

Tver Region Land Market 2008 Review

Similar to the Russian market as a whole, the Tver Region land market has officially existed since 1993 when, following the Federal Act of 23.12.1992 No 4196-1 “On the Right of the Russian Federation Citizens to Own and Sell Land Plots...”, the conclusion of land transactions became possible. The Land Code categorizes land plots, and each land category has its own legal status. A residential house may be built only on a land plot of a relevant category having a respective permitted use.

Generally speaking, before the beginning of 2001 there was no land market in Russia. All land plots could only be leased or used for special projects. Moreover there was no clear structure of land possession in the country despite Federal Law no. 4196-1 being approved in 1992. In 2001 the Land Code was approved but it was another document that really led to the breakthrough in land legislation. The federal law “On the turnover of agricultural lands” really opened the doors to investors, providing a significant rise in the market from 2002. Gigantic land territories previously belonging to kolkhozes and sovkhoses (many of which were practically bankrupt) were given access for commercial deals.

The Tver Region law No. 79-30 “On regulating the turnover of agricultural land in the Tver Region” came into effect in December 2003. Moreover, a new Tver Region law “About regulation of land relationships within the Tver Region”, dated 9 April 2008 No. 49-30 was approved in April 2008. Currently these are the main legislative acts of the Tver Region within the sphere of the turnover of agricultural lands. In accordance with federal and regional laws it is prohibited to sell lands to foreign legal entities and individuals, persons with no citizenship and companies where the share of foreign capital exceeds 50 percent (only long-term leases for the periods of 49 years are allowed for them).

Regulation of the land turnover is passed to the local administration, which, in particular, independently fixes how much land can be allocated to any one person. The main problem of the land market – not only in the Tver Region but in Russia in general – is the high level of corruption of bureaucrats in the land market. In 2007 the goal to achieve a civilized land market was formulated by the local administration. In order to achieve this goal it is planned to broaden the practice of the distribution of land plots on the basis of auctions.

Land in the Russian Federation is subdivided into the following categories (the RF Land Code, Art. 7)

- lands of agricultural purpose;
- inhabited lands;
- lands belonging to industries, energy companies, transport, communications, radio emissions, television, information, lands for ensuring cosmic activity, lands for defence, safety and lands for other special purposes;
- lands of specially protected zones and property;
- forest fund lands;
- water fund lands;
- reserve lands.

The land fund of the Tver Region comprises 8,420.1ha. The structure of the land fund of the Tver Region is given in the table below:

Land fund of the Tver Region

Table 1

Land Characteristics	Surface, thousand ha
Total surface, including:	8,420.1
1. Forests and bushes	4,971.4
2. Agricultural lands	2,434.6
Including plough land	1,515.0
3. Swamps	462.5
4. Water bodies	248.9
5. Lands under roads	116.1
6. Lands under constructions	84.8
7. Other land	101.8

In view of recent trends in the land market, the Tver Region is building up weight and status value. It occurs firstly because the Tver Region links two of the most economically developed districts: the Central and North-West. It is also located between Moscow and St. Petersburg. This unique geographical location mostly governs the increasing interest in land plots in the Tver Region. As well, one of the important characteristics of the region in terms of its land market is the fact that five of its southern districts are located along the Volga River, or in close proximity to it, and, additionally, these districts border the Moscow Region, which ensures their convenient transport accessibility. The well-known Seliger lake is located within the territory of one other district of the Tver Region. All the above-mentioned facts provide for the high attraction of the Tver Region for residents of Moscow and St. Petersburg.

The Tver Region itself houses basins of many big rivers and water storages (Volga, Tvertza, Shosha, Tma, Medveditza, Mologa, Seliger lakes, Inankovskoe reservoir and other large water basins), and investing in land near water basins is profitable.

Though the Tver land market is increasing in popularity, as elsewhere in Russia, it is green and undeveloped. Due to the adoption of the Land Code, the situation in the land market has recently changed for the better. Generally, at present, the Tver Region land market is in the formation and rapid growth phase. It is, however, still at the starting point.

The land market may be split into several major segments:

1. Land plots for individual housing development (land plots in rural locations, land plots for construction of cottages, plots within dacha owners' cooperatives and associations).
2. Land plots owned by production facilities.
3. Agricultural land plots.

The first segment has always been growing, specifically as for lands near large cities. Due to the Tver Region bordering the Moscow Region, the market has mostly grown round the Region's capital city and in districts adjoining the developed Moscow Region.

