

ОБЩИЕ РАБОТЫ

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STUDY OF THE RUSSIAN LAND MARKET

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This study deals with the essence, functions, characteristics, and formation of land market, analyzes modern land market, and studies the prospects for developing the land market in Russia.

This study mainly used literature research and field surveys. It emphasized the role and importance of land resources as the wealth of the Russian Federation's component entities. The main problems are discussed, including inefficient use of land resources and the consequences of land reform from 1991–2014. National land management practices show the need to improve land use. This study also makes suggestions to improve national land management and illustrates their use.

The paper proposes that countermeasures for poor land management in Russia should consist mainly of proper regulation of land relationships aimed at the problems existing in the Russian land market, such as violation of the sustainable utilization of land, especially land use for agricultural purposes. Countermeasures that Russian and local governments take to

reinforce the rights of the main stakeholders in their territory and in agricultural land should be specially protected.

Keywords: Russia; land market; land price.

1. Geographical conditions

Russia, as the largest country in the world, has abundant land resources. Cape Jiriniyoff in the eastern Bering Strait and the west coast of the Baltic Sea in Kaliningrad are separated by 10,000 km and 11 climate zones spanning four climates. The total land area is 17,125,191 km² [1]. The total length of the Russian border is 58,562 km, and the land boundary accounts for 14,253 km, exceeding one-third of the total border length. The length of the coastline is 33,807 km, accounting for about two-thirds of the total border length. The Russian border touches 14 neighboring countries.

2. Situation and characteristics of the land market

After the dissolution of the Soviet Union in 1991, Russia's land allocation depended on presidential decrees and government decisions. After the Putin administration came to power, it proposed for the first time that the state would no longer control land relationships and open market transactions for non-agricultural land. Trade in agricultural land is regulated by federal law, but the federal entity has the right to make decisions on its own during the transition to agricultural land transactions [2].

At present, Russia has instituted a combination of public and private ownership of the land market, in which public ownership is dominant. Leasing and selling in the Russian land market are the two main forms of land circulation, and leasing is mainly leasehold. Taking agricultural land as an example, the share of governments in its circulation, whether lease or sale, is very high. The private sector is relatively less visible. The citizen's land lease for an agricultural enterprise is largely an oral agreement without contract or record.

In general, at present, Russia has formed a land market at a certain scale. Citizens and legal persons can legally obtain easements and the right to use land. At the same time, they can freely lease, transfer, pledge, and sell land that they own in accordance with the law.

Russia's land market features the aspects described below.

2.1 Market weakness

The cost of land in Russia depends on the quality of the land, the available infrastructure, and the distance from a city. There are significant differences in different regions. In 2016, the area involved in land transactions in Russia was 82,000 km². However, from 2012–2016 the land transaction area decreased 2.7 times [3].

Agricultural land price is an issue. *The* average price of agricultural land in Russia increased by one-fourth in 2015. That year, the price of agricultural land in central Russia increased by 30%, and prices in southern Russia increased by 35%. In 2014, the average increase in agricultural land prices did not exceed 2%. The rise in agricultural land prices was related to depreciation of the ruble [4].

As for leased office buildings, according to experts, the average price of a leased office building in 2015 was \$423 per square meter in the center of Moscow. Compared with 2014 prices, this represents a drop of 35%.

Regarding housing prices, in 2016, the most expensive home was \$3,662 per square meter in Moscow, \$1,715 in St. Petersburg, \$1,411 in Vladivostok, and \$735 in Ulan-Ude.

2.2 Land investment policy

In 2001 and 2002, the State Duma of Russia passed the new Land Code of the Russian Federation and the Law on the Circulation of Agricultural Lands, allowing land sales. This established a foundation for large-scale agricultural land to participate in market-oriented transactions. Russia also adopted land mortgages, assessment, cadastral registration, and other relevant laws in a bid to attract foreign agricultural investment to idle land. Foreign investors have the right to acquire land, other natural resources, buildings, facilities, and other real estate in accordance with the laws of the Russian Federation ^[3]. Although the Code of Federal Lands prohibits foreign citizens and companies from representing more than 50% of the investment in agricultural land, subsidiaries of foreign companies are not actually banned. According to data from the Russian Agricultural Market Research Institute, most of the 196 private agricultural holding companies were foreign shareholders in 2008, and the number of these companies is increasing every year ^[5].

