



The Invincible
LAND



Land Market Review Ukraine

July 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 registered land in the State Land Cadastre	33,0 mln ha (77,2%)
Average normative monetary value of arable land	28 924 uah/ha
Average weighted amount of lease for plots of agricultural land designated as communal property (at land auctions)**	8 609 uah/ha
Average weighted price of purchase and sale of a plot of agricultural land of destination**	44 700 uah/ha
Area of farming lands used as a pledge of farming loans***	15 460 ha
The average number of purchase and sale transactions per day in July 2024.	284
The average size of the land plot of the sale agreement	2,24 ha
The number of concluded purchase and sale agreements, total	263 685
Area of registered purchase and sale agreements, total	591 224 ha

* according to "Prozorro. Prodazhi" from 01.01.2024 to 01.08.2024, larger plots receive more weight when calculating the average price per hectare

** weighted average price by area for the period from 01.01.2024 to 01.08.2024, larger plots receive more weight when calculating the average price per hectare, 1% of the most expensive and 1% of the cheapest plots are not taken into account in the calculation.

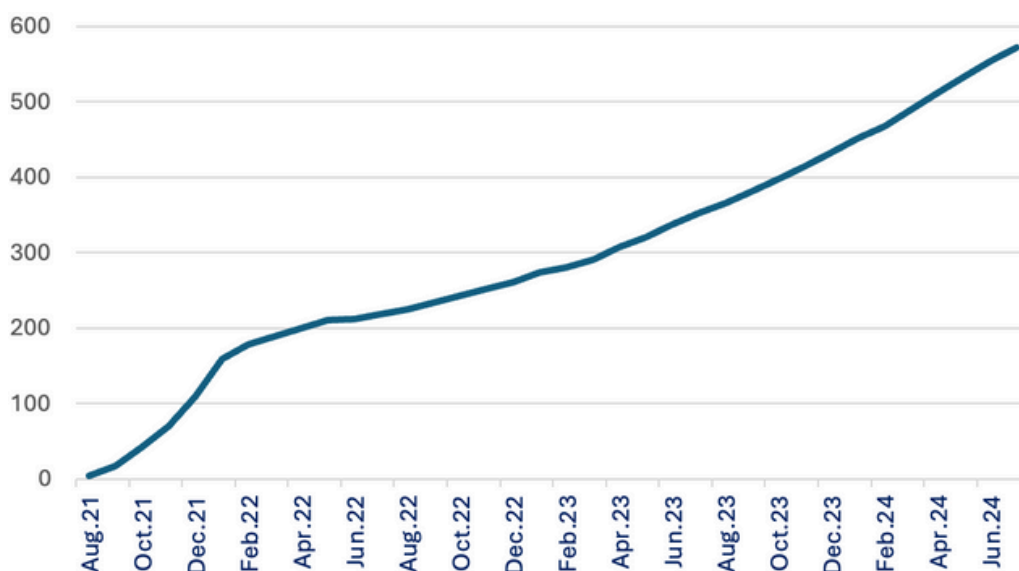
***from 01.01.2022 to 31.12.2023

LAND MARKET IN JULY 2024

After a decline in sales volumes in May-June this year, the agricultural land market has resumed its growth. The market volumes in July 2024 increased: by 10.2% in terms of the number of concluded sales transactions and

by 4.3% in terms of the area of land in circulation compared to June 2024. In terms of land area in circulation, July figures are only 2.7% lower than the average monthly figures for the first half of 2024, and 30.4% higher than the average monthly land area in circulation in 2023.

Fig. 1. Dynamics of purchase and sale transactions (cumulative), thousand hectares.