The second segment mostly includes the plots of bankrupt production facilities where structures and buildings are shabby. The plots are of interest as areas with access roads, utilities and other infrastructure facilities are suitable for new production or warehouses. Nowadays the market supplies a lot of property of bankrupt production facilities, mostly located in the district of the major towns of the Tver Region.

The agricultural land market is the most dynamic. Recently, between 2003 and 2005 there has been a period of extensive buying of land shares in the Tver Region from workers of agricultural farms. After this, many shares made individual plots for sale. Agricultural land plots are sold to be used for the following purposes:

- 1) the plots located in scenic areas close to large water basins are offered for construction of recreational areas, suburban settlements and private homesteads; plots located near Tver, and at the borders of the Moscow region, are offered for the construction of cottage communities with centralized infrastructure;
- 2) the plots located close to major motor roads and road junctions are offered for warehouse and production facility projects; those located immediately on or close to motor roads are offered for "near-to-road" business (gas stations, motels, cafes, parking etc.);
- 3) land plots for farming.

Agricultural land plots are leading in offers. They are offered for purposes other than farming (for further repurposing and re-categorizing).

The intensity of the activity level of the main land market participants can be followed by studying the dynamics of the Index of “free lands” of the Tver Region, as calculated by the analysts of the Federal portal “Land market indices”. This index reflects the percentage between the land plots put up for sale (only the land plots put up in open sources are being considered) and the total land volume which belongs to individuals or legal entities within the region’s territory. To put it simply, the index can be interpreted as the percentage of lands in private ownership which are ready to be sold/bought on the region’s territory in accordance with public sources. The vacant areas index level in the Tver region mirrors the growth trends and fixing of activity on the central region land market as a whole. Similar effects can be observed in the example of Sverdlovsk and Nizhny Novgorod Regions, the Republic of Karelia and many other regions. The vacant areas index level started to rise at the beginning of March and at the end of April the index was at the level of 4-5 percent, remaining stable until the beginning of summer. Then sharp fluctuations followed and towards the end of summer the index noticeably declined and went down to zero. One possible reason for such a sharp decline may be the demonstration of economic crisis indications, which have provoked many sellers to take land plots off the market, preferring to wait to sell. A significant growth of this index is forecasted in the near future as a result of a tendency of forced sale of land plots.

Index of free territories in the Tver Region



Source: www.land-in.ru

Describing the Tver Region land market as of today, we should note that the market geography has been extended in comparison to recent years. In summer of 2008 land plots were offered in 21 districts of the Region. Leaders on the supply side include Kalinin, Konakovo, Ostashkov, Kaliazin, Zubtsovo and Andreapol districts. In the first two districts a share of agricultural lands and lands for individual residential construction offered for sale was comparable; while in Kalyazin, Ostashkov and Andreapol Districts the majority of offers are represented with the agricultural lands. Plots in Kashin, Kalinin, Konakovo, and other analogous districts are mostly supplied immediately close to water basins (water storages) for construction of elite homesteads and recreation areas, ie. the plots are of recreational value. Due to this and growing demand, and high recreational value, prices of plots in the above districts are several times higher than prices in other districts.

To review the land market poses a challenge because, at present, the market in Russia in general, and in the Tver Region in particular, does not seem fully shaped and civilized. First of all, the main reason is inefficient use of the land plots with different categories. The following most negative processes of land plot uses can be mentioned:

- the mass desolation of agricultural lands;
- abandonment of territories that have natural, historical and cultural values;
- destruction of environment.

