

Tver Region Land Market Overview as at Q1 2008

In view of recent trends in the land market Tver Region is building up weight and status value. It links two most economically developed districts: Central and North-West and located between Moscow and Saint-Petersburg. This unique geographical location mostly governs increasing interest inland plots in Tver Region. Tver Region 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 making investments in land near to water basins is profitable. Many investors and developers place stakes on near-to-water lands and implement rather interesting projects near water storages. As opposed to common price stagnation in markets of Moscow and Moscow Region, nowadays land market in Tver Region is at the starting point of growth and development by major investors.

Though Tver land market is increasingly getting popular, like elsewhere in Russia, it is green and weak. Due to adoption of the Land Code situation in the land market has recently changed for the better. Generally, at present Tver Region land market is in the formation and rapid growth phase, though still at the starting point.

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 to large cities. Due to Tver Region bordering Moscow Region, market mostly grows round the Region capital city and in districts adjoining 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 suitable for new production or warehouses. Nowadays the market supplies a lot of property of bankrupt production facilities mostly located in district major towns of Tver Region,

Agricultural land market is the most dynamic. 2003-2005 have shown extensive buying of land shares in Tver Region from workers of agricultural farms. Later 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 recreation areas, dacha settlements and private homesteads; plots located near Tver and at the borders on Moscow region are offered for 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 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).

Describing Tver Region land market as of today, it has to be noted that the market geography has extended as compared to recent years: in 2007 land plots were offered in 20 districts of the Region. Leaders on supply side include Konakovsky, Kaliazinsky, Kalininsky, Ostashkovsky, Kashinsky, and Andreapolsky districts. In the first two districts major share of land offered for sale belong to land for individual housing construction while Konakovsky district is the leader in average prices of the land offered. Plots in Ostashkovsky, Kaliazinsky,

Konakovsky, and other analogous districts are mostly supplied immediately close to water basins (water storages) for construction of elite homesteads, recreation areas etc., i.e. the plots are of recreation value. Due to this and growing demand and high recreation value, prices of plots in the above districts several times higher than prices in other districts.

Review of the land market is a challenge because at present the market in Russian, in general, and in Tver Region, in particular, does not seem fully shaped and civilized. On the one hand, process of rapid buying land plots that started a few years ago, is still in progress (mostly agricultural land shares). Prices of the deals are unknown. On the other hand, ads offer the previously purchased plots for sale. Sure, the new prices immensely differ from initial deal prices. Prices in the market obtained from 2007-October study of 509 land plots offered for sale are the following:

Number of land plots offered in the Region's districts and prices thereof

Table 1

	Number		Average unit price, \$/0.01 ha	
	Individual residential development	Agricultural	Individual residential development	Agricultural
Konakovsky	43	21	6,430	1,070
Kaliazinsky	41	27	2,320	840
Kalininsky	28	38	1,770	340
Ostashkovsky	15	42	1,150	230
Kashinsky	16	38	2,540	450
Andreapolsky	11	29	255	290
Kimrsky	7	15	4,690	300
Zubtzovsky	3	19	1,010	220
Staritzky	6	10	700	130
Vishnevolotzky	1	12	-	300
Torzhoksky	3	12	-	170
Others	11	16	-	-

As expected, agricultural land sale prices in all districts except Andreapolsky district, are the prices of plots for individual residential development. But in Konakovsky and Kaliazinsky districts prices of agricultural lands are several times higher than prices of similar lands in other areas. Probably, it is accounted for by high demand of Moscovites and hopes to transfer the permitted use of the land.

Prices of 80% of agricultural land plots offered for sale are within the range up to \$500 per 0.01 ha with maximum of \$200-\$300 per 0.01 ha. However prices of 4% of agricultural land plots exceed \$2,000 per 0.01 ha. Probably, this refers to the land plots decision for transfer of which into location land is made or where sellers try to persuade potential buyers that the transfer issue is easy to address.

Initial unit prices of land for individual residential development vary in a wider range. Practically, half of such plots cost \$2,000 per 0.01 ha. 60% of plots cost up to \$2,000 per 0.01 ha with decreasing number of plots as prices are rising. 2% of plots are offered for \$20,000 \$2,000 per 0.01 ha and one plot has been supplied for \$40,000 per 0.01 ha.

Factors defining prices for land plots for individual residential development

Prices of land plots for individual residential development are determined by location relative to water basins including Ivankovskoe reservoir, the Volga river basin (Kaliazinsky, Konakovsky, Kashinsky, Kaliazinsky, and

Kimrsky districts), Seliger lake basin (Ostashkovsky district); by possibility to connect to utilities, transport accessibility, and distance to Tver and Moscow.

Below the main pricing factors on land market of Tver region are presented:

1. *Location*: The main factor that determines property pricing and 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 neighborhood and also adjoining the lake and forest. The factor has a number of components. The set of most important components varies on case by case basis.