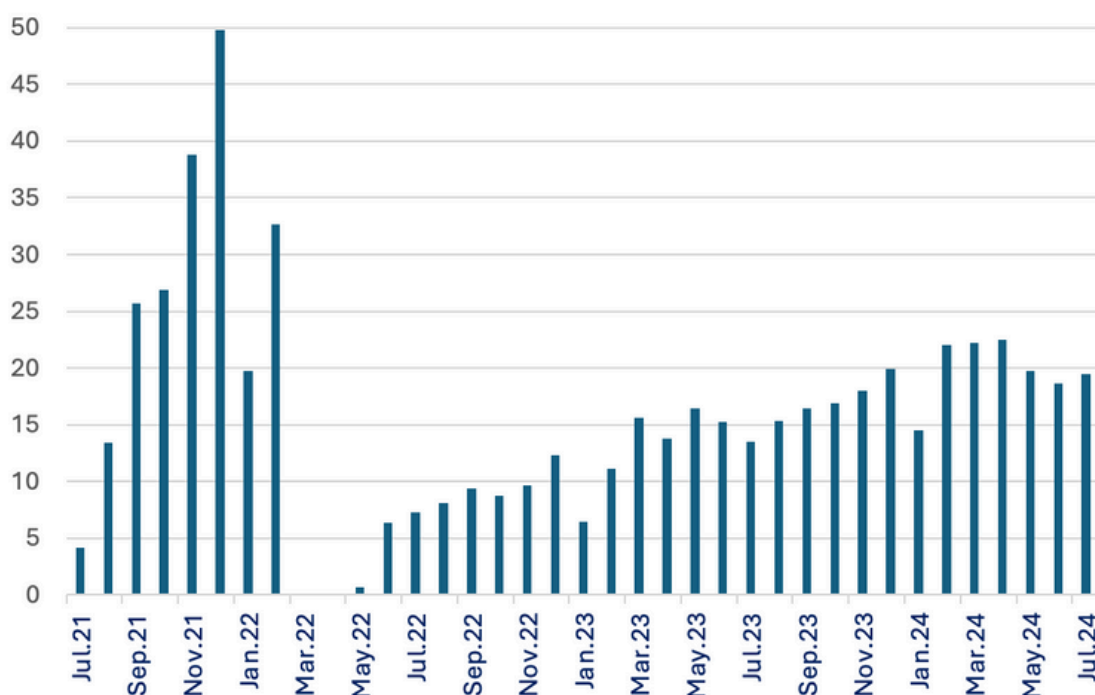


* According to the State Geocadastre for the period from 01.07.2021 to 30.07.2024

Since its opening in July 2021, the total volume of the land market has reached 263.7 thousand transactions with a total area of 591.2 thousand hectares. Thus, as of the end

of May this year, 1.43% of the total area of all agricultural land in Ukraine was in circulation, or 1.74% if we count only those regions where the land market is not complicated by hostilities or occupation.

Fig. 2. Dynamics of the volume of sale and purchase transactions (monthly), thousand hectares



* According to the State Geocadastre for the period from 01.07.2021 to 30.07.2024

When extrapolating the results of the first 7 months of 2024 to the whole year, 0.58% of all agricultural land in Ukraine will be in circulation this year. If we do not take into account the areas where the full functioning of the market is hampered by hostilities and occupation, this figure will be 0.76%. Therefore, according to this indicator, the land market in Ukraine is close to the indicators of countries with developed markets, with a certain potential for growth.

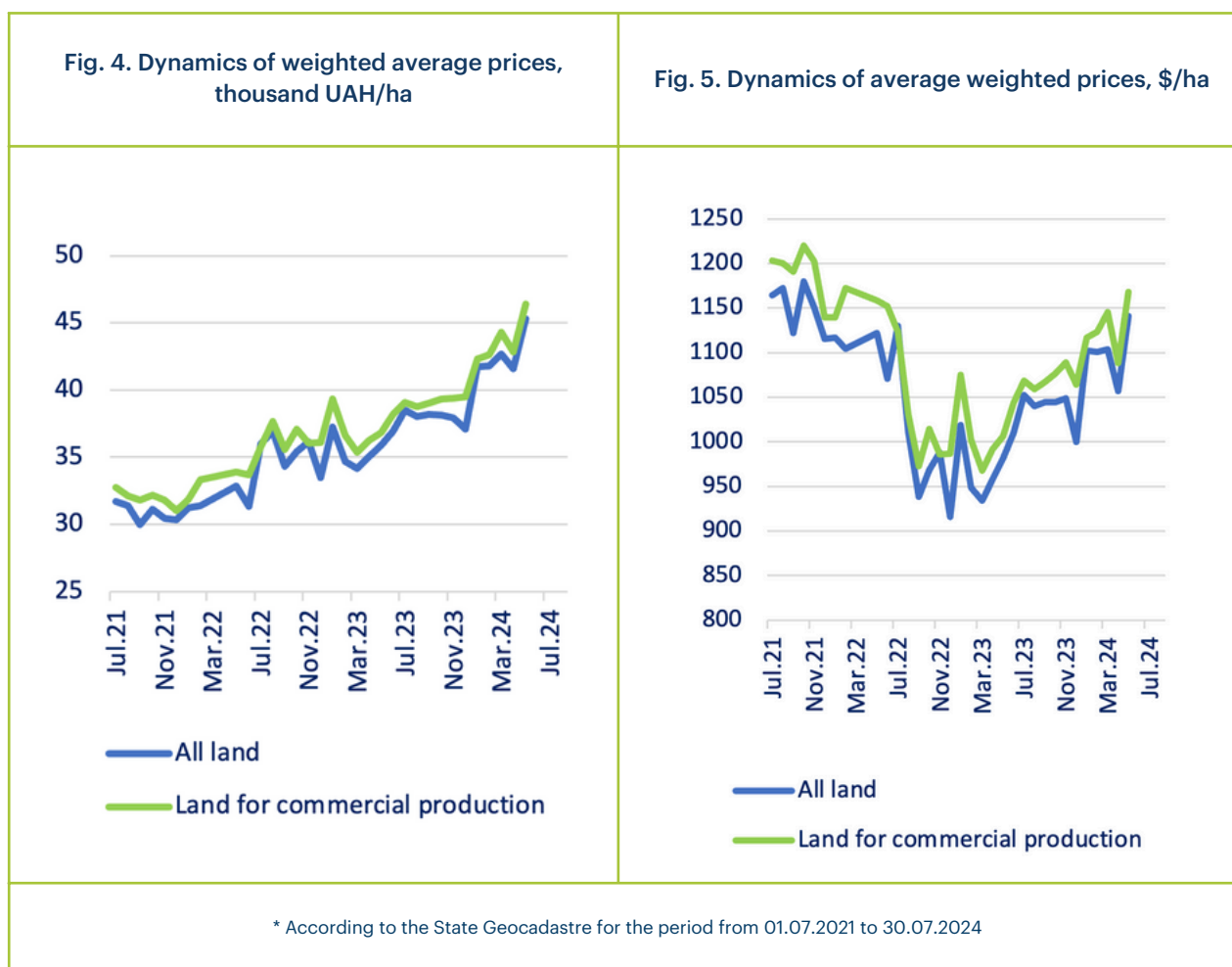
The share of land in circulation in the most liquid regions of Ukraine - Kharkiv, Dnipropetrovsk, Khmelnytsky and Poltava regions - has been above 2.3% since the land market was launched in Ukraine and is in line with developed markets. At the same time, in the most liquid region of Ukraine, Poltava region, even despite the full-scale invasion, the share of land in circulation has amounted to 2.96% since the market opened.