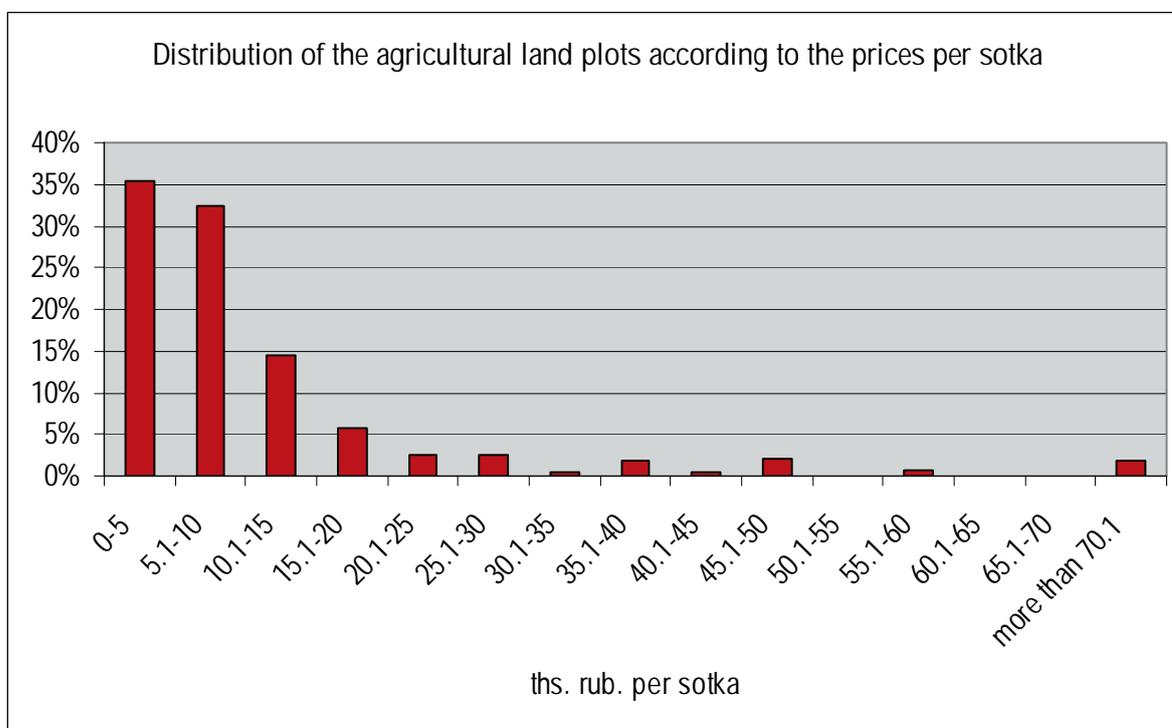
All these tendencies are observed against the background of buy up of land plots from the population (mainly allotments of agricultural use) by private investors, independently or with the help of specialized Tver companies, often without any clear ideas about the use of these lands except for subsequent resale. There is no public data about the prices of these deals. However, advertising of the land plots that were bought earlier and then offered for resale is announced actively enough. Of course, prices for these land plots differ substantially from the prices of primary deals.

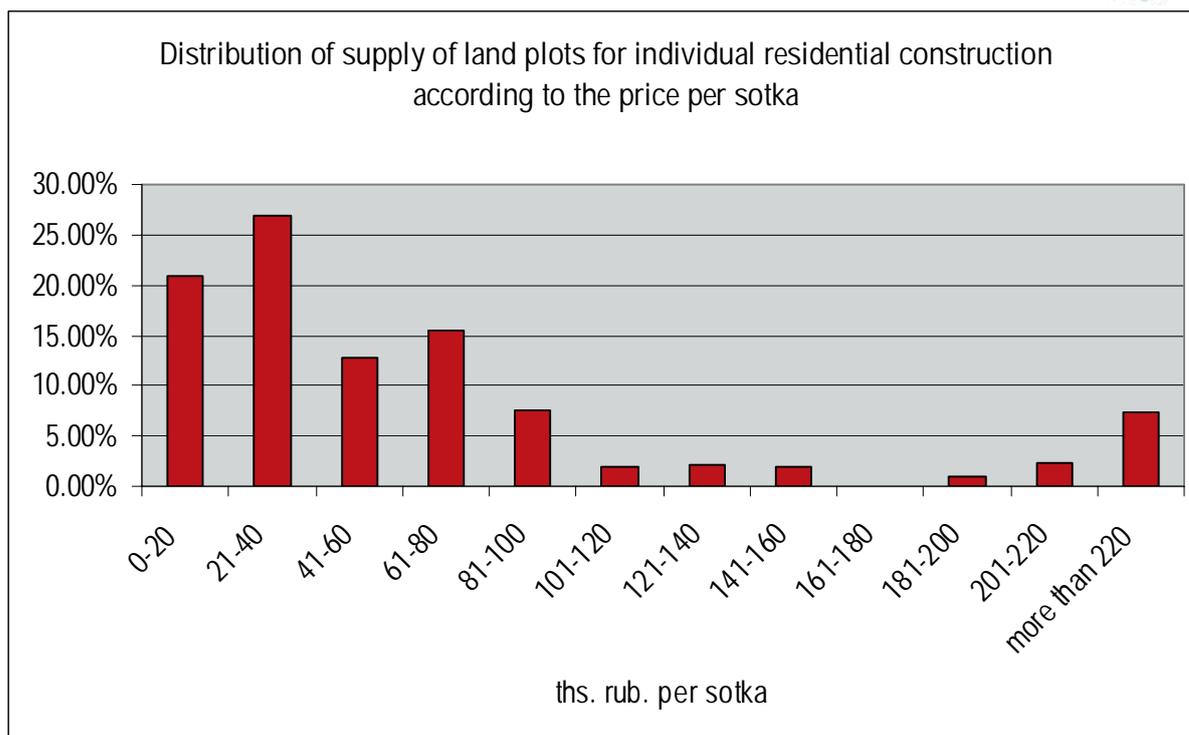
At present, the land market of the Tver region is characterized by a high level of closed information and relatively low market size in comparison with the land market situated near Moscow, which is also closed to analysis. The characteristics of the market, from results of research (in July 2008) about the land plots offered for sale are provided below