According to the Russian National Statistical Report of January 1, 2016, the total land area of Russia was 17,125,191 km². The agricultural land area in 2016 was 3,837,000 km², which was down by 44,000 km² compared with 2015. Of Russian land, 15,791,000 km² belongs to state and municipal owners, 181,000 km² to corporate enterprises, and 1,153,000 km² to citizens. However, the following types of land are not allowed to participate in the market circulation:

(1) national defense and national security, with a land area of 100 thousand km²; (2) a unified transport network, 14 thousand km²; (3) nature reserves, health, entertainment, historic, and cultural areas, 272 thousand km²; (4) residential areas to be constructed between regional and federal facilities and property, 3400 km²; (5) forest land resources, 11 million 263 thousand km²; and (6) water resources, 281 thousand km² ^[6]. In addition, to implement effective urban planning policies, approximately 897,000 km² of land is needed.

2.3 Structure and market evaluation of land transactions

Among all types of transactions in Russia, land leasing dominates, representing more than 90.6%. In 2015, national and municipal land used for leasing in Russia accounted for 8.3% of total area ^[7].

The leasehold price of state-owned land has been gradually fixed. Land leases are significantly differentiated based on supply and demand, tenant category, and the location and value of the land. Urban land rents are much higher than those in rural areas. The price of land for sale is set by public authorities and local governments, guided by the normative price of land. Due to the immature land market in Russia, the normative selling price of land is based on market prices and estimates by experts in most areas; only one-quarter of the area has prices determined by the Russian Federation ^[8].

In 2015, there were more than 456,000 sales contracts in the 75th region of the Russian Federation. Overall, the number of such deals increased 1.5 times between 2009–2015.

Citizens purchase land mainly for personal housing, national construction, and personal auxiliary farms and gardens, as well as for industry, transport, communications, construction, and other special purposes. In 2015, citizens purchased 120,000 pieces of land, which is slightly more than 116,600 pieces in 2009. As the volume of land transactions increases, the area of land per transaction is also increasing. In contrast, the number of land parcels purchased by businesses is decreasing due to the more stable land market. However, the market is more favorable to land leasing than to land purchase. Therefore, leasing relationships currently dominate all land transactions. The steady rise of land prices has made the land market the most promising way to invest and has provided a strong basis for the government's efforts to establish a well-developed land market.

3. Problems in the Russian land market

Russia has rich land resources. Until now, the geopolitical advantage of Russia and its single energy economy have hindered development of the land market for a long time. However, land has now become an important part of the wealth of the people. With the deepening of global financial, energy, and food crises, the role of land in the economic development of Russia has increased significantly. At the beginning of the 21st Century, land even became the "last resource and wealth" of the people and an important means for Russia to resist sanctions by Western countries. Therefore, land has become a major issue in the political, economic, and social fields^[9].

The Russian Federation implemented land privatization in 1990, allowing the creation of a new land-based system^[10]. Privatized land facilitates redistribution of citizens' land and creates conditions for the transfer of agricultural land. The government of the Russian Federation adopted the "use of land resources on the basis of public policies" on March 3, 2012. Between 2012–2017, the government planned to implement comprehensive agricultural development, allocating subsidies to farmers for cadastral registration of land used for production to increase soil fertility.

