

Russian property transactions bewildering

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Private property is a concept central to capitalism and foreign to Russians. Since the Soviet Union owned all land and buildings, citizens had little choice but to accept whatever apartment the government assigned to them.

When the Soviet Union evaporated, each republic claimed ownership. Then, less than two years ago, the Russian government began privatizing land and buildings, giving citizens the options of renting apartments from a landlord or buying their own for personal or business purposes.

Compared to American apartments, Russian apartments are quite small. Typically, a family of

four shares a two-room apartment, with kitchen and bathroom. Guests are entertained in either the parent's or children's room. In addition to a bed (which doubles as a chair or couch), dresser and closets, the parent's room often houses a television and dining table.

The process of gaining ownership of your previously rented apartment is simple: Visit the district administrator, pay the fees and the apartment you had rented is now yours. Unrelated families who have been sharing one apartment due to prior housing shortages were not given this option.

Purchasing a larger apartment is more difficult because few new apartments are being built. Those wanting to "move up" must exchange apartments with someone who either rents or owns a bigger one and pay the difference in price. These transactions are a growing business for new entrepreneurs.

The process can be much more complicated if you are an entrepreneur looking to buy a building for commercial purposes. In many cases, it is difficult to ascertain who owns what property.

Many property transfers have not been adequately documented, resulting in some unoccupied buildings that nobody owns and some occupied buildings that multiple owners claim. Even after visiting the

district administrator, registering a contract, paying the fees and collecting all the appropriate legal documents, one cannot be sure that the building is one's own.

For instance, assume you want to buy a vacant building for business purposes. Most likely, due to inadequate records, the district administrator cannot determine if anybody owns the building and tells you to take your case to city government, where a Moscow administrator issues you the appropriate documents.

Then, one month later, while refurbishing the building, a stranger appears and asks what you

are doing to his building. You show him your official documents from the Moscow city government and he shows you his official documents from the district administrator. You both have valid documents with all the appropriate stamps.

This situation can be explained in several ways:

- Perhaps word of the sale did not filter down from the city to district government.

- Perhaps a different district administrator sold the building to the stranger while you were purchasing it through the city government.

- Perhaps that stranger bribed a district or city administrator.

- Perhaps, due to all of the political changes taking place, authority over the property was shifted to a different political district without your knowledge.

The situation involving condemned buildings is even more problematic because it involves multiple families.

Usually, the case is that a government official declared a building uninhabitable in the past due to unsafe conditions. However, the middle-class families inhabiting the building were not given permission to move due to a lack of alternative apartments or some other bureaucratic problems. Nevertheless, on official documents the land is listed as uninhabited.

Someone could then purchase the land and later be surprised to find not only a condemned building on the property, but one in which families are still living.

In the United States, property disputes are adjudicated in a court of law. Russia lacks this legal tradition. Courts are places of last resort, reserved primarily for criminal and divorce proceedings. Thus most people prefer to settle their new property disputes out of court. How these issues will be settled is difficult to predict.

Generally, Russians view private property as a mixed blessing. While they now have the freedom to do what they want with their current property, this freedom is greatly restricted due to the lack of new housing. For now, most people are simply stuck with whatever apartment the government assigned to them under communism, and purchasing a building remains a gamble.

CAPITALISM IN RUSSIA

This is the second of a three-part series analyzing capitalism in Russia after the dissolution of the Soviet Union.

The series was written by Svetlana Kuznetsova, a lawyer in Moscow, who recently studied at UW-Madison's Graduate School of Business, and Denis Collins, an assistant professor of business ethics at the School of Business.