

REAL ESTATE MARKET IN RURAL AREA OF THE REPUBLIC
OF MOLDOVA: ACTUAL CONDITION AND OPPORTUNITIES
OF DEVELOPMENT

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The market of real estate objects in rural areas is an essential gear of Moldovan economy. The efficiency and effectiveness of this market has an impact on the agricultural sector development and living standards of rural residents. Currently, this area is very little studied, the research being conducted within the perimeter of land market activity. The purpose of this study is to determine the specific of the activity of the real estate objects market in rural areas of the Republic of Moldova, analyse the transactional business process of each group of real estate objects, as well as elucidate major issues which stagnate a more active development of this economic sector. Extensive knowledge of real estate objects market functioning as a whole in rural areas will enable the optimal solution to revive the agrarian economy and socio-economic revitalization of rural areas. While preparing this study, the following research methods have been used: analysis and synthesis, conceptual analysis of statistical data; analysis of dynamic lines, methods of comparison.

Keywords: real estate market, agrarian sector, rural area, real estate.

Piața obiectelor imobiliare în spațiul rural este un element esențial în angrenajul economiei Republicii Moldova. De eficiența și eficacitatea acestei piețe depinde dezvoltarea sectorului agrar, precum și nivelul de trai al locuitorilor din mediul rural. Actualmente, acest domeniu este foarte puțin studiat, cercetările fiind realizate doar în perimetrul activității pieței funciare. Scopul acestui studiu este determinarea specificului activității pieței obiectelor imobiliare în spațiul rural al Republicii Moldova, analizarea procesului tranzacțional comercial al fiecărui grup de obiecte imobiliare, precum și elucidarea problemelor majore ce stagnează dezvoltarea mai activă a acestui domeniu economic. Cunoașterea amplă a funcționării pieței obiectelor imobiliare în ansamblu în spațiul rural va permite definirea soluțiilor optime de relansare a economiei agrare, precum și revitalizarea socio-economică a localităților rurale. La elaborarea acestui studiu au fost folosite astfel de metode de cercetare, cum ar fi: analiza și sinteza, analiza rândurilor dinamice, analiza conceptuală, metoda analizei comparabile.

Cuvinte-cheie: piața obiectelor imobiliare, sectorul agrar, mediul rural, bunuri imobiliare.

Рынок недвижимости в сельской местности является одним из важнейших элементов в экономике Республики Молдова. От эффективности и результативности этого рынка зависит развитие сельскохозяйственного сектора и уровень жизни сельских жителей. В настоящее время эта область очень мало изучена, в то время как проводимые исследования имеют, как правило, в своем периметре преимущественно деятельности рынка земли. Целью исследования является определение специфики деятельности рынка недвижимости в сельской местности Молдовы, анализ транзакционного процесса для каждой группы объектов недвижимости и выявление основных проблем которые являются причинами застойных явлений в этом секторе экономики. Более детальное знание в области функционирования рынка объектов недвижимости в сельской местности позволят определить оптимальные решения для возрождения аграрной экономики и улучшения социально-экономического положения сельских районов. При подготовке данной

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работы в качестве методов исследования были использованы методы как: анализ и синтез, концептуальный анализ, анализ динамических рядов, метод сравнения.

Ключевые слова: рынок объектов недвижимости, сельскохозяйственный сектор, сельская местность, недвижимость.

JEL Classification: L85, Q18, O18.

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Introduction. The standard of living of man was, and is directly influenced by the quantity and quality of the available real estate. In light of these objects, living conditions are being improved and new opportunities for socio-economic activities to improve the living standard of the individual are created. Regardless of the working environment of a person – rural or urban, the goal remains the same – to create new real estate objects, to develop and manage them more effectively. Real estate objects from rural areas represent a special segment of the national economy, exhibiting a direct impact on the social status. These goods have the qualities and characteristics specific for rural areas and the value and condition of real estate objects depends on both national economic development and welfare of every citizen.

Results and discussions. Nowadays, real estate objects in rural areas of our country are: private homes, construction of social facilities and the production ones, lands for agricultural purposes, forest lands, pastures, reservoirs, networks for communication and supply of potable water for the local population.

