



The Invincible
LAND



Land Market Review Ukraine

Q`3 2024



KEY INDICATORS OF THE AGRICULTURAL LAND MARKET IN UKRAINE

Total land registered in the state land cadastre	44.9 million hectares (74.4%)
Agricultural land registered in the state land cadastre	33.0 million hectares (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)*	8,458 UAH/ha
Weighted average purchase and sale price of agricultural land****.	45,128 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	327
Average size of a land plot in a sale and purchase transaction	2.24 ha
Number of sale and purchase transactions, total	283,096
Area of registered sales and purchase transactions, total	634,576 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 price by area price for the period from 01/01/2024 to 01/10/2024, 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 CONTINUES TO RECOVER

In Q3 2024, the agricultural land market in Ukraine continued to recover, with a total of 28,400 sales and purchase transactions covering 62,700 ha, up 29% in terms of the number of transactions and 39% in terms of the area of land in circulation compared to the same period in 2023. The results of Q3 also exceeded the figures of the previous reporting period by 3%, both in terms of the number of transactions and the area of land in circulation. This is despite the fact that the second quarter of this year was a record-breaking period for the land market since the start of the full-scale invasion, outperforming Q1 by 6.6% in terms of the number of sales transactions and 3.5% in terms of the area of land in circulation. As can be seen from Figure 1, market volumes have been growing steadily in 2023-2024.

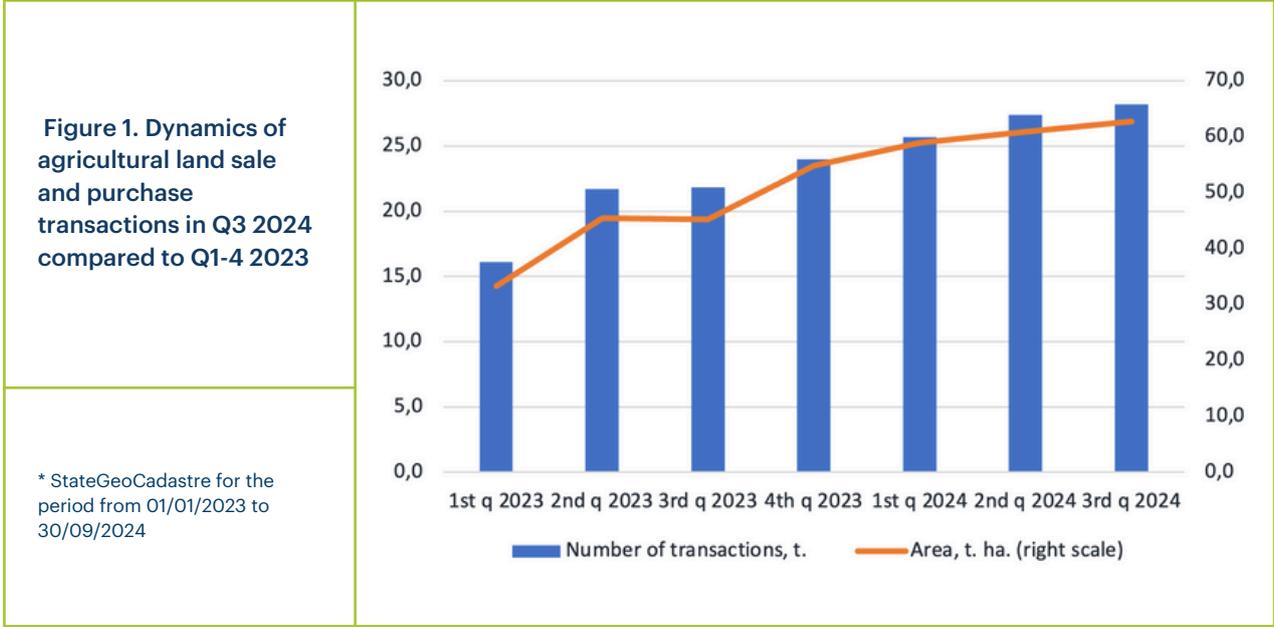
In contrast to the Q2 2024, when the major growth occurred in April 2024, in which a record number of sales and purchase transactions were concluded (10,300 transactions on the total area of 22,500 hectares), and subsequently the market volumes decreased (9,000 transactions on 19,800 hectares in May and 8,000 transactions on 18,500 hectares in June). hectares in May and 8,000 transactions on 18,500 hectares in June), the land market in

the 3rd quarter showed a steady increase in volumes every month: in July, 8,900 transactions were concluded on the land area of 19,600 hectares, in August – 9,400 transactions on 20,600 hectares, and in September – 9,800 transactions on 22,500 hectares.

As noted in the previous quarterly review, the decline in land market volumes in May-June could be due to limited liquidity of agricultural producers, as the sowing campaign has already been completed but the harvest has not yet begun. In 2023, we saw a similar trend, as after the record (at that time) market volume in May (7,800 transactions), there was a decrease in June-July (7.4 and 6,800 transactions, respectively), which was followed by a resumption of market growth starting in August.

As for the potential of the land market in the near term, given the seasonality, we can expect a significant increase in its volumes in Q3 2024, as in the previous two years they were significantly higher than in Q3. In 2023, the growth in Q4 compared to Q3 was 9.8% by number of transactions and 21% by land area in circulation, and in 2022, it was 11.0% by number of transactions and 24% by land area in circulation.

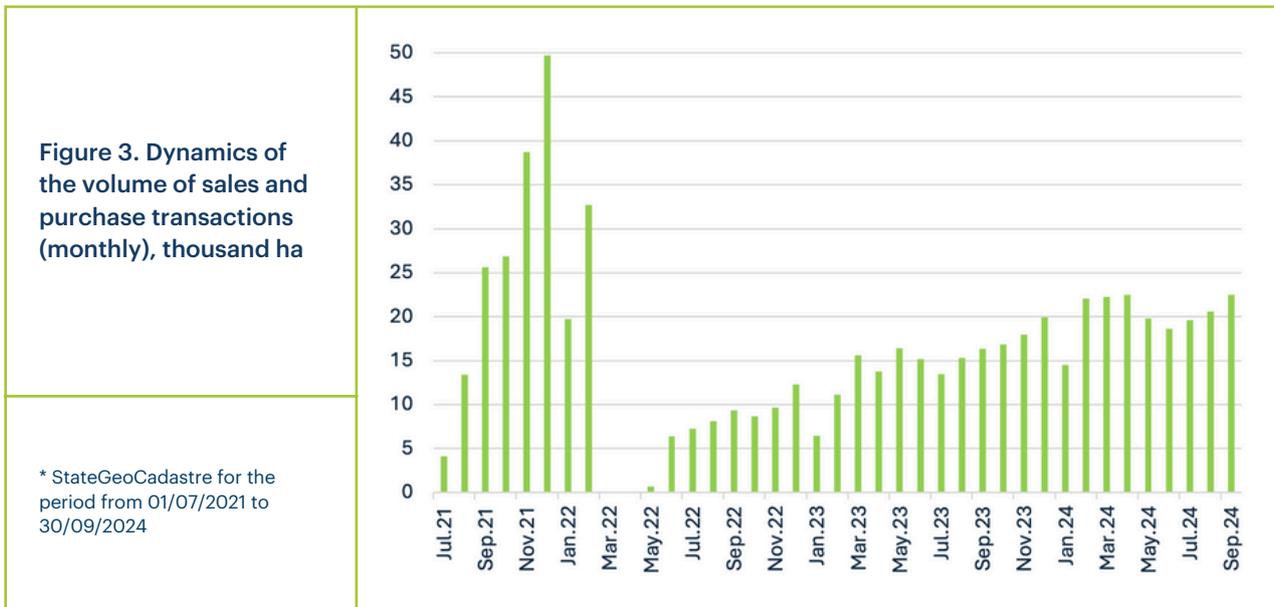
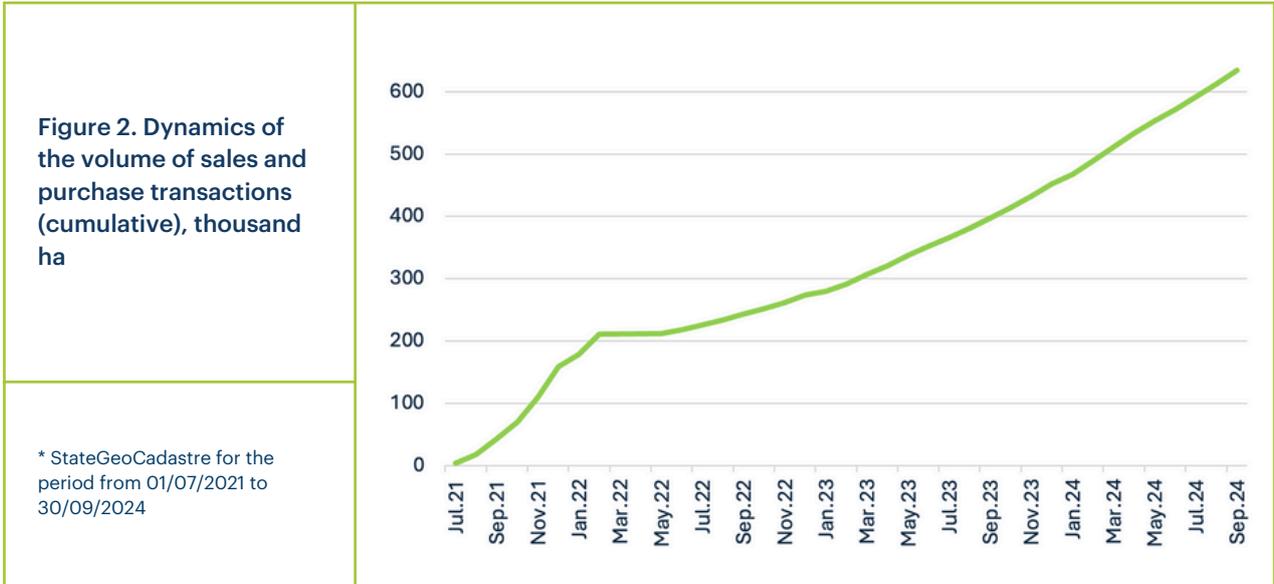
It is also worth noting that in the previous two years, the highest monthly market volume (for the year) was recorded in December each time, followed by a significant decline in January.



Overall, while market volumes continue to recover from the full-scale invasion, the pace of recovery is slowing and volumes are still below pre-February 2022 levels. In the last 6 months preceding the full-scale invasion, the average monthly market volume was 32,200 hectares. In the second half of 2022, this figure was 8,800 hectares, in 2023 it increased to 14,900 hectares, and the average monthly figures in 2024 reached 20,300 hectares.

Currently, average monthly market volumes are about 37% lower than before the full-scale invasion. At the same time, the area of agricultural land under contract has decreased by around 22% since 2022 due to the military occupation. The land market in regions close to the active hostilities zone is operating in an extremely limited mode. Due to security risks, there are almost no

transactions on agricultural land in Kherson, Zaporizhzhia and Donetsk regions. One of the possible indicators that can demonstrate the potential size of the market in the future is the percentage of agricultural land in circulation. In developed markets, on average, about 1% of the total amount of agricultural land is traded annually. If we extrapolate the figures for the first nine months of 2024 to the whole year and exclude areas where the land market is hampered by hostilities, in 2024, 0.78% of the total amount of agricultural land will be in circulation, which is 28% less than in developed markets. Given the hostilities and the occupation of part of Ukraine's territory by Russia, a significant increase in the area of land in circulation (several times) seems unlikely. However, the land market still has the potential to grow in the medium term, as the average monthly volume of land in circulation was significantly higher than 32,200 hectares before the full-scale invasion.



