



# Development of the land market in rural municipal area (Russia)

## Desarrollo del mercado terrestre en zona municipal rural

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### Contents

- [1. Introduction](#)
  - [2. Methodology](#)
  - [3. Results](#)
  - [4. Discussion](#)
  - [5. Conclusions](#)
- [Bibliographic references](#)

#### ABSTRACT:

The land as an object of property market relations is located in the center of the territorial economic system, and the municipal land market serves as an important function of managing the lands of a municipality in order to give the necessary vector of development to the rural area. The land market provides the rural municipal district with a significant share of revenues to the local budget. The purpose of this work is to present the author's approach to substantiating theoretical propositions and practical recommendations for ensuring the development of a land market in a rural municipal district. To achieve this goal, the author solves the problem: generalizing the theoretical positions of the land market, establishing a register of measures for the development of the land market, identifying features of the land market in a rural municipal area, identifying mandatory signs of a land market of a municipality, developing practical recommendations for the development of a land market. The development of a land market in a rural area requires practical improvement of relevant institutions, regulations, organizational and administrative procedures and organizational and territorial measures, technical support, economic and socio-economic justification.

**Keywords:** land market, rural municipal area, land and property complex, development of the land market, features and attributes of the land market of the rural area

#### RESUMEN:

Las tierras como objeto de las relaciones de mercado de propiedad se ubican en el centro del sistema económico territorial, y el mercado de tierras municipales cumple una función importante en el manejo de las tierras de un municipio para brindar el vector de desarrollo necesario al área rural. El mercado de tierras proporciona al distrito municipal rural una parte significativa de los ingresos para el presupuesto local. El propósito de este trabajo es presentar el enfoque del autor para sustentar propuestas teóricas y recomendaciones prácticas para asegurar el desarrollo de un mercado de tierras en un distrito municipal rural. Para lograr este objetivo, el autor resuelve el problema: generalizar las posiciones teóricas del mercado de tierras, establecer un registro de medidas para desarrollar el mercado de tierras, identificar las características del mercado de tierras en un área municipal municipal, identificar los signos obligatorios de un mercado de tierras municipal y desarrollar recomendaciones prácticas para desarrollar el mercado de tierras. El desarrollo de un mercado de tierras en un área rural requiere la mejora práctica de las instituciones relevantes, regulaciones, procedimientos organizativos y administrativos y medidas organizativas y territoriales, apoyo técnico, justificación económica y socioeconómica.

**Palabras clave:** Mercado de tierras, área rural rural, complejo de tierras y propiedades, desarrollo

# 1. Introduction

The modern economy imposes special conditions for the functioning of economic entities within the boundaries of individual territorial entities. The effectiveness of such activities depends on the effectiveness and expediency of territorial administration. Effective management, in turn, cannot be imagined without the organization of competent use of natural and economic resources located on the territory. The most important among the latter is the land, which forms the basis of the land and property complex of any territorial entity.

Land is a special form of property involved in commodity circulation, and land and property relations among economic relations occupy a special place and differ from the latter by many features.

Land, as an object of property relations, an object of property is at the center of any economic system. It provides a territorial basis for the economic activity of people, serves as an object of long-term investments, is one of the most liquid assets, serves as a symbol of success and wealth, ensures the establishment of the local population, and forms the basis of the security of its peoples.

The role of land in the development of market mechanisms has been studied in sufficient detail, and the research itself has a deep retrospective. At the same time, the constantly evolving economic activity of people sets new tasks for the development of market tools, updating the theoretical positions of land and property relations, adapting existing knowledge and practical approaches to the new economic conditions of administrative and territorial entities of different levels.

The land market as a sphere of commodity-money circulation of land and property complexes, its dynamics and development are directly related to the institute of land ownership, which allows the owners to be able to freely dispose of the land (and land rights).