During the analysis of the primary information published on web sites and newspapers in July, 510 land plot offers were revealed. Among them there were 283 agricultural land plots and 220 land plots intended for individual residential development. In addition, there were five land plots with recreational purposes and two industrial land plots. Because of the small quantity of the last two types of land plots, attention has mainly been given to the agricultural land plots and for the land plots proposed for individual residential development.

Prices

Corresponding graphs reflect the distribution of the sales offers of agricultural land plots and land plots intended for individual residential construction according to their prices.





As you can see, more than 35 percent of all agricultural land plots put up for sale have prices up to RUR5,000 per sotka. The minimum price fixed in the database is equal to RUR229/sotka. More than 80 percent of the land plots, as shown, have prices up to RUR15,000/sotka. Thus, only 2 percent of the land plots put up for sale have the price of more than RUR70,000/sotka.

The distribution of the land plots proposed for individual residential development and put up for sale differs from the distribution of agricultural land plots. The prices for the land plots proposed for individual residential development are in a wider range. So, there are less than 2 percent of land plots in the category with a price up to RUR5,000/sotka. Diagram 1 shows that approximately 27 percent of the land plots put up for sale have a price in the range of RUR20,000-40,000/sotka, and 80 percent of the land plots have a price not more than RUR100,000/sotka. In 7 percent of offers the price for the land plots does not exceed RUR220,000/sotka.

The wider range of price changes for the land plots proposed for individual residential development in comparison with agricultural land plots is caused by the fact that there are a lot of factors that influence the price for the land plots proposed for the individual residential development. These factors are provided below.

Factors defining prices for land plots for individual residential development

Prices of land plots for individual residential development depend on location relative to water basins. These include the Ivankovskoe reservoir, the Volga River basin (Kaliazinsky, Konakovsky, Kashinsky, Kaliazinsky, and Kimrsky districts) and Seliger lake basin (Ostashkovsky district). Prices also depend on how difficult it is to connect utilities, on transport accessibility, and distance from Tver and Moscow.

The main pricing factors on the land market of the Moscow region are presented below:

1. *Location*: The main factor that determines property pricing, and of land plots in particular, is location. For instance, settlement lands in a village near to a lake or forest may be 5-10 times cheaper than the agricultural lands located in the neighbourhood that also adjoin the lake and the forest. The factor has a number of components. The set of the most important components vary on a case by case basis.

- Distance to locations including:
 - Moscow
 - Region's capital city
 - District's major town
 - Nearest rural location (village, settlement)
- Water entities including:
 - Type of water entity
 - Distance of land plot to water entity
- Forests:
 - Type of forest
 - Distance to forest
- Transport accessibility including:
 - Availability of access roads and distance to main asphalt-paved motor road
 - Availability of public transport

2. *Purpose and permitted use of land plot*. Whether executed documents for a land plot are in place. The availability of title documents for a land plot including Right Registration Certificate, land plot cadastral survey, construction permit and approved design documents increase the land plot price to a great extent.

It is mostly ex-agricultural land plots with no utilities that characterise the area. To obtain the right for construction it is required that the permitted use should be changed and a construction permit should be obtained. This requires extra money and time. As a consequence, the plot increases in price by 25-50 percent (according to an unknown source, the transfer of plots from an agricultural land category to land for construction may cost \$300–\$400 per sotka).

3. *Extent of plot development*. The price of a land plot significantly rises if the development thereof is initiated. Naturally this occurs if the type of development (construction) meets market expectations. If improvements on the plot are not required and are to be dismantled or re-innovated, this has an impact on the plot price which drops.