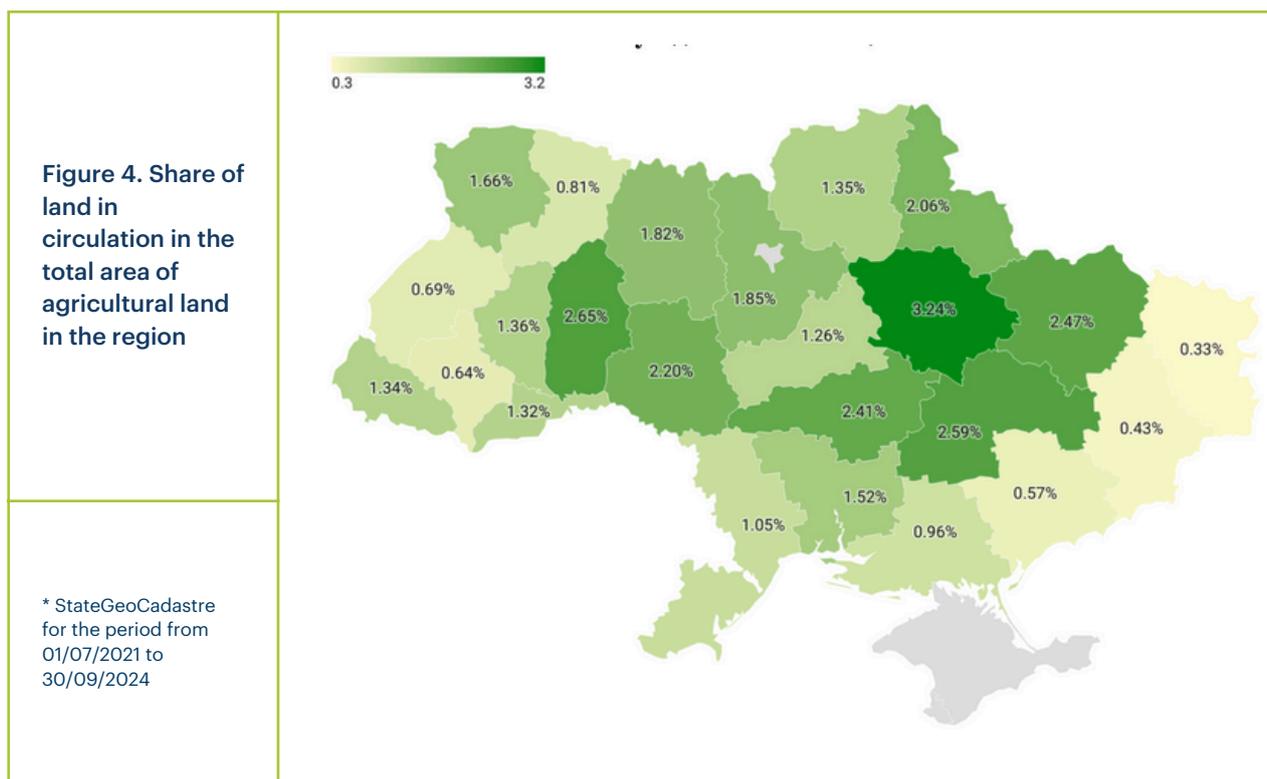
Over the entire period of the land market's existence, 1.53% of all agricultural land in Ukraine has come into circulation, or 1.87% for those territories where the land market is not hampered by hostilities. In the more than three years of its existence, Ukraine's land market lags behind developed markets by more than half, mainly due to unprovoked Russian aggression. In one of our previous analytical reports, we calculated that the war prevented about 120,000 sales transactions totalling 355,500 hectares, which is

equivalent to an additional 0.86% of the total amount of agricultural land in circulation. However, despite the full-scale invasion, the indicators in the regions with the most liquid market are generally in line with those of developed economies. For example, in Poltava region, 3.24% of the total amount of agricultural land in circulation over the three years of the agricultural land market's existence. By the way, this is the only region where the total area of land in circulation exceeds the three per cent threshold. In 6 other regions, the total area of

land in circulation over the entire period of the land market exceeds 2%: Khmelnytskyi (2.65%), Dnipropetrovsk (2.59%), Kharkiv (2.47%), Kirovohrad (2.41%), Vinnytsia (2.20%) and Sumy (2.06%).

The lowest agricultural land turnover rates are in the regions that have been significantly

affected by the full-scale invasion (Luhansk (0.33%), Donetsk (0.43%) and Zaporizhzhia (0.57%) regions), as well as in those regions where the land market is complicated by the small size of agricultural plots and thus high transaction costs per hectare for the sale and purchase transaction – Lviv (0.69%) and Ivano-Frankivsk (0.64%) regions.



LAND VALUES HAVE INCREASED SIGNIFICANTLY

With the opening of the land market for legal entities, the weighted average price per hectare of agricultural land has increased significantly. While the weighted average price in Q4 of 2023 was UAH 37,800 per hectare for all land sold, the weighted average price in the first quarter of 2024 increased by 11.6% to UAH 42,200 per hectare. The upward price trend continued in the second and third quarters of 2024. In the second quarter of 2024, the weighted

average price was UAH 43,600 per hectare for all land sold and UAH 44,900 per hectare for land with designated purpose: 'commercial agricultural production'. The figures for Q3 amounted to UAH 45,400 per hectare for all land sold and UAH 46,800 per hectare for commercial land. Thus, the price in Q3 exceeded the price in the second quarter by 4.0% for all land and by 4.2% for marketable land. Compared to the fourth quarter of 2023, the increase is 20.2% for all land and 18.8% for marketable land.

Prices changed unevenly by region. While in Ukraine as a whole, weighted average prices increased by 6% between the first and third quarters of 2024, in five regions the price of land decreased during this period. The biggest price declines were in western Ukraine – in Lviv (-16.4%), Chernivtsi (-14.3%) and Zakarpattia (-10.9%) regions. This decline is likely due to a high comparison base, as weighted average prices in Lviv region are among the highest in Ukraine, which does not fully reflect the agronomic characteristics of the land in this region and may be a result of high transaction costs (per hectare) due to the small average size of plots in this region (see discussion of this factor below). However, it is surprising that prices in Ivano-Frankivsk region are the highest in the

country in all three quarters, which may be a signal that there are abnormally high price observations in this region. This could potentially be caused by a combination of factors, including the small size of plots and the purchase of land for the purpose of changing the intended use to build recreational facilities.

The largest price increase was recorded in Kherson region, but it was most likely caused by the small number of transactions taking place in this region. Consequently, a small number of plots sold at high prices could have had a significant impact on the average for this region. In Poltava region, price growth occurred in both the second and third quarters, with the weighted average price in Q3 exceeding the figure for the first quarter by 15.8%.

Table 1. Dynamics of agricultural land prices in 2024

Region	Land price in 2024, thousand UAH/ha			Q3-Q1 difference, %
	Q1	Q2	Q3	
Vinnitsia	45.1	48.2	51.4	14.0%
Volyn	41.9	43.7	50.8	21.1%
Dnipropetrovsk	35.9	35.1	39.0	8.6%
Donetsk	33.2	31.4	33.4	0.5%
Zhytomyr	38.5	40.9	40.7	5.8%
Zakarpattia	48.4	52.3	43.1	-10.9%
Zaporizhzhia	31.9	27.9	37.4	17.5%
Ivano-Frankivsk	75.1	89.2	75.3	0.2%
Kyiv	50.4	50.4	57.4	13.9%
Kirovohrad	37.6	39.5	40.8	8.3%

Lviv	62,6	52,6	52,4	-16,4%
Mykolaiv	33,7	34,6	33,0	-2,1%
Odesa	36,8	35,9	34,6	-6,0%
Poltava	52,9	55,1	61,2	15,8%
Rivne	45,1	44,7	46,7	3,7%
Sumy	34,0	33,1	34,7	2,0%
Ternopil	55,9	54,8	57,8	3,3%
Kharkiv	35,6	36,3	36,4	2,4%
Kherson	32,9	34,2	48,1	45,9%
Khmelnyskyi	45,3	51,7	51,0	12,5%
Cherkassy	44,6	48,2	45,2	1,3%
Chernivtsi	51,0	47,4	43,7	-14,3%
Chernihiv	33,4	37,2	40,6	21,5%
Ukraine	42,0	43,5	44,5	6,0%

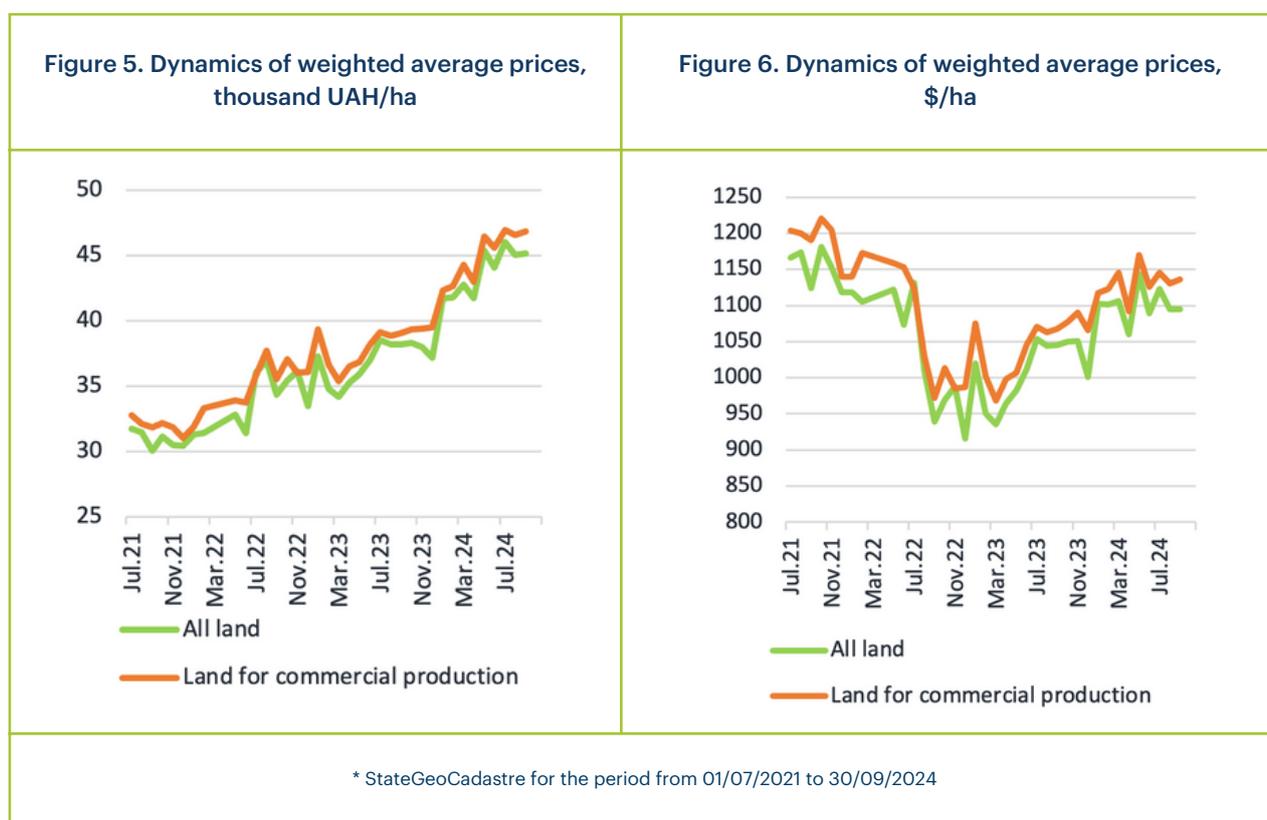
* StateGeoCadastre for the period from 01/01/2024 to 30/09/2024

If we compare the weighted average prices in September 2024 (the last month for which data is available) to the weighted average price in December 2023 (before the land market was opened to legal entities), land prices have increased by 21.6% for all land and by 18.6% for commercial plots, reaching UAH 45,200 per hectare for all land sold and UAH 46,900 per hectare for commercial land. This growth was so significant that it exceeded the devaluation of the national currency, and while the weighted average price in December 2023 was \$1,001 per ha. The weighted average price in September 2024 was \$1,095 per hectare, which is equivalent to \$1,095 per hectare. This is equivalent to a price increase of 9.4% in dollar terms.

