



The Invincible
LAND



Land Market Review Ukraine

October 2024

KEY INDICATORS OF THE AGRICULTURAL LAND MARKET IN UKRAINE

Total land registered in the state land cadastre	44.9 mln ha (74.4%)
Agricultural land registered in the state land cadastre	33.0 mln ha (77.2%)
Average appraised monetary value of arable land	28,924 UAH/ha
Weighted average rent for municipally owned agricultural land plots (at land auctions)*	8,559 UAH/ha
Weighted average purchase and sale price of agricultural land****	45,487 UAH/ha
Loans secured by agricultural land with an area of ***	15,460 ha
Average number of sales and purchase transactions per day in September 2024	364
Average size of a land plot in a sale and purchase transaction	2.24 ha
Number of sale and purchase transactions, total	294,516
Area of registered sales and purchase transactions, total	660,020 ha

* according to Prozorro.Sale, from 01/01/2024 to 01/10/2024, larger plots are given more weight in the calculation of the average price per hectare

** average wife by area price for the period from 01/01/2024 to 30/10/2024, larger plots are given more weight in the calculation of the average price per hectare, 1% of the most expensive and 1% of the cheapest plots are not taken into account in the calculation.

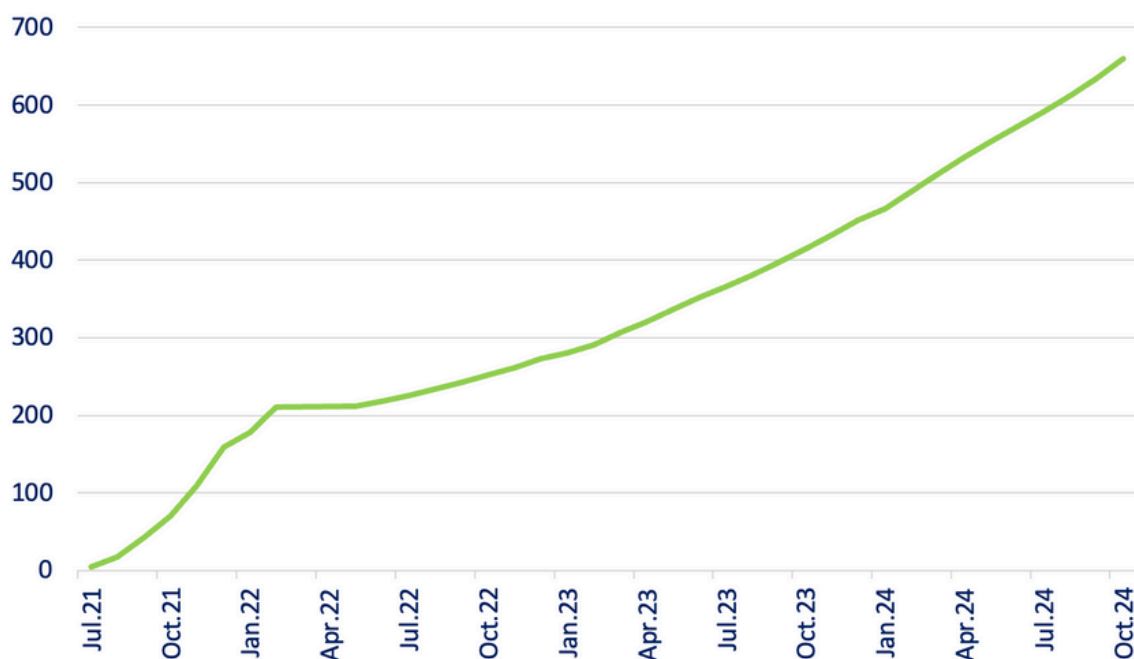
*** from 01/01/2022 to 31/12/2023

AGRICULTURAL LAND MARKET IN OCTOBER 2024

After a decline in May-June 2024, the agricultural land market has been growing for the fourth consecutive month. In October 2024, the market volume reached 11.3 thousand sale and purchase transactions on a total area of over 25.2 thousand hectares. This figure is the highest on record since the beginning of the full-scale invasion. The previous record was set in April 2024, when 10.3 thousand transactions covering 22.5 thousand hectares were concluded.

October's figures are 13% higher in terms of the number of transactions and 11% higher in terms of the total area of land in circulation compared to September this year, and 62% and 69% higher respectively compared to the average monthly volume of the land market in 2023. This data confirms the conclusions from previous analytical reviews that the volume of the agricultural land market in the fourth quarter may exceed the results of the first three quarters of this year combined. The highest activity will be in the last month of the year.

