

Main changes in Russian Real Estate legislation effective as of 2017. Upcoming challenges in 2018

Dmitry Maximovich, Ph.D.
Senior Associate

New Law on Real Estate Registration

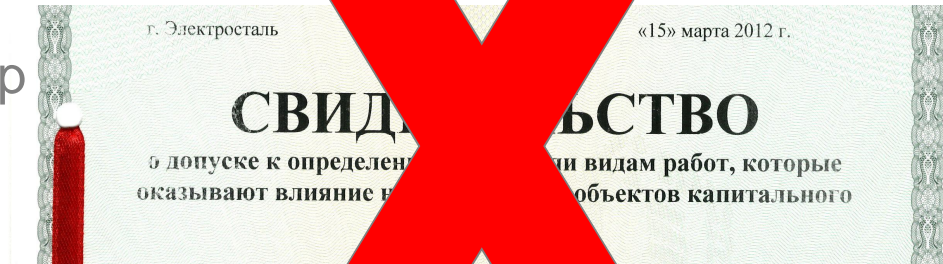
Federal Law No.218-FZ of 13.07.2015, major changes came into force on 01.01.2017

- ▶ Unified State Register of Real Estate Property (*EGRN*)
- ▶ State registration + cadastral registration (one procedure)
- ▶ Combined cadastral and state registration – **10 business days**
- ▶ State registration only – **7 business days**
- ▶ Cadastral registration only – **5 business days**

Self – Regulatory Organizations (SRO)

Federal Law No. 372-FZ of 03.07.2016, came into force on 01.07.2017

- ▶ **No** SRO certificates, membership only



- ▶ **Regional SRO** membership (depend on location of the SRO member)
- ▶ **General rule:** All construction works with respect to capital constructions under agreements concluded with developer, technical customer, person/entity responsible for the building operation, regional operator, shall be performed only by members of SRO

Shared Construction (*DDU*). New regulation

Federal Law No. 304-FZ of 03.07.2016, major changes came into force on 01.01.2017

- ▶ Additional **requirements for the developer** raising co-investors funds
- ▶ **Information on the developer's activity shall be disclosed** on its official web-site
- ▶ **Exhaustive list of purposes** for spending the raised funds
- ▶ **Contract price** = total area of the object x price per 1 sq.m.
- ▶ Contract price **shall be paid only after state registration** of the DDU
- ▶ **Compulsory contribution** to the compensation fund – **1.2%** of the price of each DDU
- ▶ Special bank loans, **Escrow Accounts**

Shared Construction (*DDU*). Changes coming into force on 1 July 2018

Federal Law No. 218-FZ of 29.07.2017 / Federal Law No. 214-FZ of 30.12.2004

New requirements for construction projects that will be started after 01.07.2018:

- ▶ One developer – **one construction permit**
- ▶ **Disclosure of information** with respect to the developer's projects and its financial statements for the last 3 years
- ▶ Amount of the developer's **own funds** shall amount not less than **10% of the planned costs** for construction
- ▶ Developer's obligations not related to construction under DDU **shall not exceed 1%** of the costs for construction
- ▶ Developer **shall not have any obligations on securing** performance of obligations by third parties

Shared Construction (DDU). Perspective

The President approved list of instructions on the results of the meeting with the members of the Government held on 25 October 2017

Instruction of the Russian President with respect to gradual abolishment of shared construction agreements (DDU)

To accept the plan of measures (“road map”) for 3 years on gradual replacement of raising individuals’ funds for construction by bank loans and other forms of financing with the minimum risks for private individuals

Other changes in Real Estate regulation

Registration of parking lots as real estate facilities

Order of the Ministry for Economic Development and Trade of Russia No. 792 of 07.12.2016

- ▶ Minimum size of the parking lot: 5.3x2.5 m, maximum – 6.2x3.6 m
- ▶ Changes came into force on **01.01.2017**

Law on electronic mortgage certificates

Federal Law No. 328-FZ of 25.11.2017

- ▶ Electronic certificates may be executed as from **01.07.2018**