The national land fund has an undeniable economic relevance. According to Catan P. [4, p.46], land resources or the land fund “...represent the total area of land between border, including that under water, construction and communications, representing the basic condition of existence of a nation or state”.

According to Article 2 of the Land Code of the Republic of Moldova, the land fund is classified depending on the destination and is formed from the following categories of land: intended for agriculture, for industry, transport, telecommunications, land for nature protection, health protection, historical and cultural value land, suburban areas and green areas, water land funds and of the reserve fund [1, Article 2].

According to the National Bureau of Statistics [11], on January 1, 2016 land resources of the Republic of Moldova amounted to 3 384.6 thousand hectares and had the following structure:

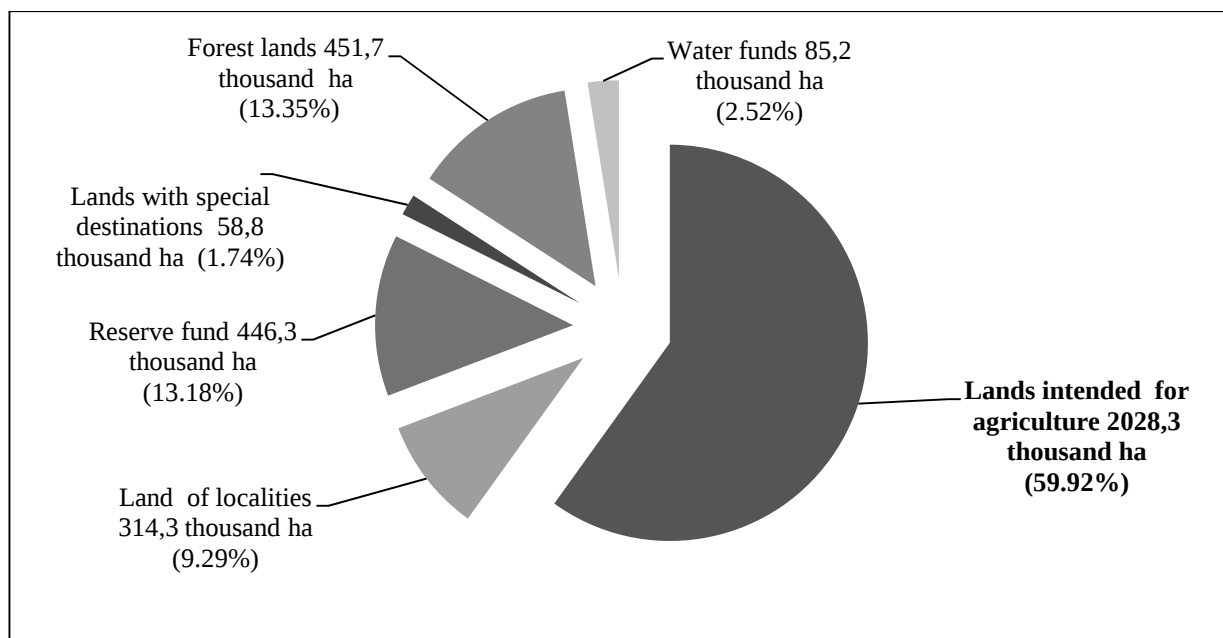


Figure 1. Land structure of the Republic of Moldova on January 1, 2016

Source: National Bureau of Statistics, 2016.

It is worth noting that according to the indicator of per capita area of arable land, which amounts to 0.67 ha per capita, our country occupies one of the first places in Europe, ahead of such countries with performance in agriculture as the Netherland and Switzerland. With regard to the implementation of modern production technologies, more than half of the total area of agricultural land, and the largest part

of the livestock of cattle, sheep and pigs, is cultivated and grown in the households practicing the subsistence type of agriculture. A cause of stagnation in agriculture is the ineffective land consolidation process and difficulties in creation of large farms with potential for implementation of high technologies.

One way to boost land consolidation process is the development of land market. Due to the nature of this market, where the entire activity is concentrated only around a single object – the land, that has a number of unique distinctions specific to plots of farmland.

