

Sobyanin's Moscow Meshes Law, Realty

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With Mayor Sergei Sobyanin halting construction projects in downtown Moscow, calling for radical revamps to parking and traffic patterns and upending the city's real estate market just by his presence, you may wonder if real estate lawyers have any work these days.

Wonder no more: They do. Real estate deals in the city are continuing to be made and, according to some estimates, even increase in number.

The capital's urban planning was turned on its head in the fall, when the ouster of Yury Luzhkov after almost two decades in the mayor's seat posed tricky issues for industry players.

Inteko, the real estate development firm managed by Luzhkov's wife, lost its City Hall connections, leaving a vacuum in the development market it had dominated. What's more, in a city where construction depends as much on knowing the right people as knowing good engineering, it suddenly was not clear whom to go to for permits and other clearances.

That problem remains, as developers still do not know whom to approach in City Hall,

a representative of one of the biggest market players told The Moscow Times. The new mayor — who hails from the inner circle of Prime Minister Vladimir Putin — still is assembling and coordinating a new set of deputies and subordinates, weeding out Luzhkov's old guard.

The uncertainty has slowed the completion of Moscow's construction projects. Yet the deal-making has continued — in part because of

Sobyanin's proposals, which have made the market more competitive. That fact in turn is driving legal services.

In a positive sign for real estate lawyers, major firms are predicting an uptick in deals. "According to our forecasts, the number of leasing deals and sales will grow, and the share of revised leases will be reduced," Alexei

Bogdanov, director of office real estate for real estate consultant S.A. Ricci/ King Sturge, said in a recent report.

Among other things, the mayor has proposed putting a premium on commercial space in the crowded capital, which already has far less office space, for example, than comparable cities worldwide.

In March, the mayor even said he favors allocating the city's land on a short-term basis rather than a long-term one — a factor that puts more pressure on the market. The city's administration said agreements for parcels of land slated for construction should be leased for no more than 5 years or 6 years, a huge decrease from the current 49 years, Vedomosti reported.

But this can benefit the housing sector, which also is supplying deals to lawyers in real estate. Andrei

Sukhomlinov, a partner with law firm Salans and co-head of its Russian real estate and construction practice, said demand in the sector is up because many commercial projects have been converted into residential ones.

"I have heard from several developers that they decided to seek such change as a result of the crisis," he said in e-mailed comments this week.

"Given the proposed restrictions or even prohibition of new construction of office premises or shopping centers in central Moscow, those investors and developers who have already obtained rights to land will be forced to consider and seek such change," he said.

That also is making room for real estate lawyers. Converting the use of a project or drawing up new terms — necessitated by the financial crisis or the change in mayor, or both — means that developers will be seeking out legal services.

Considering the public statements made by the capital's new authorities, "many projects will be revised, which will require amendment of the construction permitting documentation," Sukhomlinov noted.

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