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

AGRICULTURAL LAND PRICES ARE ON THE RISE

In July 2024, the purchase and sale prices of agricultural land resumed their growth after a slight decline in May-June, and were the highest in the history of the market. The weighted average purchase and sale price in July 2024 amounted to UAH 46.0 thousand

per hectare, which is 4.5% more than in June and 1.5% more than in May this year. In general, since the market was opened for legal entities on January 1, 2024, prices for agricultural land have increased by 24% for all such lands, and by 19% for the so-called “commodity” lands.

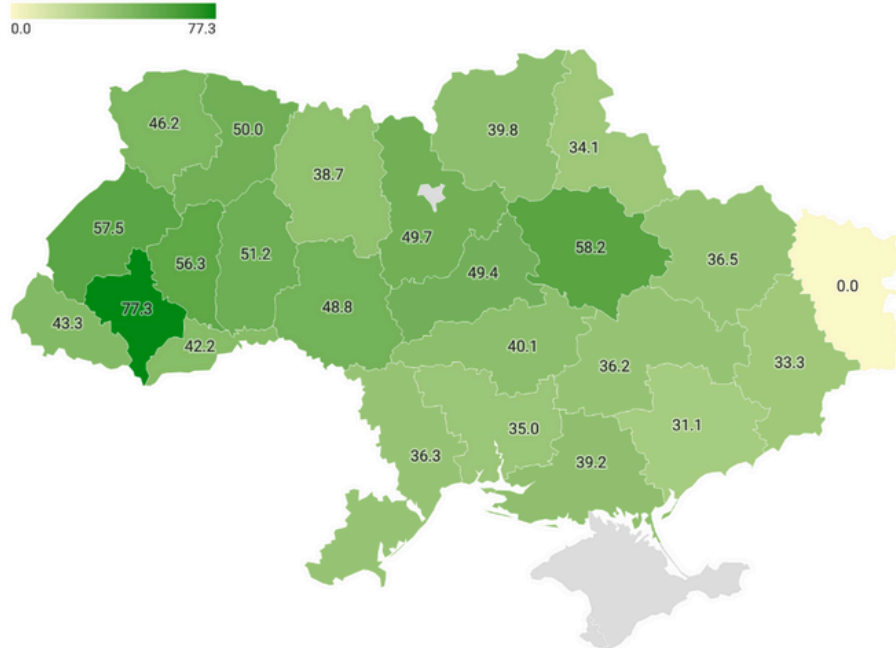


It is worth noting that these prices are based on official data registered in sale and purchase transactions. At the same time, market prices for land may be significantly higher, as most transactions are concluded at a price that does not differ by more than 2% from the normative monetary value, the minimum price established by law for formerly moratorium lands.

Since the share of transactions concluded at a price equal to the NMV is constant from

month to month, the percentage change in prices in transactions reflects the percentage change in market prices for agricultural land. We observe that despite slight price fluctuations in the period from January 2024, when legal entities became full participants in the agricultural land market, to July 2024, land prices remained significantly higher compared to the period before January 2024. Thus, the opening of the market to legal entities caused structural changes in market conditions and increased the value of land.

Fig. 6. Average weighted prices by region in 2024, thousand UAH/ha



* According to the State Geocadastre for the period from 01.01.2024 to 30.07.2024

LEGAL ENTITIES ARE GRADUALLY INCREASING THEIR PRESENCE IN THE MARKET

Starting from January 1, 2024, legal entities were granted the right to acquire ownership of formerly moratoriumed agricultural land, provided that they are founded exclusively by Ukrainian citizens who have not been subject to sanctions. Since the beginning of this year, the limit on the purchase of agricultural land by one person has also increased to 10 thousand hectares.

Since the opening of the land market for legal entities, 953 companies have exercised the right to purchase agricultural land, of which 363 companies purchased at least one agricultural plot in July 2024. This is the highest figure for the entire period

during which legal entities have had access to the market. The previous record was set in May, when 323 legal entities purchased at least one agricultural land plot. We will continue to monitor the number of legal entities purchasing agricultural land. Given that 23.5 thousand agricultural producers in Ukraine are engaged in the production of grains and legumes, and 18.5 thousand agricultural producers are engaged in the production of sunflower, the share of legal entities in the land market still has the potential to grow.

Since the beginning of 2024, legal entities have purchased 8849 land plots with a total area of 26.2 thousand hectares, of which 4.7 thousand

hectares were purchased in July 2024, which is 5% more than in June 2024. The share of legal entities in the land market in July 2024 amounted to 24.1%, which is slightly higher than in June (23.8%), and significantly higher compared to the average for the first seven months of 2024 (18.8%). Thus, legal entities are gradually increasing their presence on the agricultural land market in Ukraine.