The land market in the Republic of Moldova is very complex, with huge potential that has to be valorized. It occurred in 1999 when territorial cadastral offices have made the first official records of transactions involving agricultural areas. To a large extent occurrence of the land market is the result of an ongoing process of allotment of peasants with agricultural land due to the implementation of the National Program “Land” that was finished by the middle of 2000 year.

The complexity of this market can be observed by the large number of potential sellers – buyers. The data presented in the Cadastral summary sheet [9] developed by the Land Cadastre Office, according to the situation at January 1, 2016, about 1324.3 thousand of land holders were operating in the Republic of Moldova, with a total area of arable land of 1700.7 thousand hectares.

Rural land market is a “live” body that is continuously developing. In 1999, according to SE “Cadastru” were registered 1933 transactions for the sale of agricultural land, while in 2015 their number reached 262 000 [7], accounting for 61% of the total transactions in the real estate market. In most cases, they are manifested by: sales – purchase operations, inheritance, gift, lease, mortgage, inclusion in equity, exchange and other types of transactions.

One of the main factors that hinder the development of land market, but also the entire real estate market in rural areas is the very high risk of investment, fueled by uncertainty about events or undesirable phenomena and socio-economic issues. These elements are able to reduce the expected economic results in a short time. Preventing these risks requires additional investments, in some cases quite substantial, in the development of protective, logistics and training measures. Such items are accessible for agricultural enterprises that are technologically and financial ensured.

Rural land market is determined by two groups of real estate objects. The first group, with a dominant share, due to the scale of size and importance, is the farmland. The second group is represented by lots of land from home yards. The area of these real estate objects is considerably lower than that of agricultural land, but the market value is clearly superior that in the first group. This is due to their location in rural or urban / peri-urban areas, as well as the perspective for developing processes of construction of various social or industrial property objects.

Besides the lots of land of auxiliary households, in the category of inner land are assigned: land for construction, land for public use, land for road transport, railways, for telecommunication lines and power transmission, for mines and for other industries, woodland, agricultural lands and other lands [3]. Lands for housing are also part of this group. All these real estate, in turn, is divided into real estate property belonging to legal persons and property where owners are individuals (privatized housing, real estate objects, garages). Most of this real estate is found in Moldovan rural area depending on the socio-economic development stage of the locality.

A special category of a relevant importance is represented by the real estate objects for housing. Their share in the structure of real estate objects in rural areas exceeds the urban area.

According to statistics provided by the National Bureau of Statistics [11] on January 1, 2016 Moldova's housing stock consisted of 1 323.3 thousand apartments (homes) of which: 560.2 thousand units in urban areas, while in rural areas – 763.1 thousand units. The urban areas account for 32 485.3 m² or 39.8% of the total housing, while rural areas 49 046.0 m² or 60.2%. However, the level of provision of the population with housing in rural areas does not significantly differ from that in urban areas, representing respectively 24.0 m² for villages and 21.5 m² for cities. The largest number of houses in rural areas can be found in Hancesti district – 30.5 thousand, with a total area of 2289.7 thousand m².

The value of property and the land plots where can be placed real estate objects for housing is higher in the inner space of urban areas, especially in Balti and Chisinau, where the price of 1 are of such land can be up to 10 000 EUR or much more. The value of real estate in the rural area is influenced to a large extent, by the distance from the centers of production, processing and marketing, cities, natural water basins, durable coating roads [5].

With the regulation of legislation on ownership right and privatization process, the residential property market has boosted. It is interesting that the real estate market was the single market with real

estate goods allowed by the Soviet regime, at a time when our country was part of the former USSR. The condition was that this market had to take place in rural areas, being allowed transactions with land around houses and buildings located on it.

Currently, the residential property market is quite active, the number of commercial transactions in 2015 reached 48.9 thousand [7], being surpassed only by the frequency of transactions with agricultural land. This shows the growing interest of the population in this market being more attractive in urban areas due to social and economic opportunities that can be provided by housing.

Residential real estate market in rural areas, unfortunately, did not experience the same situation as in urban areas, even being in an acute phase of recession. Stagnation of this market became more evident finishing the privatization process of land. Following the reformation of former collective agricultural farms, a large part of the population lost their jobs. Also, the prospect of working in agriculture on their own, in the context of a profound economic crisis was not seen as a stable source of income. All these factors determined a good part of the rural population to focus on other sectors of the national economy, to migrate to urban areas or even abroad.

