



2020 Annual report



NAI Ukraine

NAI Ukraine is a Ukrainian representative of the consulting companies network **NAI Global**, which is one of the TOP-3 global brands in the real estate market, one of the largest global brokers, represented in 55 countries, in 400+ offices with 7000+ employees.

It manages more than 38 million square meters and has an annual turnover of \$ 45 billion. **NAI Global** is a subsidiary of **C-III Capital Partners**. It is one of the largest players in the US real estate investment market, managing more than \$ 150 billion.

2020 Top 25 Commercial Real Estate Brand Survey

Presented by THE LIPSEY COMPANY

03

NAI Global.

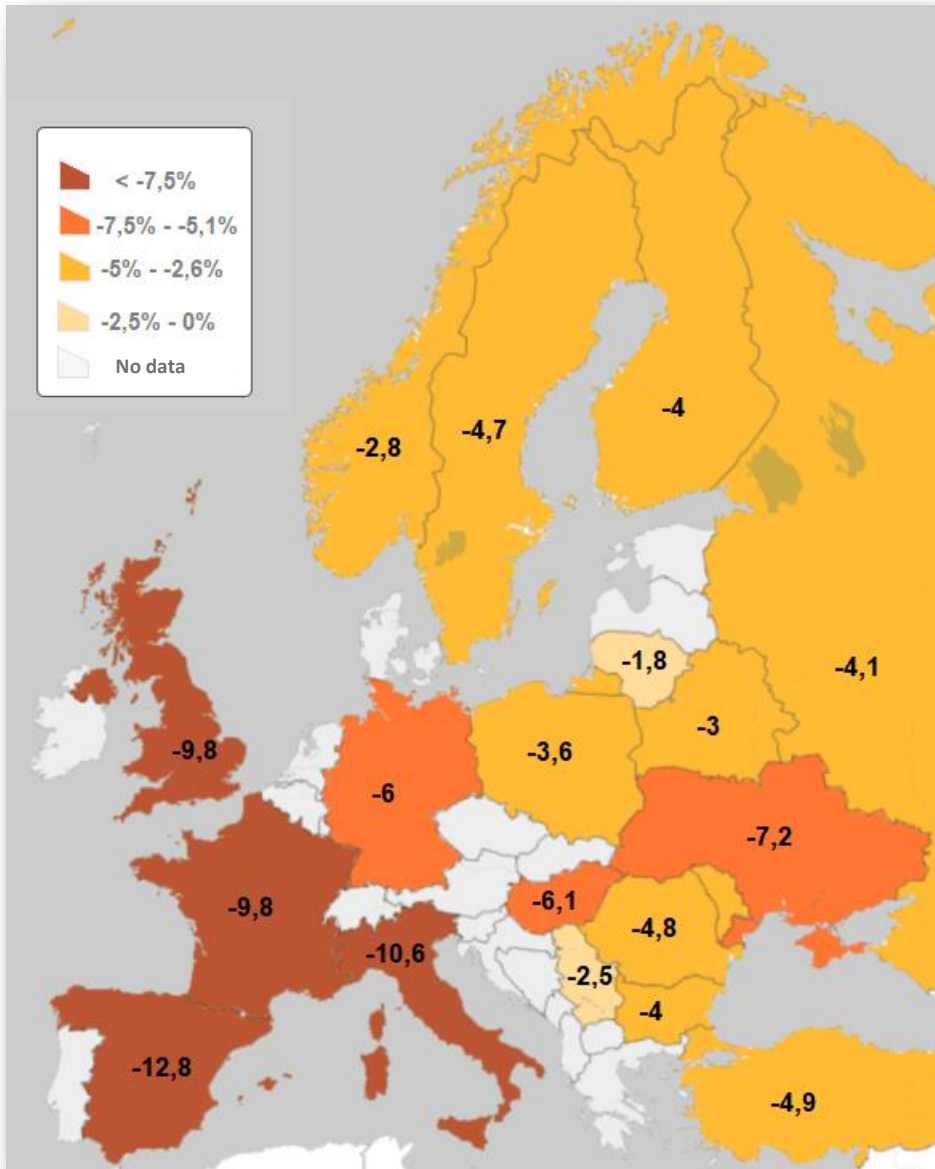


Economics

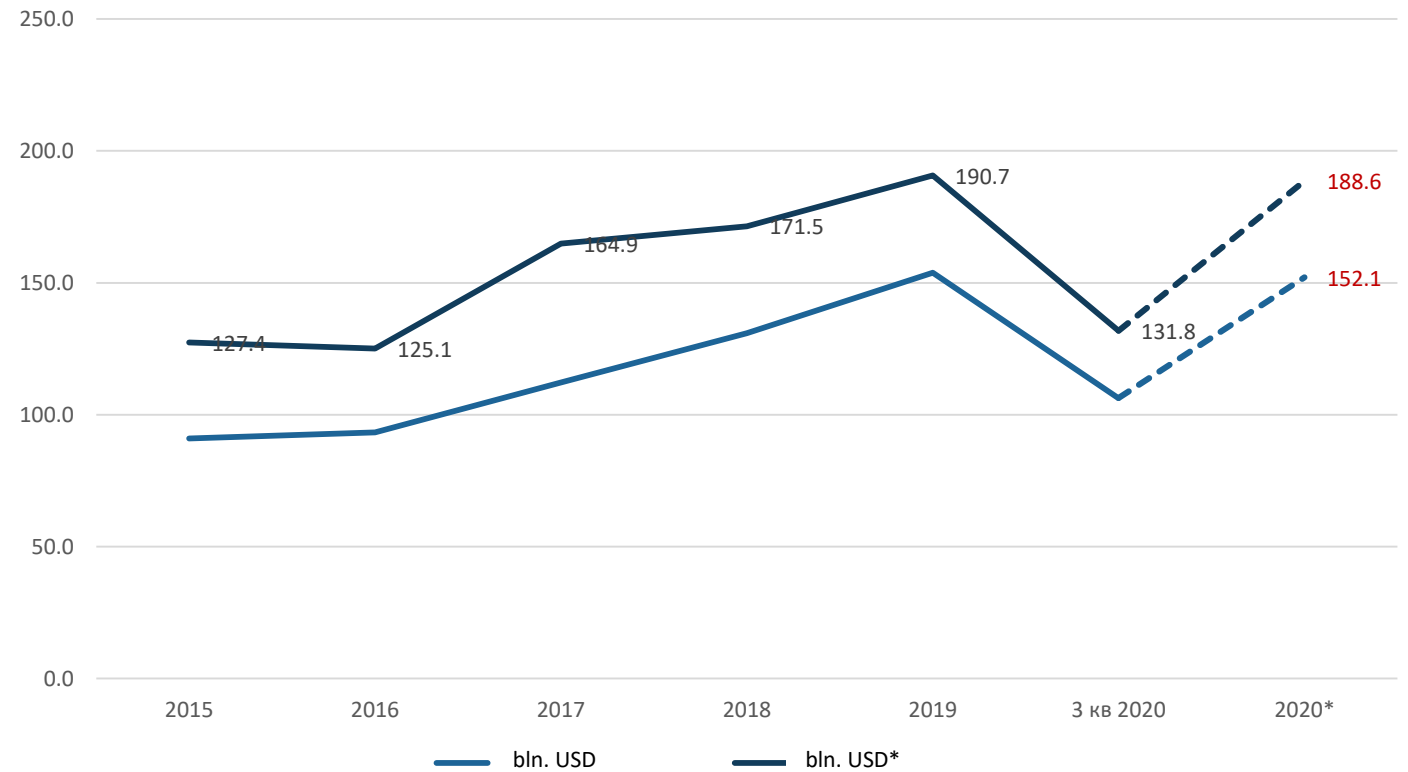
Economics

GDP

GDP dynamics in Europe for 11m 2020, IMF



Ukraine GDP dynamics in actual prices, current data and forecast* (* - including shadow economy)



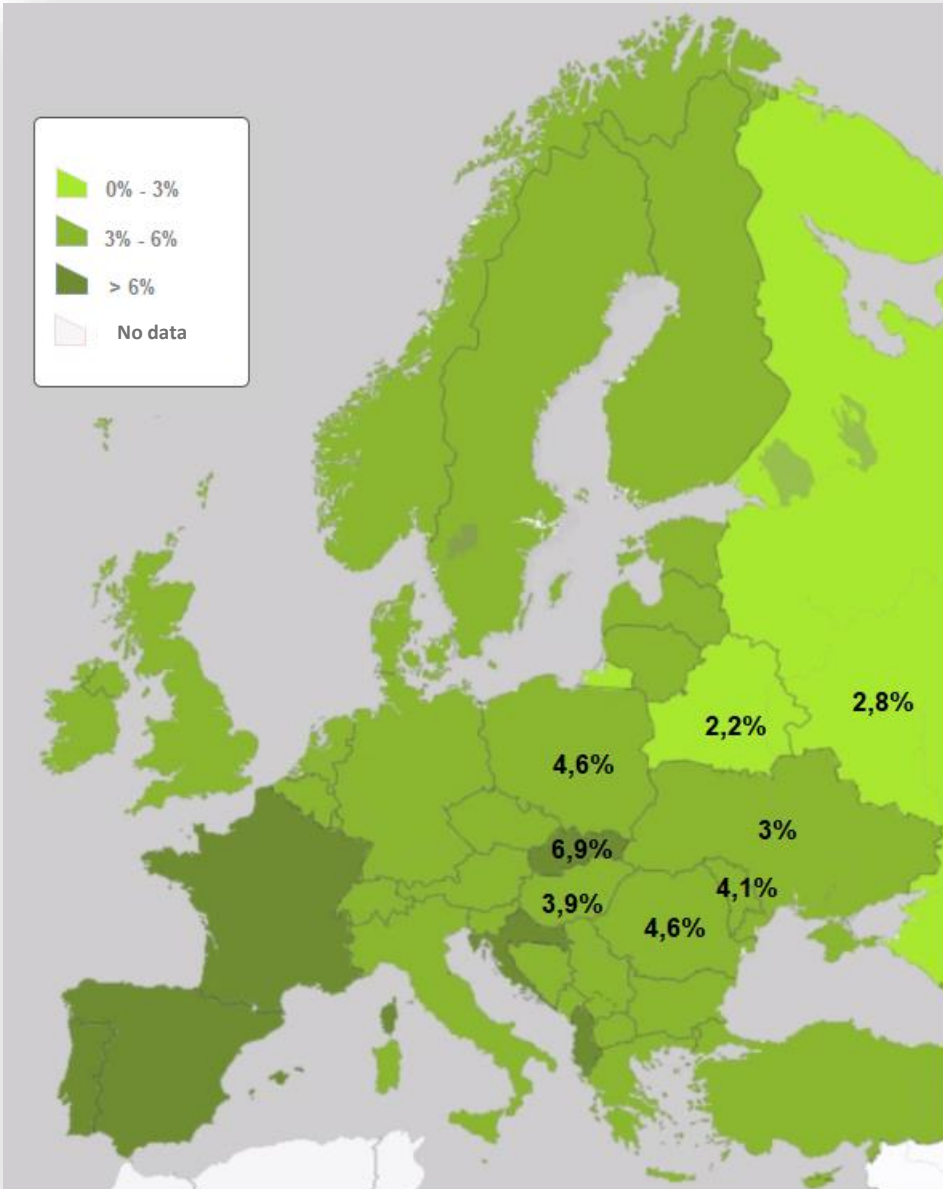
*including shadow economy (Ernst & Young and Mastercard study of Ukraine's shadow economy)

According to state authorities for three quarters of 2020 the countries decreased of 3.5% and 7.2% for 11 month of 2020 according to IMF data. This result is almost two times better than it was forecasted at the beginning of the pandemic.