However, there have been some problems in the process of market-oriented land transactions:

(1) Lack of restrictions on the use of land by landowners and users, resulting in land degradation and pollution and the frequent occurrence of natural disasters such as fires and floods;

(2) Absence of the concept of sustainable land use, especially in agriculture;

(3) Delays in processing the land documents of both legal and natural persons;

(4) Ambiguous land boundaries, resulting in numerous land disputes. As a result, land ownership cannot be clearly defined, and it is difficult to organize a fully developed land market;

(5) Land boundaries are not clear, resulting in a reduced tax base and an absence of cadastral registration;

(6) Supervision and protection of protected areas and agricultural land are not in place, leading to illegal transactions and occupations.

Establishment of a state-controlled land market is urgently needed to support economic development. A mature land market can attract owners who can organize effective land use through mortgages and land leasing.

The land market should not be uncontrolled, and it is strictly forbidden to distribute agricultural land improperly. However, market-based land transactions are also accompanied by some negative phenomena, such as land speculation and occupation of fertile agricultural land, which has an impact on food security. Therefore, regulation of the land market should be strengthened by the state.

The reform of the land system significantly changed the distribution of the Russian land inventory, and land users and ownership forms have been classified according to categories. These changes mainly affect agricultural land. Agricultural cooperatives, covering an area of 366,000 km², have been widely developed. Orenburg and Saratov have the highest proportion of agricultural land (over 95%).

Reform of the land system will significantly change the process of land allocation, and the form of land use and ownership by category will have a substantial impact on agricultural land. The area of 366,000 km², which belongs to agricultural cooperatives, has been widely developed. However, the total area of idle cultivated land is 60,300 km², and 1,710 km² of agricultural land is not used as expected.

The annual turnover of agricultural land in the land market is less than 5%. However, this situation is now changing. The land of agricultural organizations is gradually being transferred ^[11] to other users and to farmers' auxiliary farms. Nowadays, protection of agricultural land is also becoming stronger. It is not allowed to divert this land for construction. However, there are still many cases where residential settlements occupy agricultural land. Analysis shows that these contradictions in land relationships, in addition to the land itself, are partly due to civil, administrative, and environmental issues.

At present, a land-related legislative system has not been fully established. There is no difference between federally owned land, land owned by the constituent entities of the Russian Federation, and municipal property. Existing mechanisms for management, possession, and use of land have limited the right to use the land and do not allow redistribution of land or transfer of land to economic agents. There is also no system to guarantee land rights. Current legislation has not yet reflected the social and economic priorities of the transformation of land relationships, and a significant update is needed ^[12].

4. Solutions to the problems of the Russian land market

Russia's land management strategy is mainly designed to regulate land relationships. The main purpose of the state's regulation of land relationships is to ensure effective land use by public authorities through economic and legal measures ^[13]. State regulation provides a powerful legal basis for management of economic relationships under the main land law. The main tasks of state land relationship regulation include ^[14] better use and protection of land resources, maintenance and improvement of land for ecological purposes, and establishment and improvement of relevant legal, economic, and institutional prerequisites for land ownership.

The contents of Russian government regulations on land relationships include: (1) land as the object of natural, social, and economic use and management; (2) the institution of diverse property rights such as land ownership and use rights; (3) giving Russia the power to manage local governments in the area of land under its power; (4) ensuring that various relationships regarding land protect equal rights; (5) protecting the

earth and natural environments from infringement; and (6) prohibiting illegal occupation of national security and defense land and protecting land owners and users.