Figure 1. Dynamics of sales and purchases (cumulative), thousand ha

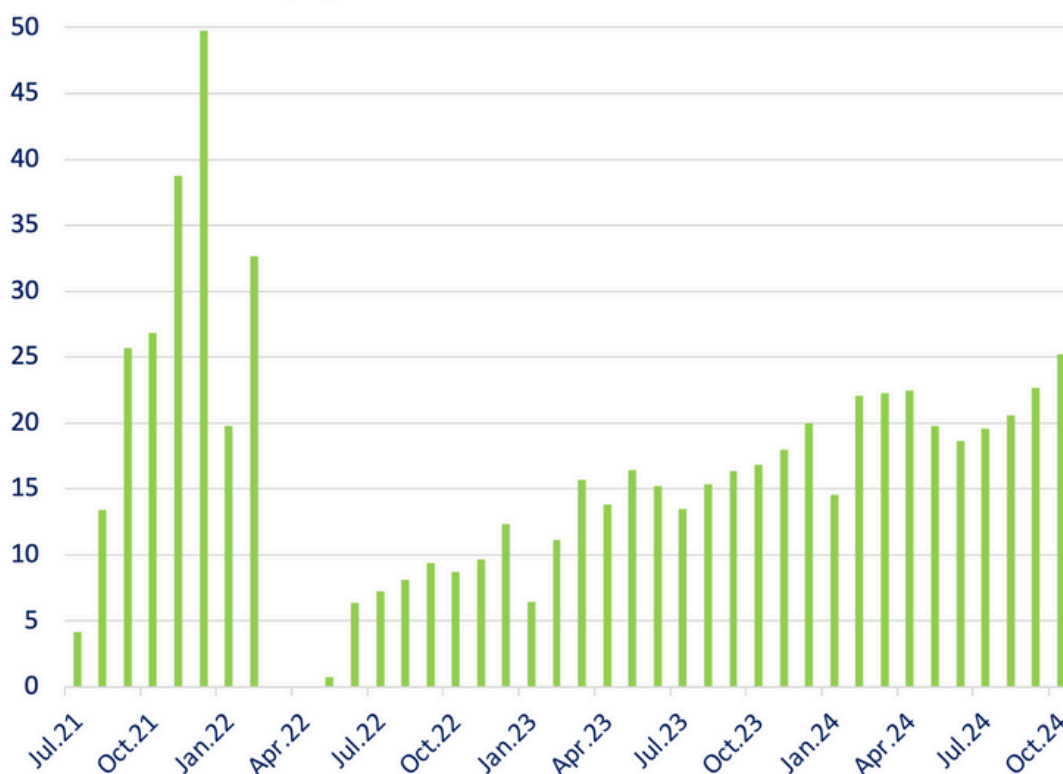


* According to the StateGeoCadastre, from 01/07/2021 to 31/10/2024

By the end of October 2024, the total volume of the agricultural land market since its opening in July 2021 reached 294.5 thousand transactions on a total area of 660.0 thousand hectares. Thus, over the entire

period of the land market's existence, 1.60% of the total area of all agricultural land in Ukraine was sold, or 1.95% if we count only those regions where the land market is not complicated by hostilities or occupation.

Figure 2. Dynamics of sales and purchase transactions (monthly), thousand ha

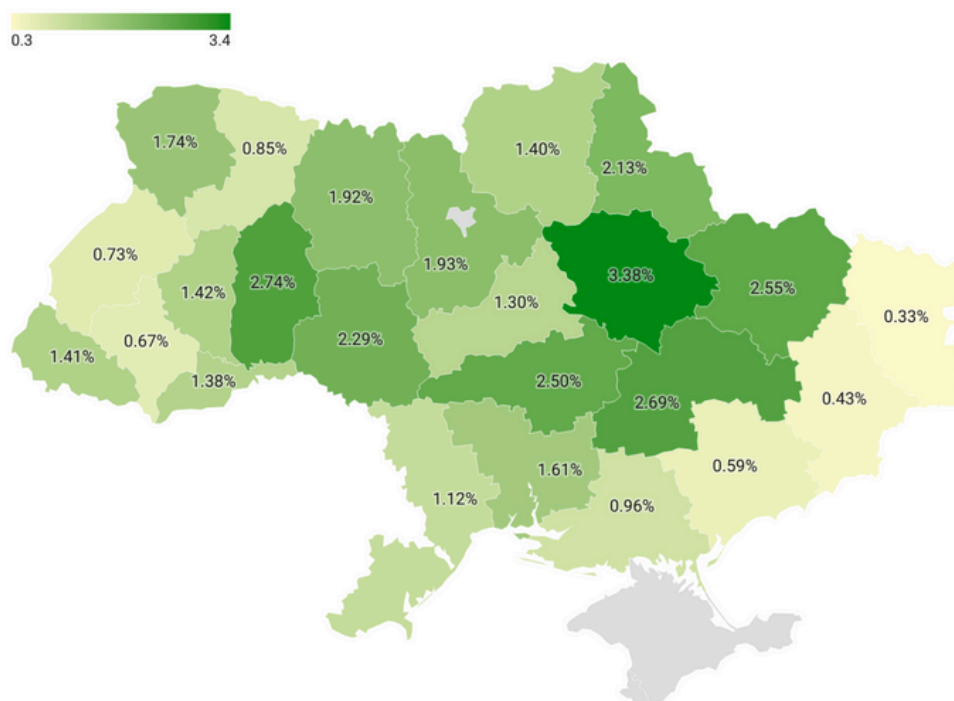


* According to the StateGeoCadastre, from 01/07/2021 to 31/10/2024

If we extrapolate the results of the first 10 months of 2024 to the whole year, 0.67% of all agricultural land in Ukraine will be in circulation this year, or 0.88% if we do not take into account the areas where the full functioning of the market is hampered by hostilities and occupation. According to this indicator, the agricultural land market in Ukraine is close to that of developed markets, with some potential for growth.

The share of land in circulation in the regions with a liquid land market – Kharkiv, Dnipropetrovsk, Khmelnytskyi and Poltava regions – has exceeded 2.5% since the opening of the land market and is in line with developed markets in other countries. Moreover, in the most liquid region of Ukraine, Poltava region, the share of land in circulation has reached 3.4% since the market was launched, even in the face of a full-scale invasion.

Figure 3. Share of land in circulation in the total area of agricultural land in the region