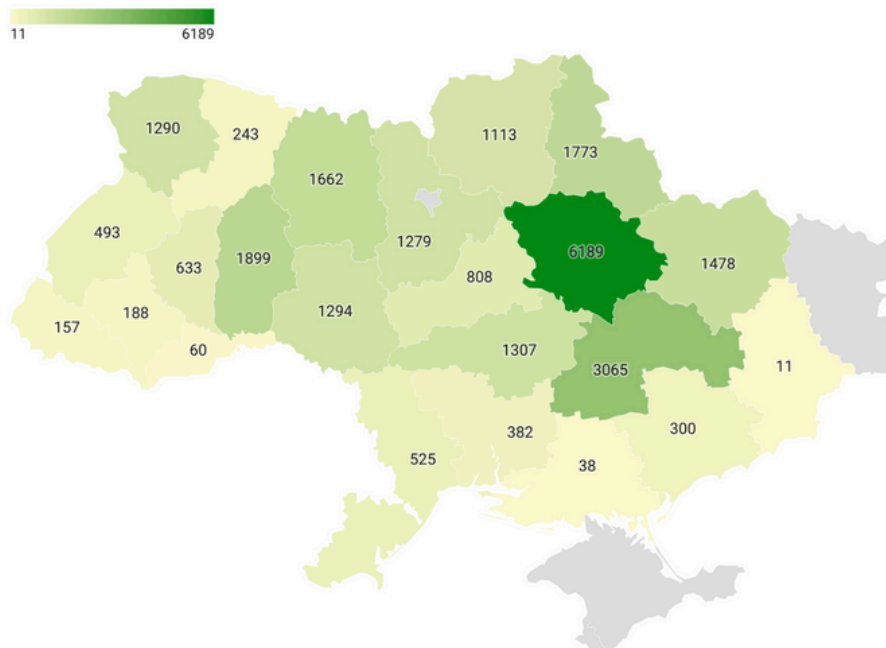
The overwhelming majority of land plots acquired by legal entities are formerly moratorium lands. Of the 8848 plots acquired, 6682 are “commodity” lands, and another 2051 are lands with the designated purpose “for commercial agricultural production,” most of which were also under moratorium. Thus, only 115 plots do not belong to any of these categories and were not under the moratorium.

The area of land plots acquired by legal entities in 2024 is unevenly distributed across the regions - 26% of the total area of land plots are located in Poltava region. The leading regions also include the frontline regions of the Dnipro (11% of the area of land plots acquired by legal entities) and Sumy

(8%). Legal entities did not acquire any land plots in only two regions of Ukraine, a significant part of which is under occupation - Luhansk region and the Autonomous Republic of Crimea.

Comparing the median price increase for individuals and legal entities buying land yields an interesting result. The median ratio of the price of transactions concluded in 2024 by individuals to the normative monetary value (which is the minimum sale price for formerly moratorium lands - the NMV) is 1.01. This means that for 50% of transactions involving individuals, the sale price does not exceed the NMV by more than 1%. The similar indicator for legal entities is 1.75, i.e. in 50% of cases of transactions concluded by legal entities, the transaction price exceeds the NMV by more than 75%. This discrepancy may indicate either that legal entities are willing to pay a much higher price for agricultural land or that legal entities are more motivated to reflect the real price of the transaction in official documents instead of indicating the minimum allowable price with the difference paid in cash. We will study this issue in detail through econometric analysis in the next quarterly Land Market Review, which will be published in October 2024.

Fig. 7. Area of agricultural land acquired by legal entities in 2024, ha



* According to the State Geocadastre for the period from 01.01.2024 to 30.07.2024

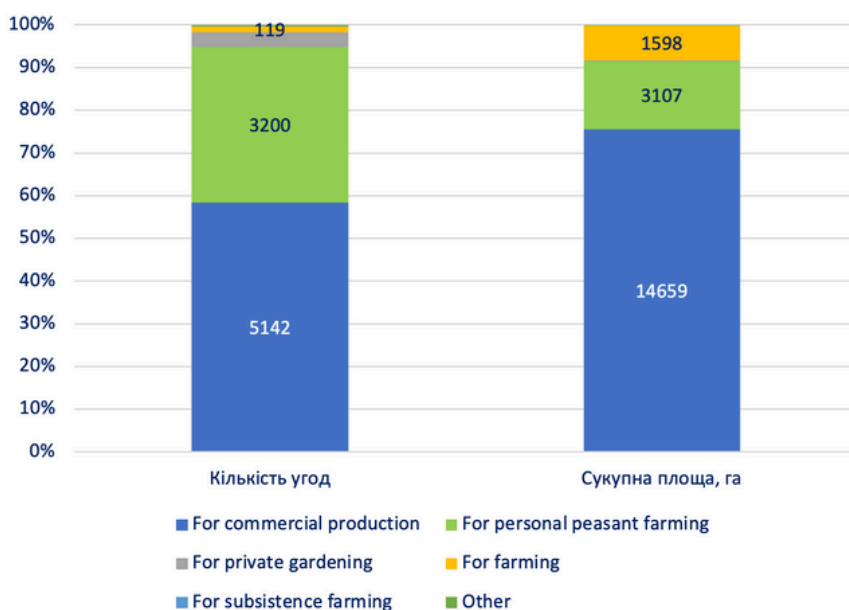
CIRCULATION OF FORMER SUBMORATORIAL LAND PREVAILS

As in the previous months, sale and purchase transactions in July 2024 were mainly made with so-called “commodity” land (58% of transactions) and land for private farming (36% of transactions), a significant part of which was under moratorium until July 2021. At the same time, due to the larger average