- Distance to locations including:
 - Moscow
 - Region capital city
 - District 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*. Availability of executed 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.

Mostly ex-agricultural land plots with no utilities are noteworthy. To obtain the right for construction it is required that the permitted use should be changed and construction permit should be obtained. This requires extra money and time and, consequently, increases the plot price by 25-50% (according to unknown source transfer of plots from agricultural land category to land for construction may cost \$300–\$400 per 0.01 ha).

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

4. *Plot size*

Structure of land plot supply

- - geographically

The figure below shows share of land plots located near to water basins in region's districts.

Share of land plots for individual housing construction in Tver Region

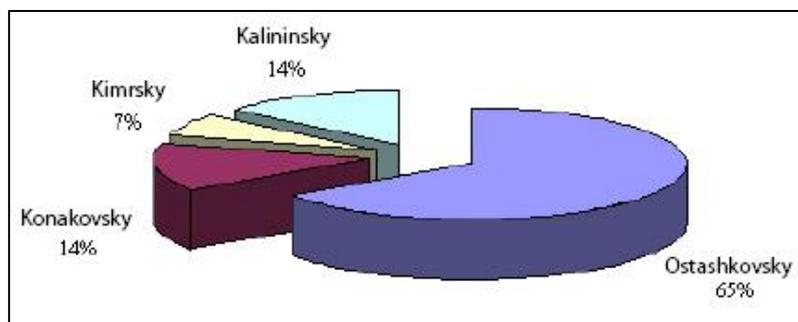


On the basis of the diagram it may be concluded that major share in the land market belongs to operators of Kalininsky and Ostashkovsky districts of Tver Region. This is accounted for step-by-step extension of land market in Kalininsky district where the Volga river banks covered with pine-tree forest are mainly on demand, and new offers in Ostashkovsky district.

Tver’s orientation on Moscow and Moscow region provides constant flow of Moscovites who wish to buy land plots for construction of country-houses or cottages on banks of a lake or a river.

Similar distribution of land plots located far from water basins shows that such plots are mostly located in Ostashkovsky district. Probably, owners have been disoriented by initial higher demand of buyers from Moscow and Saint-Petersburg for land near to Seliger lake which resulted in that the most attractive plots were sold some years ago. As a result, the market was oversaturated with land plots including those located far from water basins.

Share of land plots offered in Region's districts and located far from water basins



Since Tver Region has not yet the market of land for close and guarded cottage communities, judgements on probable prices of such plots in the near future may be made on the basis of analysis of suburban property market in the near-to-Moscow areas of Moscow Region and experts' viewpoints. The analysis made has shown that prices of land plots for construction of closed guarded cottage communities rise by 10% if appropriate security is provided, by 10-15% if the plot is close to forest area, and by 20-30% if a pine-tree forest is on the land

plot. 10-15% rise in price is given by an athletics facility and other infrastructure items in the closed settlement or close to it.

- - *by land plot size*

Undoubtedly, information on sizing of land plots supplied in Tver region for sale is of interest.

Analysis of Tver land market shows that 70% of plots for individual residential development have area of up to 30 hundred parts with the maximum of 11-20 hundred parts. However a rather large number of plots (17%) have area of above 1 ha, and one plot offered has area of 30 ha. As for agricultural land, above half of plots have area of up to 10 ha, and 12% have area of above 30 ha.

Price dynamics profile

Average unit prices (\$/0.01 ha) of agricultural land plots and plots for individual residential development

Table 2

	2005	2006	2007
Agricultural land	200	260	460
Land plots for individual residential development	740	1,080	2,898

As for agricultural land plots, 25% of them, as mentioned above, are probably overpriced. This indicates that some sellers think that the plots may be easily repurposed for individual residential development. This is supported by the fact that overpricing is mostly popular for the plots located immediately close to large water basins and connected to main utilities.

Data on Tver Region land market in the Table show that in 2005-2007 prices of land plots tend to rise. The land market geographically extend and maximum areas of land plots supplied for sale grow. On this basis it can be concluded that the land market development is in progress.

This is supported by the fact that in 2006 Tver Region has been a leader in rise of demand and land plot prices within 150-km zone from Moscow. Interest in far-away property is mostly shown by Moscovites who cannot afford cottages in the near Moscow Region, as well as those who prefer large land plots for homesteads close to water basins (the Volga river basin, Ivankovskoe reservoir and Seliger lake).

Such positive conclusions are in agreement with general economic growth in the country and in the Region. Region economic development prospects as of the plans of the federal Government and Regional authorities show that positive dynamics of land market development is a tendency which shall last for a long time. The schemes such as further gasification in the Region, construction of toll expressway Moscow–Saint-Petersburg, rapid development of travel business and more shall enhance attractiveness of lands in Tver Region and encourage prices thereof.