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## Digital and online technology changing the real estate market in Russia

The real estate market has to respond quickly to all global and local changes, such as the development of digital technologies, new legislation, the COVID-19 pandemic, and shrinking demand, and each major market player reacts accordingly. The government announces a new strategy in an effort to have information technologies introduced by its official agencies and the population and establish an electronic government system. Developers launch virtual sales and 3D tours, willing to attract new buyers from distant locations, cooperate with banks and provide assistance in obtaining digital signatures. Banks offer new services by consolidating online property search engines and mortgage issuance. SberBank's DOMclick service is described in the article in detail. Even conservative notaries have joined the process: now they can notarize online deals and register electronic purchase and sale contracts.

Online deals have several steps: choosing and visiting the property, entering into a preliminary contract and making an advance payment, performing the due diligence, preparing for the deal, having a mortgage issued and the deal registered, and now each step can be made online.

Changes have affected both sales contracts and rental agreements. A leading Internet company has chosen to rent properties only from those landlords, who register rental agreements on its platform in the capacity of partners and have digital signatures to sign their electronic contracts.

New services have become possible thanks to the development of new digital and online technologies, new tools appear to meet the market needs. Although some risks arise at certain stages, online technologies have been successfully adopted by the real estate market.

**Keywords:** *information technology, digital signature, electronic deal, 3D tour, registration procedure, distance technologies, online sales, online public services, electronic document*

COVID-19 and ubiquitous global isolation have accelerated the development of online technologies, despite their being in demand on the international real estate market and in large countries for some period of time. The reason for this phenomenon is that only now people are ready to trust electronic documents and technologies. Furthermore, government organizations, responsible for registration, have duly modified their regulations and procedures. In 2017, even a special Presidential Order concerning the Strategy of Information Community Development in Russia in 2017–2030 was issued<sup>1</sup>. The strategy announces the launch of the information community and the electronic government, that encompass the provision of online public services and exchange of electronic documents. As a result, various new tools appeared to facilitate interaction on the real estate market. The influence produced by basic information technologies on the Russian real estate market is shown in Fig. 1.

### ONLINE DEALS

In the early 2010s, personal presence was a must to make a real estate deal. At that time its registration was governed by the registration law, which is invalid now<sup>2</sup>. First of all, the seller was to collect all the necessary papers, confirming his ownership rights; he needed to have the technical description of the property

handy, then both parties were to meet to sign a contract and to stand in a long line to initiate the registration procedure. It took about one month to get the contract registered and approved. As for the payment procedure, it was standard practice to pay cash in advance or afterwards or use a bank deposit box.

Mere ten years have passed, but information technologies have affected the market of real estate deals so greatly. The procedure of buying an item of residential property has changed considerably since the beginning of the 2010s. In 2021, it can be divided into several steps, each being feasible in the online or nearly online mode, although there is a minor difference between transactions involving new developments (which are being built) and old properties (which have already been built and put into operation). Principal stages of an electronic transaction are provided in Fig. 2.

Step 1. *Choosing and visiting the property.* Both developers and owners of residential properties are interested in selling them to a wider range of buyers. It is a well-known fact that Moscow and Saint Petersburg [1] attract investors not only from all over Russia, but also from the CIS (Commonwealth of Independent States) countries; however, distance and time often prevent them from visiting property sites. Even potential buyers living in the abovementioned cities tend to save time, as distances are too extensive, but they want to have a preview of the property. Major developers of new residential properties employ several services to solve this problem. Online cameras, installed on site, allow to monitor the construction process and track the progress. 3D tours are very

<sup>1</sup> The strategy of information community development in Russia 2017–2030 : Presidential Executive Order No. 203, May 5, 2017.

<sup>2</sup> About state registration of property rights and transactions : The Federal Law No. 122, July 21, 1997.

popular now, they include the model view of the surrounding area, the entrance, the lobby and the apartment itself, including the finishing, if it is specified in the contract. As for new recently built buildings and old properties, the online "open house" technology application is feasible. The property can be demonstrated online via a smartphone or a pre-made video. This distance preview technology allows many customers to make a decision. It was the best solution for those concerned about their health during the period of self-isolation. Ten or fifteen years ago people couldn't trust distance preview technologies and their own impression, as they didn't have the necessary experience and were afraid to misjudge the property. Self-isolation forced them to make their choice, to learn to trust the new technology, to convert personal video calls experience into financial decisions or to stay isolated and passive [2].