Thus, in the first nine months of 2024, the capitalisation of the agricultural land market increased by UAH 332 billion in national currency, or by \$3.9 billion, if we count the value of land in foreign currency. At the same time, the growth of land prices in national currency has not exceeded the rate of hryvnia devaluation since the market's inception. A hectare of land in July 2021 cost \$1,166 per hectare. Thus, since the opening of the farmland market in July 2021, the nominal land price has decreased by 6.1% in dollar terms. This is due to the significant weakening of the hryvnia after the start of the full-scale invasion and subsequently as a result of currency liberalisation. Thus, the average monthly hryvnia/dollar exchange rate in September 2024 was UAH 41.25/\$, while the average monthly exchange rate in July 2021 was UAH 27.11/\$.

The potential value of all land available for sale and purchase reached UAH 8.2 billion in 2024. It is worth noting that all prices analysed in this report are official prices of agricultural land purchase and sale, which are recorded in the transactions. The actual value of agricultural land may differ, as most sales transactions are concluded at a price that does not differ from the appraised monetary value (minimum sale price for formerly moratorium land) by more than 2%.

Therefore, the true market volume may be significantly higher, as well as the real price. At the same time, due to the fact that the share of transactions concluded at a price equal to the appraised monetary value is constant over time, price changes both in time and geographically reflect the variability of prices on the market. Thus, while absolute land price values should be interpreted with caution, the percentage change in price over time accurately reflects market dynamics.



In terms of regions, the highest land prices in 2024 were recorded in Ivano-Frankivsk, Poltava, Lviv, and Ternopil regions. The lowest prices are observed in the regions affected by the hostilities – Zaporizhzhia, Sumy, Mykolaiv and Donetsk regions.

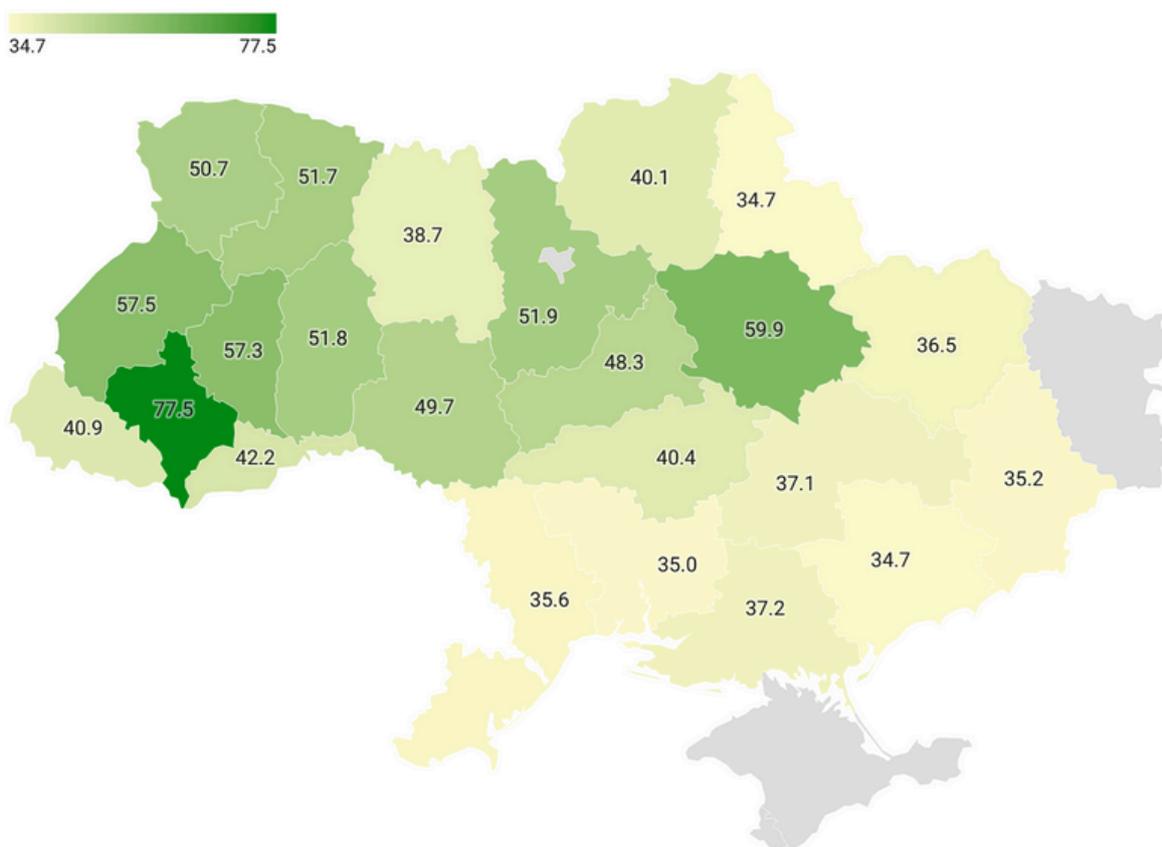
As noted above, the high prices in the western regions of Ukraine are likely to be related not so much to the high quality of soil in these regions as to the restrictions

imposed on the market, which lead to high transaction costs. Thus, according to market participants, prices for land transactions range from UAH 12-15 thousand per transaction. Given that the average size of an inherited commodity plot in Lviv region is 0.5 hectares and 0.4 hectares in Ivano-Frankivsk region, the cost of a land plot may be commensurate with the transaction costs, and this may negatively affect the willingness to enter into such transactions. Consequently, sale and purchase transactions in

these regions are concluded with larger plots (on average 0.7 ha in Ivano-Frankivsk region and 1 ha in Lviv region, which is almost twice the size of the inherited plots) and plots with probably better soils, which leads to high average prices in these regions. The hypothesis that high prices in these regions are caused by the exclusion of less valuable

plots from circulation is also supported by statistics on the percentage of land in circulation: these two regions have the least liquid land market in the whole of Ukraine (with the exception of Donetsk and Luhansk regions), with the share of land in circulation ranging from 0.64-0.69% for these regions compared to the average for regions not affected by the occupation of 1.87%.

Figure 7. Weighted average prices by region in 2024, thousand UAH/ha



* StateGeoCadastre for the period from 01/01/2024 to 30/09/2024

THE FORMER MORATORIUM LANDS PREVAIL IN CIRCULATION

In September 2024, as before, the former moratorium lands prevailed in circulation. These are the so-called marketable land and land for private farming (land of private households). 56% of transactions were concluded on commodity land, which, due to its larger average plot size, accounted for 72% of all sold plots by area. The figures for land for private households are 39% and 17% respectively. Another category that accounts for a small volume in terms of the number of transactions (1%), but a significant volume in terms of area (8%) due to the large average plot size, is land for farming.

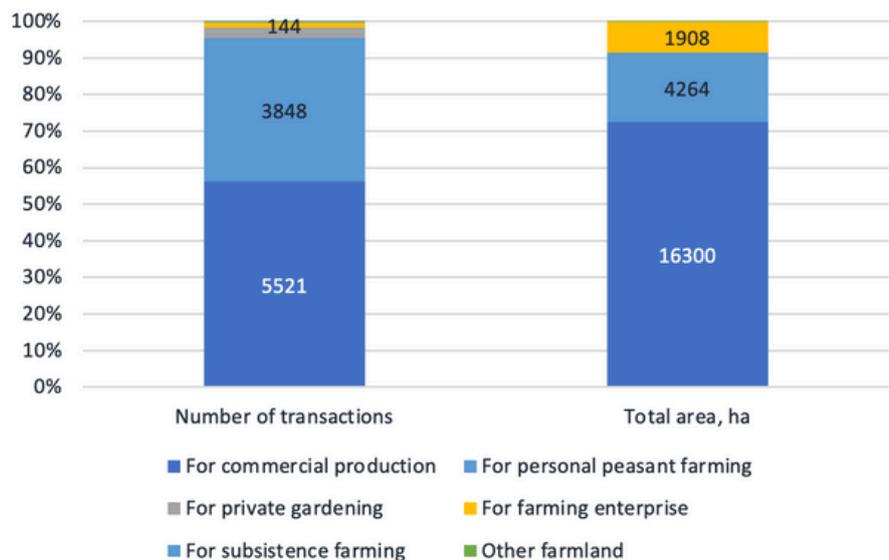
The data for September differs slightly from the data for the entire third quarter of 2024. Commercial land in Q3 of 2024 accounted

for 57% of the number of transactions and 74% of the total area for sale. The share of agricultural land was 38% and 18%, respectively, and the share of land for farming was 1% and 8%, respectively.

The structure of the land market in terms of the designated purpose of land subject to sale and purchase is stable over time. If we analyse the figures for the first quarter of 2024, the structure of land sold by designated purpose is identical to that of Q3. The only difference in the second quarter was a slightly different proportion of commodity land and land for farming. In the second quarter, commodity land accounted for 56% of the total number of transactions and 73% of the land area in circulation, while farmland accounted for 2% of the number of transactions and 9% of the land area in circulation.

Figure 8. Breakdown of sale and purchase transactions by purpose of land plot in September

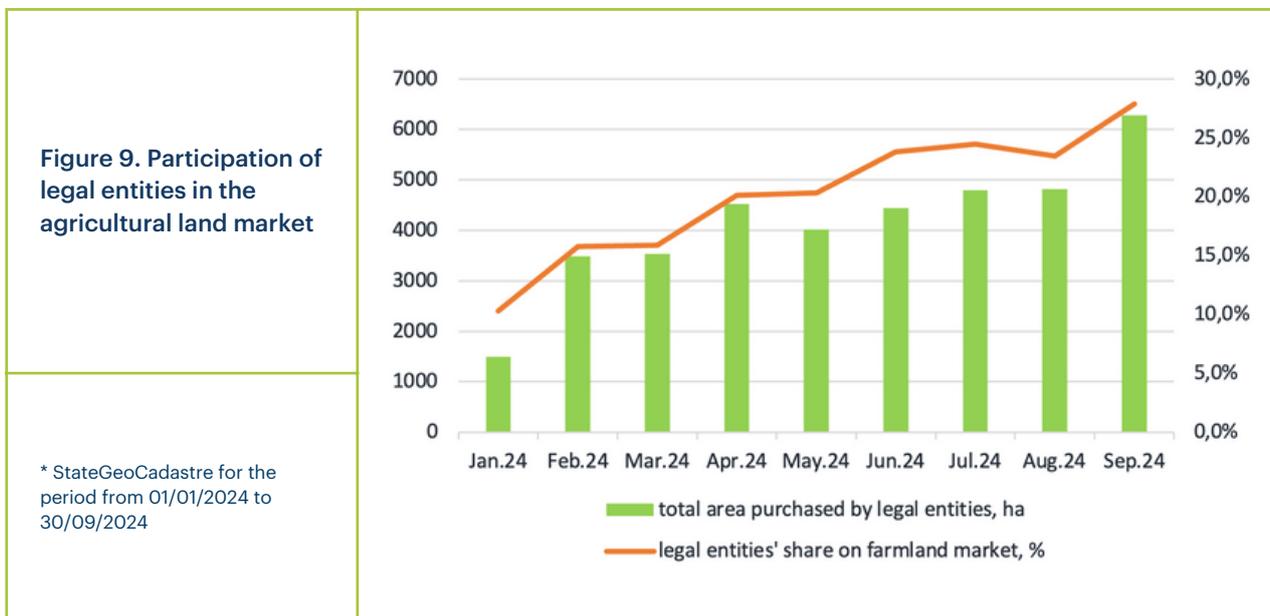
* StateGeoCadastre for the period from 01/09/2024 to 30/09/2024



PARTICIPATION OF LEGAL ENTITIES IN THE LAND MARKET

Starting from 1 January 2024, legal entities were granted the right to purchase agricultural land. The limit on single-handed land purchases was also increased from 100 to 10,000 hectares. This has raised concerns among some market participants that large players will accumulate large areas of farmland. The results of the first three quarters of 2024 do not confirm these fears.

