

B2B: Unified Property Complex

By [Sergey Trakhtenberg](#)

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Sergey Trakhtenberg

Partner, Co-head of Russian Real Estate / Construction Practice
Dentons

A new group of amendments to the Russian Civil Code came into force on October 1, 2013. These amendments introduce into Russian law a new concept of a unified property complex, which is deemed to be a separate real estate asset. On the face of it, the unified property complex appears to be a promising legal device, although its prospects and practical applications largely depend on the upcoming legislation on the mechanics of its use and subsequent court practice.

The definition of a unified property complex is fairly cumbersome. The law defines it as an aggregation of immovable and other property combined for a single purpose and either (i) inseparably physically or technologically connected, or (ii) located on a single land plot. The law also specifically notes that infrastructure assets, e.g. railroads, power lines, pipelines and the like, may also be included into the unified property complex. Essentially, these are the two instances when a unified property complex may be established. Thus, from this definition it appears that if individual pieces of property comprising the unified property complex are somehow linked to each other — a standard up to the courts to define — the complex shall not necessarily in itself include any land. And, on the other hand, if constituents of the complex are separable, there must be a land plot included into the complex and only those pieces of property that are located on this land plot may form a part of the complex.

The law is silent as to the process of formation of a unified property complex. As it is deemed a separate real estate asset, it is sensible to assume that in order to create one, the ownership of real estate assets comprising the complex should be terminated and owner's title should be registered with the registration authority for the complex as a whole. However, as there is no clear guidance at the moment, we expect amendments to the registration law in the near future which will outline this issue in greater detail.



Andrey Simonian

Associate
Dentons

In any event, whether or not to create a unified property complex is naturally up to the owners to decide. As we see it, quite a few reasons exist to do so. First and foremost, it may be done in order to simplify registration of title to infrastructure assets, e.g. pipelines and power lines, built in order to service other real estate assets. At the moment, the law is vague as to recognition of such assets as real estate and this leads to practical difficulties with registration of title thereto. This is due to the lack of uniformity in criteria to classify a particular infrastructure asset as real estate. By making use of the unified property complex option, an owner may combine an infrastructure asset and the building it serves into one real estate asset and dispense with the more onerous process of separately recognizing the infrastructure asset as immovable property.

Another possible use of the unified property complex is to combine a land plot and a building located thereon into one real estate asset. Notably, at the moment the law sticks to the unity principle, whereby disposition of a building requires simultaneous transfer of rights to the land underneath it. In this light, creation of a unified property complex may be advisable for practical reasons in order to create a single piece of property that would stand out independently in commercial transactions. However, this approach is arguably feasible only if the user holds the ownership title both to the land and the building, which is not always the case in today's Russia. Very often the land is in state ownership and is only leased by the owner of the building located thereon.

In summation, the unified property complex is an interesting creature. Its viability is yet to be tested and its future — as is the case with almost all newly adopted legal instruments in Russia — is in the hands of the courts.

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