In many rural localities can be found many sectors of land plots and unpopulated construction, that do not present an economic interest for potential investors. Due to the lack of the supervision these real estate objects are constantly degrading and in order to prevent this phenomenon it is necessary to implement a number of complex and longstanding measures with the direct involvement of the state.

A component of the real estate market is the commercial real estate market. This is a less active market comparing to other mentioned markets and includes commercial transactions with real estate objects as: real estate objects for commercial use, restaurants, hotels, businesses providing services, offices and real estate objects used for retail or wholesale trade. Compared with the land market and housing market, the significant part of the commercial objects is found in urban areas due to the high population density, higher living standards, as well as considerable financial turnover what is observed in this environment.

If for the cities large shopping centers, markets selling goods, hotels and restaurants are characteristic, then in rural areas, commercial real estate objects are represented by small shops of selling consumer goods, companies that provide a limited range of services for the local population (barber shops, repair shops of clothes, shoes, electric household machine), a small number of pharmacies, banking institutions and offices.

According to statistics [10], 8794 stores were operating in the country in 2015, of which 3332 units in Municipality of Chisinau, 2226 units in the North region of the republic, in Center – 1932 and in South – 827 stores. Transactional operations were applied on 12.2 thousand of commercial real estate objects [7].

Having an important specific – to generate revenue and reduced payback period compared to other real estate, the commercial value of these assets is quite high. But these conditions can be met only if there is a fairly high and stable flow of customers. In the context of degradation of the rural infrastructure, reduction of the number of rural inhabitants and precarious living standards, economic agents providing commercial services cease their activities while buildings are offered in rent or sale. As a result, commercial buildings in rural areas are less attractive to potential investors, in the best case being sold at a price greatly underestimated or being unexploited for a long time become subject to self-destruction.

The next part of the real estate market is the industrial property market in the food industry. It incorporates real production units, such as: production buildings, administrative buildings and other auxiliary buildings.

Industrial real estate market is characterized by a number of commercial transactions. Due to the low financial liquidity, transactional frequency of these assets is determined by the particularity of objects, the economic and political situation and last but not least by the investment climate in the Republic of Moldova. These objects have large areas with massive building, located on large areas of land. Their maintenance is performed under the presence of all municipal facilities and the supply of the access to the production process. As a result of negative influence of political and economic factors, such objects are rarely taken as collateral by commercial banks.

However, the industry, especially manufacturing, is of vital importance for the agricultural sector of our country. In the view of Hontus D. [6, p.12], the industry of processing agricultural raw materials, in addition to the role of providing material elements of capital accumulation in agriculture, also promotes an institutional and socio-economic climate favorable for the diffusion of innovations. It also provides the modernization of the industry, creating conditions for a better use of agricultural production.

The agrifood processing enterprises in the Republic of Moldova currently represent one of the basic investors in the agricultural sector. Because of their dependency on agricultural raw materials, they also have a vested interest in maintaining, upgrading and creation of favorable business conditions for farms.

According to the data provided by the National Bureau of Statistics [10] 1439 enterprises and production units in the field of manufacturing activated in our country in 2014, having a considerable impact on farms, in terms of the volume of collected agricultural production.

Although real estate transactions with industrial objects are quite anemic, however there are present some activities with such goods. Average offer prices in the developed regions, from the industrial point of view, can vary from 57 EUR / m² in Cahul district and ranges up to 142 EUR / m² in Balti [8].

The value of industrial real estate is largely determined by the overall condition of the housing market. However, together with the economic and political factors can be highlighted and other elements with a narrower influence, such as investment policy and strategies in the industry.

Another category of real estate is the forest fund of the Republic of Moldova. It is characterized by forested areas, forest protection strips, and green spaces for recreation and / or scientific research.

At present, the national forest fund amounts to 12.7% of the country's territory, extended over an area of 374.5 thousand ha. The significant woodland – 326.4 thousand ha (87.2%) is managed by the state, 45.7 thousand ha (12.2%) is in the public property of the administrative-territorial units and only 2.4 thousand ha (0.6%) are in private property [13].