In the first nine months after the land market was opened for legal entities, a total of 1,184 legal entities exercised the right to purchase agricultural land. During this time, they concluded 12,800 transactions covering a total area of 37,400 hectares. As a result, the share of legal entities in the agricultural land market stood at 20.5% as of the end of September this year.



The area of land acquired by legal entities in Q3 is significantly higher than the area of land acquired by legal entities in the first and second quarters of 2024. While in the first quarter of 2024 legal entities acquired 8,500 hectares of agricultural land, in the second quarter this figure increased to 13,000 hectares, and in Q3 it reached 15,900 hectares. Thus, the volume of land acquisitions by legal entities is growing faster than the market growth: between the second and third quarters of 2024, the market volume grew by 3%, while the

volume of land acquired by legal entities increased by 22%. As a result, the share of legal entities in the market is also growing, from 14.5% in the first quarter of 2024 to 21.3% in the second quarter and to 25.4% in Q3 of 2024. September was a record month for legal entities in the land market, during which they acquired 6,300 hectares of agricultural land, or 27.9% of the market.

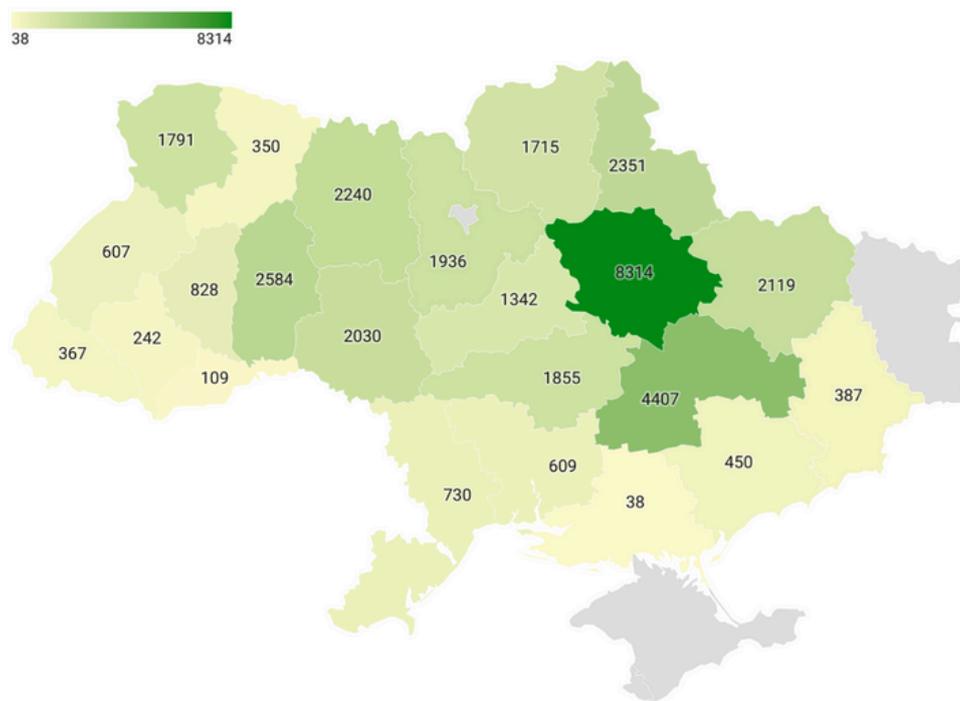
At the same time, the number of legal entities that entered into at least one sale and purchase transaction increased significantly. While in the

first quarter of 2024, 436 legal entities acquired at least one land plot, in the second quarter the number of legal entities that acquired at least one land plot increased to 612, and in Q3 it reached 723.

Most of the land plots acquired by legal entities are former moratorium lands: 75.5% of the plots are commercial land, and another 23.2% are land of individual farms (which were also partially under the moratorium until July 2021).

The area of land plots acquired by legal entities in 2024 is unevenly distributed across the regions - 22% are located in Poltava region. Dnipropetrovsk (12% of the area of land plots acquired by legal entities), Khmelnytskyi (7%) and Sumy (6%) regions are also among the leaders. Legal entities have not acquired 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 10. Area of agricultural land acquired by legal entities in 2024, ha



* StateGeoCadastre for the period from 01/01/2024 to 30/09/2024

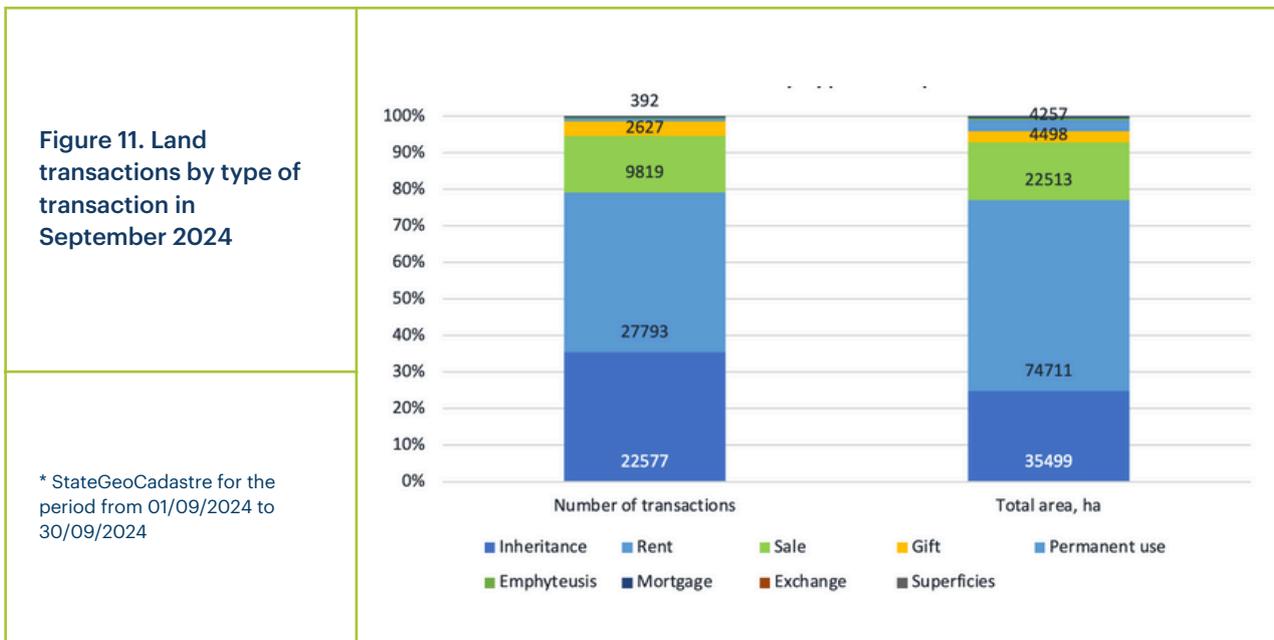
Due to the small number of land transactions involving legal entities and their uneven geographical distribution, it is difficult to compare prices of land acquired by individuals and legal entities. For this reason, in previous editions of the Review we compared the ratio of land sale price to

appraised monetary value and noted that such ratio was significantly higher for land acquired by legal entities. In this issue of the Review, we conduct an econometric analysis to estimate the difference between prices paid for land by individuals and legal entities (see section: 'Impact of opening the market to legal entities on land prices').

THE LAND RENTAL MARKET DOMINATES THE LAND SALES MARKET

As in the previous periods, in September 2024, land lease agreements (27,800 agreements), inheritance of land plots (22,600) and sale agreements (9,800) prevailed. On a quarterly basis, we concluded 63 thousand transactions of inheritance of agricultural land covering a total area of 101,200 hectares, 65 thousand lease agreements of agricultural land covering a total area of 168,000 hectares, and 28 thousand purchase and sale agreements covering a total area of 62,300 hectares. Compared to the previous quarters, we see two significant changes. The first one is a significant reduction in the number of lease agreements concluded, which in Q3 was the lowest in 2024. However, compared to the same period of the previous year, we see a 7% increase in the number of lease agreements concluded. The other two differences from the previous

quarters are the increase in the number of cases of land transfer for permanent use and donation agreements. The number of donation agreements has been steadily growing from quarter to quarter, and while in Q3 of 2023 5,900 donation agreements covering a total area of 11,500 hectares were concluded, in Q3 of 2024 this number increased by one and a half times to 9,500 donation agreements covering a total area of 16,400 hectares. As for the transfer of land for permanent use, Q3 is an absolute record in terms of the number and total area of land transferred for permanent use - 3,045 land plots with a total area of 1,01670 hectares, or more than one and a half times more than the number of land sold in Q3. Prior to that, the average quarterly number of such agreements was just over a thousand transactions per quarter with an average quarterly volume of 18,400 hectares. Such an increase in the number of permanent use agreements is anomalous and requires further study.



LAND AUCTIONS

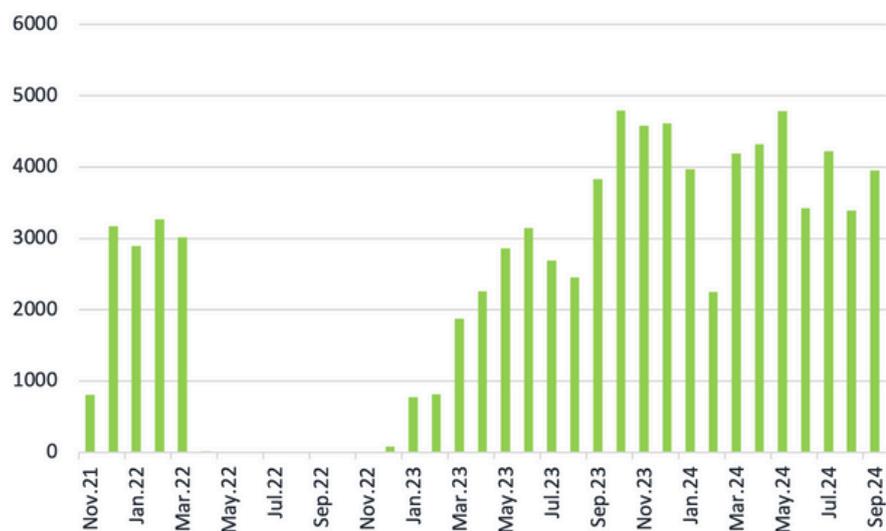
Since October 2021, community land leases have been conducted through electronic auctions on the Prozorro.Sale platform. Since then, 9621 community agricultural land plots with a total area of 82,500 hectares have been successfully leased, bringing UAH 698.2 million in revenue to hromadas annually. Over the entire period of land auctions held on the Prozorro.Sale platform, the weighted average lease price is UAH 8,500 per hectare, with a weighted average starting price of UAH 2,500 per hectare. Thus, land auctions on the Prozorro.Sale platform have proven to be an effective and transparent mechanism for leasing community land.