**Step 2. Preliminary contract and prepayment.** When a property is chosen, it is time to sign a preliminary contract and make a prepayment. Once again, distance technologies are here to help. Developers of new buildings are at the forefront: one can book an item of property online and make payment without visiting the office. This procedure was quite popular during the self-isolation period in Moscow in the spring and summer of 2020, when sales stopped, as the market needed some time to get accustomed to the circumstances, but later prices went up. As for old properties, one can't avoid a meeting needed to sign the preliminary contract.

**Step 3. Due diligence.** Developers of new construction projects send all their documents by e-mail or messengers, and the validity of a construction permit can be checked on the official public website. The due diligence process becomes more complicated for older properties. There is no problem with checking the owner's title, since an extract from EGRN (United State Registry of Properties) can be ordered and paid for online within a period of 1–3 days. The extract also shows if there are any encumbrances imposed by banks or third parties. Passport validity can also be checked on the website of the RF Ministry of Internal

Affairs. Court lawsuits can be checked on court websites and in the databases. However, there are still some documents which are hard to get online (at least, not in every city), such as plans and technical documents issued by BTI (Bureau for Technical Inventory), information about registered residents and debts.

Gosuslugi (or public services) state service, launched in 2009, is worth mentioning in this connection<sup>3</sup>. Gosuslugi is a nation-wide service; its mission is to facilitate and speed up interaction with the main state institutions, the range of which continues to expand. It enables registered users to order many documents online. Electronic documents have QR codes and can be checked on the official website by the buyer or the lawyer.

**Step 4. Preparing documents for the deal.** Once the due diligence is successfully completed, some extra documents might be required. The issuance of original paper documents, such as a mental fitness certificate or a custodial agreement and a spousal consent, witnessed by a notary, may require personal presence. The contract can be prepared online.

**Step 5. Mortgage.** Banks are active promoters of digital and online technologies, as it is a great way to get more clients, including mortgage borrowers. New development projects are usually accredited by banks, and sales managers are always ready to deliver all the necessary supplementary information online. Thus, only one final visit to the bank is obligatory, the one that is needed to ensure the identification and verification, if the digital signature is ordered for the first time, and as a rule, sales managers accompany the buyer to guide him through the process. Some banks even offer visiting the buyer's place of residence.

A deal, involving an item of old property, has more offline steps, such as the survey of the property, the technical plan and the insurance. The survey step may be skipped if the property has been surveyed recently, in case this property is mortgaged.

<sup>3</sup> Gosuslugi: Public Services Portal of the Russian Federation. URL: <https://www.gosuslugi.ru/>