For rural municipal areas, the land serves as the territorial basis for the location of all sectors of the economy, social facilities, and the life and activities of people. Land plots within the boundaries of rural territorial entities have a different nature of actual use and functional purpose. Therefore, the management of these lands should be complex and aim at the overall development of the municipal area in the interests of the people living on its territory. The municipal land market serves an important function of managing the lands of a municipality in order to give the necessary proportions of development to a rural area.

In addition, the developed market use of land allows for the reliable receipt of land payments in the revenue part of the local budget. All market actions with land property complexes are associated with land payments received by the budget of the municipality. Therefore, all local administrations are interested in the development of the land market. At the same time, from the point of view of municipal management, it is important to ensure not only the commercial interests of the rural area, but to do this without prejudice to the natural environment, taking into account the social interests of the people living in the territory. This requires certain regulatory impacts on the land market of the rural municipal area, which determines the need for the development of relevant theoretical concepts and practical recommendations.

It must be said that the instruments that serve as regulators of the market use of land give impetus to the development of market relations in all areas of the economy and ensure the reliable functioning of the national economy.

The purpose of this work is to present the author's vision of the problem, the presentation of theoretical positions and practical recommendations for ensuring the development of the land market in a rural municipal district.

To achieve this goal, the author intends to solve the following problems: generalize the theoretical positions of the land market, establish a register of measures for the development of the land market, identify the characteristics of the land market in a rural municipal area, determine the mandatory signs (attributes) of the land market of a

municipality, and develop practical recommendations for the development of the land market.

Such a complex economic system as the sphere of commodity circulation of land, the turnover of land property complexes, requires research using a variety of methodological techniques and scientific methods.

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## 2. Methodology

In assessing the initial conditions of the study and current trends in the land market, analytical and statistical methods were used. The substantiation of the theoretical approach to the development of the land market of the rural municipal district is made using the monographic method and the method of logical modeling. This methodological approach provided an integrated nature of this study.

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## 3. Results

The land and other immovable property market provides a rural municipal area with a significant share of revenues to the local budget in the form of land payments and tax collections. These revenues are provided as a result of actions for the possession, use, disposal of land property, rental relations, the establishment of public obligations to land owners.

In the Russian land and property complex, state and municipal property prevails. Out of 1,712.4 million hectares of the country's land, 1,579.3 million hectares are state and municipal lands (92%). 114.0 million hectares (7%) are owned by citizens, and 19.1 million hectares are owned by legal entities, which is just over 1% of all land in the country (Khlystun, 2018, P.11-18). An analysis of these data suggests that the main levers for activating market mechanisms in land use remain with the state and municipalities. Legal entities and individuals have significant reserves to strengthen their positions on the land market due to the share of land of the state and municipalities, which will contribute to the development of market mechanisms in land use. Considering the advantages in mobility of actions carried out in the economy at the local level, the most promising development of the land market is primarily at the municipal level, and at the expense of local government lands. In this segment of the land market, real and quick positive results are possible, stimulating the development of the economy of individual municipalities. This provision fully applies to rural municipal areas.

The land market of the rural municipal district has its features. Its main specific characteristics include:

1. The lack of influence on the economic policy of the state, the doctrine of its development.
2. The inability to promptly change legislation at the level of the state and regions. Here, the possibility of legal maneuvering is available only within the framework of the municipal regulatory support (corresponding to higher standards).
3. The possibility of complete disposal only of municipal land, which in rural municipal areas is not very much. Here, mostly privately owned land dominates. Limit the freedom of municipal land market management problems of unrestricted land ownership (federal, regional, municipal), unused land, violations of the law, the allocation and use of land shares.
4. The main market actions with municipal lands (on which the municipality can have a direct impact) are the sale of land plots at tenders, the leasing of municipal lands, the redistribution of land, the establishment of paid servitudes. The remaining market transactions (between individuals, legal entities) are governed only by the laws of the market, in particular, the law of supply and demand.
5. Considerable social, social load on the land market of a rural municipality. The need to form, at the expense of the land market, the revenue part of the local budget for solving the problems of the population living in the territory of an administrative entity.
6. High risk of corruption in the conduct of market actions with land plots associated with

the solution of problems of obtaining individual benefits by individual participants in the land market. It is necessary to agree with the position that the land as the main wealth should work not for personal enrichment and solution of short-term interests, but serve the interests of the people and long-term development goals of the country (Komov, 2017, P.5-11). In the presence of their own economic interests of various social groups and individual subjects of market relations, priority should be given to state interests in the process of commodity circulation of land and property complexes.