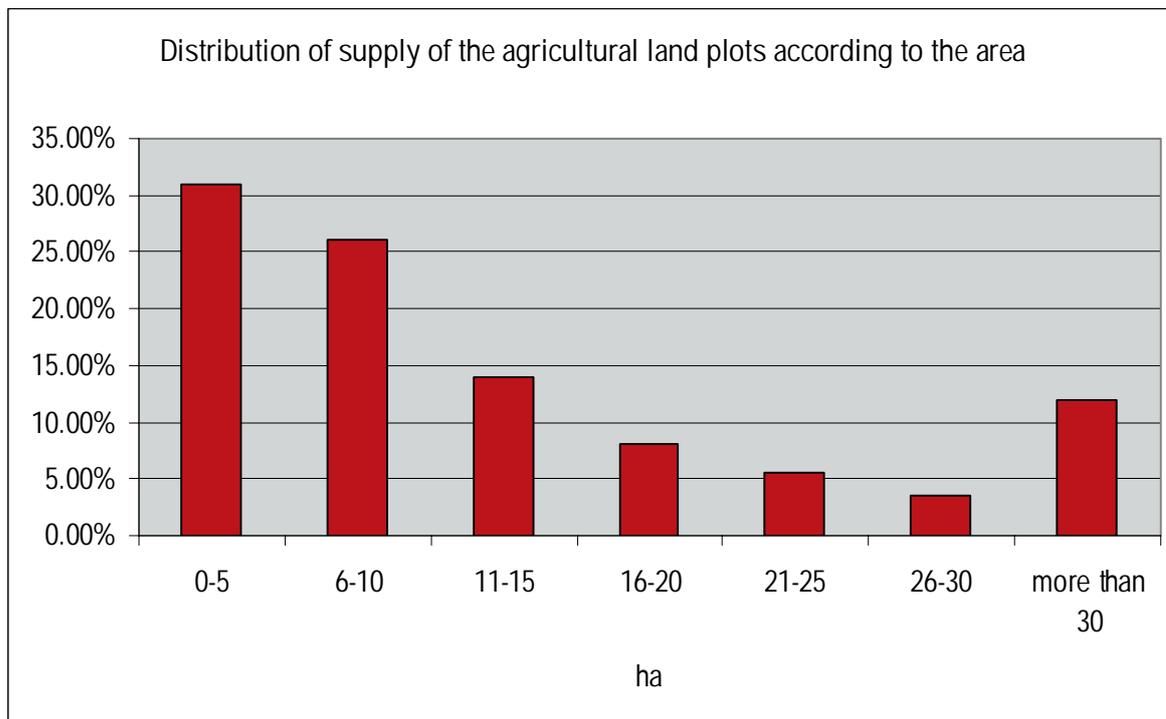
4. *Plot size*

Structure of the land plots' supply

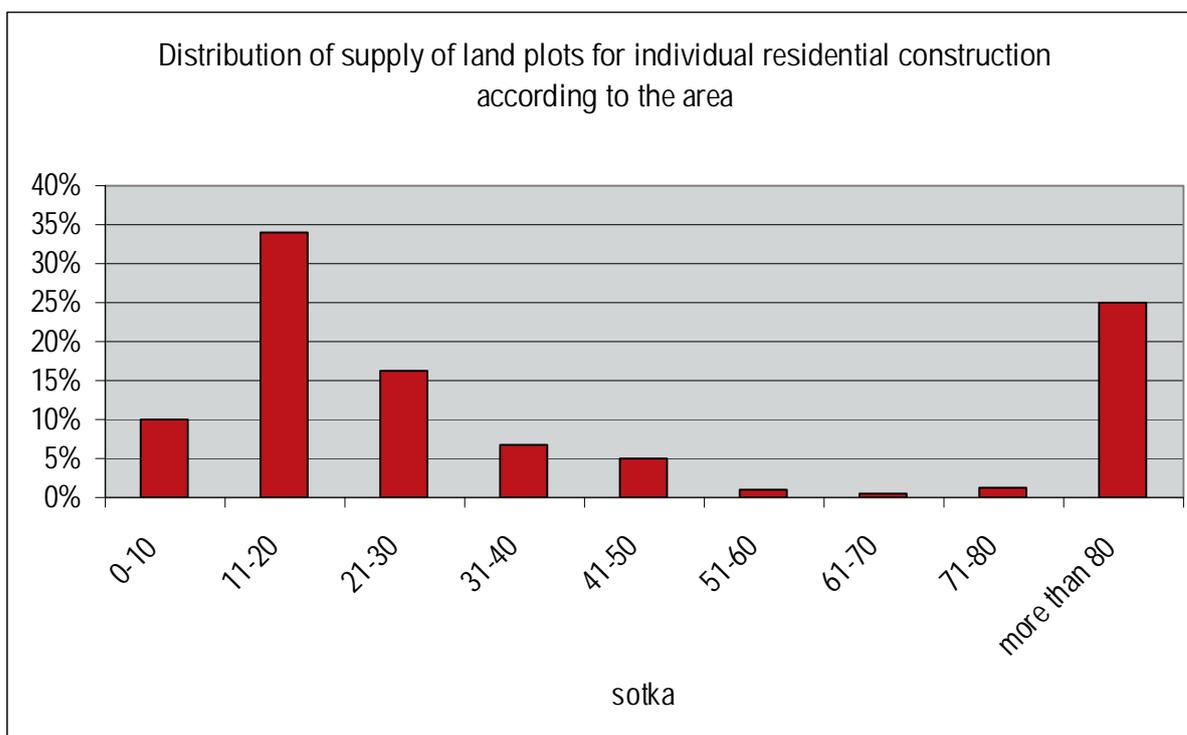
The structure of supply subject to land plots' area