area of land plots, commodity land prevails in terms of land area in circulation (75% of all land in circulation in May 2024), while land plots for personal farming account for only 16% of the total area of land for which sale and purchase agreements were concluded in May 2024. Another 8% of the land area in circulation in May was land for farming.

Fig. 8. Breakdown of sale and purchase transactions by land plot purpose in July 2024

* According to the State Geocadastre for the period from 01.07.2024 to 30.07.2024



The number of concluded land lease agreements, after a peak in April 2024 (32 thousand agreements) and a certain decline in May (25 thousand agreements) and June (18 thousand agreements), stabilized and amounted to 17.5 thousand agreements in July 2024. This is significantly less than the average monthly figures for the first and second quarters of this year (25 thousand lease agreements).

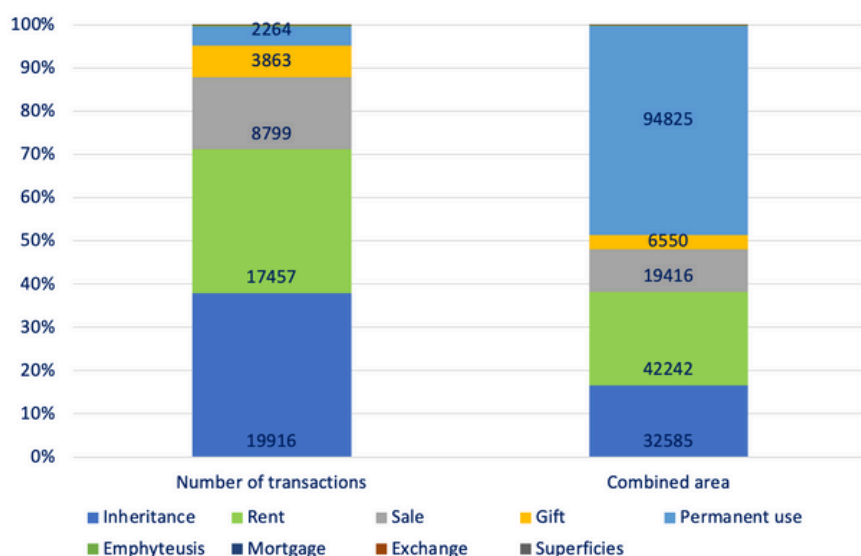
Among the 58.0 thousand transactions

concluded in April 2024 with agricultural land, land inheritance (20.0 thousand) and lease (17.5 thousand) prevail. The third place is occupied by land sale and purchase agreements (8.8 thousand).

The total area of concluded lease agreements amounted to 42.2 thousand hectares, while the total area of land sold was 2 times less - 19.4 thousand hectares. Also, in July 2024, 38 cases of transfer of agricultural land plots into mortgage with a total area of 137 hectares were recorded.

Fig. 9. Land deals by type of transaction in July 2024

* According to the State Geocadastre for the period from 01.07.2024 to 30.07.2024



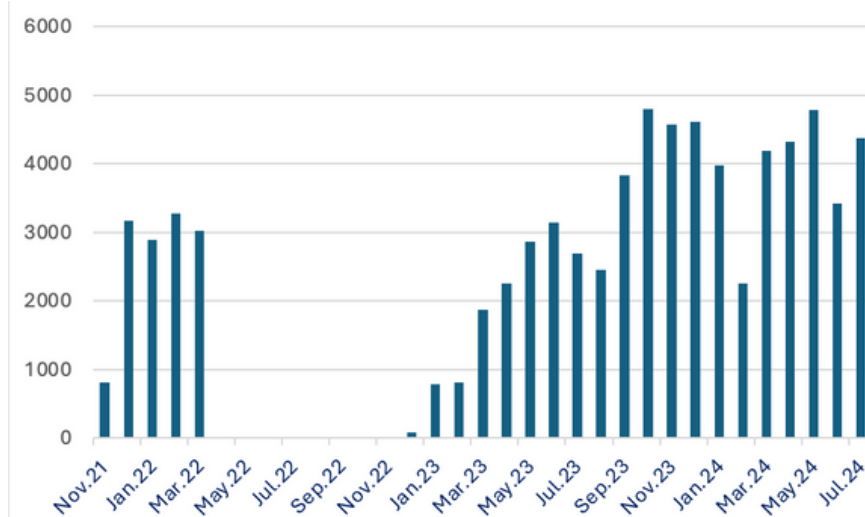
LAND AUCTIONS - GROWTH IN VOLUME AND PRICE

Since October 2021, communal land leasing has been carried out through electronic auctions on the Prozorro.Prodazhi platform. Since then, 8818 communal land plots with a total area of 75.3 thousand hectares have been successfully leased, bringing UAH 648.6 million in revenue to communities annually.