7. The need for a critical assessment of the retrospective practice of the land market, the natural and economic conditions of the territory of commodity circulation of land, the prospects for the overall development of the rural municipal district and the main economic sectors. It is necessary to take into account the possibilities and quality of life support of the local population, the commercial attractiveness of the territory.

8. Low purchasing power of residents of rural municipalities. They are usually much poorer than the urban population. Naturally, the possibility of acquiring land ownership due to the weak financial condition of land market entities is rather low. This is reflected both in the dynamics of the land and property complexes market, and in the process of paying compulsory land payments to local budgets, and in the timeliness of refund of penalties for violations of the land use regulations of rural municipalities.

9. The limited choice of options for the functional use of land acquired in the market, due to land zoning and regulation of the types of permitted activities in the territories of rural municipalities.

Ignoring these features reduces the possibilities for developing the land market in rural areas and limits the conditions for commodity treatment of municipal lands.

Practical measures to develop the land market of a rural municipal area should cover all areas of market relations and be aimed at improving the conditions for carrying out market operations with land plots, improving the regulatory and information component of the land market, improving the dynamics of the secondary land market between citizens and legal entities, improving processes of disposal of land and property complex of municipal property.

Measures for the development of a land market in a rural municipal area are presented in table 1. The main activities here are: inventory of the land and property complex of a rural municipal district; sale of land owned by the municipality; land lease for municipal property; land development; development of a secondary land market in the territory of a rural municipal district; improving the collection of land payments in the administrative and territorial unit; development of a procedural component of the rural land market. For these measures, the content of the main works is established and their results are determined.

**Table 1**  
Land market development measures in a rural municipal area

<b>Measures</b>	<b>Work Content</b>	<b>Result</b>
1. Inventory of the land and property complex of the district	1. Checking the use of land property complex. 2. Delimitation of land ownership. 3. Definition of unused land.	1. Forming a promising reserve for the market turnover of land in the area. 2. Streamlining land balance.
2. Sale of municipal land	1. Determination of terms, rent, lease terms of the site 2. Registration of the lease in the prescribed manner.	1. Realization of land of municipal property. 2. The increase in the number of land owners in the area.
3. Lease of land of	1. Definition of terms, a rent,	1. Lease of land municipal

municipal property	<ul style="list-style-type: none"> <li>conditions of rent of a site.</li> <li>2. Registration of the lease in the prescribed manner.</li> </ul>	<ul style="list-style-type: none"> <li>property.</li> <li>2. Organization of land use.</li> </ul>
4. Land Development	<ul style="list-style-type: none"> <li>1. Formation of the land and property complex.</li> <li>2. Carrying out improvements to the land and property complex.</li> <li>3. Development of an investment project.</li> <li>4. Realization of land and property complex.</li> </ul>	<ul style="list-style-type: none"> <li>1. Increasing the investment attractiveness of the land of the municipality.</li> <li>2. Strengthening the economy of the area.</li> <li>3. The increase in the intensity and efficiency of land use.</li> </ul>
5. Development of the secondary land market	<ul style="list-style-type: none"> <li>1. Improvement of information support of market processes.</li> <li>2. Creating favorable conditions for sellers and buyers, landlords, tenants and sub-tenants of land.</li> </ul>	<ul style="list-style-type: none"> <li>1. Strengthening multi-market land use.</li> <li>2. Strengthening the institution of land ownership.</li> <li>3. Improving land use.</li> </ul>
6. Collection of land payments	<ul style="list-style-type: none"> <li>1. Determination of the territory burdened with land payments.</li> <li>2. Actualization of land valuation.</li> <li>3. Differentiation of tax rates.</li> </ul>	<ul style="list-style-type: none"> <li>1. Streamlining the collection of land payments in the area.</li> <li>2. Growth in the share of land payments in the revenue part of the local budget.</li> <li>3. Strengthening the municipality budget.</li> </ul>
7. Development of the pro-procedural component of the land market	<ul style="list-style-type: none"> <li>1. Actualization of information on the land and property complex.</li> <li>2. Ensuring the possibility of market transactions in remote access.</li> <li>3. Reducing the time of market actions, their registration and accounting.</li> </ul>	<ul style="list-style-type: none"> <li>1. Improving the reliability of data on land property.</li> <li>2. Simplification of the procedure for conducting transactions with land property.</li> <li>3. Acceleration of market procedures.</li> </ul>