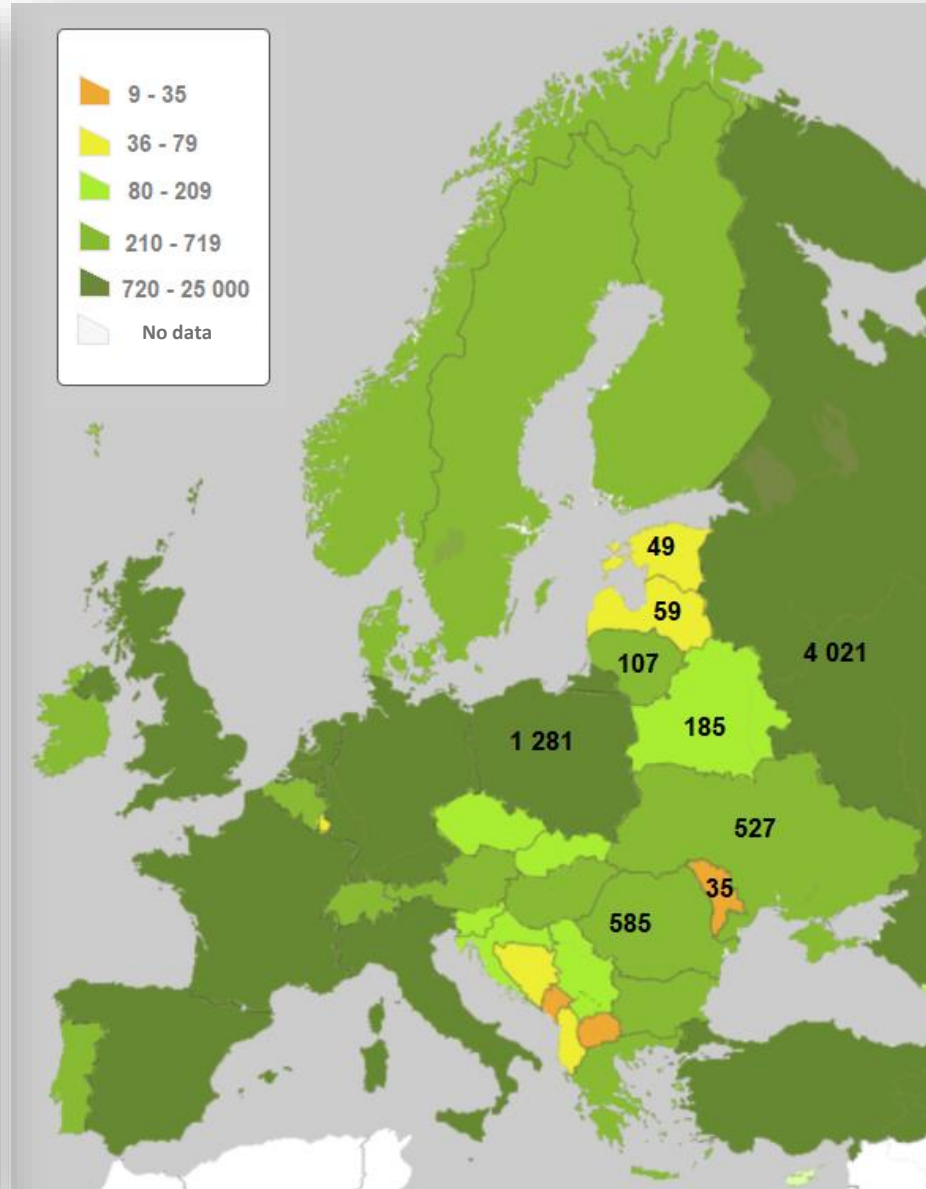
Economics

GDP

GDP dynamics in Europe, 2021 forecast, IMF



GDP PPPs` in Europe

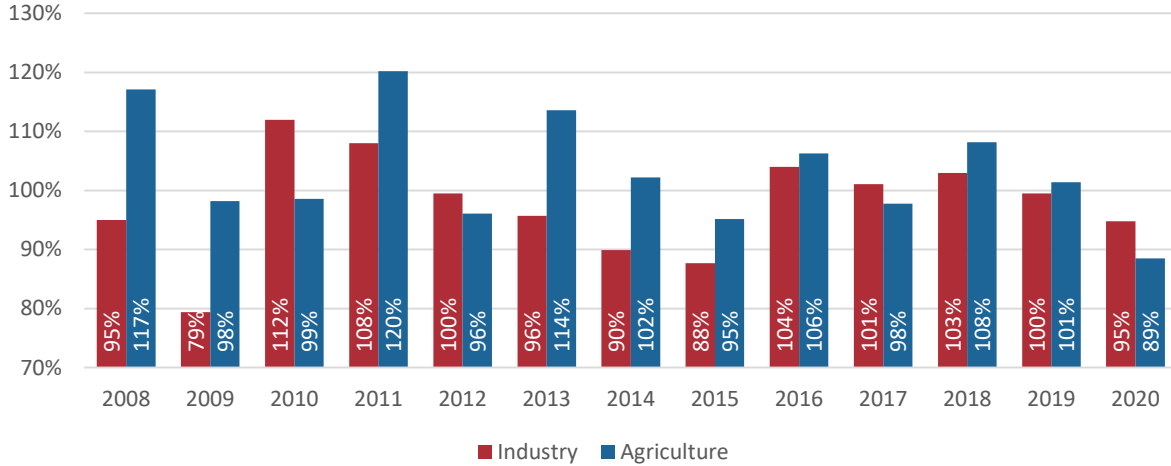


- The return to economic growth has already been forecasted for 2021. According to the forecasts Ukraine is among the countries with the fastest recovery (3-6% per year).
- Taking into account the difference in cost of national currencies (GDP in purchasing power parity), the country is nearly to Romania, which is almost the same for area but perceives as more successful. In a global context the countries position is on the one level with Sweden, Austria and Singapore. Indicator per capita is two times more than for India.

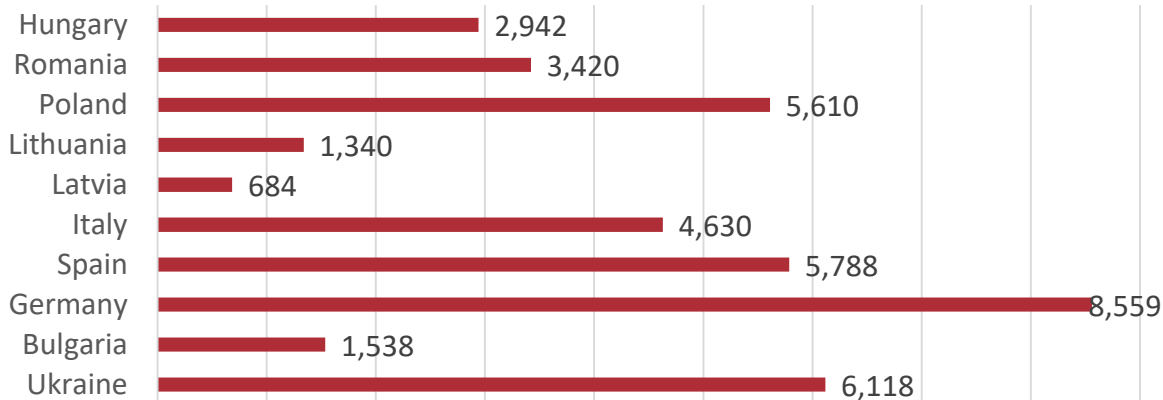
Economics

Industry indicators

Industry and agriculture production indexes

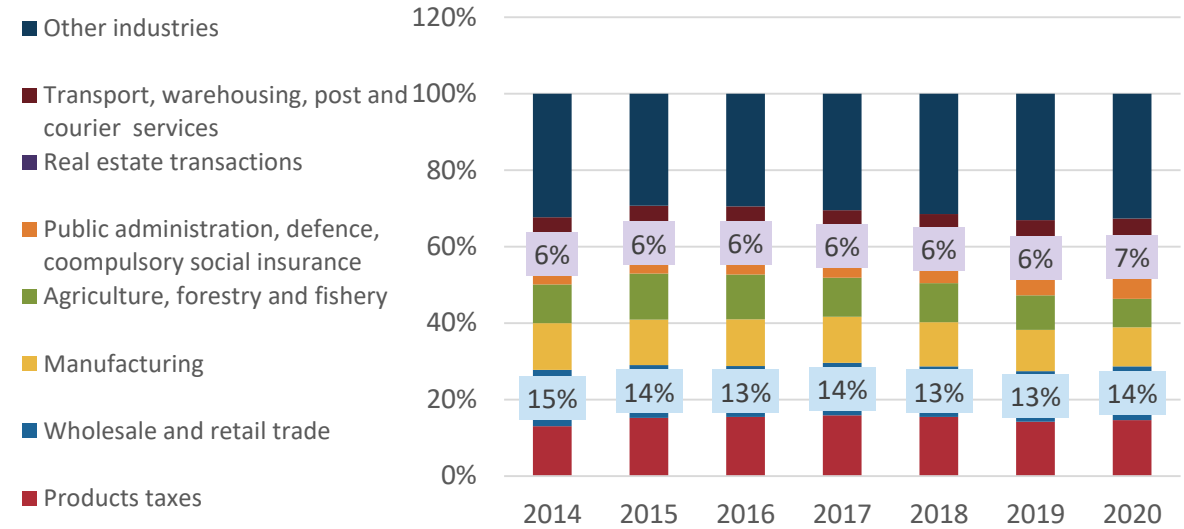


Agriculture production realization volume in Europe in 2020, mln. USD

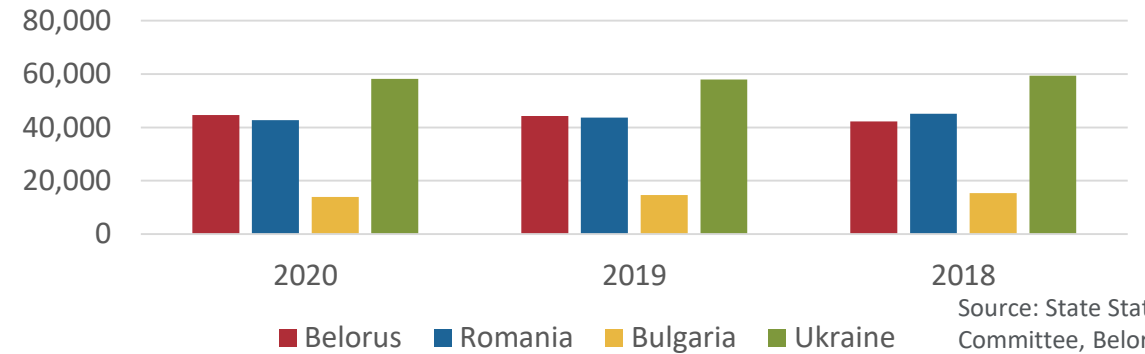


Source: State Statistics Committee, European Statistics Committee

GDP structure by industries in actual prices 2010-2020, %



Volume of manufacturing in Ukraine comparing to some other countries 2018-2020, mln. USD



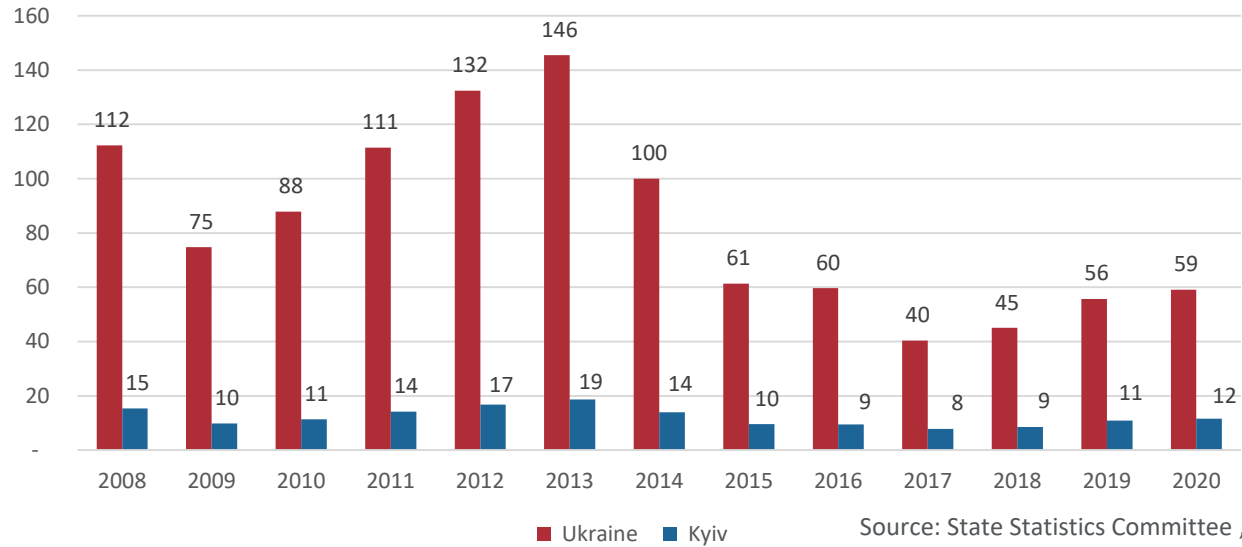
Source: State Statistics Committee, Belarus Statistics Committee Trading Economics

- In 2020 industry and agriculture suffered from decline of indicators – 95% and 89% of the previous year respectively. However, the country remains in the top of European countries for the volume of agriculture production realization and its manufacturing exceeds in few times the closest by economic development European countries.

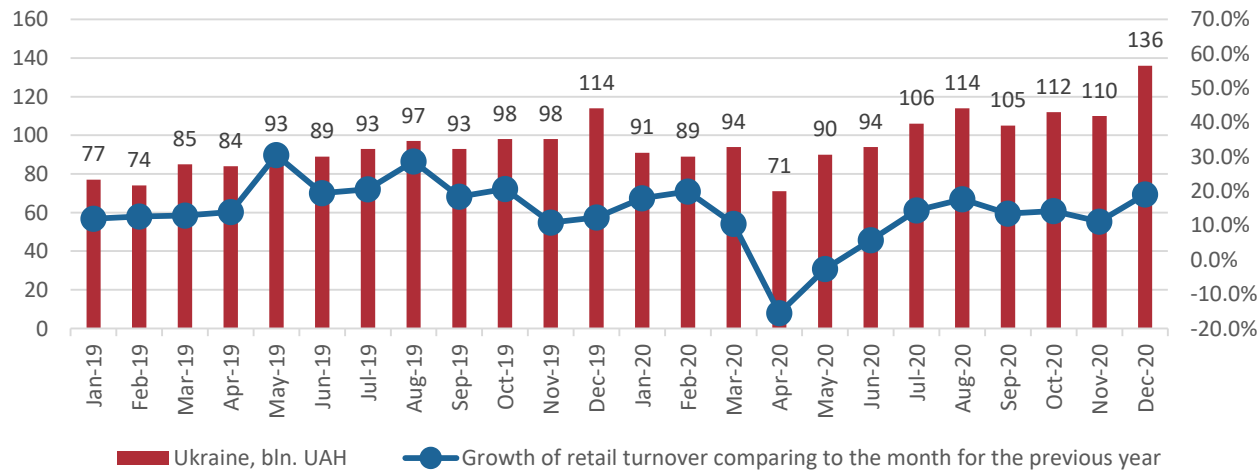
Economics

Retail

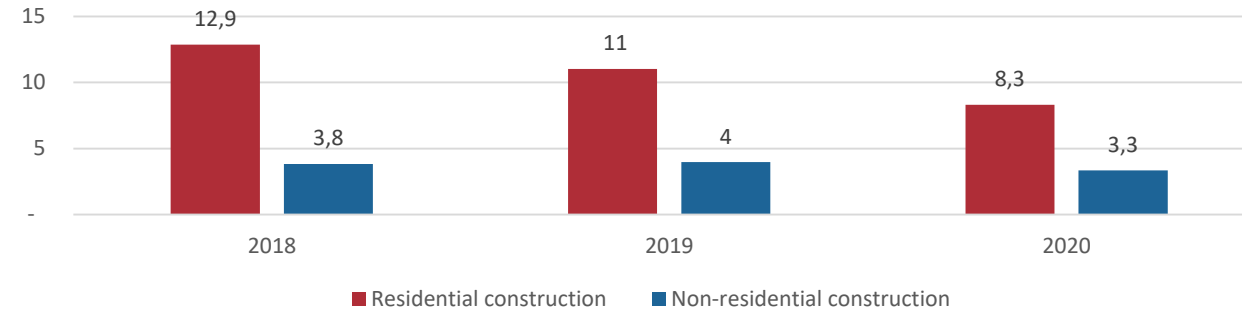
Retail volumes including shadow economy, bln. USD



Volumes of retail turnover by months



Real estate put into operation in Ukraine, mln. sq. m.