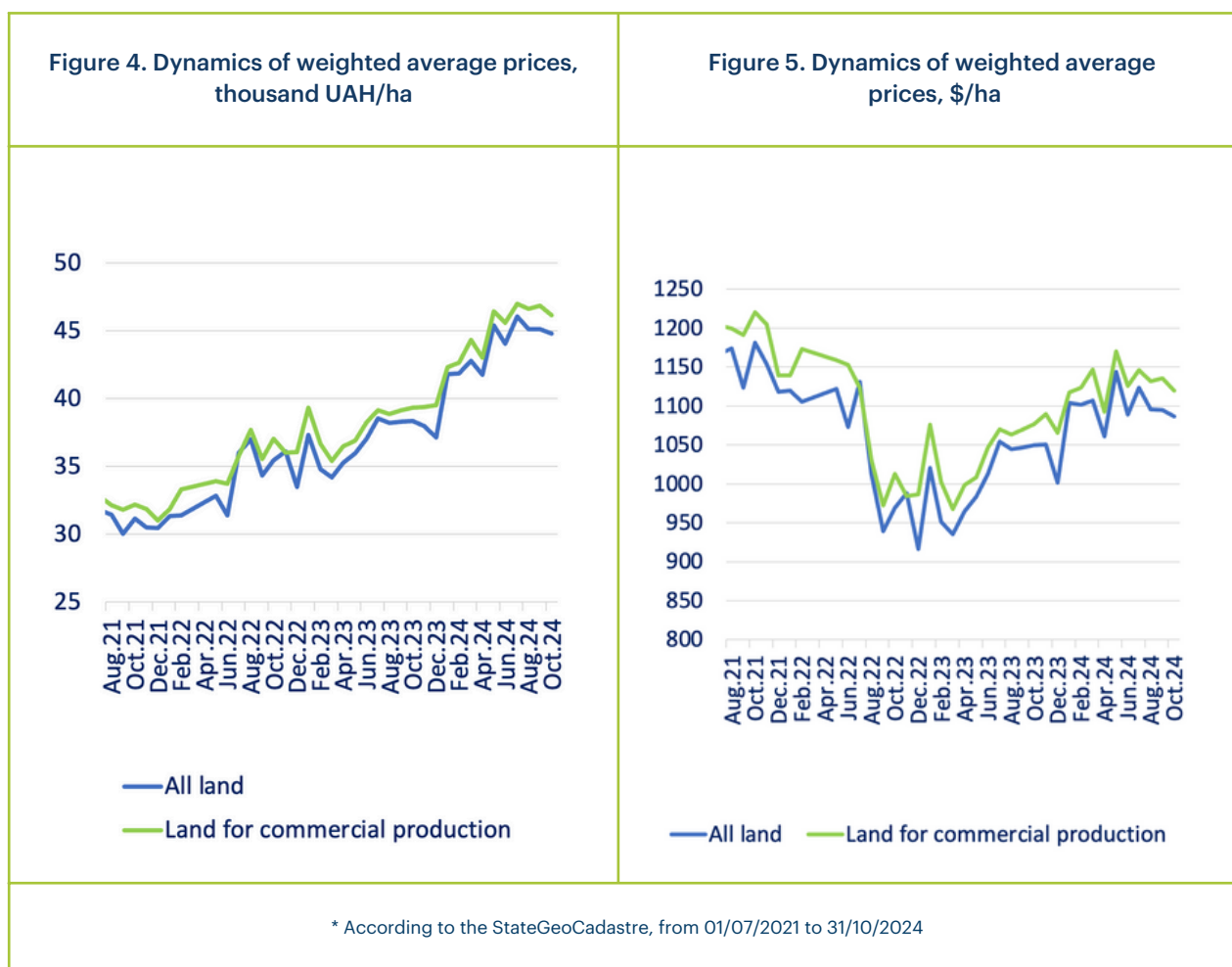
* According to the StateGeoCadastr, from 01/07/2021 to 31/10/2024

AGRICULTURAL LAND PRICES REMAIN STABLE

In October 2024, the purchase and sale prices of agricultural land remained stable compared to the previous two months. The weighted average price of agricultural land plots in October was 0.7% lower than in September and amounted to UAH 44.8 thousand per hectare, while the price for land with designated purpose 'for commercial agricultural production' in October was 1.5% lower than in September and amounted to UAH 46.2 thousand per hectare.

Due to the stable national currency exchange

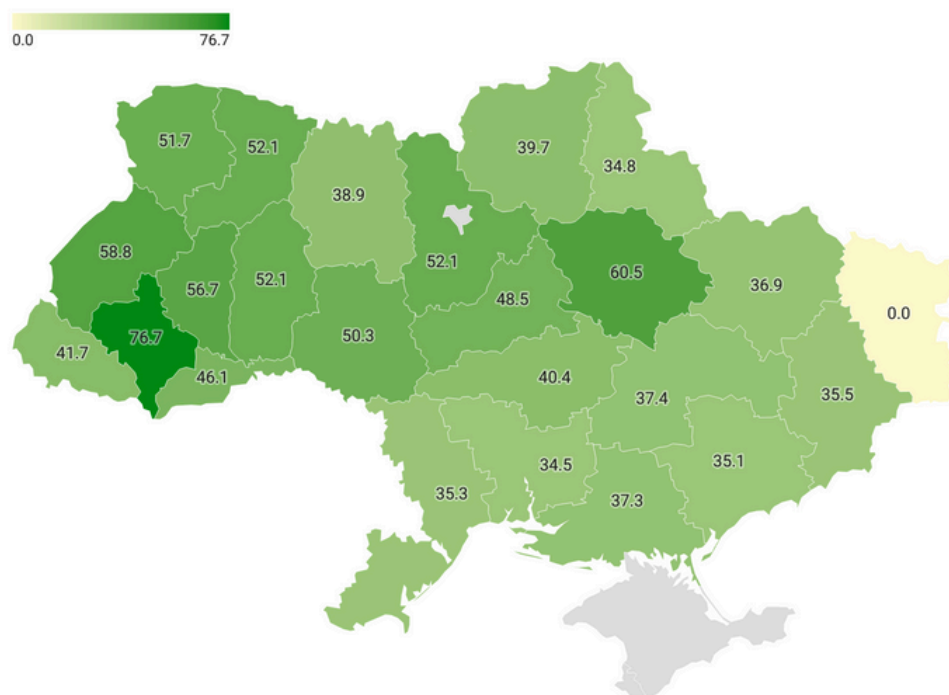
rate in September-October 2024, prices in US dollar terms also did not change significantly compared to the previous month. At the same time, prices in October 2024 were 20.6% higher than in December 2023, i.e. before the land market was opened to legal entities. As mentioned in previous issues of the analytical reviews, the opening of the land market to legal entities had a significant impact on the value of agricultural land. Legal entities pay at least 17% more for agricultural land than individual buyers, while individuals began to pay about 10% more for land than before the opening of the land market for legal entities.



It is important to note that these prices are based on official data recorded in the sale and purchase transactions. Market prices for land may be significantly higher, as most

transactions are concluded at a price that does not differ by more than 2% from the normative monetary value, the minimum price set by law for former moratorium land.

Figure 6. Weighted average prices by region in 2024, thousand UAH/ha



* According to the StateGeoCadastre, from 01/01/2024 to 31/10/2024

PARTICIPATION OF LEGAL ENTITIES IN THE AGRICULTURAL LAND MARKET IN OCTOBER 2024

From 1 January 2024, legal entities have been granted the right to acquire ownership of former moratorium agricultural land, provided that the companies are established exclusively by Ukrainian citizens who have not been sanctioned. Since the beginning of this year, the limit for the acquisition of agricultural land by one person has also been raised to 10,000 hectares.