In July 2024, 504 successful land auctions for lease rights to communal land were held on the Prozorro.Prodazhi. platform with a total area of 4.4 thousand hectares. This is 22% higher than in June by the number of successful auctions and 28% higher by the area of leased land plots. At the same time, these figures are lower than in May, when 603 land plots with a total area of 4.8 thousand hectares were leased.

Fig. 10. Dynamics of sale of lease rights at land auctions, ha

* According to the State Geocadaastre for the period from 01.07.2024 to 30.07.2024

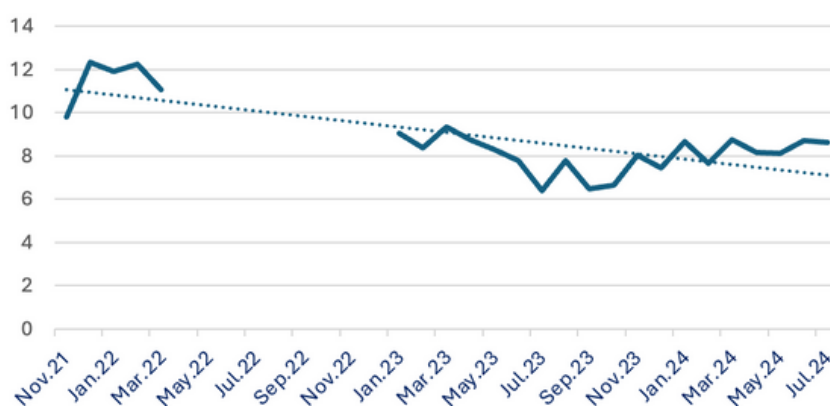


In June-July, lease prices at land auctions were slightly higher than in the previous months. While the annual rental price per hectare at land auctions in April-May was about UAH 8.1 thousand, in June the price was UAH 8.7 thousand, and in July it was

UAH 8.6 thousand per hectare. At the same time, as we can see from Fig. 11, the price at land auctions after the full-scale invasion is significantly lower than the price before the full-scale invasion, while prices in the last six months, although showing some variability, have generally remained stable.

Fig. 11. Dynamics of prices at land auctions, thousand UAH/ha

* According to the State Geocadastre for the period from 01.07.2024 to 30.07.2024



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

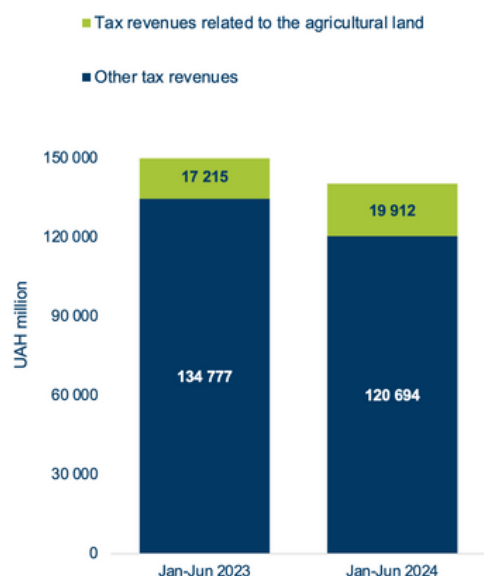
The turnover and utilization of agricultural land generates significant revenues for local communities. Thus, the budget revenues of communities include such tax revenues related to agricultural land as:

- 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 latest budget data from the official web portal of the Ministry of Finance of Ukraine, OpenBudget, in June 2024, due to the turnover and use of agricultural land, municipal budgets were replenished by almost UAH 3 billion, which is 10% higher

than in June 2023. At the same time, there has been a long-term downward trend in other community tax revenues, caused by the redirection of personal income tax paid by the military in full to the state budget. Thus, in June 2024, the decline in other tax revenues amounted to 16% year-on-year. Thus, the share of community revenues from the turnover and use of agricultural land increased from 10% to 13% of total tax revenues. In total, in the first half of 2024, community budgets have already received more than UAH 20 billion in tax revenues related to the turnover and use of agricultural land, which is 16% higher than in 2023. During this period, the share of these revenues in the total tax revenues of communities increased from 11% to 14%. Thus, the agricultural land market helps to at least partially compensate for the significant decline in tax revenues at the local level, supporting the financial capacity of communities.

Fig. 12. Tax revenues of communities, UAH million

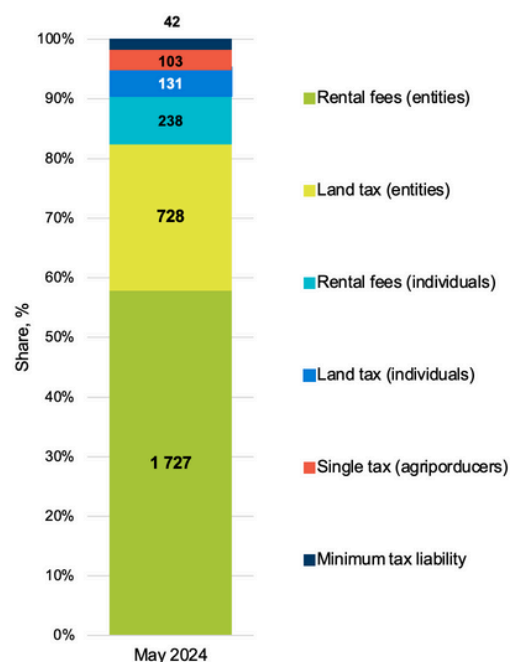


* Own calculations based on OpenBudget data (Ministry of Finance of Ukraine)