## 4. Discussion

The development of market processes, the turnover of land in various rural municipal areas occur with varying intensity. The functional purpose of rural areas is important. Thus, the prices of land assets in rural municipalities engaged in agricultural tourism are more than 40% higher than in ordinary rural areas (Czyzewski, Przekota, Poczta – Wajda, 2017, P. 174-185). Monofunctionality of the rural area reduces the cost of land and limits the conditions for the development of the land market. The availability of alternatives in the potential use of land, on the contrary, increases their market attractiveness and contributes to the development of market mechanisms in the area. Rural municipal districts located close to large cities have the greatest variety of functional uses. In them, the intensity of the land market is higher than in ordinary rural areas, as are the prices of land and property complexes. The land use opportunities are quite broad, although the priority is still the organization of food production for the population living in the city (Bryzhko, Semenovskikh, Shkrebko, 2018, P. 3-8).

Usually, the conditions for the development of land markets deteriorate as they are remote from large cities, industrial and administrative centers, depend on the density and solvency

of the population, multi-functional attractiveness, liquidity of real estate and much more.

For the implementation of state interests in the area of land turnover, various forms of state intervention in market processes are used by controlling land turnover, taking into account permitted use and zoning, restricting land supply in the market, redistributing land ownership, and other actions (Evans, 1999, P. 1637-1669).

The development of market processes in the turnover of municipal lands should focus on creating favorable social conditions in rural areas, and promote the development of rural social facilities (Bryzhko, 2015, P.4244-4249).

The basic rules of market operations with land are determined by the interests of individual participants in market relations, as well as by the aggregate interests of all subjects of the land market in order to meet and protect corporate market interests and reduce transaction costs (Hurrelmann, 2008, P. 338-349).

The land market is a complex economic system with its own rules, interrelations, and laws. The development of market turnover of land in one way or another depends on the effectiveness of market processes in all areas of economic activity. Without a land market, it is impossible to create a market economy at all levels. This applies to individual market subjects, and organizations, and industries, and municipalities, and regions, and states in general. The market turnover of land is among the basic systems that determine the development of a market economy as a whole.

Despite the need to regulate market relations, actions that strictly restrict land turnover should be avoided, as was the case in socialist countries, where property rights to real estate were restricted, forced seizures of land and property complexes, restrictions on the size and marketability of land were widely practiced (Schulz, Wersing, 2018, P. 19-29).

Municipal property management bodies should bear in mind that payments related to market land transactions, as a rule, constitute an important part of municipal budget revenues that come to it in the form of land rent or land tax. Local taxes form a profitable part of the rural municipal budget. Development of the rural area, preservation and increase of the rural population, improvement of living conditions depend on the increase in the revenue part of the budget. Therefore, ensuring full collection of land payments, together with other local taxes, is a priority of rural administrations. The increase in budget revenues from land charges in a rural municipal area is possible due to: an increase in the area of municipal land subject to increased tax rates; increasing the cadastral value of plots within the boundaries of a rural municipal area; increase directly tax rates. Planning the formation of the budget revenues in the district due to land payments is associated with the forecasting of the development of the territory of the rural area and the market of land and property complexes.