While the volume of sales of lease rights to municipal land through Prozorro.Sale was growing throughout 2023, the results of 2024 are more volatile and do not show a steady upward trend. In 2023, the volume of auctions increased almost tenfold in terms of the number of successful auctions and fourfold in terms of the area of land plots

leased out - from 389 successful auctions covering a total area of 3,500 hectares in Q1 2023 to 1636 successful auctions covering a total area of 14,000 hectares in __ Q4 2023. In Q1 2024, 1291 successful auctions were held with a total area of 10,400 hectares. In Q2 2024, the volume of land auctions partially recovered and amounted to 1579 successful auctions of community land lease rights with a total area of 12,500 hectares. Thus, compared to the first quarter of 2024, the volume of auctions in the second quarter increased by 24% in terms of the number of plots and by 23% in terms of the total area of leased community plots. The volume of land auctions in Q3 was lower than in the second quarter, with only 1,312 successful auctions totalling 11,600 hectares, or 16.9% less than in the second quarter in terms of the number of auctions and 7.6% less than in terms of the area of successfully leased plots. This result was primarily due to a smaller number of land plots put up for auction for leasehold rights. While in the second quarter, lease rights to 2,535 plots were put up for auction, in Q3 this figure was 2,175 plots.

Figure 12. Dynamics of leasehold rights sales at land auctions, ha

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



Along with the decline in trading volumes in Q3, we also saw a significant reduction in lease prices at land auctions. While in the first quarter of 2024 the weighted average annual rental price for one hectare of community agricultural land was UAH 8,500, in the second quarter the price dropped to UAH 8,300, and in Q3 – to UAH 7,500 per hectare. At the same time, in August 2024, the price was the lowest for the whole of 2024 and reached UAH 7,000 per hectare. Despite the fact that in September

the rental price increased to UAH 7,600 per hectare, such a significant reduction in the cost of rent at land auctions requires further study.

The weighted average purchase and sale price of land plots in Q3 2024 is approximately equal to the cost of 6 years of land lease through electronic auctions. Such a small gap between purchase and lease prices indicates that official purchase and sale prices may be understated and do not reflect the real market value of land plots.



SALE OF STATE AND COMMUNITY AGRICULTURAL LAND

During the lifting of the moratorium on the sale of agricultural land, there was a widespread manipulation that the lifting of the moratorium would lead to the sale of state and community agricultural land. In reality, the moratorium on the sale of state and community agricultural land remains in force. However, this does not mean that no sales of state and community agricultural land are taking place. As with private land, the moratorium does not apply to all agricultural land. Therefore, the state and hromadas have the opportunity to sell

agricultural land that is not subject to the moratorium.

A total of 52 land auctions for the sale of state and community agricultural land have been recorded since 2021, 5 of which were for the current tenant with a pre-emptive right to purchase. Of these 52 land auctions, 26 were announced for community land and 26 for state land. Of the announced auctions, 12 were successful. Unfortunately, due to the small sample of successful auctions, it is impossible to analyse the prices and compare them with the sale prices of private land.

REVENUES TO COMMUNITY BUDGETS AS A RESULT OF THE LAND MARKET

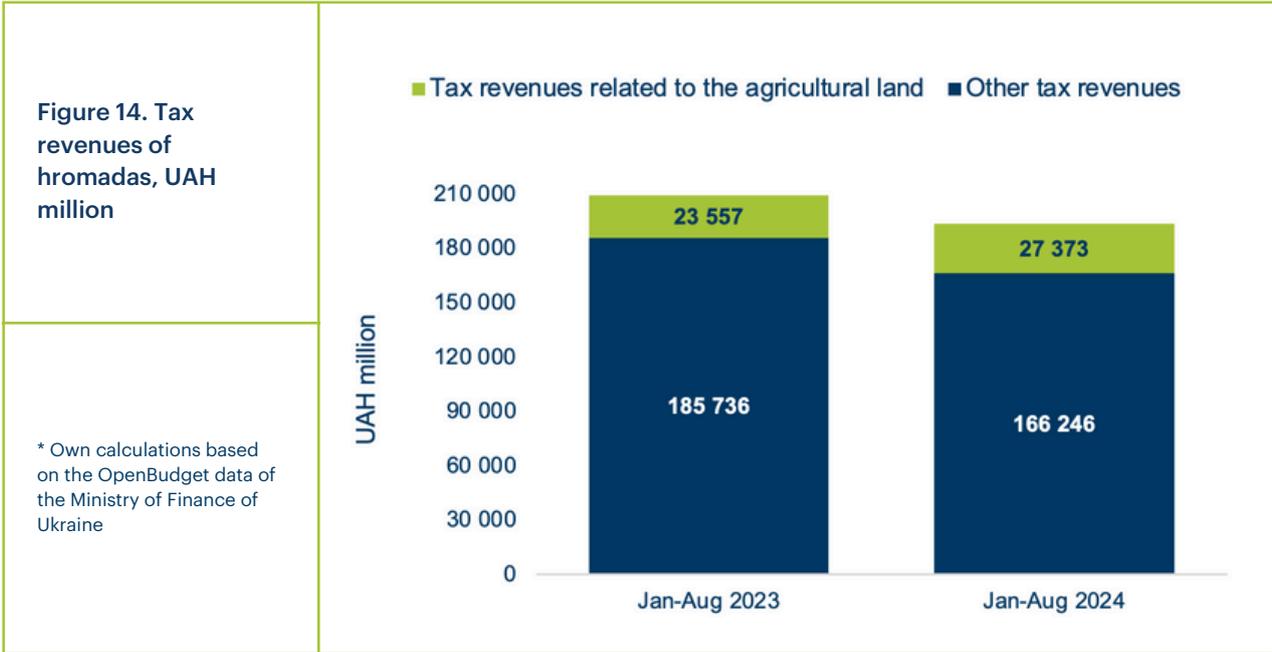
The turnover and use of agricultural land is a significant source of revenues for local hromadas. Community budget revenues include the following tax revenues related to agricultural land:

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

The amount of budget revenues from agricultural land has been showing positive dynamics since the beginning of 2024. According to the official web portal of the Ministry of Finance of Ukraine, OpenBudget, in August 2024, due to the turnover and use of agricultural land, the budgets of hromadas were replenished by more than UAH 3.9 billion, which is 23% more than in the same

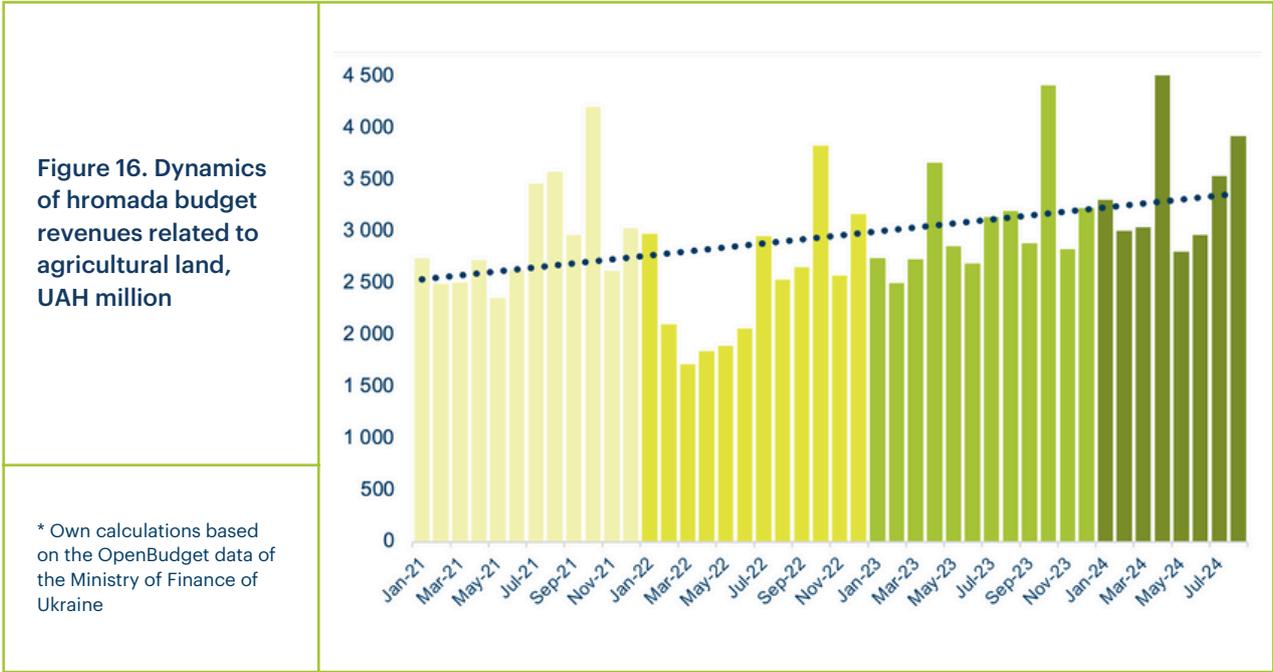
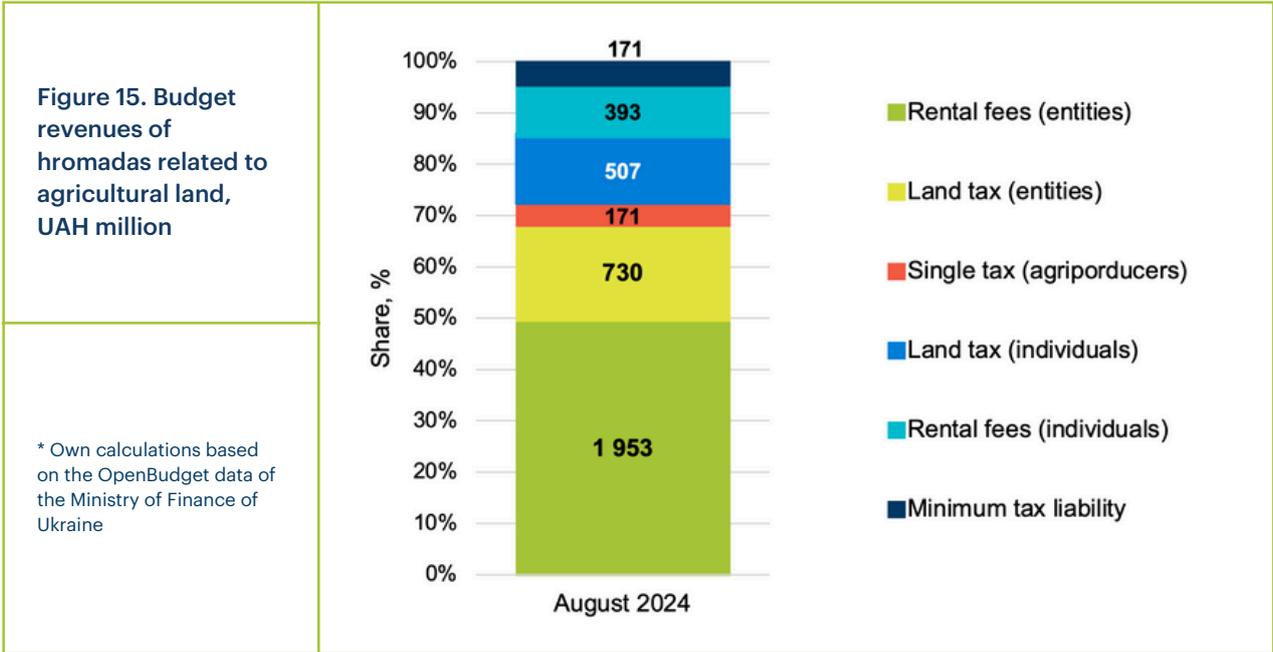
period last year. August's growth was the highest since the beginning of the year. At the same time, other community tax revenues decreased by almost UAH 2.6 billion in August 2024 compared to August last year, primarily due to the redirection of personal income tax paid by the military to the state budget. About 28% of budget losses were compensated for by an increase in revenues from agricultural land.