The growth in June's budget revenues related to agricultural land was provided by an increase in payments for the lease of communal land, which form the basis of such revenues. In June 2024, almost UAH 2 billion in rent was paid to communities, which is 9% more than in May 2024 and 15% more than in June 2023. This growth is due to the conclusion of agreements at electronic auctions on the Prozorro.Prodazhi platform and the indexation of NMV, which has a positive effect on local budget revenues. By type of tenant, the largest payers for communal agricultural land are traditionally legal entities (i.e., mostly agricultural enterprises), which provide about 90% of all revenues to community budgets from leasing communal land.

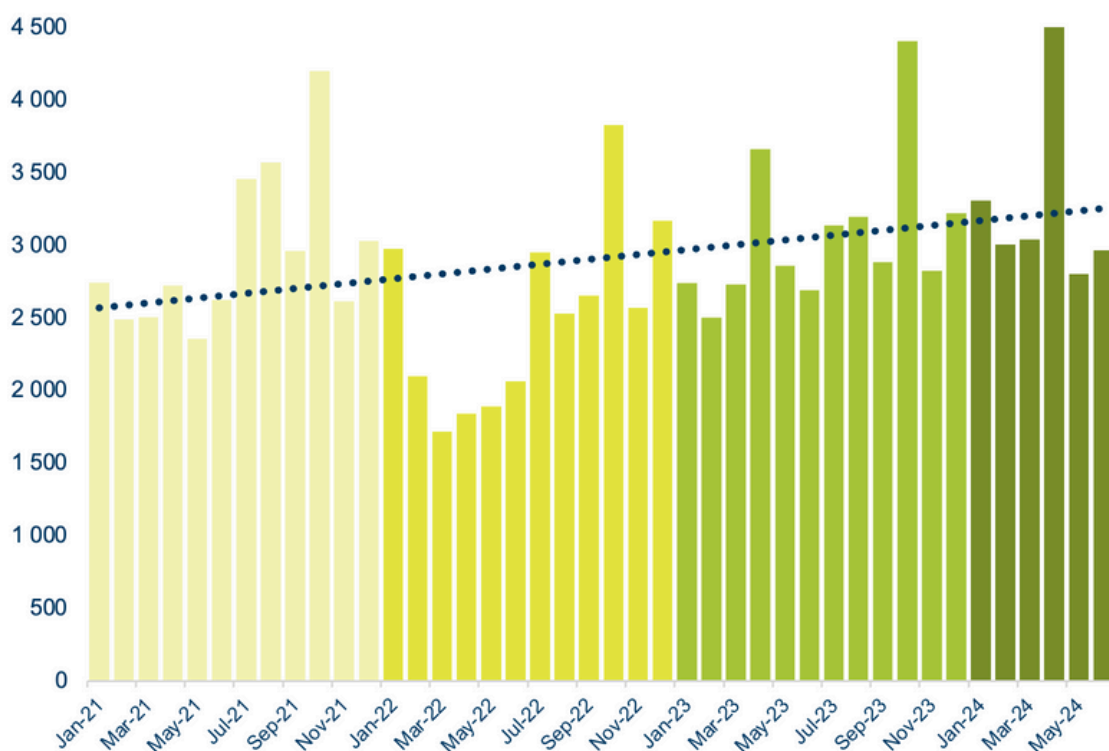
In June 2024, there was no significant increase in community revenues from land tax payments - less than a 1% increase year-on-year, or an additional UAH 7 million. In total, UAH 859 million of this tax was paid in June 2024. By paying the single tax, agricultural producers operating under the simplified taxation system contributed UAH 103 million to community budgets. This category of revenues showed a 17% decrease compared to the same value a year ago. At the same time, the personal income tax in the form of a minimum tax liability brought communities an additional UAH 42 million, becoming a more prominent factor in the growth of revenues related to the turnover and use of agricultural land.

Fig 13. Budget revenues of communities related to agricultural land, UAH million



* Own calculations based on OpenBudget data (Ministry of Finance of Ukraine)

Fig 14. Dynamics of revenues of community budget related to agricultural land, UAH million