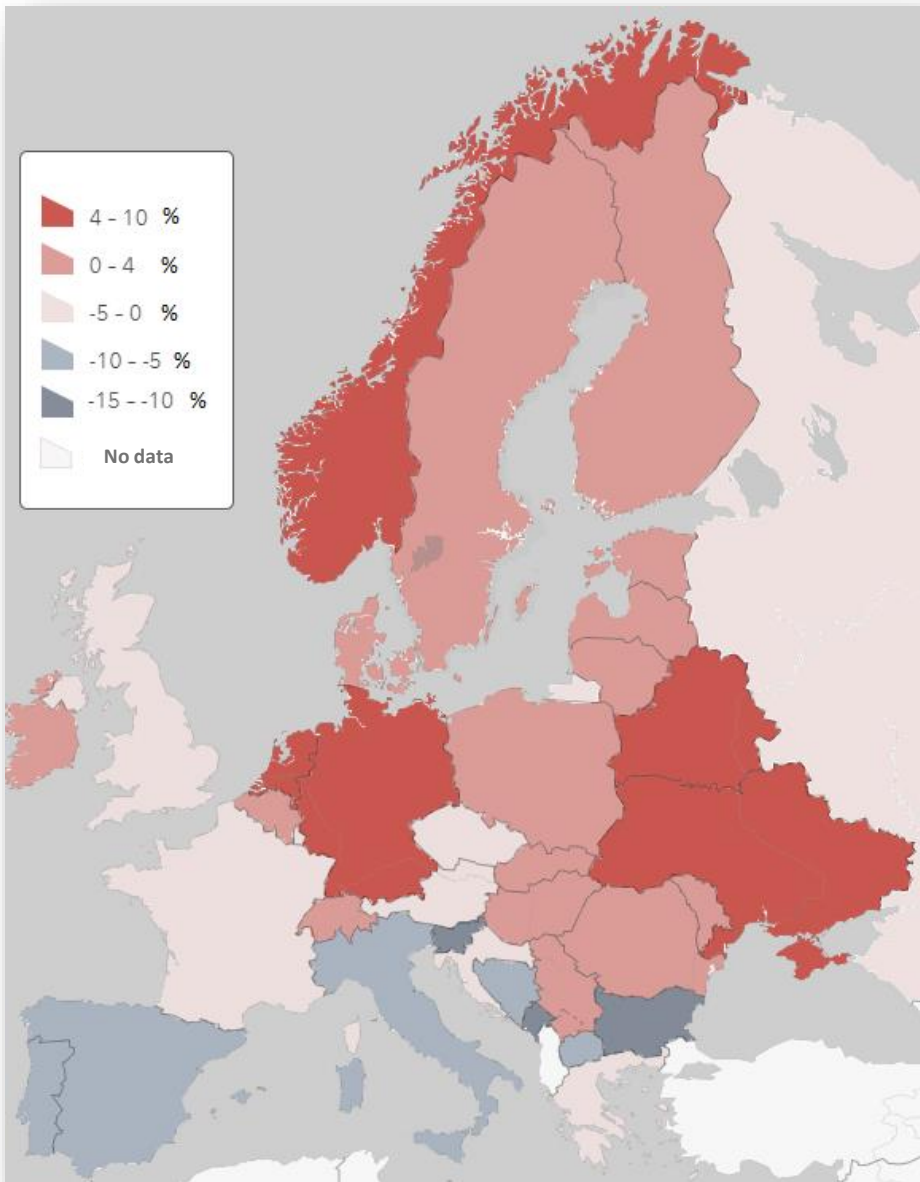


- In Ukraine annually a great amount of residential and non-residential premises is put into operation, most of which is located in Kyiv and suburbs. Decreasing of volumes of putting into operation in 2020 is caused not only by the quarantine conditions, but also reformation of existing state authorities. It means that as soon as they re-establish work, volumes of construction and putting into operation can significantly increase.
- In 2020 retail volumes increased of 10% in UAH and 5% in USD comparing to the previous year, composing 14% of GDP. As a result volumes of retail turnover in Ukraine remain dynamics despite of 2020 losses.
- 5 year in a row Ukraine reached top-5 European countries for growth of retail turnover along with Germany, Netherlands, Belarus and Norway (4-10%). Consumers market is attractive not only for its dynamics, but also for volume.
- Taking into account that the great amount of turnover is not considered by the official statistics (EY and Mastercard researches indicate 24% of shadow economy in Ukraine), volumes of retail in Ukraine in 2018 amounted to 45 bln. USD or 98% of Romanian retail (by estimation of Cushman & Wakefield Echinox). Starting from 2019 Ukrainian indicators exceed the results of one of the biggest economies in Eastern Europe. Comparing Kyiv to the biggest German agglomerations, Kyiv takes a position between Munich and Cologne.

Economics

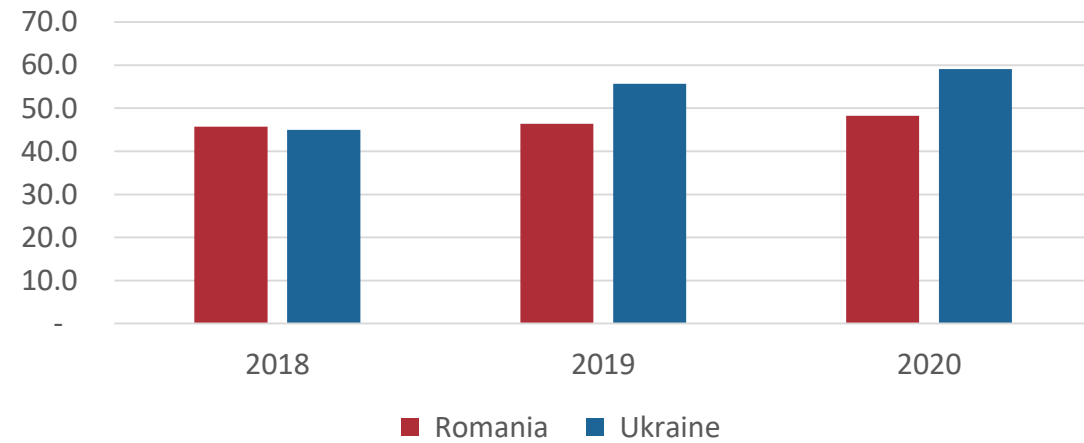
Retail

Retail dynamics for 2020



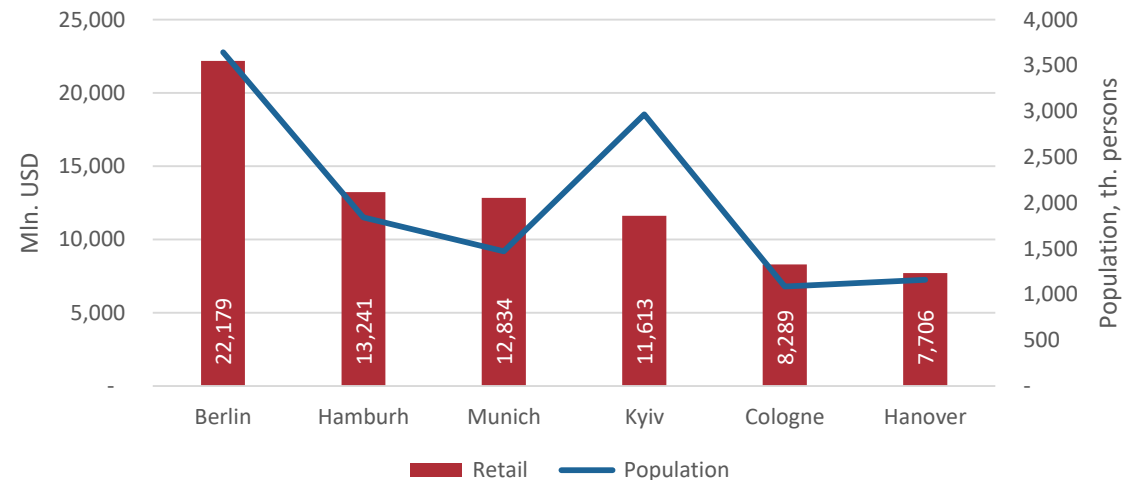
Джерело: Eurostat

Volumes of retail turnover including shadow economy, bln. USD



Source: State Statistics Committee, Cushman & Wakefield Echinox, E&Y, MasterCard

Volumes of retail turnover of the biggest cities in Germany and Kyiv for 2020

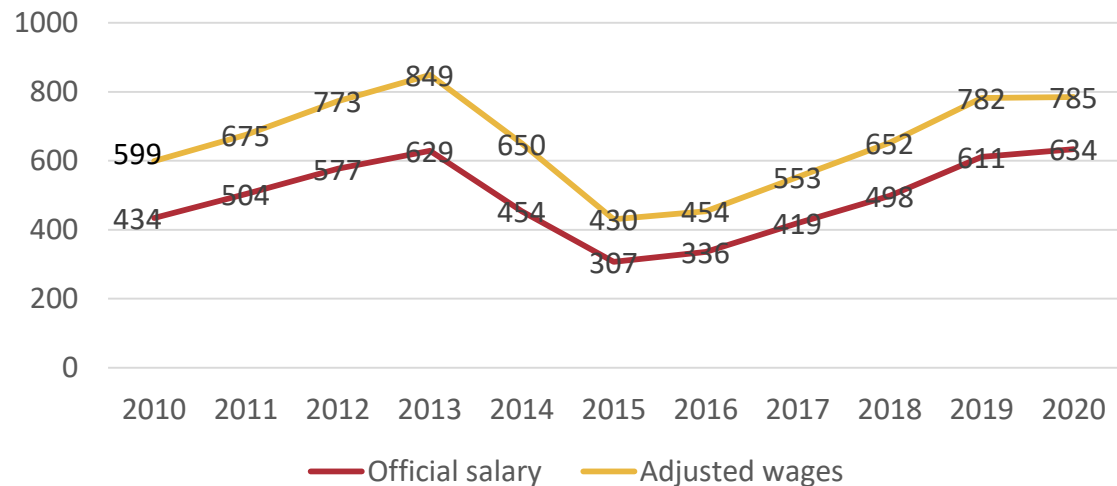


Source: State Statistics Committee, GfK Insights

Economics

Incomes, exchange rates and inflation

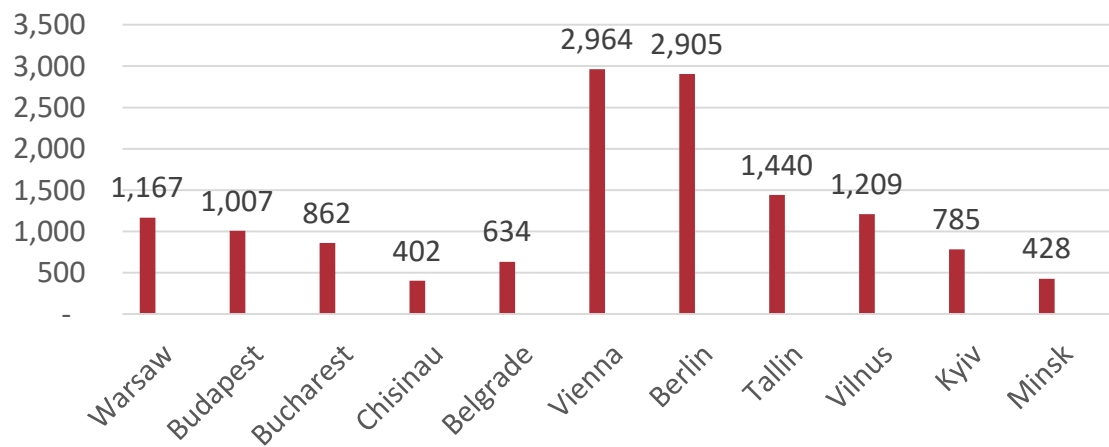
Kyiv average salary dynamics 2010-2020, USD