Since the opening of the land market to legal entities, 1,318 companies have exercised the right to purchase agricultural land, of which 458 companies purchased at least one plot in

October 2024. This number has increased for the third month in a row, as 423 legal entities bought at least one plot in September and 358 in August 2024. Thus, an increasing number of legal entities are actively participating in the land market. The share of agribusiness in the land market still has significant potential for growth, as according to official data, 23.5 thousand legal entities in Ukraine are engaged in the production of grain and legumes, and another 18.5 thousand are engaged in the production of sunflower.

Since the beginning of 2024, legal entities have purchased 15,035 land plots with a total area of

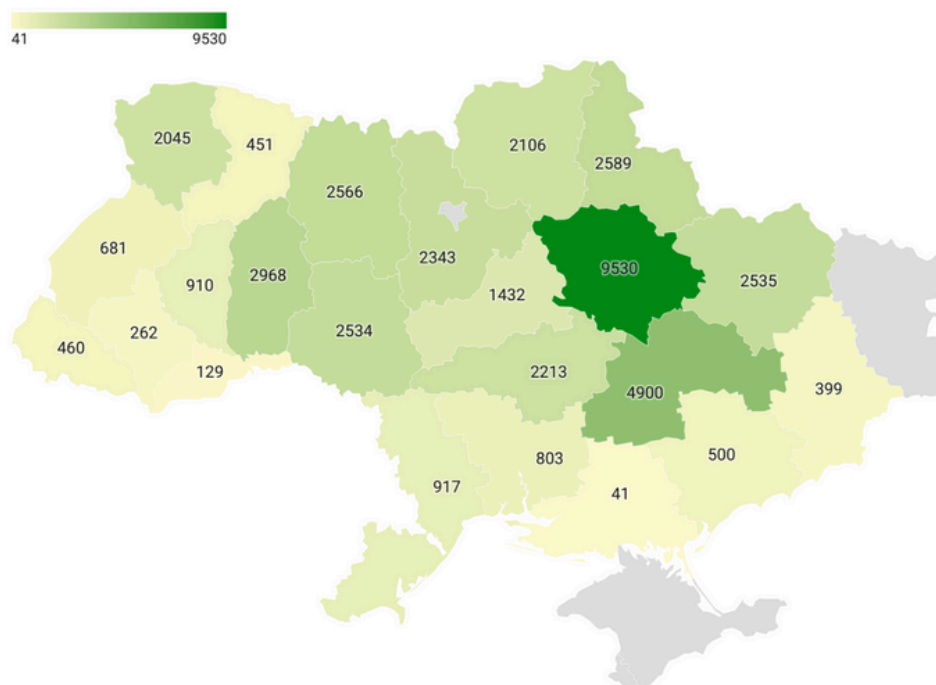
43.3 thousand hectares, of which 5.9 thousand hectares were purchased in October 2024, which corresponds to the figures for September 2024 (6.3 thousand hectares) and is significantly higher than in the previous months. Thus, in July-August 2024, legal entities purchased 4.8 thousand hectares per month, which was the highest figure since 1 January this year, i.e. after the opening of the land market for legal entities. The share of legal entities in the agricultural land market in October 2024 reached 23.4%, which is in line with the figures for June-August 2024 and lower than the same indicator in September this year (27.7%).

The overwhelming majority of land plots acquired by legal entities are land plots that

were previously under moratorium. Of the 15,035 plots, 11,328 are 'commodity' land, and another 3,512 are land designated for 'private household farming', most of which was also under moratorium until July 2024. Thus, only 195 plots have never been under a moratorium.

The area of land plots acquired by legal entities in 2024 is unevenly distributed across the regions – 22% of the total area of land plots are located in Poltava region. The leading regions also include Dnipropetrovsk (11% of the area of land plots acquired by legal entities) and Khmelnytskyi (7%) regions. Legal entities have not purchased any land in only two regions of Ukraine, a significant part of which is under occupation – Luhansk region and the Autonomous Republic of Crimea.

Figure 7. The area of agricultural land acquired by legal entities in 2024, ha

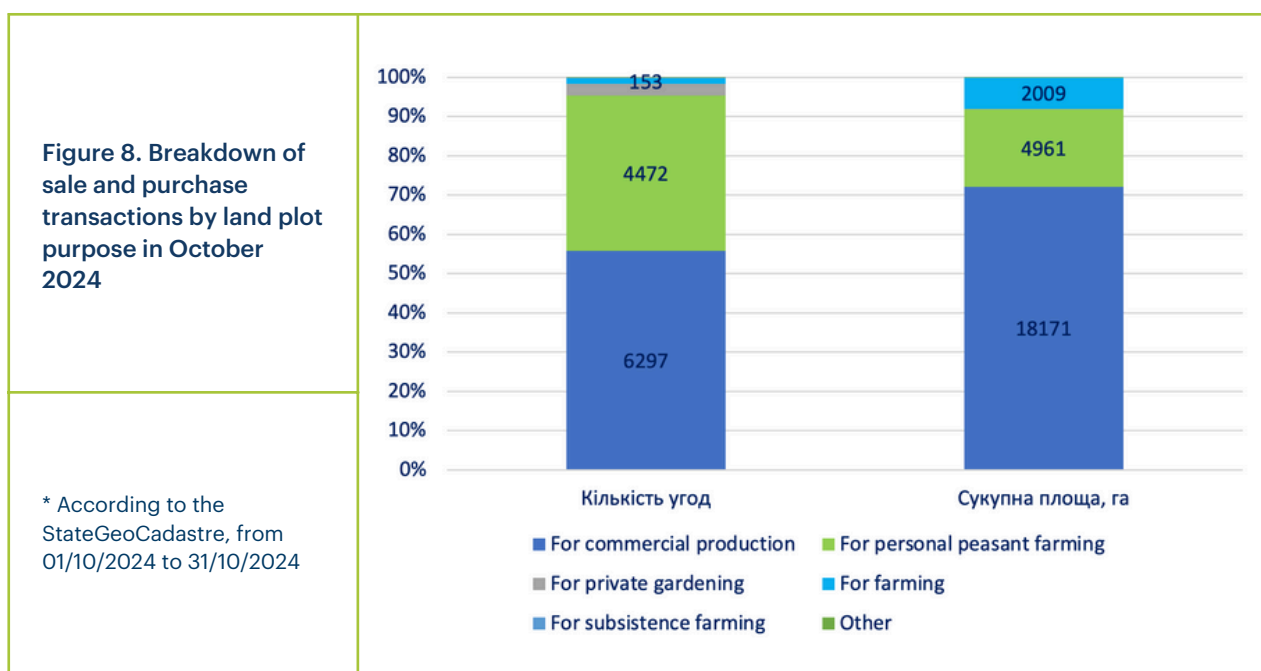


* According to the StateGeoCadastre, from 01/01/2024 to 31/10/2024

THE FORMER MORATORIUM LANDS PREVAIL IN CIRCULATION

As in the previous months, sale and purchase transactions in October 2024 were mainly concluded in relation to the so-called 'commodity' land (56% of transactions) and land for personal farming (40% of transactions), a significant part of which was under a moratorium until July 2021. At the same time, commodity land prevailed in