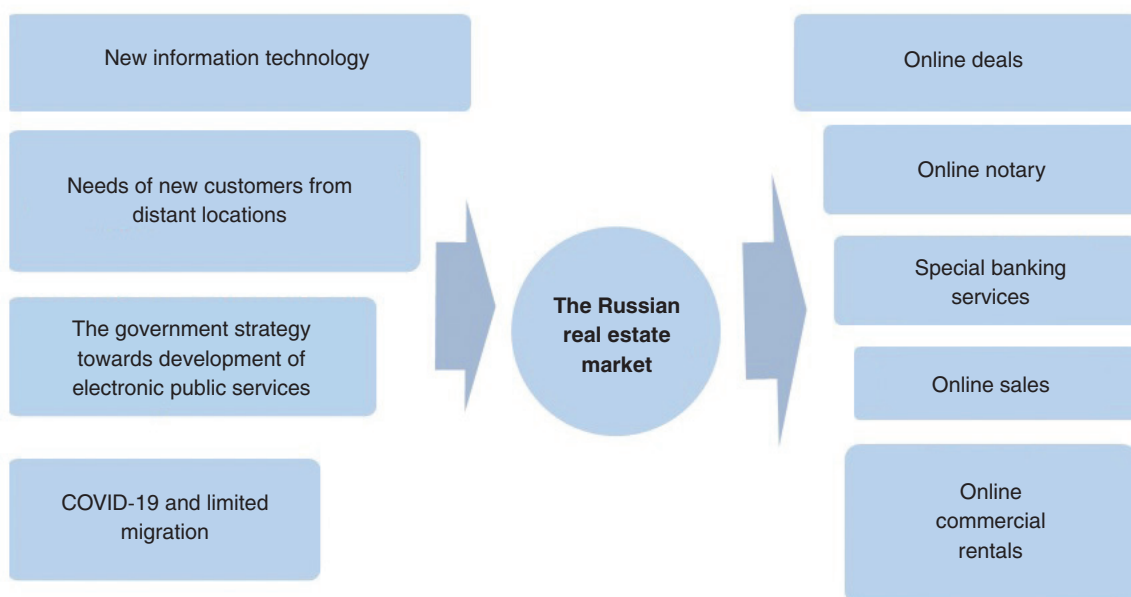


Fig. 1. Information technology's influence on the Russian Real Estate market

► Step 6. *The deal*. The deal, involving new properties, can be made 100 % online, provided that both parties have digital signatures issued (in Russia, it is called an electronic deal). One should visit a special centre only once to order a digital signature. Buying a new property is a good occasion to get one. Developers and banks cooperate with such centres or obtain licenses to become ones. As a result, only one visit to the developer's office or a bank (in case of a mortgage) is necessary. The contract made with the developer and the request for the registration of this contract are signed digitally. Payment conditions entail the issuance of a letter of credit, and its disbursement is possible upon the receipt of an electronic alert confirming the contract registration.

The owner of an old property has to visit the Multifunctional Centre (that provides numerous public services) or Rosreestr (the Russian federal agency responsible for registration of transactions) in person to sign an agreement for the electronic registration of deals involving his property. The Rosreestr website allows to have a digital signature ordered and an electronic contract registered. Payments can be made using a letter of credit or a special account.

After an electronic deal has been made, parties get an electronic version of the contract bearing a digital signature. If necessary, a paper contract bearing a traditional seal imprint can be obtained from the Multifunctional Centre.

The innovation became so popular that in the third quarter of 2020 the share of mortgage deals, registered electronically, increased from 9 % (as of the beginning of the year) to 40 %. Rosreestr is promoting cooperation with credit institutions, eager to reach 80 % by the end of 2021. The share of electronic DDU (a shared partnership agreement, used for new developments) also raised from 20 % in 2019 to 50 % in April 2020<sup>4</sup>.

4 Rosreestr: The Federal Service for State Registration, Cadastre And Cartography. URL: <https://rosreestr.gov.ru/site/press/news/rosreestr-kolichestvo-sdelok-na-vmorichnom-rynke-rossii-za-3-kvartala-2020-goda-vyroslo-bolee-chem-n/>

**ONLINE NOTARY**

There are several examples of how new technologies are accepted by the Chamber of Notaries, one of the oldest and most conservative institutions.

In 2019, Federal Registration Law No. 218 allowed notaries to register sales contracts<sup>5</sup>. They have obtained access to the database of Rosreestr, and the registration takes 1–3 days, whereas traditional registration takes 7–9 days. The parties to a deal visit the notary once or twice. During the first visit, they bring all original documents and make an advance payment for the preparation of the deal (some notaries do it online), then the notary orders an extract from EGRN and a certificate of non-bankruptcy, and drafts the contract. The parties are informed and invited to sign the contract when everything is ready. Within a maximum of three days the contract is registered, the parties receive the counterparts of their contract bearing the digital signature of Rosreestr, certified by the notary, and a new extract from EGRN that has information about the new owner.

A notary is also authorized to certify a power of attorney issued by another notary<sup>6</sup>. Powers of attorney are entered into a consolidated database for notaries, and now there is no need to have the original paper document delivered from another city, it is enough to have it certified by a local notary. The option became even more popular during the self-isolation period, when travel opportunities were limited; even banks accept it as the document required for the opening of a letter of credit.

Furthermore, according to the new amendments to the law, parties to the deal are no longer obliged to be present in the notary's office together to sign the contract. Since December 29, 2020 notaries are authorized to perform remote certification of any kind of deals, including property sale contracts, when parties to the deal are

5 About state registration of properties : The Federal Law No. 218, June 13, 2015.  
6 About some amendments into Basic and Particular Legislation of Russian Federation about Notaries : The Federal Law No. 480, December 27, 2019.