The state will take the following measures through reasonable land relation regulation. (1) Land relationships should be regulated in accordance with the Constitution and the Russian Land Code. Other laws and regulations concerning land relationships must comply with the relevant requirements of the Constitution and the Land Code. (2) Federal land law establishes common land ordinances for all entities of the Federation, which is mandatory for land accounting and protection, land monitoring, administration, national land cadastral registration, and state control and protection of land and defines a federal land legal system. (3) The use of land should be determined by each region's natural and agricultural zoning, geographical planning, and other factors. Agricultural land should be specially protected; under special circumstances, it may be converted into non-agricultural land, but this must be carried out strictly in accordance with the law ^[15]. (4) The state must create economic, legal, and institutional conditions for adjusting land relationships to support reasonable and effective utilization and protection of land resources. (5) The relationship between state regulation and control of land must be based on sound scientific concepts and accurate economic development forecasts for the country and the region. (6) Land management includes planning, land zoning, natural agricultural zoning, and national land use and cadastral registration monitoring. Development planning is based on the land resources and on administrative decisions necessary for economic development. Its long-term development goal is based on social and economic programs and on land, urban planning, and other documents ^[16]. The state shall determine the agricultural land to be protected according to the use of natural and agricultural zoning. (8) Adjustments to land relationships must be based on reliable, open, and timely land information. (9) The legal, economic, technological, and other aspects of land management must be strengthened, and soil fertility must be maintained and improved, preventing unfair occupation of high grade land currently in agriculture and forestry. (10) Land laws and relevant norms and rules must be respected; state authorities and localities must be protected in the autonomy of their land use activities ^[17].

5. Concluding Remarks

As a production factor and commodity, land has its own unique characteristics in a market-driven framework. In free markets, the price of land depends on demand, and the limited amount of land gives it low supply elasticity. Therefore, land as a piece of property is profitable, which also explains the steady growth of land prices. The land market in Russia is still in a formative stage and is still weak. Land leasing dominates, representing 90.6% of all transactions. In 2015, leases accounted for 8.3% of the total land area.

Russia has formed a market of state-owned and privately owned land that has achieved a certain size. Citizens and legal persons can enjoy legitimate land easement and other rights and can freely transfer, mortgage, lease, and sell their land. The state is the main manager of the land market.

Russia has the world's most impressive land endowment, but the efficiency of its land market is not high. As a result, Russia wants to improve land use through state control of land market relations. However, the land market in Russia is still in a rela-

tively weak stage, with many problems. For example, the agricultural land management is not deep enough, addressing only farmland area, but not its quality; land owners and users that do not comply with land-use restrictions, in violation of sustainable land management principles, especially regarding land use for agricultural purposes; land transaction documents are not standardized; and land boundaries are unclear, resulting in many land disputes. Under these conditions, it is difficult to organize an efficient land market.

The main land management tasks in Russia are to regulate and control the relationship between land and its owners and users. The land relationships under control mainly include the institution of diverse forms of property rights; giving federal and local governments autonomy over land relationships within their jurisdictions; ensuring that the parties concerned protect equal rights to land; ensuring protection of the environment and natural resources; and prohibiting violations of legal protections of the rights and interests of others and the national public security of land resources. The state needs to provide legal support, promote the construction of a market infrastructure to improve land relationships, and ensure long-term use of the land for entrepreneurs who can provide financial support. All this can help ensure effective and fair use of land.

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ИССЛЕДОВАНИЕ РОССИЙСКОГО ЗЕМЕЛЬНОГО РЫНКА

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В исследовании рассматриваются сущность, функции, характеристики и формирование земельного рынка, анализ современного рынка земли и исследование перспектив развития земельного рынка в России. В основном использовались данные литературных источников и полевых обследований. В нем подчеркиваются роль и значение земельных ресурсов как богатства субъектов Российской Федерации. Обсуждаются основные проблемы, в том числе неэффективное использование земельных ресурсов и последствия земельной реформы с 1991 по 2014 г. Для улучшения землепользования рекомендуется улучшить национальную практику управления земельными ресурсами. В этом исследовании также предлагаются предложения по улучшению национального управления земельными ресурсами и иллюстрируется их использование.

В статье предлагается, чтобы меры для решения вопросов неудовлетворительного управления земельными ресурсами в России должны состоять в основном из правильного регулирования земельных отношений, направленных на проблемы, существующие на российском рынке земли, такие как нарушение устойчивого использования земли, особенно землепользования в сельскохозяйственных целях. Эти меры, предпринимаемые российскими и местными органами власти для усиления прав основных заинтересованных сторон, должны быть законодательно защищены.

Ключевые слова: Россия; земельный рынок; цена земли; управление земельными ресурсами.