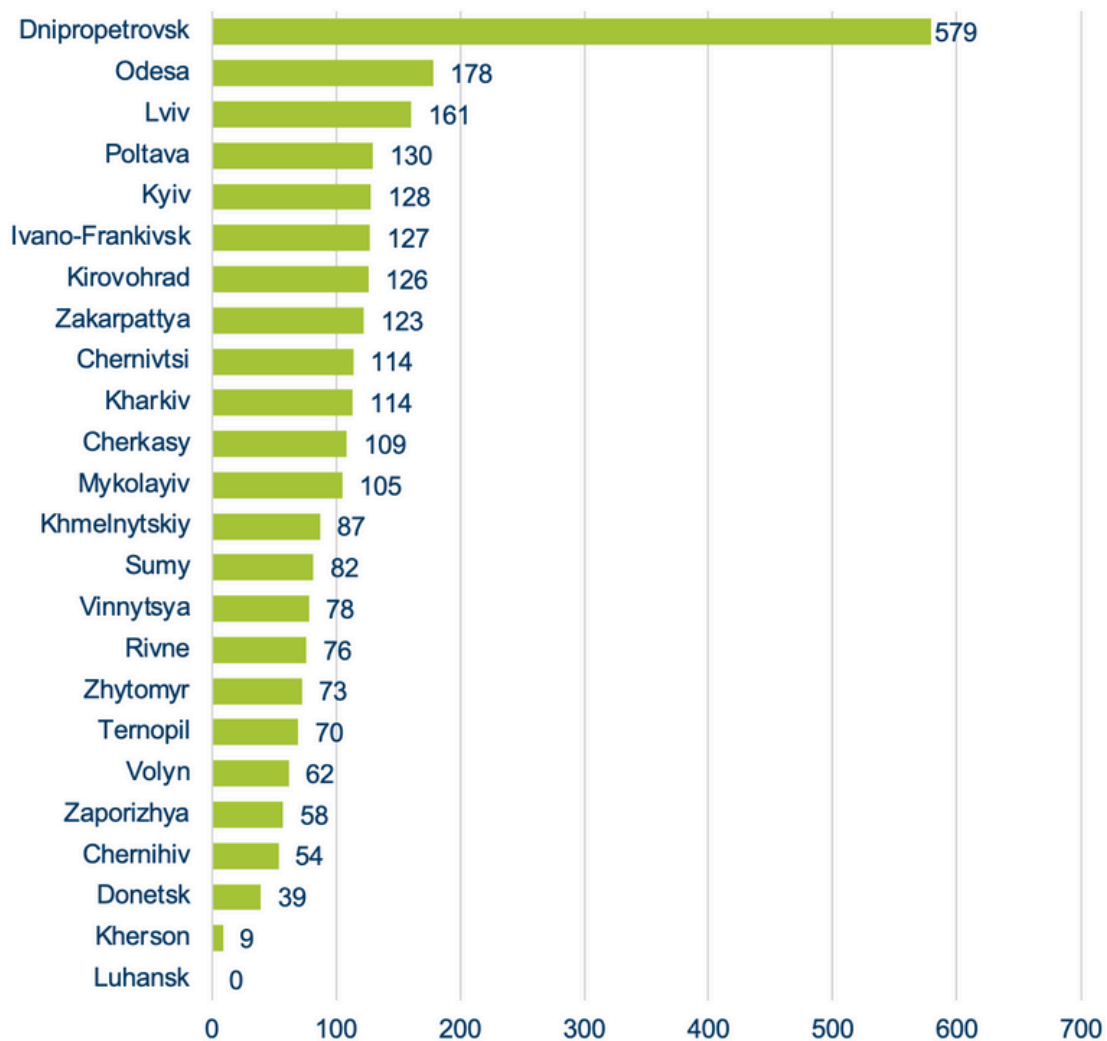
Source: Own calculations based on OpenBudget data (Ministry of Finance of Ukraine)

In June 2024, the largest revenues related to agricultural land were transferred to the budgets of communities in Dnipro (UAH 806 million), Odesa (UAH 297 million), Kyiv (UAH 183 million), and Lviv (UAH 181 million) regions. Such revenues continue to be extremely low among the communities of the regions, a significant portion of which is temporarily occupied by Russia. Thus, in June 2024, the amount of budget revenues from the turnover and use of agricultural land to the budgets of communities in Luhansk region amounted to UAH 0.2 million, and in Kherson region - UAH 6 million. In addition, some of the regions close to the area of

active hostilities show a negative trend in such revenues: in particular, Donetsk (-34%), Kharkiv (-33%), and Kherson (-30%) regions..

The highest revenues per unit area are consistently paid by taxpayers in the communities of Dnipro region - UAH 321 per hectare in June 2024. This is more than four times higher than the national average of UAH 75 per hectare. Relatively high rates of budget revenues were also demonstrated by communities in the western regions, in particular Lviv (UAH 146 per hectare), Zakarpattia (UAH 121 per hectare) and Ivano-Frankivsk (UAH 121 per hectare).

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



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

AMENDMENTS TO THE LAND LEGISLATION OF UKRAINE, JULY 2024

Draft law on land allocation for defense forces

The Draft Law (No. 11335 of 12.06.2024) “On Amendments to Certain Legislative Acts of Ukraine on Improving the Mechanism for Providing Land to the Defense Forces” was adopted in the first reading. It simplifies the procedure for changing the designated purpose of particularly valuable land for the needs of the Armed Forces of Ukraine, exempts them from compensation for losses of forestry production, and prohibits further changes in designated purpose and construction of non-defense facilities on these lands to prevent corruption risks.

Amendments to the Procedure for Maintaining the State Land Cadastre

On July 5, 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 stipulates that military units of the State Border Guard Service of Ukraine are entitled to use the cadastral data within the territory of their operations.

Approval of the Procedure for Land and Soil Monitoring

On July 23, 2024, the Cabinet of Ministers of Ukraine adopted Resolution No. 848, by which it approved the Procedure for Monitoring Land and Soil. This Procedure defines a 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 for processing and storing observation results.

CONTACTS

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