*adjusted on shadow economy level

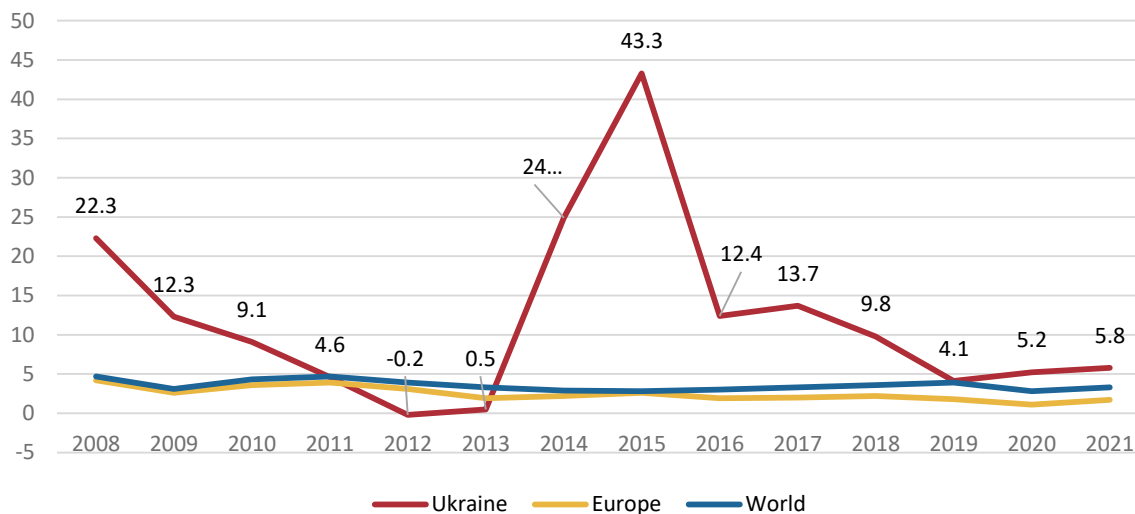
Source: State Statistics Committee, Numbeo

Average monthly salary in other European cities in 2020, USD

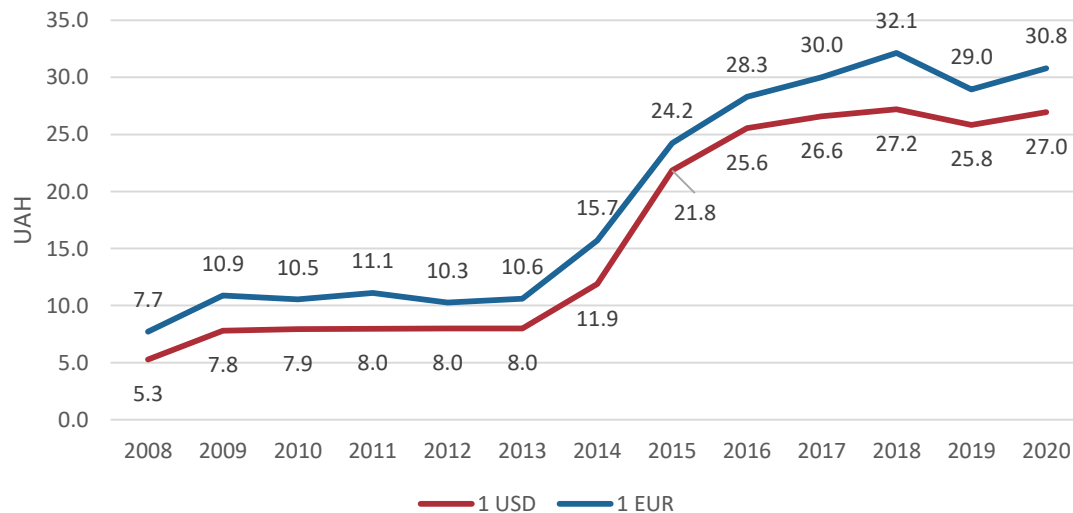


- In 2020 inflation remained moderate at the level of 5.2%. Herewith significant increase of USD exchange rate, level of income in foreign currency (including unofficial) remained 2019 level and gets Ukraine in top in Eastern Europe and closer to the Eastern countries of the EU.

Inflation level, %



Foreign currencies to UAH exchange rates



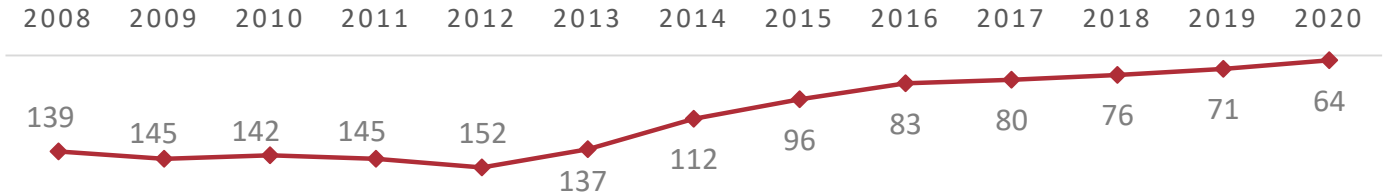
Economics

Ratings

Doing business

Rating is calculated by the World Bank for assessment of simplicity of business activity (simplicity of starting business, protection of investors` rights etc.). In 2020 Ukraine went up in the ranking for 7 rate positions and 81 rate positions for the last 10 years. Currently Ukraine has a higher score than such European countries as Greece and Luxembourg and significantly outpaces Brasil, Argentina and the Philippines.

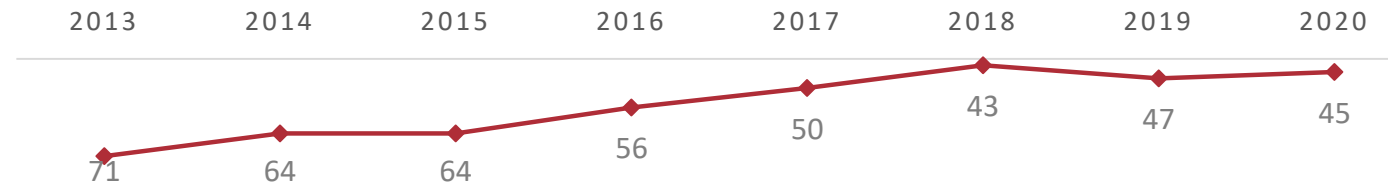
Ukraine position among 183 countries:



Global innovative index

Rating is calculated by Cornell University (the USA) and represents countries success in innovation activity. In 2020 Ukraine went up in the ranking for 2 rate positions and 26 positions for the last 8 years. Among the counties with income below average Ukraine in 2nd out of 29 countries. In general rating Ukraine outpaces Romania, Russia, Turkey and Kazakhstan.

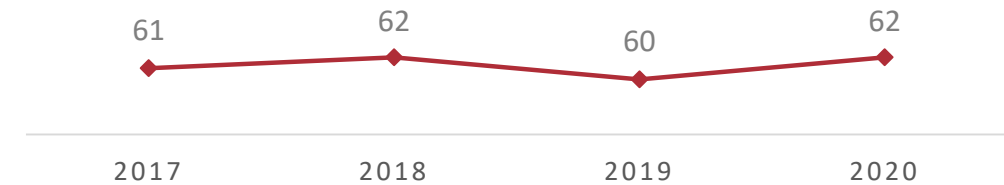
Ukraine position among 143 countries:



Freedom Score

The score is calculated by Freedom House and represents level of democracy development, compliance with political freedom and human rights. For the last year Ukraine went up in the ranking for 2 positions with the higher indicators of freedom than most of the Asian countries, Russia, Belarus and Moldova.

Score 30-70 relates to the category "partly freedom":

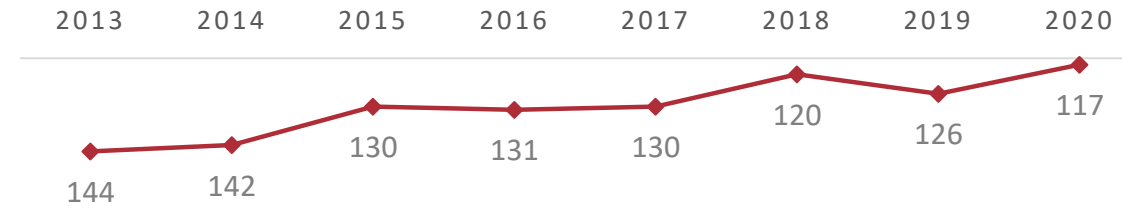


Ukraine in international ratings

Corruption Perceptions Index

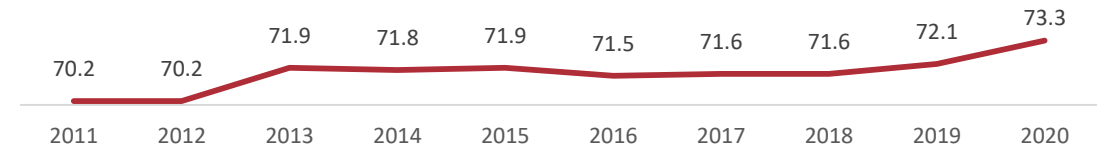
The rating is calculated by Transparency International and represents the level of the countries resistance from corruption. In 2020 Ukraine went up in ranking for 9 rate positions and 27 rate positions for the last 8 years.

Ukraine position among 163 countries:



Social Progress Index

Index developed by Social Progress Imperative, shows level of social needs satisfaction. Ukraine takes 63 reating among 163 countries, and wins among Russia, Turkey, China. *Ukraine estimation, max 100 :*



Investments

2019 was reflected with unprecedented growth of foreign investments in hryvnia obligations. 2020 positive changes in the investment climate, decrease of investments to traditional industries such as retail real estate and hotels in Europe can bring to Ukraine new financing.



Tax system transparency



UkraineInvestGuide



Opening of land market



Investment nannies for extensive projects



Privatization transparency



First concession agreements (+3.7 bln. UAH)



Strengthening of Ukrainian hryvnia

Economics

Conclusions

- For 3 quarters 2020 Ukrainian GDP has fallen by 3.5% according with state authorities data and by 7.2% for 11 month by IMF data. This result is two times better than it was forecasted in the beginning of pandemic. In 2021 the World Bank expects growth of GDP in Ukraine of 3%, while October forecasts were two times lower at the level of 1.5%.
- Retail has become one of the most important drivers, saved one of the most perceptible growth among the European countries. In 2020 retail volumes increased of 10% in hryvnia and 5% in the US dollar comparing to the previous year.
- There was a moderate fall of 10-15% in other sectors of economy. In spite of this Ukraine remains the country with significant volume of agriculture and manufacturing among the European countries.
- Economics keeps its reformation, among remarkable milestones of 2020 were growth of transparency of privatization, tax system, opening of land market, casino legalization and first concession agreements.
- Retail turnover growth has respectively let commercial real estate market remain retail demand and high perspectives for 2021, despite of significant operational losses in 2020. Online trade development and further retail expansion maintained demand on warehouses. Generally moderate fall of economics withheld vacancy growth and saved office real estate market balance. Construction services sphere and residential premises construction as its driver has been influenced not only by the pandemic, but also reformation of permissive system, which displayed on volumes of new sq. m. put into operation, but hasn't significantly influenced on demand. Hotel market suffered from the biggest losses in 2020, but in a context of the country, it is opened for new horizons for the further growth due to start of casino activity.

2021 forecasts

GDP **+3-4%**

Inflation **+5-6%**

Exchange rate UAH/USD **28.8**

Retail real estate market

Retail Market

New and Pipeline Supply



2020

Retroville

83 000 sq. m

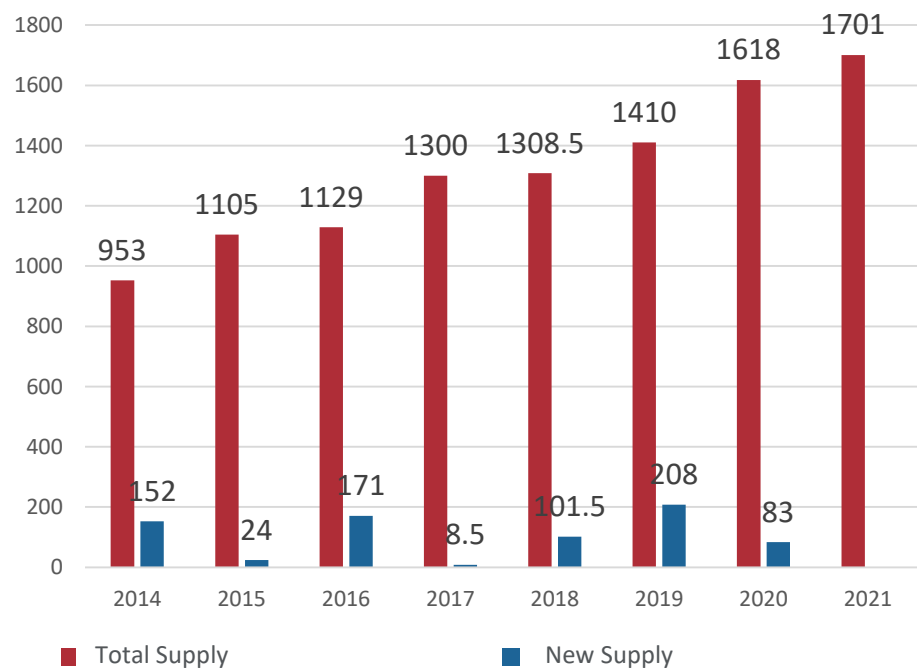


Construction

Pipeline Projects

1 800 000 sq. m

Supply Dynamics in Kyiv, ths. sq. m



Main prospect projects:

Name	GLA, sq. m	Year
Ocean Mall	99 000	2021
Lavina Mall (2 line)	30 000	2022
Blockbuster Mall (2 line)	55 000	2021
White Lines Shopping Mall	27 000	2022
New Ray	27 700	2022
April City (2 line)	87 000	2022
Respublika	135 000	n/a
Lukianivka Mall	47 000	2022
Sky Mall (3 line)	39 000	2022
Lisova Mall (1 line)	188 500	2022
Hippodrome Mall (1 line)	293 000	2022
Peremoha Mall	146 000	2022
Akadem Mall	124 000	2022
Pochaina Mall	-	2022
Poznyaki Mall	210 000	2022
Bazhana Mall	86 000	2022
Heroiv Dnipra Mall	90 000	2022
XIT Mall	16 000	*
Smart Plaza Zhitomirskaya	12 000	*

Retail Real Estate Market

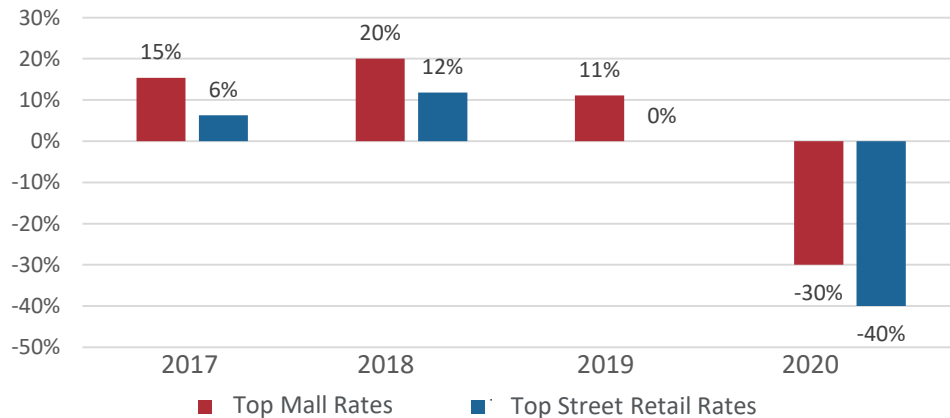
Market Indicators

Rent Rates for Different Types of Retail, Dollars USA / sq. m

	Succesfull objects		Objects under brokearge	
	Min	Max	Min	Max
Entertainment	5	20	-	-
Supermarkets (800-2500 sq.m, not incl. hypermarkets)	10	30	10	25
Large Fashion Stores (600-1500 sq.m.)	5	20	5	15
Electronics & Household Goods	20	60	5	30
Restaurants & Cafes	5	30	5	20
Fashion Gallery (100-200 sq. m) in TOP Malls (Ocean Plaza, Lavina mall, etc.)	40	60	5	30

Source: NAI Ukraine Brokerage

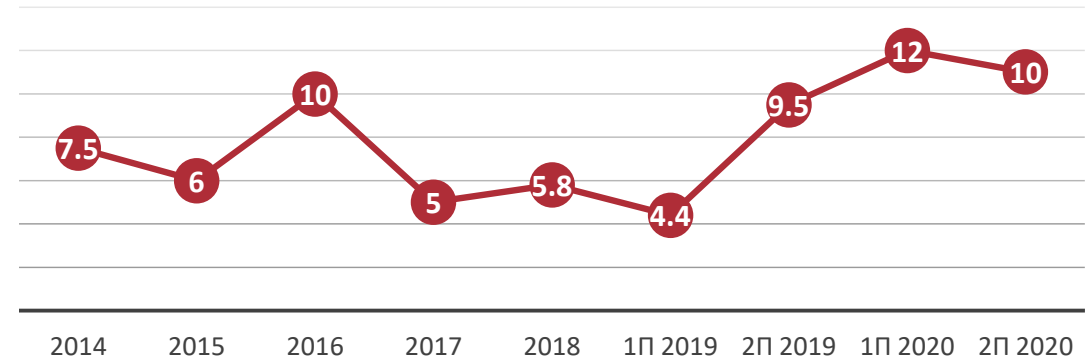
Rate Dynamics, %



Source: NAI Ukraine Brokerage

- Attendance at shopping malls in Kyiv in 2020 decreased by 26.5% (according to Watcom analysts). While large regional malls have not experienced a significant outflow of visitors in the year, local malls are facing quarantine challenges much worse. As a result of the decrease in the frequency of visits to the mall by the population, the conversion and the average purchase check increased.

Vacancy, %



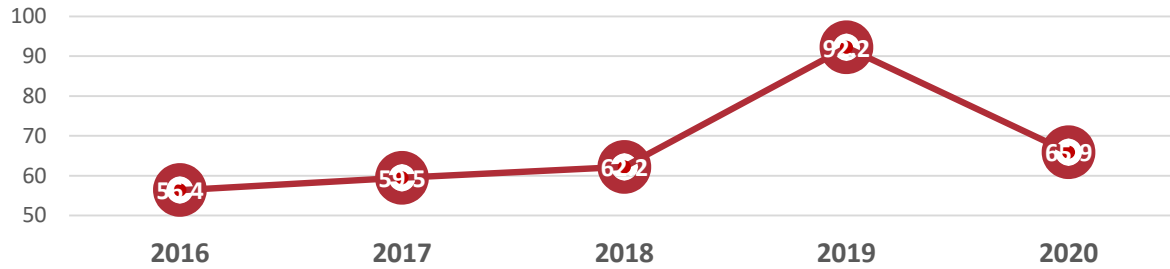
Source: NAI Ukraine Brokerage

	Capitalization Rates (prime)					
Ukraine (Kyiv)	15%	14%	12%	12%	11%	12%
Croatia (Zagreb)	8.5%	7.0%	7.0%	8.0%	7.0%	7.3%
Bulgaria (Sofia)	6.5%	6.5%	6.5%	6.5%	6.5%	7.75%
Romania (Bucharest)	8.0%	7.5%	7.5%	7.3%	7.0%	7.0%
Czech Republic (Prague)	6.0%	5.5%	4.9%	4.8%	4.5%	4.5%
Georgia (Tbilisi)	10.5%	11.5%	11.5%	12.0%	13.5%	13%

Retail Real Estate Market

Consumer behavior

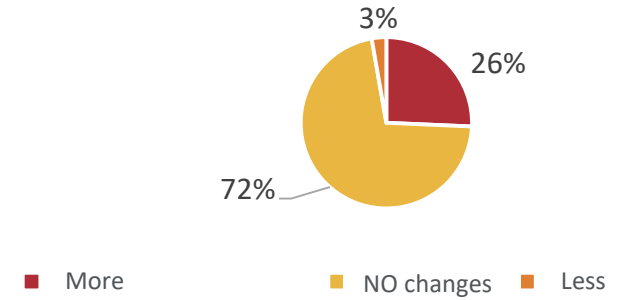
Consumer Sentiment Index Dynamics at the end of the year



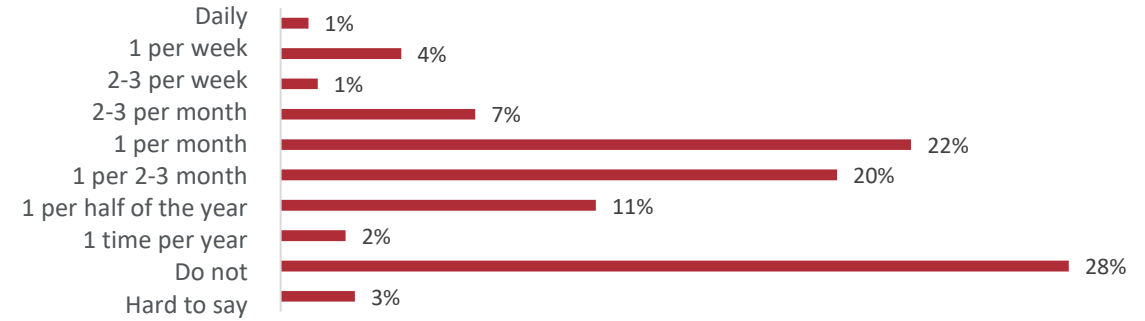
Source: InfoSapiens

	2019	2020
Average times of visiting malls per month	4,5	4
Average time of staying in the mall	1,2 hours	1,5 hours
Average number of stores visited	2	3
Average amount of expenses per 1 visit	3400 UAH	4300 UAH

Has the frequency of online purchases changed since the beginning of quarantine?



How often do you shop online?



What store formats do you think are the most prevalent in the current realities?



Retail Real Estate Market Brands

New Brands:

2018

Koton
Zara Home
AllSaints
Jo Malone
Penny Black
Hugo Boss
Ted Baket
Trollbeads
Daniel Hetcher
Alpina
Laurel
Trussardi
DeFacto
Livly
Santoni
Liu Jo
Under Armour
H&M
Kilian

2019

The North Face
SinSay
In Wear Matinique
Claudie Pierlot
Decathlon
Big Star
Franchi
ACBC
Supreme
Esprit
Balmain
Missha
Pylones
Escada
Weil

2020

The Body shop
Miss Sixty
The Athlete's Foot
Vans
F4
Intimissimi Uomo
Ochnik
FLO
Greyder
Fransa b.Young

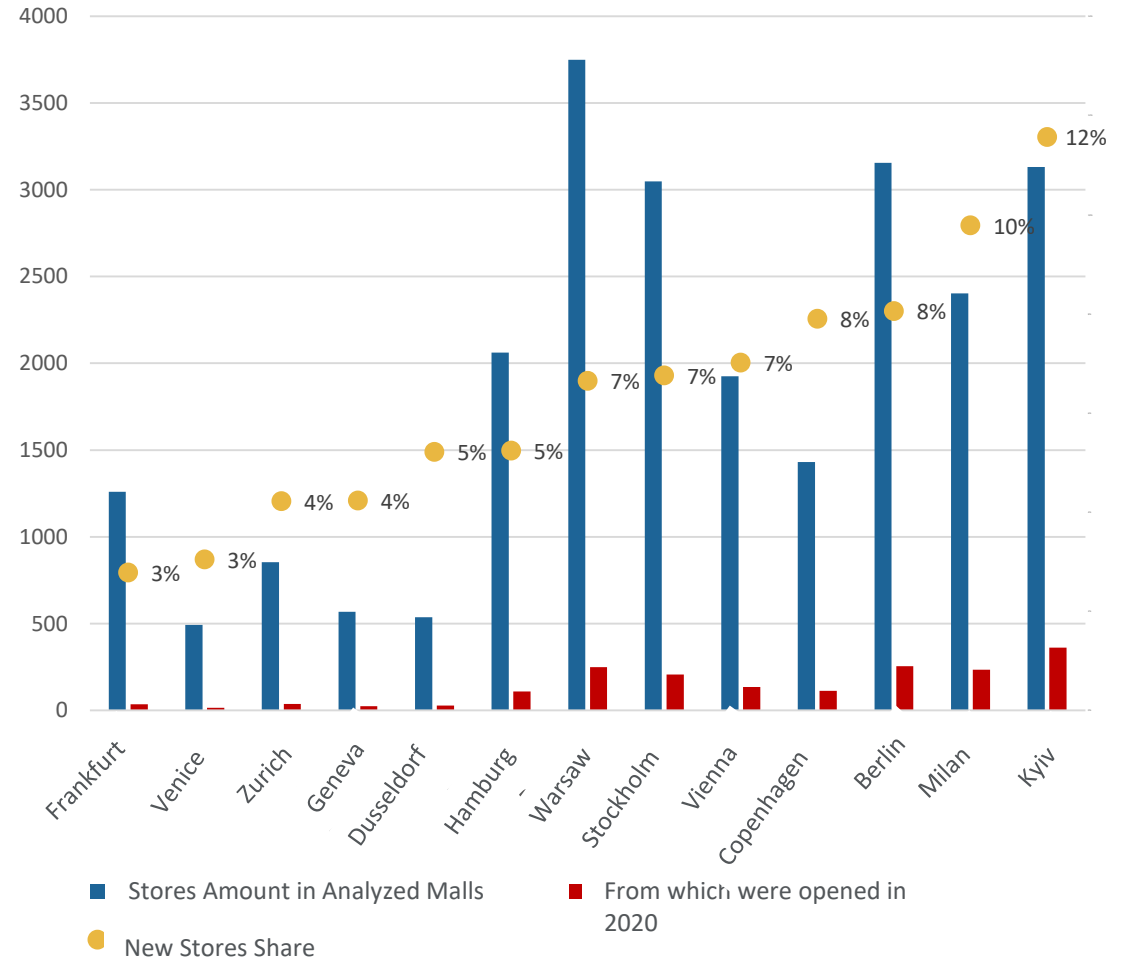
Source: News portals

30%

Retailers from «Top 50 Global Retailers 2020» are represented in the Ukrainian market

NRF National Retail Federation

Stores, Opened in 2020, Shares in Malls in different European cities



Retail Real Estate Market

Brands

Presented Brands



In Ukraine there are world leaders in sports brands - Adidas, Puma, Nike, New Balance, Under Armor. Among the multi-brand stores, Sportmaster is on the market. In 2020, the first store of The Athlete's Foot was opened in Blockbuster Mall.

In the Kids category, the regional leader Empik is presented on the Ukrainian market. Strong positions are occupied by local brands Antoshka and BI. World leaders such as Hamleys, ToysRus, Mamas & Papas have been negotiating the opening of their stores, but have not succeeded, as Russian entrepreneurs have the rights to enter the Ukrainian market.