terms of the area of land in circulation due to the larger average land plot size (72% of all land in circulation in October 2024), while land plots for private farming accounted for only 20% of the total area of land for which sale and purchase agreements were concluded in October 2024. Another 8% of the land area in circulation in October of this year was land for farming.



Among the 67.1 thousand transactions concluded in October 2024 on agricultural land, inheritance (27.5 thousand) and lease (24.7 thousand) prevail. The third place was taken by land sale and purchase agreements (11.3 thousand).

The dynamics of agricultural land lease agreements in October 2024 was slightly lower than in the previous month (24.7 thousand lease agreements in October

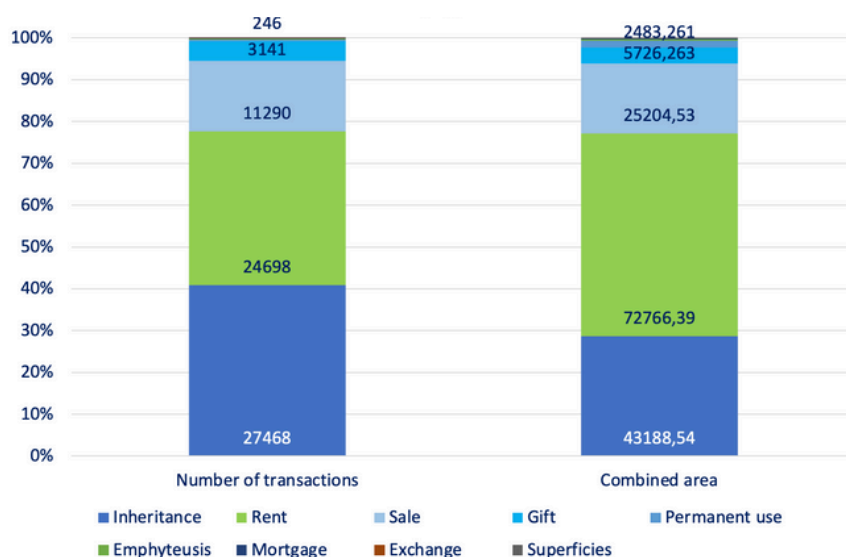
compared to 27.8 thousand agreements in September).

The total area of concluded lease agreements was 72.8 thousand hectares, while the total area of land sold was almost three times less – 25.2 thousand hectares.

Also, in October 2024, 75 cases of transfer of agricultural land plots into mortgage with a total area of 309 hectares were recorded.

Figure 9. Land transactions by type of transaction in October 2024

* According to the StateGeoCadastre, from 01/10/2024 to 31/10/2024



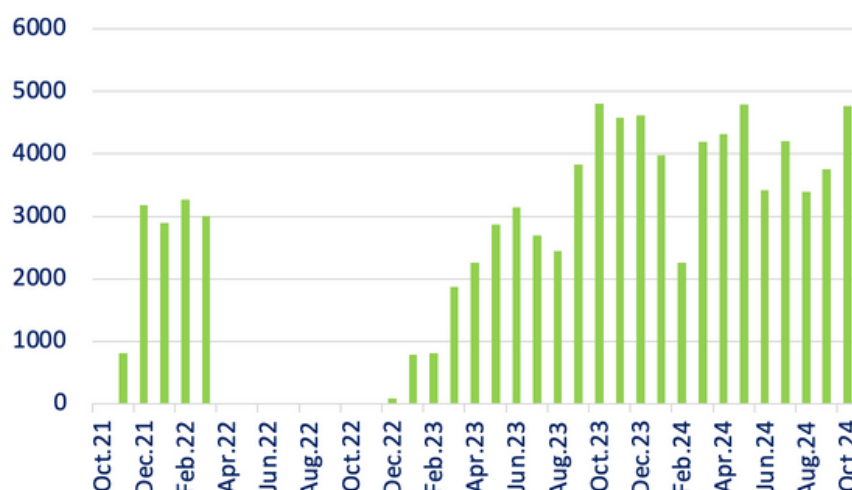
LAND AUCTIONS IN OCTOBER 2024

Since October 2021, communal land leases have been conducted through electronic auctions on the Prozorro.Sale platform.

Since then, 10,149 communal land plots with a total area of 87.0 thousand hectares have been successfully leased, bringing UAH 740.7 million in revenue to hromadas annually.