In total, over UAH 27 billion of taxes and payments related to agricultural land were paid to hromada budgets in the first eight months of 2024, which is 16% more than in the same period last year. Thus, in 2024, the share of revenues related to agricultural land increased from 11% to 14% in the structure of total hromada tax revenues. This demonstrates the importance of market circulation and the use of agricultural land as a compensator for the effects of legislative decisions on the public finance system and the preservation of the financial capacity of hromadas.



The record year-to-date increase in revenues related to agricultural land was primarily driven by an increase in payments for lease of community land. Thus, in August 2024, tenants of community land transferred UAH 2.3 billion to hromada budgets, which is 29% more than a year earlier. As before, the main factor behind this growth was the indexation of the appraised monetary value (which is the basis for calculating rent), as well as the cumulative effect of competitive electronic lease auctions on the Prozorro.Sale platform. The largest tenants of municipal land are traditionally legal entities, which paid almost UAH 2 billion in rent in August.

Land tax revenues remain stable. Thus, land leaseholders and owners transferred UAH 1.2 billion to hromada budgets in August 2024, which is 3% higher than in August 2023. A similar upward trend was demonstrated by the revenues of hromadas from the single tax paid by agricultural producers operating under the simplified taxation system. Thus, in August, hromadas received UAH 171 million from this tax, which is 4% more than a year earlier. This is the first time since July 2024 that revenues from this tax have increased year-on-year. An additional favourable factor for hromada budgets was the increase in revenues from the minimum tax liability (MTL). In August 2024, taxpayers paid UAH 171 million in the form of the minimum tax liability, which is a record payment for this type of tax since its introduction in 2023.



In the regional context, in August 2024, the hromadas of Dnipropetrovsk region traditionally received the largest amount of taxes related to the turnover and use of agricultural land – almost UAH 1.1 billion. Agricultural land accounts for a significant share of total tax revenues in the hromadas of Dnipropetrovsk region – 27% in August 2024. In addition, hromadas of Odesa (UAH 379 million), Poltava (UAH 222 million) and

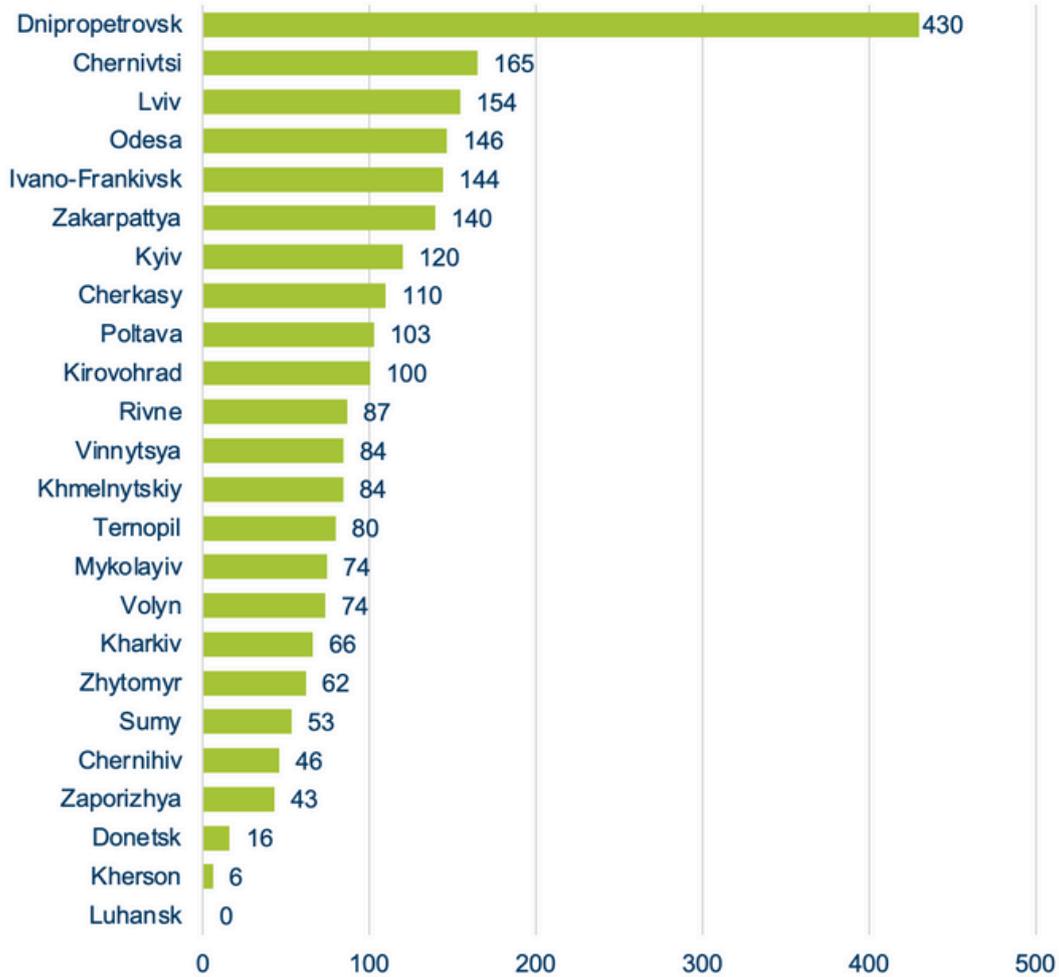
and Kirovohrad (UAH 204 million) regions received high revenues in August. At the same time, hromadas in the regions that are in the epicentre of hostilities or a significant part of which is temporarily occupied by the Russian Federation receive significantly lower revenues from agricultural land. In August 2024, the amount of such revenues for the budgets of hromadas in Luhansk Region, which is almost entirely occupied by the Russian Federation, was

UAH 0.7 million, Kherson Region – UAH 12 million, and Donetsk Region – UAH 33 million.

The leaders in terms of budget revenues related to the circulation and use of agricultural land per unit area are consistently the hromadas of Dnipropetrovsk region, which received UAH 430 per hectare

of agricultural land in August 2024. In general, the average income per hectare in Ukraine in August was UAH 99 per hectare. In addition to Dnipropetrovsk region, hromadas in Chernivtsi (UAH 165 per hectare), Lviv (UAH 154 per hectare), Ivano-Frankivsk (UAH 144 per hectare), Zakarpattia (UAH 140 per hectare), and Odesa (UAH 146 per hectare) regions collected significantly more than the national average.

Figure 17. Tax revenues of hromadas related to agricultural land, per agricultural land area, in August 2024, UAH/ha



* Own calculations based on OpenBudget data of the Ministry of Finance of Ukraine and the State Statistics Service

SPECIAL TOPIC

IMPACT OF OPENING THE MARKET TO LEGAL ENTITIES ON LAND PRICES

Legal persons pay on average 47% more for agricultural land than individuals. However, the fact that most transactions between individuals take place at a price equal to the appraised monetary value raises the suspicion of fictitious prices in such transactions. If we take a sub-sample of plots sold at a price that exceeded the appraised monetary value by more than 2%, the so-called 'market price' sample, we find that legal entities pay 17% more for agricultural land than individuals, taking into account all other factors. Other factors that have a significant impact on land values are the appraised monetary value (a 1% increase in the appraised monetary value leads to a 0.52% increase in land value) and the cost of land lease (a 1% increase in the cost of lease leads to a 0.21% increase in land value). Also, according to the analysis, the opening of the land market to legal entities correlates with a 9-10% increase in prices for transactions involving individuals.

As we have discussed in previous issues of the analytical reviews, the analysis of prices

paid for land by legal entities is complicated, so a simple comparison of the average purchase price of land for individuals and legal entities cannot give a clear answer to the question of whether there is a difference between the prices paid by the former and the latter. For example, 24% of all land purchased by legal entities is located in Poltava region. If we talk about all sales transactions, only 11% of the land subject to sale and purchase over the entire period of the land market's existence was located in Poltava region. Therefore, given that land prices in Poltava region are significantly higher than the average in Ukraine, failure to take this factor into account when simply comparing average prices may lead to the conclusion that legal entities pay more for land sales than individuals. The difference between land plots purchased by individuals and legal entities may lie not only in the location, but also in the size of the land plot, its intended use, etc. For example, the results of the comparison of average prices will be incorrect if legal entities on average purchase larger plots, or if a larger part of their plots is commodity land, compared to individual buyers. Therefore, for a correct analysis of prices paid by individuals and legal entities when purchasing land, it is necessary to take into account all these factors.

ANALYSIS METHODOLOGY

One method of accounting for such factors is regression analysis. This method allows us to calculate the difference between the prices paid by individuals and legal entities for agricultural land on a *ceteris paribus* basis, i.e., all other things being equal.

One of the difficulties in regression analysis of the land market is the so-called spatial autocorrelation. In other words, the prices of neighbouring land plots are correlated with each other, and the greater the distance from one plot to another, the smaller this relationship between prices. Failure to take this factor into account leads to systematic bias in the estimates, and thus we cannot trust the results of a simple regression analysis. For this reason, in this study we will use a model with the so-called spatial lag, where the spatial lag of the dependent variable is included in the analysis as one of the independent variables.

Another difficulty arising from the comparison of prices paid for land by individuals and legal entities is the fact that more than half of all transactions involving individuals are made at a price not exceeding the appraised monetary value (the minimum sale price for formerly moratorium land). At the same time, there is no such trend for legal entity buyers, and this may be a potential signal that individuals artificially lower the sale price of their plots and indicate the minimum value allowed by law. Therefore, when comparing these two samples, if individuals do artificially underestimate the value, a systematic measurement error arises,

which leads to unreliability of the results. To mitigate this problem, we will estimate our regression model for two separate samples. The first one is all land transactions, the second one is a subsample of land transactions that occur at a price that is at least 2% higher than the appraised monetary value, assuming that these transactions reflect the market value of land plots.

Also, when calculating spatial models on large datasets, there is a difficulty with the computing power required to successfully perform the calculations. For example, when trying to calculate a spatial model for the entire sample of land transactions, it was not possible to obtain a calculation even when using cloud technologies with 128 GB of RAM. Therefore, in order to obtain the results of the analysis, 10,000 observations were randomly selected from each sample (all transactions and transactions at a price higher than the appraised monetary value) for which the calculation was performed. This reduction in the number of observations increases the confidence intervals for the estimated coefficients, but does not lead to a systematic error in the coefficients. However, given that the sample of 10,000 is sufficient for the accuracy of the calculations, we do not expect a significant change in the confidence intervals for the estimated coefficients.