According to before mentioned data, the surface of forest land in private property is insignificant, but owners of these private forest lands have created and still generate a number of problems for the national forest fund. The origins of these problems lie in the very controversial Government Decision no. 187 [2] adopted by the Government of the Republic of Moldova on February 20, 2008, that provides the possibility of leasing the forest land to natural or legal persons. Initially, the amount of lease payment amounted to 315 MDL/ha for land leased for the purpose of hunting management and 19092.37 MDL/ha for land leased for recreational purposes. Later, through amendments to the Regulation on lending the forest fund, adopted on June 15, 2016, lease of forest land was prohibited and the price of existing contracts was capped, regardless of exploitation aim, at the level of 19092.37 MDL/ha.

Administrative and ecological objections for the current owners of forest land are underlying these government actions. As a result of the lease, a large number of small and dispersed areas were formed in the neighborhood of rural areas and the main variety grown on these forest plots is acacia that is an invasive variety. On such surfaces compliance with the forestry regime is unsatisfactory; the measures on taking care of the land are insufficient or lacking entirely, being affected by grazing, illegal logging and pollution with waste.

Currently, between the "Moldsilva" Agency and people who have in lease forest areas, there are still 650 existing lease agreements out of 842 that were concluded during 2008-2015, with a tendency to increase the number of terminated contracts.

Another goal pursued by promoting this Government Decision is the express prohibition of transmission the right to lease for recreational purposes to other natural or legal persons, irrespective of legal form. By this provision is desired to avoid "selling" of forests through the concession of rights to use.

Separated water objects with a small area, with not hydraulic connection with another surface water body are also part of the structure of real estate, mainly located in rural areas. Typically, these are ponds or lakes that are formed by damming the water.

The main artificial lakes of the Republic of Moldova, according to data [10], are: the lake Costesti-Stanca, with an area of 59.0 km² from Rascani district; the lake Cuciurgan – 27.3 km² from Slobozia district; the lake Dubasari from Dubasari district – 67.5 km²; the lake Ghidighici – 6.8 km²; the Ialoveni lake – 4.4 km² from Ialoveni district and the lake Taraclia – 15.1 km² from Taraclia district. There are also about 3,000 registered ponds with the total area of the water surface of about 333 km².

According to SE "Cadastru" data [9], 4241.5 hectares of land for lakes were recorded on 1 January 2016, of which 357.9 ha are in private property or leased. Given that private households are the main source of fish production for the local market, this property is of particular interest to the real estate market.

In many villages there are ponds that were built at the expense of former collective farms (kolkhoz). They were leased by local governments to individual as land and ground water resources remained to be a good of society. This has led to multiple conflicts between tenants and the local

population. A number of issues such as: lack of possibility of farmers to use water from these sources for irrigation, limited access of local population to these water resources and inadequate ecologically exploitation of these objects will have to be solved as soon as possible.

Creating and maintaining a favorable climate for investment activity in the real estate market is vital for the state economy. It can only be implemented by providing the legal framework, access to information and application of an argued system of monitoring and evaluation of the market. Only by promoting coherent policies and strategies from the state, the real estate market will be able to generate a significant part of the national economy and first of all of the living standards for its citizens.

Conclusions:

1. Real estate objects in rural areas represent the material and technical basis through which the rural population creates living conditions and economic activity.

2. Due to the significant importance for the national economy, the land fund is the crucial element which carries most of the social and economic processes in rural areas.

3. The residential real estate ranks second by number of transactions, but is positioned at the first place according to the value of the invested capital.

4. Agro-industrial real estate market requires a high investment capital, which consists of capital borrowed from banks and financial resources obtained from foreign investors. The amount of capital invested in these properties is directly proportional to their ability to generate profit.

5. A significant part of the private and public real estate property in rural areas is not included in the State Register „Cadastru”. Therefore, these goods are not able to be traded, that hinders significantly the development of the real estate market in rural areas.

6. In order to streamline real estate market in rural areas is necessary to implement a set of concrete actions, including:

- a. operative completion of the cadastral database of the State Register „Cadastru”;
- b. facilitation of access of population to cadastral data and those reflecting developments of real estate transactions in the field;
- c. cooperation between the public and private sectors.

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