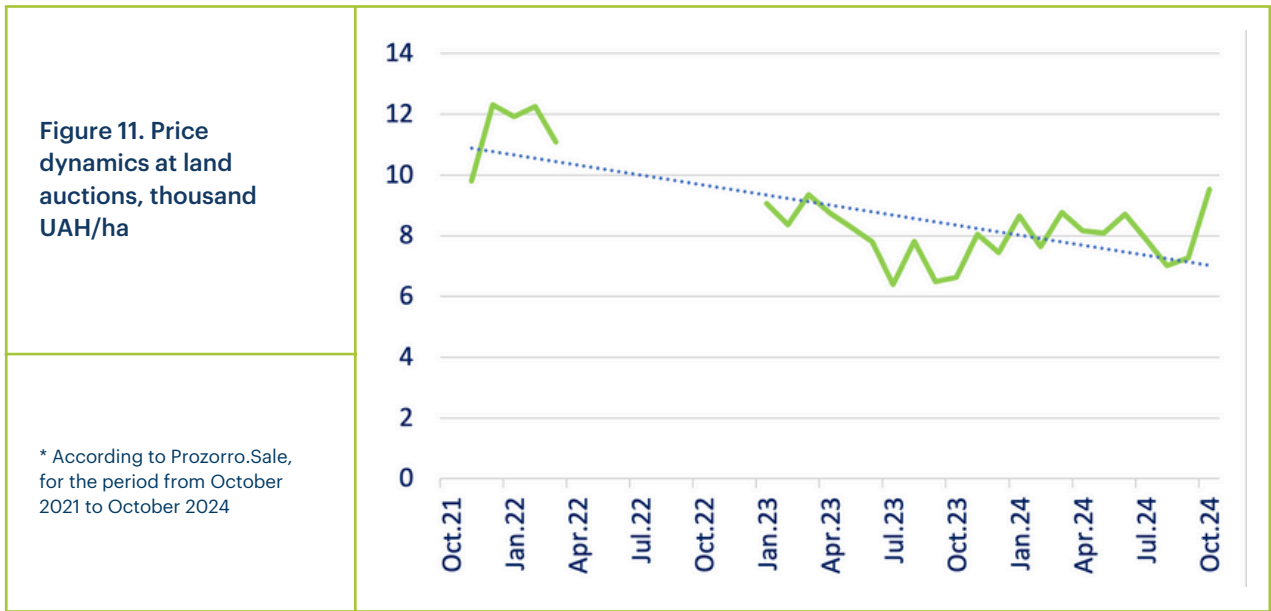
Figure 10. Dynamics of leasehold rights sales at land auctions, ha

* According to Prozorro.Sale, for the period from October 2021 to October 2024



In October 2024, 542 successful land auctions for lease rights to communal land plots with a total area of 4.8 thousand hectares were held on the Prozorro.Sale platform. This is 37% more than in

September in terms of the number of successful auctions and 27% more in terms of their total area, and is a record since May 2024, when 603 land plots with a total area of 4.8 thousand hectares were successfully leased.



Prices for lease of communal agricultural land through the Prozorro.Sale platform in October 2024 were the highest since the full-scale invasion and reached UAH 9.5 thousand per hectare. Moreover, not only the weighted average price increased in October, but also the median price, which amounted to UAH 6.0 thousand compared to

UAH 4.3 thousand in September 2024. Such a price increase in October – by almost 31% compared to the previous month – is quite unexpected and requires further study.

This analytical review did not take into account the results of land auctions held under the Land Bank project. We will analyse them in detail in the next issue.

REVENUES TO HROMADA BUDGETS AS A RESULT OF THE FUNCTIONING OF THE LAND MARKET

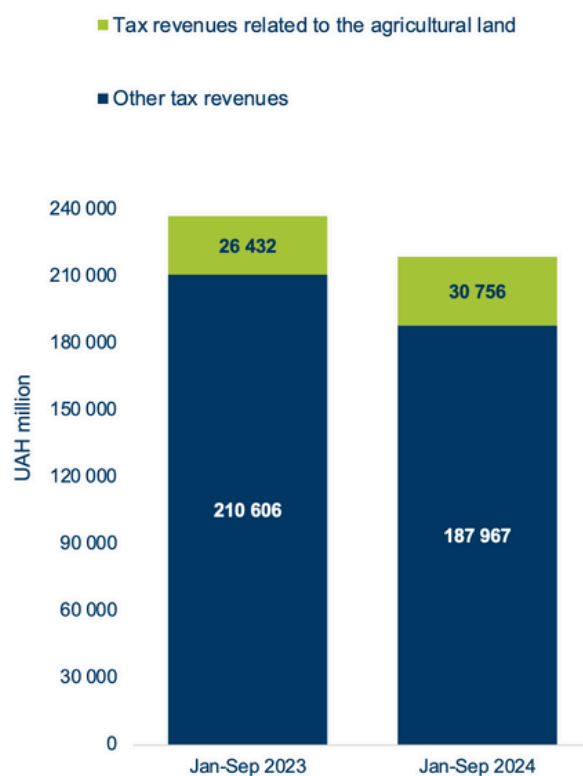
The turnover and use of agricultural land generates significant revenues for territorial hromadas. Thus, the budget revenues of hromadas include such tax revenues related to agricultural land as:

- rent for the use of communal land;
- land tax;
- single tax on agricultural producers;
- personal income tax (PIT) received from the lease or sale of land plots;
- in certain cases, the minimum tax liability (MTL).

According to the official web portal of the Ministry of Finance of Ukraine OpenBudget, in September 2024, due to the turnover and use of agricultural land, the budgets of hromadas were replenished by almost UAH 3.4 billion, which is 18% higher than the same indicator last year. At the same time, other tax revenues of hromadas decreased due to the redirection of personal income tax paid by the military to the state budget in full, thus, in September 2024, the decrease in other tax revenues was 13% year-on-year.

The share of hromada revenues from the turnover and use of agricultural land increased from 10% to 13% of total tax revenues in September 2024 compared to September 2023. In total, in the first nine months of 2024, hromada budgets received more than UAH 30.7 billion in tax revenues related to the turnover and use of agricultural land, which is 16% higher than in the same period last year. Thus, the share of these revenues in the total tax revenues of hromadas increased from 11% to 14% in the first nine months of 2024, compared to the first nine months of 2023. Thus, the turnover of agricultural land can at least partially compensate for the significant decline in local tax revenues, supporting the financial capacity of hromadas.

Figure 12 Tax revenues of hromadas, UAH million



* Own calculations based on the OpenBudget data of the Ministry of Finance of Ukraine

The growth of budget revenues related to agricultural land was driven by an increase in payments for lease of community land, which constitutes the basis of such revenues (58% of all revenues from land turnover). In September 2024, more than UAH 1.8 billion of rent was paid to hromada budgets, which is 11% more than in September 2023. This growth was driven by the conclusion of agreements at electronic auctions on the Prozorro.Sale platform, as well as rent indexation, which has a positive effect on local budget revenues. By type of tenant, the largest payers for community agricultural land are traditionally legal entities (i.e., mostly agricultural enterprises), which account for about 85% of all revenues to community budgets from leasing community land.