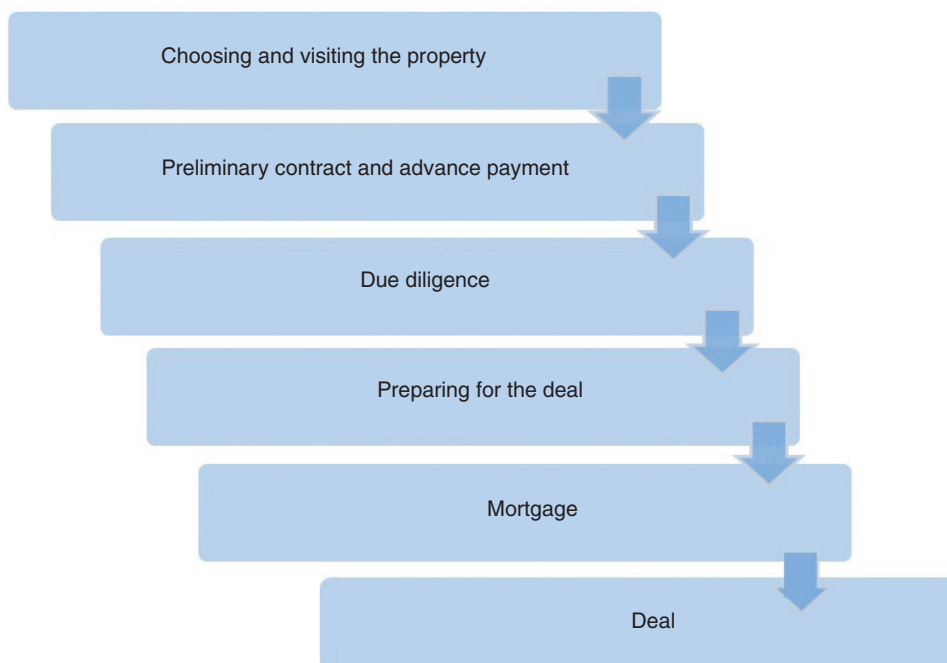


Fig. 2. Steps of an electronic deal

located in different cities or can't meet for some reason. In this case, each party chooses a notary and agrees to visit him at the same time as the other party. Notaries check original documents submitted by the parties, make online videocalls using safe communication lines, follow all the necessary procedures, and certify the deal.

### SPECIAL BANK SERVICES

SberBank, the largest public bank in Russia, is the leading financial institution that has been implementing and promoting all innovative technologies.

In 2017 the bank launched a new integrated service entitled DOM-click. It helps to find, buy, sell and rent real estate in major Russian cities and make safe deals and payments for properties. The service is innovative for both the banking system and the real estate market, as it is the first one to integrate markets and numerous services and partners such as insurance companies, brokers and many others. It operates a huge information base having many items for sale or rent.

The main idea of DOM-click is to allow customers to buy properties online, and the transaction may require a maximum of one visit to the SberBank office. Professionals and owners, registered on the website, can advertise their properties, and any information that they provide is verified. Anyone has access to the database, and those who have a personal online account with SberBank (which is almost everybody in Russia) are one step closer to using online services. There is even a certain mortgage rate discount for those who have payroll accounts with SberBank or use their online DOM-click service. An applicant receives an answer 24 hours after completing a mortgage application form.

Some other services are also provided, including the sale and purchase contract drafting, digital deal signing and remote deal registration, including a home visit to be paid by a bank employee. Safe payments, a service provided by SberBank, is proactively advertised. Provided that both parties to the deal have personal online accounts with SberBank, they can make "safe payments" online, and the process will take fifteen minutes. The buyer transfers an amount to the Real Estate Centre of SberBank, that files an application for the contract registration. When the registration is approved, the Centre transfers money to the seller. The difference from the payment procedure, made using a letter of credit, is that the buyer doesn't have to submit confirmative papers himself.

It's important to mention that in Russia any kind of account-related payments are only becoming popular, since cash payments and safe box deposits were mostly widely spread for quite a long time. Doing everything online is a new trend, it's convenient to have new technologies offered by banks willing to meet the new demand [3].

The number of electronic deals made using SberBank's Dom-click service went up from 52 % in January 2019 to 71 % in January 2021<sup>7</sup>.