In the Beauty segment on the Ukrainian market there are no world leaders - Sephora and Douglas, but there are local retailers - Brocard and Bomond. Eva, Watsons and Prostor are actively developing in the Drogerie category. In general, the market is experiencing a shortage of international brands, some of which are negotiating with the malls.

Fast fashion in Ukraine is represented by world leaders - Inditex and H&M, and regional - LC Waikiki and DeFacto. Brands such as C&A, Primark, Uniqlo are at different stages to decide to enter the Ukrainian market.

Brands which are planning or are waited for



Retail Real Estate Market

Brands

Presented Brands



Although there are no world brands in the Shoes category in Ukraine, there are regional leaders - CCC shoes & bags, ECCO. The market is quite saturated with the offer of various price segments, represented by local sellers.

Well-known world establishments are represented in the food & beverages segment, but Starbucks, with which negotiations have been held many times, is definitely missing.

In the electronics segment, the market belongs to local retailers, although the Saturn and MediaMarket brands are represented in the METRO network.

In the DIY market there is a large national network Epicenter, which acquired the New Line. The main competitor is Leroy Merlin, who in turn has big plans to expand its presence.

Brands such as Black Red White and JYSK are present in the furniture segment. A significant event was the opening of the first IKEA store in early 2021.

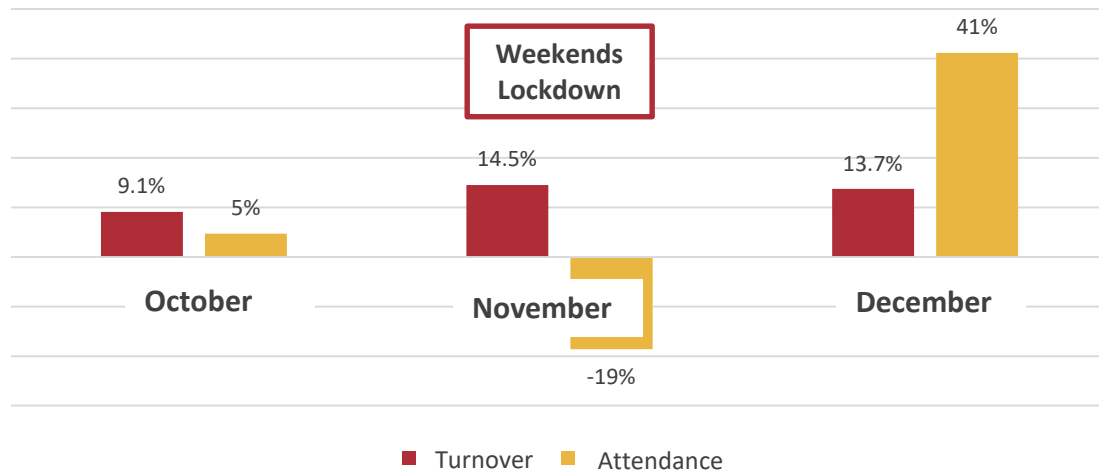
In the premium segment there are a large number of well-known brands absent on the market - Balenciaga, Stella McCartney and others. These brands are more sensitive to fluctuations in the economy and crises. Brands such as Trussardi, Moschino, Coach are looking for partners.

Brands which are planning or are waited for



Lavina Mall

Turnover Maintained: stable situation with mall turnover is the result of a good tenant mix



Low Vacancy:
8%



High Attendance:
1.2 mln visitors / month



Brands Rotation

New Deals: Diesel, Hugo, Chicco, Haier, Body Shop, USUPSO, IKEA pick-up point – 600 m2

Lavina Mall

2016

GBA: 140 000 m2

GLA: 115 000 m2

Average attendance:
55 000 visitors per day
~ 1,2 mln per year



Retail Real Estate Market

Trends



Ukraine is ahead of European countries, the United States and even China in terms of retail sales recovery



there is a tendency to buy real estate "**next to the house**" - purchases can be both investment and private - to open own business

4.1%

- share of retail trade in GDP



Large-scale deferred demand is being realized

30%

From all known world brands - an **unsaturated market**, fashion retail has **great potential** among world brands



Travel shopping is compensated on the territory of Ukraine



Changing the consumer model: reducing the frequency of visits, careful choice of shopping location, increasing the average bill
↑ **outlet trend**

2.4

mln of population work in retail trade segment



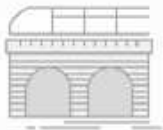
Shopping mall of the future: wide and relevant tenant mix = "all in one place"
Shoppingtainment: by 2022 - 50% of retail will be occupied by food and entertainment establishments
Digitalization - shopping mall as a marketplace



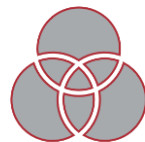
Omnichannel sales: the most stable and successful model of retail development (online compensates only up to 25% of sales in general, offline remains relevant)



Large population = = potential buyers



New Formats of Trade Development:
Transit-oriented real estate
Multifunctional complexes
Superregional shopping malls



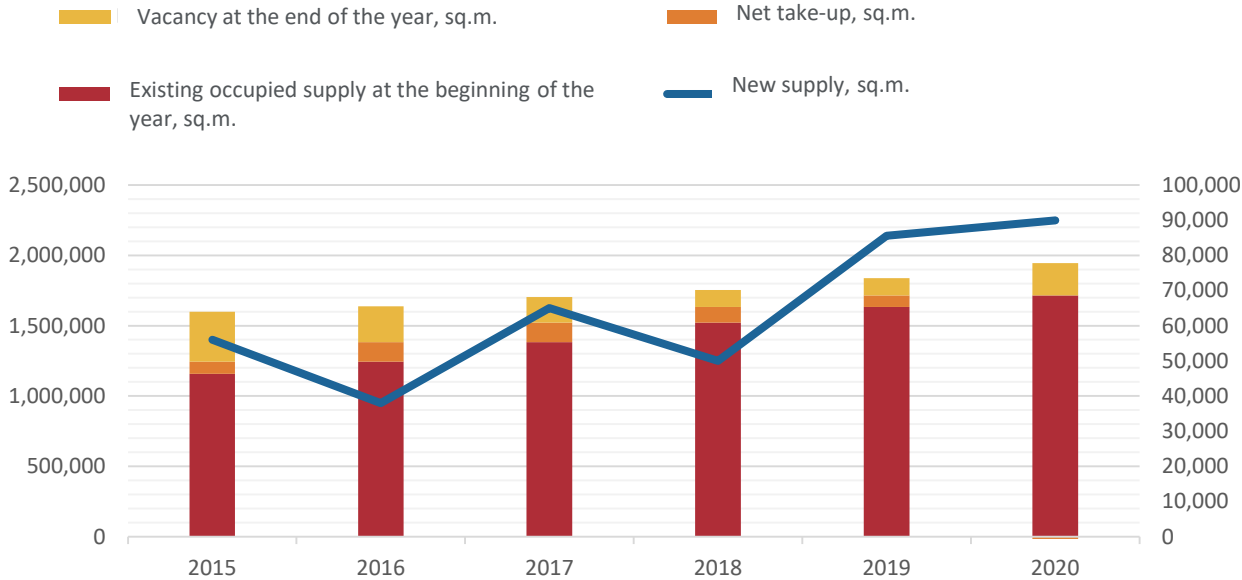
vacancy of retail space in the world increased to 20%, Ukraine managed to keep trade vacancy at a lower level - 10%, even with the opening of a new mall

Office market

Office market

Market indicators

Kyiv market stock, th. sq. m.:



	2015	2016	2017	2018	2019	2020
Existing supply at the beginning of the year, sq.m.	1,544,000	1,899,120	2,155,120	2,335,300	2,454,510	2,577,220
Occupied areas, sq.m.	1,158,000	1,244,880	1,382,000	1,522,820	1,633,790	1,715,890
New supply, sq. m.	56,000	38,000	65,000	50,000	85,600	90,000
Net take-up, sq.m.	86,880	137,120	140,820	110,970	82,100	-17,115
Vacancy at the end of the year, sq. m.	355,120	256,000	180,180	119,210	122,710	229,825

2020

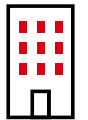
New supply

90 000 sq.m.



Gross take-up

93 000 sq.m.



Vacancy

12,5 %



Prime rate

\$30 sq.m.



Office market

Kyiv business centres

Put into operation projects during 2020

Name	Class	Address	Area, sq. m.
BC M8	A	Moskovska 8 str.	11 014
BC Unit.City, B11	B+	Dorohozhytska 3 str.	5 300
BC Grand	A	Valyka Vasylkivska 98 str.	8 782
BC Avenue 53, Фаза 1	B	Peremohy 57 ave.	16 700
BC Nivki City	B	Peremohy 67 ave.	8 600
BC Infinity	B	Saksahanskoho 53/79 str.	7 690
BC Forum City Garden	B+	Amurska 6 str.	10 000
BC Park Tower	B	Parkovo-Syretska 7a str.	6 837
BC Hillfort Business Mansion	A	Mykhailivska 12 str.	14 000

Future projects

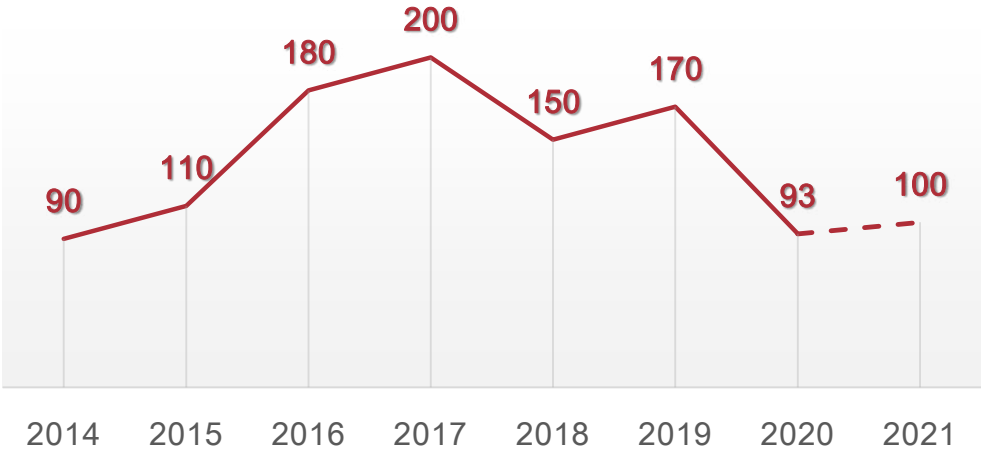
Name	Class	Address	Area, sq.m.	Year
BC Лук'янівський	A	Yurii Illienko 2/9 str.	22 000	2021
BC Eleven	B	Solomyanska 11 str.	16 500	2021
BC Retroville	B	Pravda 47 ave.	11 100	2021
BC Arsenal Plaza	A	Moskovska 8 str.	7 865	2021
BC К \ MOST	A	Zoolohichna str.	5 500	2021
Office centre	A	Korolenkivska 4/6 str.	80 000	2021
Zoryanyi	B	Moskovska 31/33 str.	7 800	2021-P
Andriivsky Business Space	A	Andriivska 19 str.	9 600	2021-P
MFC Sky Towers	A	Peremohy 13 ave.	77 360	2021-2022
Office centre	B	Volodymyrska 36 str.	5 200	2021-2022
Office centre	B	Zhylianska 25 str.	25 000	2021-2022
Office centre	B	Spaska 31a str.	11 600	2021-2022
Unit City	B	Dorohozhytska 5,6,7 str.	93 800	2021-2022
BC Magnett	A	Velyka Vasylkivska 137-139 str.	43 000	2021-2022
ITT Plaza	A	Korolenkivska 16/22 str.	77 000	2022

R - reconstruction

Office market

Demand

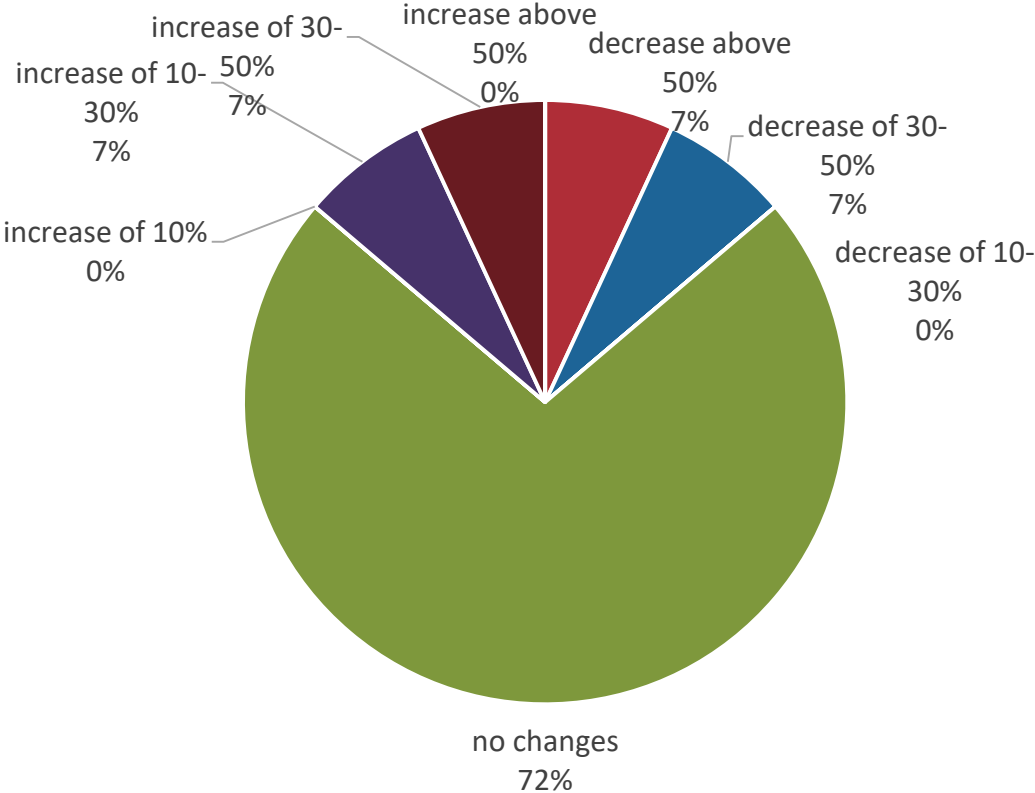
Gross take-up, th. sq. m.