There is a histogram of agricultural land plots distribution by area on the next diagram. The agricultural land plots have large areas and it is more convenient to consider them in hectares. More than half of the offers relative to the land plots mentioned above have an area within a

limit of 10 hectares. Most of the agricultural land plots offered for sale have a size of not more than 5 hectares and with further area increase the quantity of land plots decreases.



The opposite situation has occurred in the distribution of the areas of land plots proposed for individual residential development. The area of about 70 percent of these sites is not more than half a hectare and therefore it is more reasonable to consider them in sotka (see the Diagram 5).



For the land plots proposed for individual residential development, the distribution histogram has a bell-shaped view and the maximum area of land plots offered for sale is in the range of 11 to 20 sotka.

The structure of supply subject to location

In the table below, the price characteristics and absorption of market in the context of administrative districts are presented. There are eleven districts with prices for agricultural land plots and for land plots proposed for individual residential development in this table. The districts are provided in the context of market absorption decrease.

Amount of offers of land plots in different districts and their prices

Table 2

District	Amount		Average price, rub./ sotka	
	Individual residential construction	Agricultural	Individual residential construction	Agricultural
Kalinin	39	43	187,515	10,433
Konakovo	30	28	159,284	33,432
Ostashkov	13	36	68,165	7,942
Kalyazin	19	29	96,747	14,714
Zubtsovo	28	17	43,778	5,214
Andreapol	12	26	10,720	6,702
Kimry	10	20	120,918	14,158
Torzhok	5	24	55,900	4,113
Staritsa	13	15	46,376	6,602
Selizharovo	24	2	27,460	4,200
Kashin	8	15	126,984	11,216
Others	19	28	-	-

There are 21 districts in the region market, which is one administrative unit more compared with last year.

As always, the leaders with a maximum number of land plots are districts with water reservoirs, bordering with Moscow Region and known as a territory of “remote Moscow Region”.

The price range for the presented districts is wider for the land plots proposed for individual residential development. The ratio between maximum and minimum price is more than six in this segment. For the agricultural land plots this ratio is less by twice.

This is the land market in the Tver region as of today. Comparison of the land market with data of previous years shows a continuous increase in prices. The complication is that until 2007 prices for land plots in Tver region were nominated in dollars, whereas in 2007 the prices were in dollars and in rubles, and in 2008 – basically in rubles. However, this does not prevent seeing an annual steady growth of the average prices for land plots in the region. In the current market conditions, in the context of a financial crisis that was strongly reflected in the real estate market, the correction of prices is expected in the near future. Now the majority of sellers is ready to provide a considerable discount, up to 50 percent of the initial price, but in this situation the majority of experts forecast reduction of prices for the land plots that have been overestimated. There will be less of a reduction in price for the land plots located close to water.

Dynamics of the average prices (per sotka) for agricultural lands and lands intended for individual residential development

Table 3

	2005	2006	2007	2008
Agricultural	\$200	\$260	\$460 11,730 rub.	12,360 rub.
Individual residential construction	\$740	\$1,080	\$3,620 92,300 rub.	95,005 rub.

The growth in prices for the land plots shows an increase in demand that indicates a market development. Proximity to Moscow, and programmes, plans and actions aimed at development of the region and held by authorities of all levels contribute to movements in this direction.