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Russian Real Estate in Moscow



by Ivan Dovgan

The first major problem faced by a foreign firm wishing to open an office in Moscow is finding a premise. The growing interest of Western business people in the Russian market makes this problem increasingly acute.

Demand always prompts supply, so Western companies specializing in real estate operations have begun, at their own risk, to operate in the Russian capital. Russian Real Estate, jointly set up at the start of 1992 by its General Manager Arnaud Leclercq

The firm's main task is to render all possible support to foreign businesses searching for office space and going through legal formalities.

The Russian real estate legislation is confusing and not without problems. Even when a foreign company signs all the necessary documents with municipal authorities, a third party claiming its right to the premise at issue may turn up. On some occasions, such interference invalidated already closed deals.

Mr. Leclercq told BWB that there is no real estate market as such in Moscow yet since there are no clear-cut laws for it. Often, it has proved impossible to find the real owner of some premises.

Nevertheless, even today, Western real estate firms are attracted to Moscow because of high rental and purchase prices. The purchase of a dilapidated building in Moscow and its renovation repays for itself several times faster than in Western Europe.

Russian Real Estate itself is not engaged in construction, but its experts, including highly qualified Russian specialists, thoroughly check all documents related to the rental or purchase of premises, and only after that do they advise Western companies concerned as to the expediency of a deal.

Russian Real Estate also gives advice on Russian tax laws which may seem too complicated to newcomers to the Russian market. For example, some countries must pay the value-added tax on their rents, while others are exempt

from it. Russian Real Estate is sort of a connecting link between Russian authorities and Western investors. It guarantees high quality of its intermediary services.

Mr. Leclercq said his firm is a 100 percent foreign company. But, he added, it was registered in Moscow, and he would like it to become "naturalized" in this country.

The firm is very young, as is its general manager.

The average age of its personnel is below 30. The

number of Russians on staff is steadily growing.

The supply of real estate in Moscow is very limited. Almost no major projects are being implemented here because Western governments refrain from providing guarantees against investment risks due to political instability in Russia.

Earlier, many foreign companies lost a lot of money invested in the Russian economy. Now only small firms seeking to win a place on the young Russian market conduct real estate operations in this country.

Intermediary firms include Russian Real Estate, whose competence and high quality services have already won the acclaim of its clients.

The firm would like to establish cooperation with Russian companies and legal entities specializing in real estate operations, provided that they come up with proposals that are legally correct.

Despite the current economic crisis in Russia, Leclercq remains optimistic and believes that in a few years real estate micro-markets may appear in Moscow or St. Petersburg.

"Otherwise, it would not at all be worth doing business under conditions of high risks."

Russian Real Estate is already firmly established on the Moscow market and has a good reputation. Its telephone in Moscow is 227-4206. ■