	2015	2016	2017	2018	2019	2020
Gross take-up, from which:	110,000	180,000	200,000	150,000	170,000	93,000
Net take-up	86,880	137,120	140,820	110,970	82,100	-17,115
Areas of vacated existing supply, sq. m.	23,120	42,880	59,180	39,030	87,900	110,115

- IT remains the main demand driver. Digital transformation process was only accelerated during 2020. In 2020 the world demand on IT services increased of 5%, and 6,2% more in 2021 as forecasted. The companies` representatives assess the results of the Ukrainian IT sphere as positive with continuing growth, however, it is 20-30% below the planned indicators in 2019.

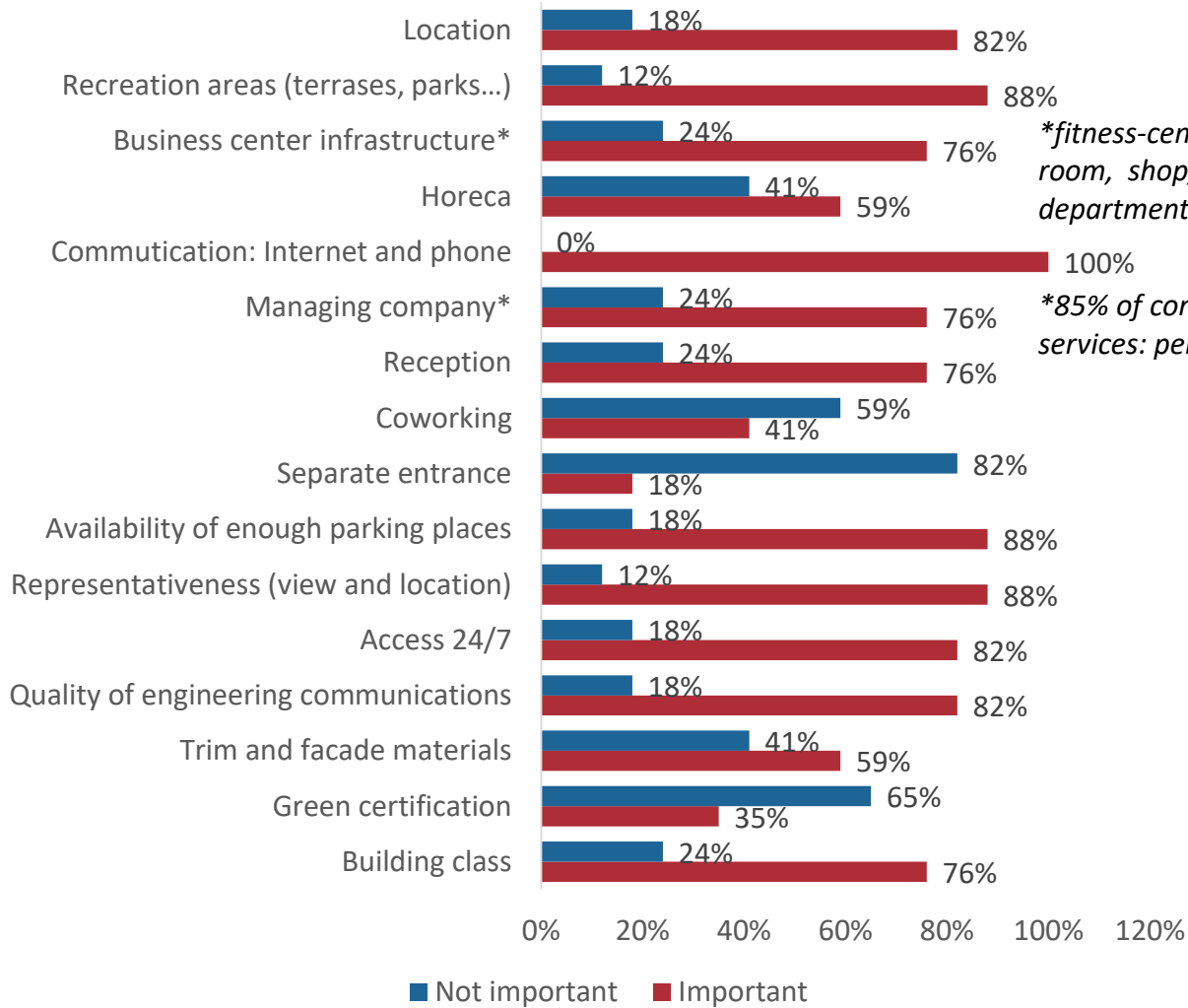
How office area changed



Source: NAI Ukraine brokerage department and other agencies data

Office market

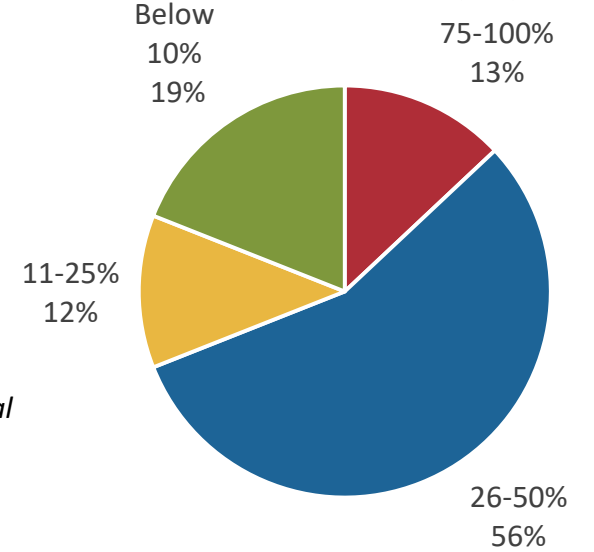
Demand



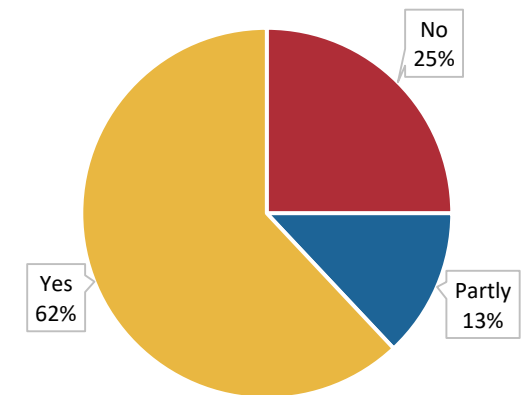
**fitness-center, café/ restaurant, conference room, shop, pharmacy; cleaner`s, Nova Poshta department*

**85% of companies would like to receive additional services: personnel, reception, cleaning, law etc.*

Amount of remote employees



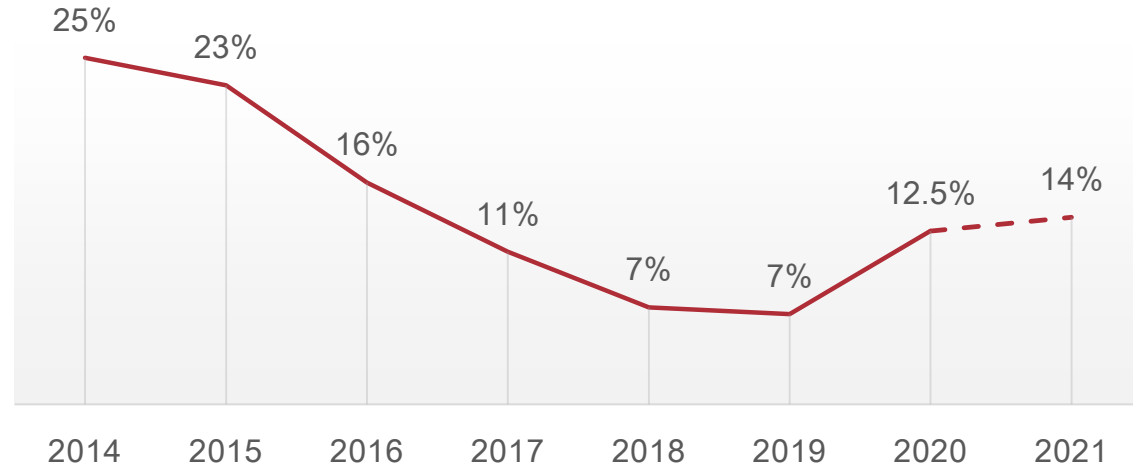
Use of or plan to use hot-desking approach*



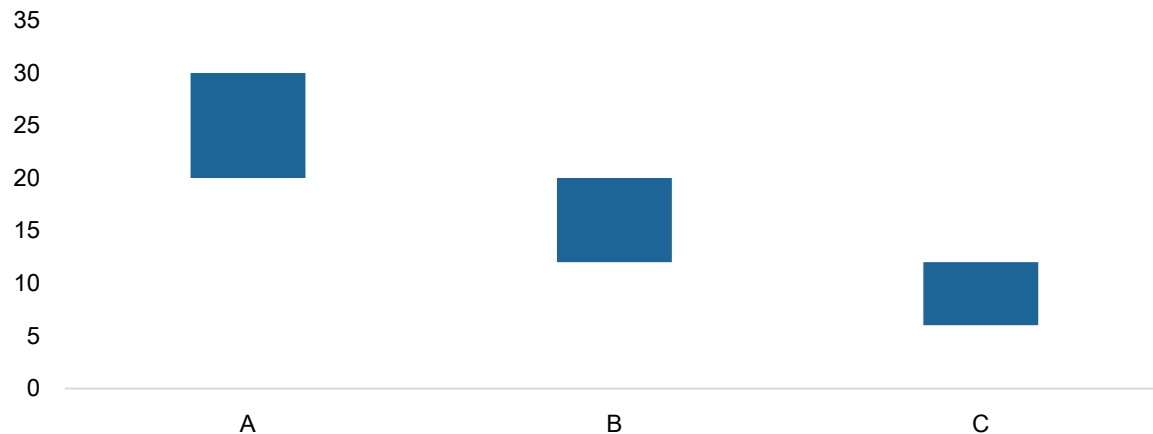
Office market

Vacancy, rates and capitalisation

Vacancy, %



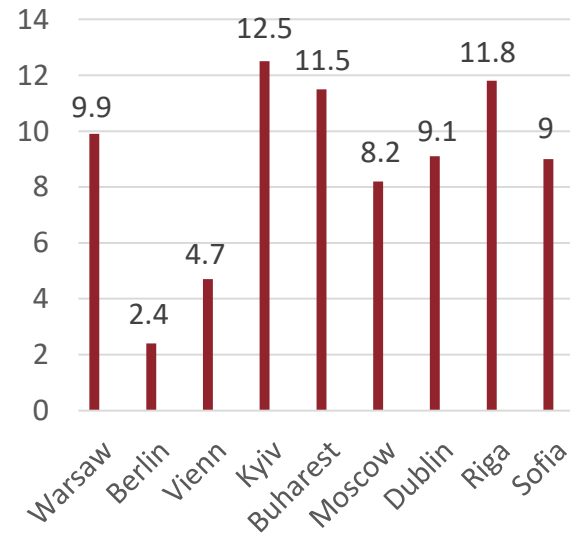
Rental rates(USD/sq.m./month)



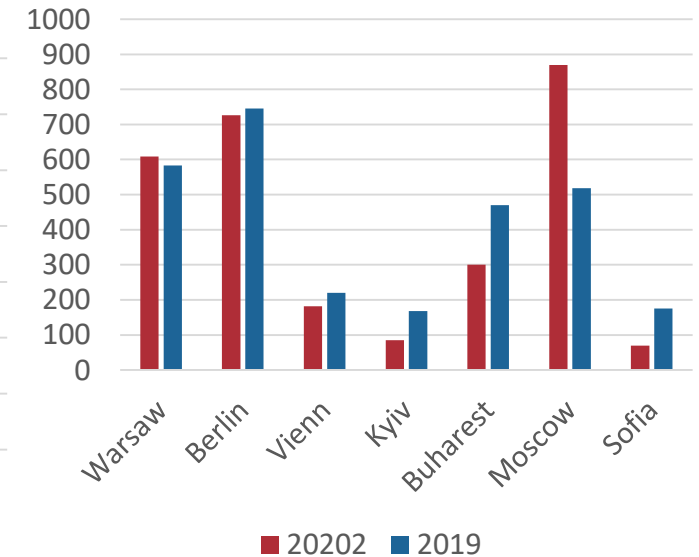
Capitalisation rates (prime)

	2015	2016	2017	2018	2019	2020
Ukraine (Kyiv)	15%	14%	13%	12%	11%	12.0%
Croatia (Zagreb)	7.5%	7.5%	8.0%	8.5%	8.5%	8.5%
Bulgaria (Sofia)	8.3%	8.0%	8.0%	7.8%	7.5%	8.0%
Romania (Bucharest)	9.0%	8.5%	8.5%	8.5%	8.0%	8.0%
Czech Republic (Prague)	6.0%	5.5%	4.9%	4.8%	4.5%	4.5%
Georgia (Tbilisi)	10%	10%	11%	11%	12%	11.7%

Vacancy in other Europe cities, %



Take up in Europe



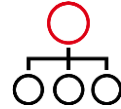
Source: NAI Ukraine brokerage department, NAI Global, Real Estate BNP Paribas

Office market

Coworking

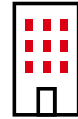
Total amount of locations

>60



Amount of operators

>40



Total amount of coworking in Kyiv

89 000 sq.m.



