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New Rules to Shake Up Russia's $11 Billion Apartment Block Management Market

By The Moscow Times

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There are about 2.4 million apartment blocks in Russia.

The annual turnover of companies managing apartment blocks in Russia is about 500 billion rubles ($10.9 billion), and new rules coming into force next year are set to shake up the sector, Building and Utilities Minister Mikhail Men said Tuesday, Interfax reported.

The industry is in the process of reorganization with recent legislation signed by President Vladimir Putin requiring all such management companies to undergo a registration process that includes an exam for top executives and a one-off payment of 30,000 rubles ($670).

The vast majority of Russians residing in urban areas live in apartments, and utilities and property management issues are frequently cited as among peoples' most commonly held grievances.

Between 10 percent and 15 percent of about 16,000 management companies working in the sector could be forced out as a result of the registration requirement, Men told reporters, Interfax reported.

"There will be an attrition rate based on the demands which are contained within the registration process," Men said, Interfax reported.

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Officials have said the registration requirement will raise the effectiveness of companies in the sector and increase transparency.

Last week Men told Vedomosti that apartment block management companies were already beginning to conduct themselves differently ahead of the end of the registration procedures.

The deadline for registration is April 1 next year, and the process is due to be fully completed a month later.

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