The development of a land market in a rural municipal area should not harm the environment. This requires the implementation of appropriate organizational and territorial measures, the establishment of specially protected natural territories, in which the circulation of land is limited and environmental regulations are in force (Kosinski, 2017, P. 20-24.).

Accounting for these requirements should contribute to the development of land turnover and the revitalization of the land market of rural municipalities.

As any complex system, the land market of a rural municipality has obligatory attributes peculiar only to it:

1. Management by the local government. The main management actions here relate to land plots administered by a rural municipality and involved in market turnover, that is, being objects of purchase and sale, rent, exchange, redistribution and other market activities. The object of management is land in the territory of a rural municipal district. The same applies to the land market in the area.
2. Objects of land market operations. They are separate land property complexes participating in the market turnover (sold, bought, rented out or rented, exchanged, etc.).
3. Subjects of the land market. These are market participants who are owners of land plots

placed on the market (owners, users, land owners, tenants, landlords, recipients of rental income, owners of paid servitudes, etc.).

4. Land and property market relations. This includes specific economic relations arising in the process of administrative functions in the market with land and property complexes between the subjects of the land market, government bodies, and third parties.

5. Land market rates in the rural municipal district. These are regulations, rules that regulate the sphere of commodity circulation of land and property complexes in a rural area. These rules may be official and unofficial. The first are the institutions operating in the state, legislative documents. The second can be attributed to the traditions, customs, habits, the established way of life of the rural population, the historically established order of making market operations with land plots. Such norms provide the conditions for the functioning and development of the land market in the region, social justice in the implementation of market transactions with land property, compliance with legislation on the market turnover of land in rural municipalities.

The presence of these attributes is an indispensable condition for a successfully operating land property market in rural municipalities.

The development of the latter requires practical improvement of the relevant institutional framework, regulations, organizational and administrative actions and organizational and territorial measures, technical support, detailed economic and socio-economic justification.

In practice, three groups of measures are recommended for the development of the land market of a rural municipal area: basic (policy, law, institutions), general (economic incentives for participants in market land-property relations), private or specific (municipal support and support for land and property complexes in rural area).

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## **5. Conclusions**

The land market should be considered a complex economic system, the development of which is important for rural municipal areas, the formation of a profitable part of local budgets, and the social and economic development of administrative entities.

The land market as a sphere of commodity-money circulation of land and property complexes, its dynamics and development are associated with the institute of land ownership.

The land market of the rural area has the following characteristics: lack of influence on the state economic policy; the impossibility of prompt changes in legislation; full disposal only of municipal property lands; the main market actions with the lands of municipal property are the sale and lease of land, the establishment of servitudes; significant social and social burden; high corruption risks; the need to assess the retrospectives of the market, natural, economic and other conditions of the territory; low purchasing power of land market participants in rural areas; limited options for the functional use of land and property complexes put up for the rural municipal market.

For the development of a land market in a rural municipal area are necessary: an inventory of the land and property complex of a rural municipal district; the sale of municipal land; lease of land of municipal property; land development; development of a secondary land market in the territory of a rural municipal district; improving the collection of land payments in rural education; development of a procedural component of the rural land market.

The land market of a rural area, as a complex economic system, has obligatory attributes: management by a local government body; objects of land-market operations; land market entities; land and property market relations; norms of the land market of the rural municipal district.

The development of a land market in a rural area requires the improvement of relevant institutions, regulations, organizational, administrative and organizational measures, technical support, economic and socio-economic studies. This requires the implementation of three groups of activities: basic, general, private or specific. This will improve the practice of

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[\[Index\]](#)

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