



## Case Study

### Land consolidation and land banking - The ultimate goal of a private land owner

Advance Terrafund REIT, Bulgaria

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## What Advance Terrafund is?

- ❖ Special investment purpose vehicle – Real Estate Investment Trust (REIT), listed on the Stock Exchange
- ❖ Subject of activity of the REIT
  - ❖ Raising funds through issuance of securities
  - ❖ Purchase of land, leasing and selling it
  - ❖ Participation in associations with proactive professional and social policy role

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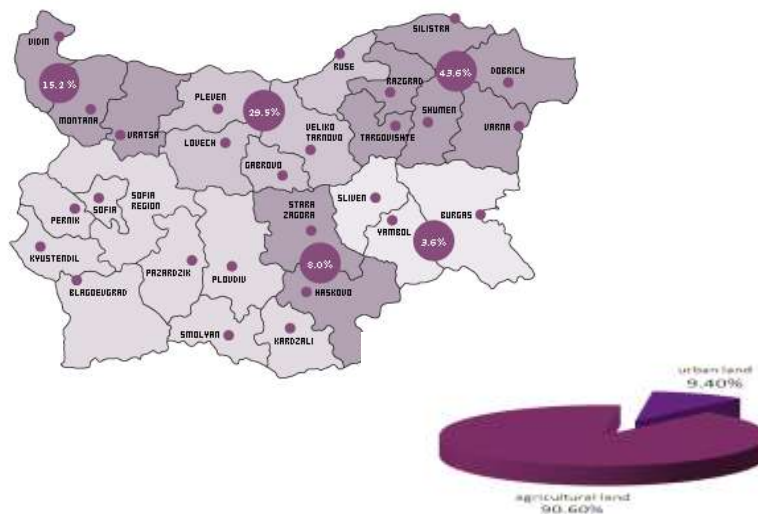
## Achievements

- ❖ Raised funds - EUR 66 million
- ❖ Acquired 34 200 ha in over 1330 villages
- ❖ In 190 villages the land concentration reached between 50-500 ha
- ❖ Land banking – sold 6800 ha or 20% of the land for two years
- ❖ Leased land with terms between 1 and 5 years – 25 000 ha
- ❖ Pilot integrated project for consolidation of 500 ha in one village with 10 private participants and with the support of MAF, Bulgaria and DLG, The Netherlands

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## Portfolio distribution charts



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## Investment objectives

- ❖ Growth of the value of shareholders' investments by realizing income from lease contracts and sales of land.
- ❖ Shareholders indirectly invest in a diversified land portfolio, that leads to a balanced risk distribution
- ❖ The REIT is not involved in any farming activity, it only acts as a land owner, not a land user

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## Investment approach

- ❖ Acquisition of land through a network of 200 real estate agents
- ❖ Land concentration in particular villages helping farmers to establish sustainable farm land use
- ❖ Land banking - sale of concentrated or consolidated land in one village, while still buying separated plots in other villages
- ❖ Leasing the land mainly to farming companies
- ❖ Land consolidation as a public-private partnership

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## LC example – situation after



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## Benefits

- ❖ For the shareholders
  - ❖ Stable income from dividends generated by the rentals' collection and the sales' revenues
  - ❖ Capital gains - the shares of Advance Terrafund outperformed the blue chips index in Bulgaria for the last 3 years in a row

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## Benefits

- ❖ For the farmers
  - ❖ Quickly expand and secure their business
  - ❖ Sign lease contracts with one big landowner, instead with thousands of owners in one village
  - ❖ The “land consolidation by use” improves their efficiency
  - ❖ Real land consolidation
  - ❖ Enhanced access to SAP and RDP’s subsidies

## Benefits

- ❖ For the land market in Bulgaria
  - ❖ The land-REITs are the only transparent source of actual information about the land prices and the rentals
  - ❖ The land-REITs support the improvement of the legislation and protection of the rights of owners of different scales through their association of owners, media campaigns and legal initiatives.
  - ❖ Reduced land fragmentation

## Benefits

- ❖ For the country
  - ❖ Decreasing part of the land is left abandoned
  - ❖ Improved utilization of the EU funds for agriculture
  - ❖ Increased grain production and export
  - ❖ Lower unemployment in the rural regions

## Why the land consolidation and the land banking are the ultimate goal of a private company?

- ❖ The land consolidation leads to higher rentals
- ❖ The land consolidation could double the selling price
- ❖ The land consolidation would encourage new investments in the village territory

## Why the land consolidation and the land banking are the ultimate goal of a private company?

- ❖ The land banking generates steady profits
- ❖ The land banking is welcomed by the farmers - they become more independent and competitive
- ❖ The land banking helps the country to solve economic and social problems

## Contact

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