weighted average reaches 76 thousand due to the sale of some plots located near the city border of the Lviv city. These plots were sold for over half a million hryvnias per hectares, and the majority of these parcels are located within one field. A similar picture is observed for the Kyiv region. The only difference is that the cost of plots located near the Kyiv agglomeration can exceed one and a half million hryvnias per hectare. For example, two plots of commercial agricultural land in the Kyiv region, belonging to the Brovary City Council, with a total area of about 2.2 hectares, were sold for more than 3.9 million hryvnias amounting to almost 1.8 million hryvnias per hectare.

And the last factor that affects the average land prices in the region - is the typical size of land parcels. In the western part of Ukraine, the average parcel size is noticeably smaller compared to the country's central or eastern parts. Small parcels could lead to abnormally high per hectare prices even under the moderate transaction price. As a result, weighted average land prices in Ivano-Frankivsk and Chernivtsi oblasts are higher than in the most fertile regions of Ukraine - such as the Poltava region. The median size of the plot in Ivano-Frankivsk and Chernivtsi oblasts is about one hectare; therefore - approximately half of the parcels sold are smaller than one hectare. For example, in the Poltava region, the median size of land plots is 2 hectares, and the average - 2.53 hectares. Therefore, small plots can give a high price per hectare, even at a moderate sale price when calculating the price per hectare.

Weighted average price of land for individual peasant farming (uah./ha.)



Created with Datawrapper

Regional land prices: Land for individual peasant farming

As for land with a purpose "for individual peasant farming" ('ua: dlia osobystogo selianskogo hospodarstva,' OSH land), parcels with this intended purpose are typically much smaller compared to plots with a purpose "for commercial agricultural production." While the average parcel size of commercial land is about 3.6 hectares, the average plot size is only 1.4 hectares for OSH lands. The 25th percentile for the area of OSH parcels is equal to 0.3 hectares, implying that 25% of the smallest OSH parcels are smaller than 0.3 hectares. For comparison, the 25th percentile for the area of commercial land is 1.84 hectares. As a result, in per hectare terms, the average prices for OSH lands in the western regions of Ukraine will be higher since the average land parcels in these regions are the smallest.

In addition to the problem of small plots, OSH lands tend to have better locations for housing development. Compared to commercial land, OSH lands are more often located closer to settlements and cities, and in some places, are located within the town or village border. Since the price of land purchased for development will be substantially higher than the land purchased for agricultural production - this factor will drive up the average price of OSG land in the region.

Ivano-Frankivsk, Lviv, and Kyiv oblasts are the three leading regions in terms of the weighted average price of OSH lands. The Ivano-Frankivsk ended up in the top-three of this ranking because of already discussed factors - small average plot size (0.33 hectares, with a median value of 0.14 hectares) and a potential real estate development because of the large number of resorts and tourist places in the Ivano-Frankivsk area. Thus, 0.6 hectares in Vorokhta cost almost one million hryvnias, 0.39 hectares in Yaremche - more than 800 thousand hryvnias, and 0.42 hectares in Yablunytsia - more than 1.3 million hryvnias (Vorokhta, Yaremche, Yablunytsia are some of the most well-known tourist destinations in the mountainous area of Ukraine).

The cheapest OSH lands are in Mykolayiv, Chernihiv, Kherson, and Sumy oblasts. The weighted average prices for OSH lands in these oblasts do not exceed UAH 20,000 per hectare.

In general, OSH land prices are significantly lower than commodity land prices. In the most fertile regions of Ukraine - Khmelnytsky, Vinnytsia, Poltava, and Cherkasy regions, the weighted average price per hectare of OSH land ranges from 30 to 35 thousand hryvnias per hectare. In comparison, the weighted average cost of commercial land in these regions ranges from 37 to 40 thousand hryvnias per hectare. If we discard the regions with a small average size of plots, and areas where the weighted average prices are dictated by the potential of development - OSH land, on average, is cheaper than commercial land by 23%. The difference between the weighted average values of commercial land and OSH land ranges from 9% in the Khmelnytsky region to 37% in Kharkiv and 45% in the Mykolayiv region. This price difference is mainly since commercial lands are more attractive for agribusiness - they are larger and often have a better location for commercial agricultural production.

Lending with agricultural land as a collateral

	July 2021	August 2021	September 2021
Number of banks that lent with land as a collateral	4	4	5
Number of credits with land as a collateral	6	13	14
The total volume of credits, thsd. uah.	28600	14548	56084
The total amount lent to individuals, thsd. uah.	20600	14548	10405
The total amount lent to legal entities, thsd. uah.	8000	-	9579
The total amount lent to individial proprietors, thsd. uah.	-	-	36100
Breakdown by the term of the loan			
The volume of short-term loans (up to 1 year), thsd. uah	4 000	-	32 379
The volume of medium-term loans (from 1 to 5 years), thsd. uah	20 500	122	600
The volume of long-term loans (more than 5 years), thsd. uah	4 100	14 426	23 105
Weighted average credit interest rate			
For short-term loans (up to 1 year), %	16,0%	-	12,9%
For medium-term loans (from 1 to 5 years), %	14,2%	17,7%	15,1%
For long-term loans (more than 5 years), %	10,0%	12,8%	13,2%
The total value of the collateral, thsd. uah.	71218	40631	948586
The total value of agricultural land used as collateral, thsd. uah	28959	3272	12531
Other collateral, thsd. uah.	42259	37358	936054
% of agricultural land's value in collateral's value	41%	8,1%	1,3%
The total area of agricultural land used as collateral, ha.	470	53	61

Disclaimer: the table is based on the regular survey of commercial banks of Ukraine conducted by the NBU. The data in the table is not the official data of the NBU, it can substantially change over time due to low volume of loans secured by land, and should be taken carefully.

If you have any questions or suggestions regarding the Review, please send them to the e-mail address: Taras.dzoba@minagro.gov.ua or onivievskyi@kse.org.uas