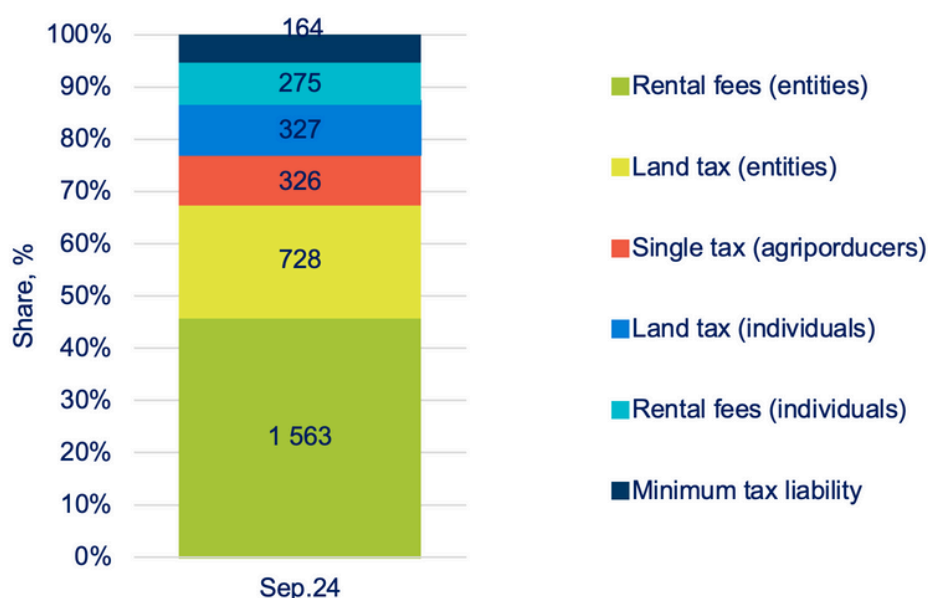
As for the land tax, which is the second largest source of revenues to hromada budgets from the circulation and use of land (31% of all such revenues), its volumes in September 2024 increased to UAH 1,055 million, which is 14% more than in September last year.

Revenues from the minimum tax liability (MTL) demonstrated the highest dynamics among all revenues from land turnover and use (compared to the previous year), with revenues from this tax increasing more than

4 times: UAH 163 million in September 2024 compared to UAH 39 million in September 2023. Thus, although the MTL currently accounts for only 5% of total revenues from the turnover and use of agricultural land, its share in hromada budget revenues is growing.

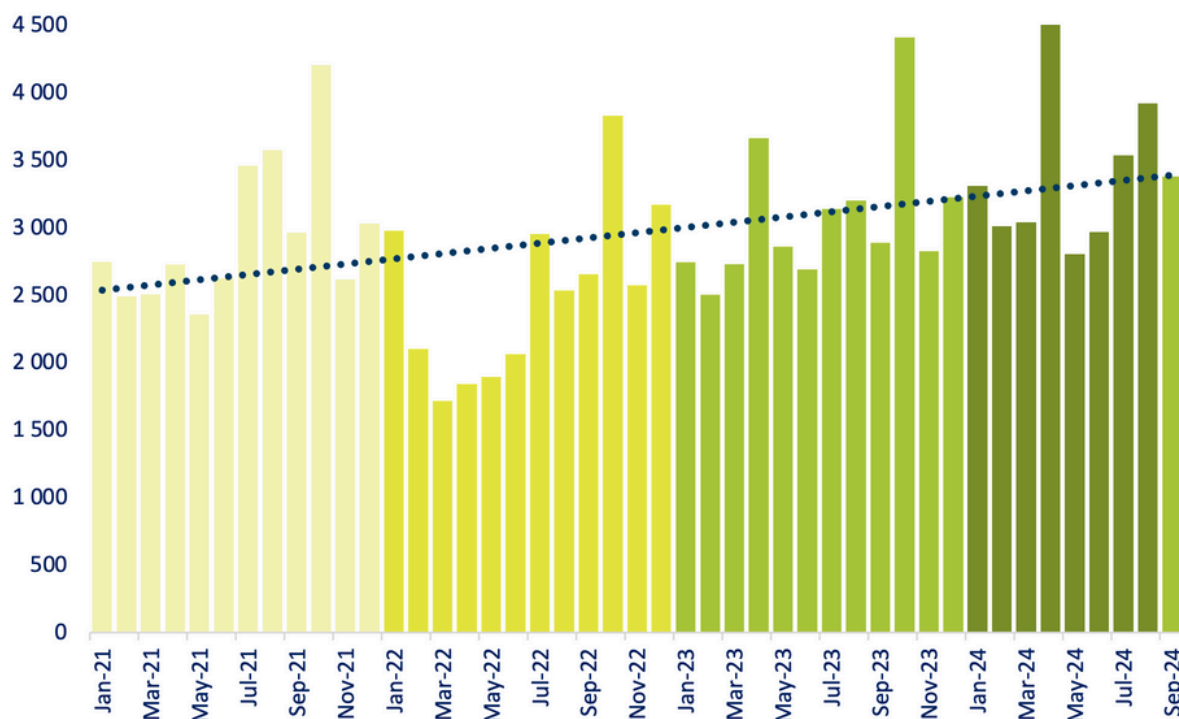
The second fastest-growing revenue source is the single tax on agricultural producers (a single tax of the fourth group), which increased by 25%: UAH 326 million in September 2024 compared to UAH 260 million in September 2023.

Figure 13. Budget revenues of hromadas related to agricultural land, UAH million



* Own calculations based on the OpenBudget data of the Ministry of Finance of Ukraine

Figure 14. Dynamics of hromada budget revenues related to agricultural land, UAH million