A separate aspect of regression analysis is that if the model does not include factors that have (from a theoretical point of view) a significant impact on the dependent variable, in our case the price of a hectare of land, such a model may lead to a systematic error in the calculation of coefficients. Therefore, in addition to the factors included in the land transaction dataset, we also

include several factors from other datasets. Using the 50-СГ statistical form, we calculate the average revenue of companies registered within a 5 km radius of the village council where the land plot to be sold is registered. Similarly, using the statistical form 29-СГ, we calculate the number of commercial agricultural producers also registered within a 5 km radius. From a theoretical point of view, we can expect that in an area with more competition for land resources (an area with more farmers), the price of land may be higher. Similarly, we expect higher revenue per hectare to be positively correlated with land price, as, ceteris paribus, higher revenue may be a result of higher yields and thus a signal of higher land quality in the area, which would

lead to higher prices. Alternatively, higher revenues may be correlated with higher profitability of farming, which leads to higher rental prices and thus higher land prices. Due to data limitations, these two variables are calculated for 2018, the most recent year for which data are available.

As we have already noted, one of the significant factors affecting the cost of land purchase and sale is the cost of land lease. This is due to the fact that a farmer should be indifferent between the option of buying land or continuing to lease land (taking into account the cost of raising capital). To take this factor into account, we calculated the average cost of land lease for each village council during October 2021 – June 2024.

DESCRIPTIVE STATISTICS

After dropping observations that do not have information for at least one variable to be included in the model (or the coordinates of the settlement to which the land plot belongs), as well as dropping the 5% cheapest and 5% most expensive land plots per hectare, the sample size is 116 thousand observations, the descriptive statistics for which are presented in Table 2. Out of this sample, 10 thousand observations were randomly selected to estimate the regression model. Examining the descriptive

statistics for this sample, we can make a preliminary conclusion that the lack of information on certain variables (such as normative monetary value, land plot price, etc.) may not be accidental, as the average land plot size for this sample is 2.9 hectares, while for all sold plots it is 2.2 hectares. However, given the standard deviation of 3.7 hectares, we cannot say that there is a statistically significant difference between the average size of land plots in this sample and plots for all sales transactions.

Table 2. Descriptive statistics of the sample of plots with all land transactions

Variable description	Variable name	Average	Median	SD	Min	Max
Price per hectare, UAH/ha	price_pha	36148	31852	22803	6450	141071
Area, ha	area	2,9	2,0	3,7	0,0	374,6
Normative monetary evaluation per hectare, UAH/ha	nlv_pha	26937	28642	19391	4	2892297
Number of agricultural households*	nfarms_neighbors5	8,6	6,0	8,5	0,0	117,0
Average revenue per hectare*, UAH thousand	avg_output5	11,3	10,6	6,4	0,0	58,7
Average rent per hectare**, UAH/ha	avg_rent_in_vc	3108	2927	1552	393	14424
The buyer is a legal entity	dummy_le	0,06				
Type of land - arable land	dummy_arable	0,87				
Type of land - hayfields-pastures	dummy_hays_pastures	0,12				
Type of land - other	dummy_other	0,01				
Purpose - for commercial agricultural production	int_0101	0,64				
Purpose - for farming	int_0102	0,02				
Targeted purpose - for households	int_0103	0,32				
Purpose - other	int_other	0,01				
The transaction took place before the full-scale invasion	dummy_before_inv	0,24				
The transaction took place after 24/02/2022 and before 01/01/2024	dummy_after_inv_before_le	0,42				
The transaction took place after access to the legal entity market	dummy_after_le	0,34				
Number of observations		116658				

*Calculated for the village council to which the land plot subject to sale and purchase belongs, as well as for all village councils located within a radius of 5 km from the village council to which the land plot belongs.

**Calculated for agricultural land in the village council to which the land plot belongs for 2021-2024.

To obtain our second sample, the so-called 'market-priced sample', we excluded from these 116,000 observations all transactions that were priced at a price that did not exceed the appraised monetary value by more than 2%, reducing the size of the second sample to 46,000 observations (descriptive statistics are presented in Table 3). We also randomly selected 10,000 observations from this sample for regression analysis.

Comparing the two samples, we can cautiously conclude that not all transactions

concluded at a price equal to the appraised monetary value are fictitious. The sample with 'market transactions' has smaller land plots, higher lease prices, and lower appraised monetary value. However, we cannot draw a clear conclusion about the difference in these variables due to the high standard deviations for these variables, which makes the above difference in means not statistically significant.

What is a significant difference is the share of deals made by legal entities. While only 6% of all deals were concluded by legal entities, this share is twice as high for the subsample of transactions with market prices, at 12%.

Table 3. Descriptive statistics for the subsample of plots sold at 'market price'

Variable description	Variable name	Average	Median	SD	Min	Max
Price per hectare, UAH/ha	price_pha	48400	41324	29889	6452	141071
Area, ha	area	2.2	2.0	2.3	0.0	136,0
Appraised monetary value per hectare, UAH/ha	nlv_pha	22423	22923	12379	4	92700
Number of agricultural households*.	nfarms_neighbours5	7.6	6.0	8.1	0.0	117.0
Average revenue per hectare*, UAH thousand	avg_output5	11.5	10.7	6.9	0.0	58.7
Average rent per hectare**, UAH/ha	avg_rent_in_vc	3310	3222	1581	393	14424
The buyer is a legal entity	dummy_le	0.12				
Type of land - arable land	dummy_arable	0.77				
Type of land - hayfields-pastures	dummy_hays_pastures	0.22				
Type of land - other	dummy_other	0.01				
Purpose - for commercial agricultural production	int_0101	0.60				
Purpose - for farming	int_0102	0.01				

Variable description	Variable name	Average	Median	SD	Min	Max
Targeted purpose - for households	int_0103	0.37				
Purpose - other	int_other	0.02				
The transaction took place before the full-scale invasion	dummy_before_invasion	0.19				
The transaction took place after 24/02/2022 and before 01/01/2024	dummy_after_war_before_le	0.41				
The transaction took place after access to the legal entity market	dummy_after_le	0.39				
Number of observations		46140				

*Calculated for the village council to which the land plot subject to sale and purchase belongs, as well as for all village councils located within a radius of 5 km from the village council to which the land plot belongs.

**Calculated for agricultural land in the village council to which the land plot belongs for 2021-2024.

RESULTS

The key result of our models is that legal entities pay more for agricultural land than individuals.

Based on the sample with all land transactions, legal entities pay 47% more for agricultural land than individuals. At the same time, if we consider the subsample of transactions concluded at the 'market price', the gap between individuals and legal entities, although still present, is not as dramatic and amounts to only 17%. For both models, these figures are statistically significant at the 1% confidence level.

Another significant factor is the opening of the land market to legal entities. We cannot establish a causal link between the opening

of the land market to legal entities and changes in market prices, but after the opening of the land market to legal entities, prices for transactions involving individuals increased by 9-10%, depending on the sample used for the analysis. At the same time, after the full-scale invasion, the price increase on the land market was 15% for the entire sample and 24% for the subsample of transactions with 'market prices'.

The two factors that have the greatest impact on price formation are the appraised monetary value and the lease value. A 1% increase in the appraised monetary value leads to a 0.54% increase in the land sale price, while an increase in the lease value in the village council where the land plot is located leads to a 21% increase in the land price, regardless of the specification.

Table 4. Regression analysis results

Variable name	The whole sample		Sub-sample with a price higher than the appraised monetary value	
	Total marginal effect	p-value	Total marginal effect	p-value
area	-0.01	0.00	-0.02	0.01
lnlv_pha	0.54	0.00	0.52	0.00
dummy_hays_pastures	-0.26	0.00	-0.38	0.00
dummy_other	-0.04	0.00	-0.23	0.02
int_0102	-0.18	0.71	0.36	0.01
int_0103	-0.14	0.00	0.00	0.92
int_other	0.87	0.00	0.80	0.00
dummy_after_invasion_before_le	0.15	0.00	0.24	0.00
dummy_after_le	0.25	0.00	0.33	0.00
nfarms_neighbors5	0.00	0.00	0.00	0.01
lavg_output5	-0.02	0.33	-0.03	0.03
lavg_rent_in_vc	0.21	0.06	0.21	0.00
dummy_le	0.47	0.00	0.17	0.00
Rho	0.41	0.00	0.42	0.00
Number of observations	10000		10000	

*Rho is the coefficient of spatial autocorrelation.

SPECIAL TOPIC

IMPACT OF THE PRE-EMPTIVE RIGHT OF PURCHASE ON THE LAND MARKET ¹

Pre-emptive rights increase the likelihood that a tenant (who has a pre-emptive right) will acquire the land. At the same time, pre-emptive rights negatively affect the value of land, leading to inefficient allocation of land resources and welfare losses.

One of the key design features of the land market in Ukraine is the pre-emptive right to purchase land. It allows the seller of a land plot to receive an offer to purchase the plot from anyone on the market, but obliges the holder of the pre-emptive right to offer the buyer the opportunity to purchase the plot on the same terms as the offer. The pre-emptive right to purchase a plot is granted to several categories of land users, but the most common category is land leaseholders. Therefore, under the current legislation, a landowner cannot sell a land plot without offering to buy it out to the current tenant.

In this study, we will analyse the impact of the pre-emptive right to purchase a land plot on the land market.

For the purposes of this modelling, we need to make some simplifications to the pre-emptive right system in Ukraine. In Ukraine, re-negotiation is allowed provided that the tenant has decided to exercise its pre-emptive right. Thus, after the tenant has exercised the right of first refusal, the landowner can invite the buyer without the right of first refusal to make a subsequent price offer. In this modelling, we assume that the landowner does not have this option. In the following, after discussing a simple theoretical model of the effect of pre-emption, we also discuss the expected effects of a more complex model if the landowner has the right to renegotiate with the buyer without a pre-emptive right.

THEORETICAL MODEL OF THE IMPACT OF PRE-EMPTION

To model the impact of pre-emptive rights, we will use a simple model with only three players. A landowner, a tenant (who may have a pre-emptive right) and a third-party buyer (a buyer without a pre-emptive right).

To begin with, let's imagine that there is no pre-emptive right and a third-party buyer makes a price offer to the landowner. In this case, the weakly dominant strategy (relatively speaking, the most profitable) for

the landowner is to contact the current tenant and invite him to respond to the offer. If the tenant's assessment of the value of the land plot (its maximum willingness to pay) is higher than the price offer of a third-party buyer, the tenant's weakly dominant strategy is to submit its own price offer. This starts an auction between the two bidders – the third-party buyer and the tenant – which continues until the lower (of the two) valuation is reached.

¹ This study is being prepared for publication by R. Neyter and O. Nivievskiy

If the tenant has a pre-emptive right, the third-party buyer has only one opportunity to make a price offer. If the price offer is lower than the tenant's estimate of the land plot's value, the tenant will exercise its pre-emptive right and the third-party buyer will not be able to purchase the land plot. If the price offer is higher, the third-party buyer 'wins' and buys the land plot. In such circumstances, the third-party buyer chooses the price of the bid that maximises

its expected profit – the difference between its valuation of the land plot and the bid weighted by the probability of winning over the tenant.

Therefore, in our modelling we compare two scenarios – with and without pre-emptive rights. In case re-negotiation is allowed, it will lead to an intermediate outcome between these two scenarios, as it will be equivalent to a second-price auction with transaction costs for each bid.

