

Conversion of the perpetual usufruct of commercial property as from 31 August 2023

On 31 August this year, an amendment to the Act on Real Estate Management, according to which the right of perpetual usufruct of commercial real property will be able to be converted into ownership, will enter into force.

However, the conversion into ownership will not take place by virtue of law, but will **require the perpetual usufructuary to file an application within 12 months from the entry into force of the amendment, i.e. by 31 August 2024**. Importantly, it will be possible to request the conversion in relation to developed real property handed over for perpetual usufruct before 31 December 1997, provided, among other things, that the perpetual usufructuary has fulfilled the obligations set out in the agreement on handing over the real property into perpetual usufruct and no proceedings for termination of that agreement are pending.

The price for the acquisition of the title to real property, as a result of the conversion, has been determined at the level of the above legal act. With regard to State Treasury's real properties, the price will constitute:

- **20 times the amount**, which is the product of the existing percentage rate of the annual fee for perpetual usufruct and the value of the real property determined as at the date of conclusion of the sale agreement ("Price Product"), if the price is to be paid in a single payment;

- **25 times the Price Product** if the price is to be paid in instalments.

In relation to real properties owned by municipalities, the price shall be set at:

- **not less than 20 times** the Price Product;
- **not higher than the value** of the real property as determined on the date of the conclusion of the sale agreement.

The detailed conditions for the sale of real properties belonging to municipalities will be determined by respective legislative bodies (or executive bodies of municipalities) within **4 months of the above amendment entering into force**.

There is also the possibility of applying discounts. In relation to the State Treasury's property, discounts of 90% of the price will be granted to certain categories of natural persons, and in relation to property belonging to municipalities, the terms, conditions or percentage rates of discounts granted will be established by the relevant legislative bodies.

The above-mentioned amendment is a further step towards the liquidation of perpetual usufruct and, consequently, an increase in legal stability and investment security.

Among the benefits of the conversion, the absence of annual fees for perpetual usufruct and related increases, as well as indefinite ownership of the real property, should be mentioned first and foremost.

Contact

We encourage you to contact our experts with any questions you may have about the project, as well as advice on investments and real estate transactions.



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