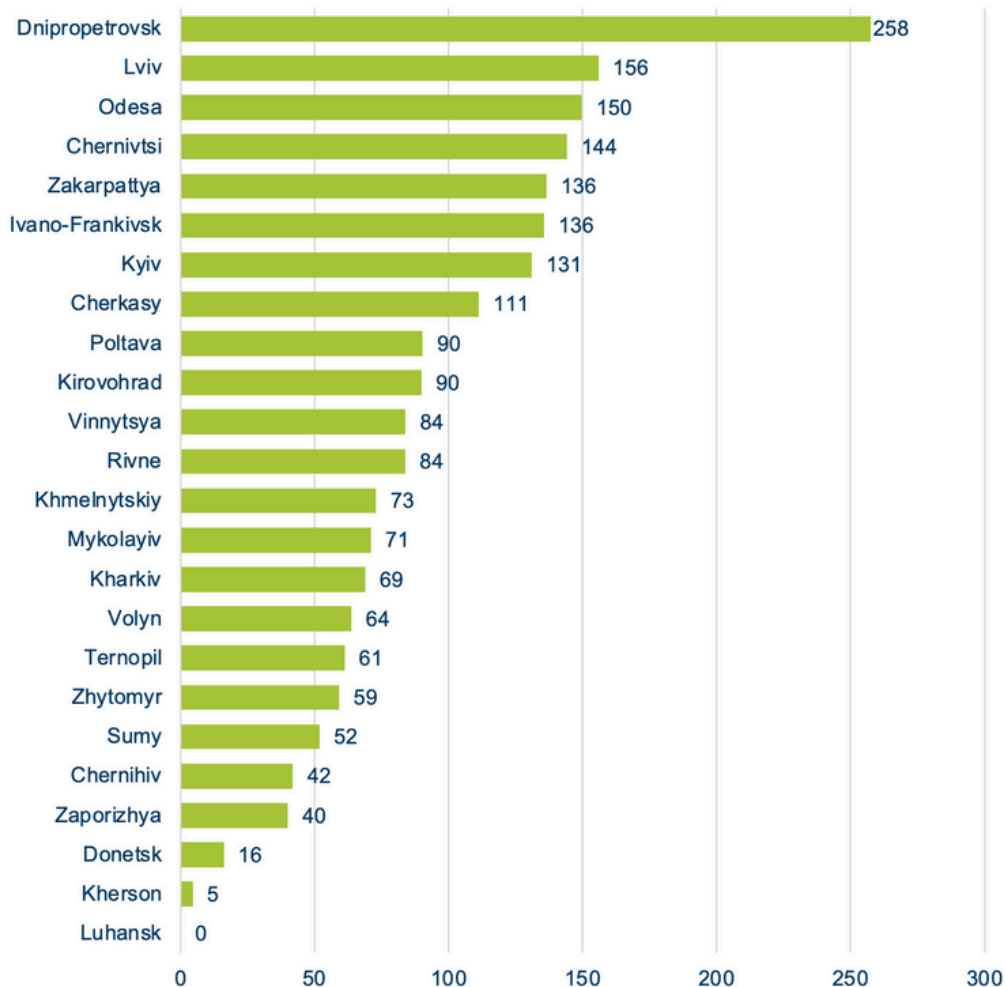
* Own calculations based on the OpenBudget data of the Ministry of Finance of Ukraine

In September 2024, the largest revenues related to agricultural land were transferred to the budgets of hromadas in Dnipropetrovsk (UAH 647 million), Odesa (UAH 387 million), Kyiv (UAH 211 million) and Poltava (UAH 196 million) regions. Such revenues continue to be extremely low among the hromadas of the regions, a significant proportion of which are temporarily occupied by Russia. For example, in September 2024, the amount of revenues from the turnover and use of agricultural land to the budgets of hromadas in Luhansk region was UAH 0.05 million, and in Kherson region – UAH 8.9 million. In addition, in some regions close to the area of active hostilities, there is a negative trend towards a decrease in such revenues

compared to the same period last year, in particular in Kharkiv (-6%) and Donetsk (-24%) regions. At the same time, due to the low comparison base, the amount of tax revenues from the use and turnover of agricultural land in Zaporizhzhia and Kherson regions increased significantly – by 43% and 115%, respectively, compared to September 2023.

The highest revenues per unit area are consistently paid by taxpayers in the hromadas of the Dnipropetrovsk region – UAH 258 per hectare in September 2024. This is more than three times higher than the national figure of UAH 86 per hectare in the same period. High relative indicators of budget revenues were also demonstrated by the communities of Lviv (UAH 156 per hectare), Odesa (UAH 150 per hectare), and Chernivtsi (UAH 144 per hectare) regions.

Figure 15. Tax revenues of communities related to agricultural land in September 2024, UAH/ha



* Own calculations based on the OpenBudget data of the Ministry of Finance of Ukraine

NEWS OF LAND LEGISLATION IN OCTOBER 2024

Protecting the interests of owners of land shares (units), as well as applying administrative procedures in the field of land relations

In May 2024, the Verkhovna Rada of Ukraine adopted the Law on Amendments to Certain Legislative Acts of Ukraine aimed at protecting the interests of land share owners and regulating administrative procedures in the field of land relations. The Law contains a number of important provisions, including the extension of the deadline for registration of unallocated land plots until 2028, regulation of their distribution between share owners and heirs, and bringing the provisions of the Land Code of Ukraine in line with the Law on Administrative Procedure. An important innovation was also the renewal of the mandatory professional development of land surveyors and the extension of the pilot project for entering information into the State Land Cadastre until 2026.

However, the President of Ukraine vetoed the law, demanding amendments. In October 2024, the law was adopted with the President's amendments. One of the key changes was the correction of the provision on land occupied by water bodies of national importance. The previous version provided for exceptions for privately and community-owned lands with registered ownership, while the final version of the law proposed

by the President stipulates that all such lands are automatically considered state-owned without exception.

This law also introduces a new paragraph of part seven of Article 186 of the Land Code of Ukraine, according to which 'If within ten working days from the date of receipt of technical land management documentation on land inventory as a result of state land inventory, a land user who has the right of permanent use of a land plot and belongs to state-owned enterprises, institutions and organisations has not provided its conclusions on its approval or refusal to approve it with mandatory reference to the grounds for refusal specified in this Article, such technical documentation on land management regarding land inventory shall be deemed to be approved by it. This innovation is positively assessed. Indeed, in practice, there are cases when permanent users of state-owned land plots unreasonably refuse to consider the prepared documentation on state land inventory, on the basis of which information on such land plots is entered into the State Land Cadastre (and they neither approve the documentation nor refuse to approve it). This is especially true for persons who have significant amounts of land in their permanent use (railway transport enterprises, forestry enterprises, etc.). As a result, information on large tracts of land has not been entered into the State Land Cadastre for a long time. The amendments should 'discipline' such land users and accelerate the entry of information on state-owned land plots into the State Land Cadastre.

CONTACTS

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