EMPIRICAL APPROACH

We do not know the estimated value of the land plot for any buyer or seller of the land plot. Therefore, we use the capitalisation approach and assume a capitalisation rate of 20. Therefore, the landowner is ambivalent between receiving a lease for 20 years or selling the land at the same price. The buyer's estimate of the value of the land plot (per hectare) (the maximum price the buyer is willing to pay for the plot) is equal

to 20 years of profit from cultivating the land plot. We calculate information on company profits and rents from the 50-CF and 2-farm statistical forms and combine it with information from the 29-CF statistical form for 2016. We also distribute farms by size (creating a separate distribution for each category of farmers to calculate the probability of 'winning' the optimal rate). Accordingly, we also present all results by category of agricultural producer.

Category of agricultural producer	Size, ha
Micro	<50
Small	>=50 & <250
Medium.	>=250 & <1300
Medium +.	>=1300 & <6300
Big	>6300

To simulate the impact of pre-emptive rights, using data on the location of producers, information on profitability and the cost of leasing a plot (calculated as the average cost of leasing for all land leased by a producer), we generated a set of potential tenant-lessee pairs using a 10 km radius from the location of producers with plots under lease. Further, we identified only those pairs for which the third-party buyer

could initiate the process of land purchase - its estimate of the land plot value exceeds the landowner's estimate of the land plot value.

For each of these pairs, using the approach described in the previous section, we determined the final price of the land plot (1 ha in size) without pre-emptive rights, the optimal price offer for a third-party buyer in the scenario with pre-emptive rights, and the outcome of the bidding for both scenarios.

RESULTS. THE IMPACT OF PRE-EMPTIVE RIGHTS ON THE LIKELIHOOD OF A TENANT PURCHASING THE LAND

Table 5. Share of transactions in which the winner (the party that acquired the land plot)

Share of transactions in which the tenant won			
Tenant size	Without PP	FROM PP	t-value
Micro	0,12 (0,0011)	0,28 (0,0015)	-128***
Small	0,23 (0,0013)	0,45 (0,0015)	-169***
Medium.	0,42 (0,0019)	0,65 (0,0019)	-140***
Medium +.	0,44 (0,0028)	0,66 (0,0027)	-96***
Big	0,45 (0,0078)	0,65 (0,0075)	-32***
Chi2 (4 df)	14776***	950***	

* The tenant in the scenario without pre-emptive rights (SPR) and with SPR.

** Standard deviation in parentheses.

As we can see from Table 5, a significant number of current tenants, based on their financial results, cannot afford to purchase a land plot if a third-party buyer makes a price offer to the landowner. This happens because some tenant farmers are unprofitable, and even if the company generates profit, this profit may not be enough to generate a land plot valuation (maximum willingness to pay for a land plot) that exceeds the minimum amount that the landowner is willing to accept for his own land plot, or to compete with the valuation of the land plot by a third-party buyer (who makes a price offer only if his valuation of the land plot exceeds the landowner's valuation of the land plot).

If we talk about the scenario without pre-emptive rights, we see that the ability of a tenant to acquire a land plot increases with the size of the tenant's land bank. If a micro-agricultural producer has less than 50 hectares under cultivation, its probability of acquiring the land plot under cultivation without pre-emptive rights is only 12% (in case a third-party buyer makes a price offer). For medium and large companies, this percentage is already over 40% and ranges from 42-45%. At the same time, the pre-emptive right significantly increases the likelihood that the tenant will be able to buy the land. The largest increase was recorded for micro-producers, from 12% to 28%, but it is also significant for small producers (23% to 45%) and for medium and large companies (42-45% to 65-66%).

IMPACT OF PRE-EMPTIVE RIGHTS ON LAND VALUE

There are two important elements in modelling the impact of pre-emptive rights on land prices. The first is that in a scenario without pre-emptive rights, the starting price offer of a third-party buyer is equal to the minimum price that the landowner is willing to accept for his land plot. If the tenant is not willing to pay the same or a higher price, this

price is the final price.

In the case of a pre-emptive right, the third-party buyer makes its initial price offer based on the probability that the tenant will exercise the pre-emptive right. As a result, the optimal price offer in this case is usually higher than the minimum price the landowner is willing to accept.

Table 6. The impact of pre-emptive rights on the price.

Size of the buyer without PP	Share of observations, price with PP > price without PP	Price (\$/ha)		t-value
		Without PP	with PP	
Micro	55%	1259 (2,6)	977 (1,4)	144***
Small	53%	1477 (3,2)	1133 (1,7)	132***
Medium.	56%	1558 (1,8)	1203 (1,8)	108***
Medium +.	56%	1575 (5,4)	1214 (2,5)	78***
Big	60%	1647 (15,2)	1313 (6,8)	26***
Chi2 (4 df)	6,84	4562***	390***	

* The standard deviation is shown in parentheses.

Therefore, if we consider the above two cases, the price with a pre-emptive right may be higher than the price without a pre-emptive right.

However, if the lessee has a relatively high estimate of the value of the land plot, the increase in the value of the land plot in the course of bidding between the lessee and a third-party buyer in the non-pre-emptive scenario may be significant, and this may significantly affect the expected value of the land plot to the landowner in the non-pre-emptive scenario.

Looking at the simulation results presented in Table 6, in more than half of the cases, the price with a pre-emptive right will be higher than the price without a pre-emptive right. The share of such cases does not

depend on the size of the third-party buyer (the Chi2 coefficient is not statistically significant). However, the expected value of the land plot is lower for the pre-emptive right scenario for all sizes of third-party buyer, and this difference is statistically significant. In case the third-party buyer is a medium-sized agricultural producer, we can expect a price per hectare of \$1,500 in the scenario without pre-emptive rights. In case the tenant receives the pre-emptive right, the land value is reduced to \$1,200, or approximately 20%.

It is also important to understand that the land value shown in Table 6 may not correspond to the current market value, as it is based on the **maximum amount** that an agricultural producer was willing to pay for a hectare of land based on its profitability in 2016 and capitalisation level.

INEFFICIENT ALLOCATION OF LAND RESOURCES DUE TO PRE-EMPTIVE RIGHTS

An important prerequisite for the land market to translate into productivity gains in the agricultural sector is that the reallocation of land resources in the marketplace should be from less efficient to more efficient owners and users. Thus, when choosing between two farmers, an efficient allocation

of land occurs if the farmer willing to pay more for a land plot is awarded it.

However, pre-emptive rights can lead to inefficient allocation when the maximum willingness to pay for a land plot is higher for a third-party buyer, but the tenant exercised the pre-emptive right and received the land plot.

Table 7. Inefficient allocation of land resources due to pre-emptive rights.

Tenant size	% of transactions with inefficient allocation
Micro	14,50%
Small	20,40%
Medium.	22,50%
Medium +.	22,30%
Big	19,80%
Chi2 (4 df)	2797***

As we can see from Table 7, cases when pre-emptive rights lead to inefficient allocation of land resources are not uncommon. And while for a micro farmer-

lessee this happens in only 14.5% of transactions, for medium-sized producers more than 22% of transactions will result in inefficient allocation.

ECONOMIC LOSSES DUE TO THE INTRODUCTION OF PRE-EMPTIVE RIGHTS

The last part of the results concerns the welfare losses caused by the policy. We estimate welfare losses as the difference between total surpluses (sum of landowner's surplus – transaction price, tenant's surplus and third-party buyer's surplus) in the scenarios with and without pre-emptive

rights. The public welfare losses caused by the introduction of PP are statistically significant (with a t-value of 195) and average \$233 per hectare. It is worth noting that since Ukraine allows for the possibility of revising the price offer after the use of the pre-emptive right, the losses to the economy from the PP will be lower.

NEWS OF LAND LEGISLATION IN Q3 OF 2024

Amendments to the Procedure for Maintaining the State Land Cadastre

On 5 July 2024, the Cabinet of Ministers of Ukraine adopted Resolution No. 788, which amended the Procedure for Maintaining the State Land Cadastre. One of the key changes was the expansion of access to the State Land Cadastre. In particular, the resolution provides that military units of the State Border Guard Service of Ukraine are entitled to use the cadastre data within the territory of their operations.

Approval of the Procedure for Land and Soil Monitoring

On 23 July 2024, the Cabinet of Ministers of Ukraine adopted Resolution No. 848, which approved the Procedure for Monitoring Land and Soil. This Procedure defines the monitoring mechanism for timely detection of changes in land condition, pollution and soil properties, as well as assessment of the effectiveness of measures to protect land and restore its fertility. Monitoring involves systematic observation and assessment of the impact of negative processes on lands of various purposes, as well as the use of an automated information system to process and store the results of observations.

Provision of land for defence forces

The Law of Ukraine No. 3948-IX dated 04/09/2024 'On Amendments to Certain Legislative Acts of Ukraine on Improving the Mechanism for Providing Land to the Defence Forces' was adopted. The bill is aimed at simplifying the procedure for changing the designated purpose of particularly valuable land and forest plots so that they can be used for the deployment

and operation of military units of the Armed Forces of Ukraine and other military formations. The land legislation did not provide for the use of such land for defence purposes, although some forest plots are of strategic importance for the defence of the state. The adopted amendments will allow the use of these territories for the placement of defence equipment and military facilities, regulating all legal issues related to their use. The main goal of the bill is to create a legal framework that will allow military units and institutions to effectively use these lands for national defence.

Land allocation for the development of digital infrastructure

The Bill Draft No. 9549 dated 01/08/2023 'On Amendments to Certain Legislative Acts of Ukraine on Simplifying the Procedure for Allocating Land Plots for the Development of Digital Infrastructure' was aimed at simplifying the procedure for granting electronic communication service providers the right to use land plots for the development of digital infrastructure, which will accelerate the coverage of Ukraine with 4G mobile communications and high-speed Internet.

The authors of the bill justified the need to adopt the bill by saying that the procedure for allocating land plots for the deployment of digital infrastructure is too long and complicated. This restrains providers from rapidly implementing networks, especially in the context of recovery from hostilities in the de-occupied territories where networks are damaged or destroyed.

Thus, before the first reading, the bill had the following provisions:

- shortening the timeframe for reviewing applications for land allocation for communication facilities;

- introduction of a land easement for faster access to land plots for suppliers;
- the possibility of temporary deployment of infrastructure facilities in the de-occupied territories to ensure communications;
- simplifying the procedures for leasing and monetary valuation of land plots.

However, the version of the bill for the second reading contains provisions that contain corruption risks. In particular, this refers to an article regulating the expropriation of land plots and other real estate in Uzhhorod district of Zakarpattia region during martial law. This alienation is carried out for the purpose of locating defence industry facilities, enterprises of critical importance to the state, relocated enterprises, and transport infrastructure.

The following mechanism of eminent domain is proposed:

- the decision on alienation is made by the Zakarpattia Regional State Administration upon the proposal of central authorities or enterprises;
- land and property owners are notified of the decision and may agree to the sale. If they do not, the property can be expropriated;
- the value of the alienated property and losses caused by the alienation are compensated in the amount of three times.
- expropriation also applies to unclaimed shares and land plots without an owner, if information about them is not entered in the cadastre.

The following corruption risks are seen in this mechanism:

- the possibility of expropriation by the administration without clear control and appeal mechanisms may create conditions for abuse of power;
- expert valuation of property can be manipulated, leading to unfair compensation to owners;
- restricting the ability of owners to appeal against decisions in court regarding the fact of alienation creates risks of violation of rights;
- the initiators of alienation may be enterprises interested in obtaining property. This can lead to corrupt arrangements between companies and the government.

On 28 October, the President of Ukraine submitted proposals on the bill. Among other things, these include the exclusion from the bill of provisions on the expropriation of land and other real estate in the Uzhhorod district of the Zakarpattia region during martial law. The bill is currently being considered by the Verkhovna Rada of Ukraine.

CONTACTS

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