### ELECTRONIC SALE

In the context of self-isolation and limited travel options in the spring and summer of 2020 it became clear to developers that they needed a new strategy to boost real estate operations. Almost all of them launched electronic deals. The case of Absolute, one of the biggest Russian development companies, can be regarded as an example of widely spread distance technologies. Absolute is among the companies best prepared for the pandemic and self-isolation. It has been practicing online deals and online

registration since 2017; furthermore, this is the only way to buy residential property from this company. At that moment, electronic operations reduced costs and boosted efficiency. In 2021 almost all largest developers offer online deal making services, the summer of 2020 became the turning point for those of them who didn't. Developers have actually benefited from this service: the procedure has turned faster and more standardized. Besides, the procedure is more cost effective: no employee should waste his or her time either preparing the same company documents for every new deal (now they are attached to the company account maintained with Rosreestr) or submitting the documents for registration in person. Online deal services also allow to boost sales to buyers from far-away cities and areas, as now they can choose and buy properties online. Distance electronic deals and 3D tours are at customer's disposal.

### COMMERCIAL PROPERTIES RENTAL AGREEMENTS MADE ONLINE

The changes have affected both real estate sale and rental markets. Once again, those companies benefited from this technology, that were ahead of others in terms of launching new online technologies, although they treated it as an experiment. During the COVID-19 pandemic electronic technologies became the only possible way to continue business operations in compliance with the new laws and regulations. According to Ecommerce Index Top-100 by Data Insight Analytic Agency<sup>8</sup>, Wildberries Internet store was number one in online sales in 2017–2019. But even Internet companies have to rent properties for fitting rooms and pick up offices. In spring 2020 they made an announcement that any rental contract could only be made with their company on an online platform. The company offers its partners special software solutions that help them to get registered, to fill applications and to provide/obtain the necessary information. A digital signature has become a must, parties don't sign any contracts in person, they just discuss their terms by e-mail, over the telephone or even in messengers and download their agreed-upon versions. If a landlord is interested in cooperation with Wildberries, he has to get a digital signature.

Nevertheless, since electronic deals appeared on the market, they have been the only possible option for a certain number of real estate market players engaged in sale and lease transactions. Despite some risks at certain stages, the speed and convenience of electronic deals is highly appreciated; the real estate market has entered the new electronic era and there will be no return.

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<sup>7</sup> Dom-click. URL: <https://opendata.domclick.ru/elreg/table/rossiya/month/2021-01-01>

<sup>8</sup> Forbes. URL: <https://www.forbes.ru/tehnologii/342103-wildberries-stal-krupney-shim-internet-riteylerom-v-rossii>

## Влияние цифровых и онлайн технологий на российский рынок недвижимости

Рынок недвижимости, как и основные его участники, вынужден быстро реагировать на международные и местные изменения, такие как развитие новых технологий, новое законодательство, пандемия COVID-19, снижение спроса. Правительство объявляет новую стратегию для внедрения информационных технологий среди государственных учреждений и населения, а также создания электронного правительства. Девелоперы запускают онлайн-продажи и 3D туры, надеясь привлечь новых покупателей из удаленных мест, сотрудничают с банками и помогают в получении цифровых подписей. Банки предлагают новые сервисы, объединяющие поиск, покупку и ипотеку, — все дистанционно. В статье подробно описан сервис Сбербанка «ДомКлик». Даже консервативные нотариусы принимают участие в процессе — теперь у них есть право заверять электронные договоры и регистрировать сделки.

Удаленные сделки включают в себя несколько шагов: выбор и просмотр объекта, предварительный договор и аванс, проверка документов, подготовка к сделке, ипотека и регистрация. В настоящее время все они могут быть осуществлены онлайн.

Изменения затронули не только правила оформления договоров купли-продажи недвижимости, но и ее аренды. Ведущая интернет-компания приняла решение заключать договоры аренды только с теми арендодателями, которые регистрируются у нее на партнерской платформе и могут заверить договор аренды цифровой подписью.

Новые сервисы стали возможны благодаря развитию новых цифровых и онлайн технологий, появляются новые инструменты, отвечающие требованиям рынка. Несмотря на некоторые риски на определенных стадиях становления, онлайн технологии успешно адаптировались на рынке недвижимости.

**Ключевые слова:** информационные технологии, цифровая подпись, электронная сделка, 3D тур, процедура регистра-

ции, удаленные технологии, онлайн продажи, онлайн госуслуги, электронный документ

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