	Warsaw	Minsk	Kyiv
Total area, sq.m.	77,400	58,000 (approx.)	89,000
Amount of coworkings	116	29*	40
The main operators	WeWork, IWG (Regus, Spaces), Brain Embassy, New Work, Business Link, Omni office	IMAGURU, PENTHOUSE, Co.Working №1, Who Is John Golt?, coworking.rabotaem, Regus	Regus, Creative Quarter, Coworking Platforma, Creative States, Kooperativ, Hub 4.0, Tceh, The Space
Rental rates for 1 work place for 1 month	Hot desk 50-285\$ Private office 170-205\$	1 day – starting from 10 euro 1 week – starting from 35 euro 1 month – 79-160 euro	Hot desk 50-250\$ Private office 110-430\$ Special office 430-1025\$



General information	Regus	Creative Quarter	Coworking Platforma	Creative States	Kooperativ	HUB 4.0	Tceh	The Space
Amount of coworkings in Kyiv	11	3	2	3	1	2	3	1

Office market

Trends and conclusions

- Office market vacancy by the end of 2020 amounts to 12,5%, which is 0,5% higher than in 1H 2020. Since the beginning of the year vacancy has increased of 5,5%, which makes more moderate market fall comparing to previous crises and forecasts.
- Remote work will probably prevail in 2021: it is fully fair for the 1H, for 2H there is a high possibility of step-by-step return to the work in offices, depending on vaccination speed and efficiency of the quarantine measures. However, the effective online work experience will bring up changes in offices area organisation - different hybrid models (e.g. remote work of the part of employees, combination of offline and online working days in a week with hotdesking etc.) will probably also take place after the pandemic stabilization.
- The approach for offices area organization has changed: by decreasing the amount of full-time employees the space between desks and common premises increases, specially for formal and unformal meetings.
- From the one side, this approach lets remain the leased office space, from another side most of the companies are under the pressure of negative consequences of the coronavirus crisis and look for the ways of costs optimization, especially office costs. It gave another push for coworking development. This segment has also suffered from the outflow of private entrepreneurs, however, has significantly increased a base of corporate tenants. Using the coworking services companies, that have used only traditional offices before, cut off common premises, a part of teams from general lease, optimize administrative office expenses, zoom the area without capital expenditures in a flexible way, decrease business risks with short-term agreements. For its side coworking optimizes the tenant mix turning the business model to more stable. For example, for Poland office market 30% companies are expected to fully or partly use of flexible offices.
- In spite of external factors the reason of more stable market is growth for offices rent during 2019 and 1Q 2020 at the same time with dramatically low supply in 2018-2019. That's why despite significant new supply in 2020 (approx. 80 th. sq. m.) and leaving of premises due to the crisis the market has withstand the impact: according to the preliminary data take-up for 2020 amounts to 90 th. sq. m., which is half less than in 2019m but enough to compensate new amount of areas.
- In spite of more positive economic forecasts for 2021 and foreseen higher tenants` activity, new offices with the total area of 100 th. sq. m. are expected to be put into the operation. Along with the continuous trend for moving to flexible office spaces, landlords offering services of the usual long-term lease will feel the demand shortage, which will last reducing pressure for rent rates.
- The optimal approach for such structural changes is adaptation for the new tenant. For example, flexible offices operators Własne B, Mindspace in Warsaw interact with classical land lords using the management agreements – in such way a typical business center rented out as a coworking and is managed by a professional operator, but contracts are signed directly and revenue is received by an owner of the object, and coworking operator diversifies activity, receiving additional revenue for the main business. In spite of increasing capital expenditures for common spaces (that grow up without using of flexible offices due to tenants` insistence for a business center infrastructure and view), tenants` strong interest, contracts` tariffication by places and short-term period, cause higher profitability and objects` occupancy – according with NAI Ukraine calculations, average rent rate for sq. m. in Kyiv is 15-30% higher depending on an object and its location. In its projects NAI Ukraine also offers to use such models of co-office, providing flexible lease from a desk to a standard office with the all coworking infrastructure.

An architectural rendering of a modern residential development in Kyiv. The image shows several multi-story brick buildings with white balconies and large windows. In the foreground, there are ground-floor shops including 'EASIDE COFFEE', 'GALAXY COFFEE', 'LOUIS VUITON', and 'OMYNI HIFLIGER'. The sky is blue with light clouds.

Residential market in Kyiv and Kyiv region

Residential market in Kyiv 2020



Spring lockdown: newbuildings residential premises sales fell of 40-90% with the gradual return to the level of 2019 by the end of May

March-May

+ 01/07/2020 government signed Decision On realisation of experimental project on introducing of the first line of Common state electronic system in construction

A collapse in SACI (DABI) regarding issuing permissions for construction and cetrifications on putting into operation.

Rapid growth of sales, realization of deferred demand.



autumn

- From cross financing to own developers finance resources: increase of gap between leaders and outsiders
- High attention on constructors reputation, construction dynamics, previous projects portfolio
- Accomodation transformed from the place for sleepover to polyfunctional and comfort space due to increased buyers requirements for quality of newbuildings parameters
- Attention to recreational component
- Rapid renewal of demand payment capacity

2020

January - February

The key developers in comfort and business-class segment shown the sales growth of 10-15% comparing to the same period of 2019



summer

10% mortgage (rate is actual only for the first years/year) – few banks; mortgage rate is flexible, primary contributions still remains overwhelming for the most of buyers composing of 30-40% of premises cost



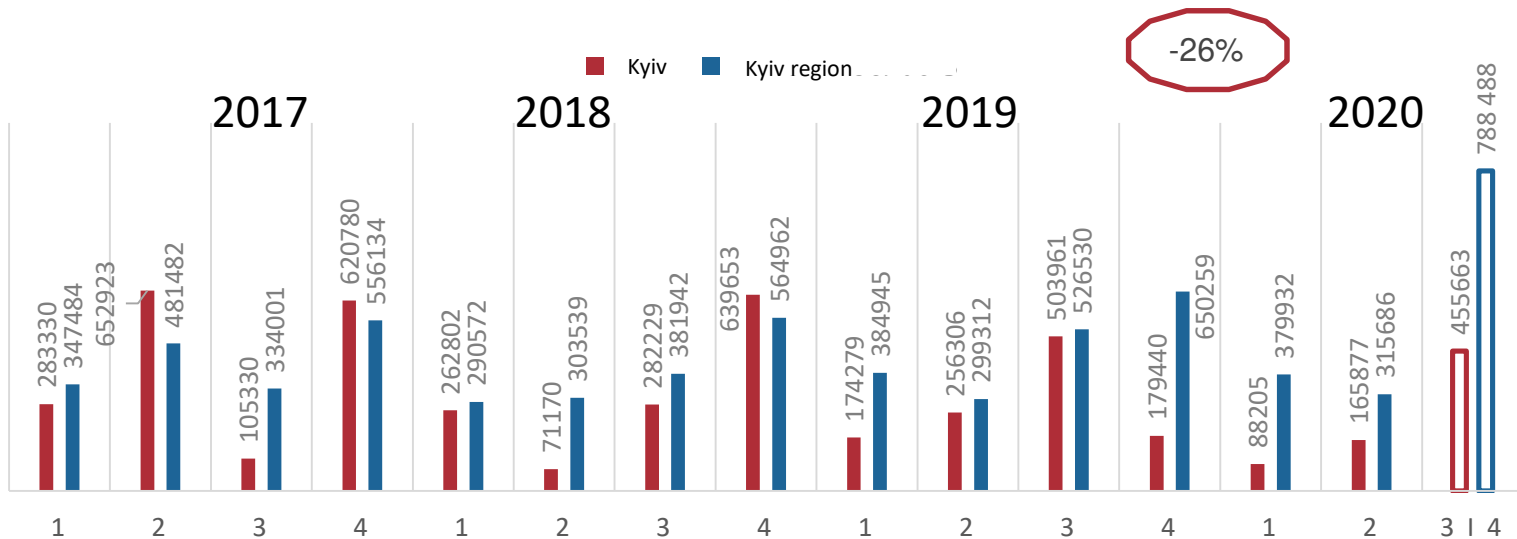
autumn

Escalation of situation with bankruptcy of the big developer Bank Arcada (construction of big complexes Patriotika and Evrika, which needed 7 bln. UAH for completion) According to Monitor.Estate during 5 years 232 risk newbuildings have been constructed in Kyiv

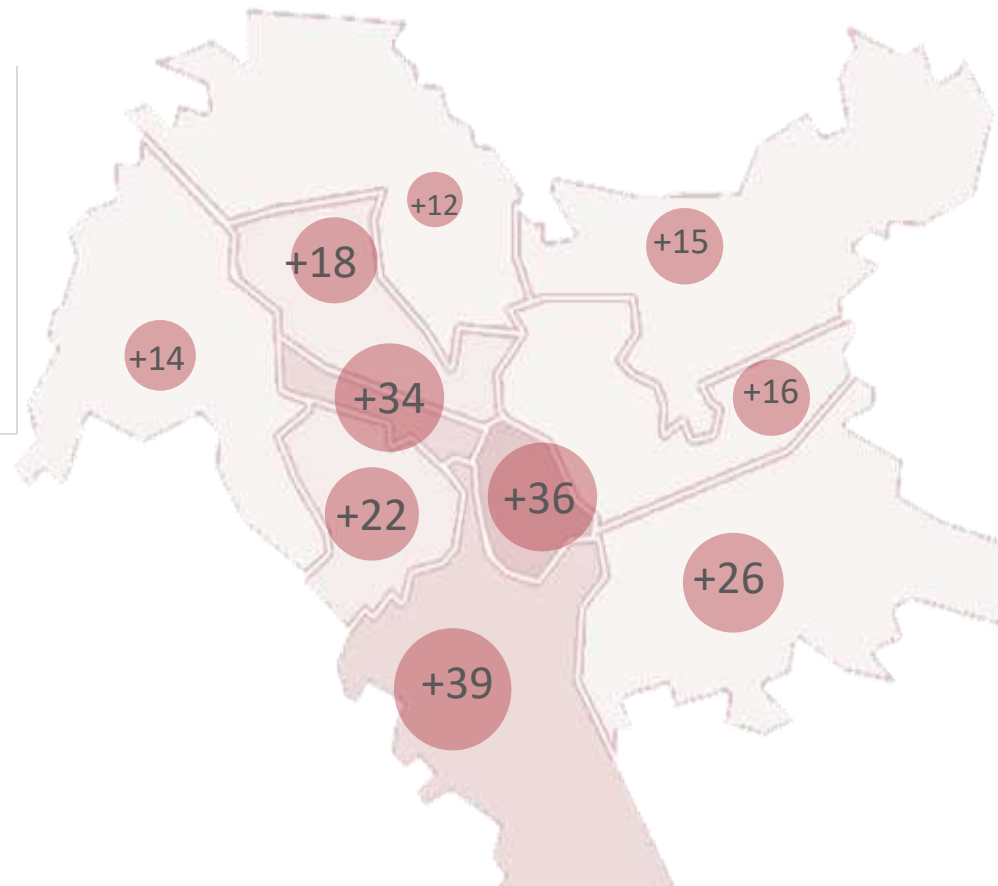


Residential market: supply

Dynamics of putting new premises into operation in Kyiv and Kyiv region, sq. m.

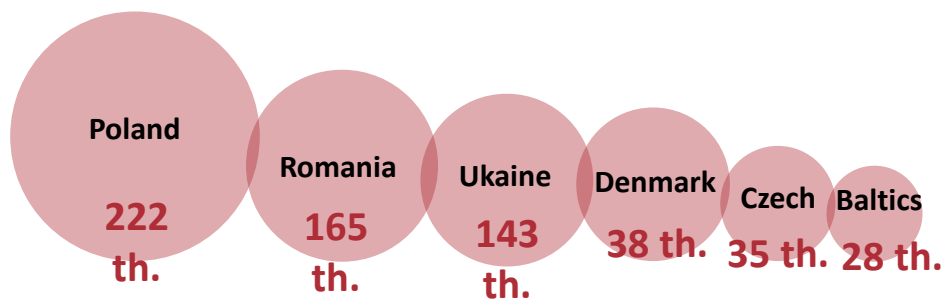


Kyiv newbuildings



Note. A source for statistic information about indicators of start and completion of construction is data out of Construction Register. Due to Ministry of region implementation of the first line of Common state electronic system for construction, for which Register is one of the components, and need to review of appropriate administrative data, statistic information for 9 months of the current year formed on its basis, can be actualized. It would be additionally messaged on State Statistics Committee and its' territory authorities websites. Source: State Statistics Committee and register

Completion of new residential premises construction by counties, apartments



Source: Lun, NAI Ukraine

Supply

Supply expansion

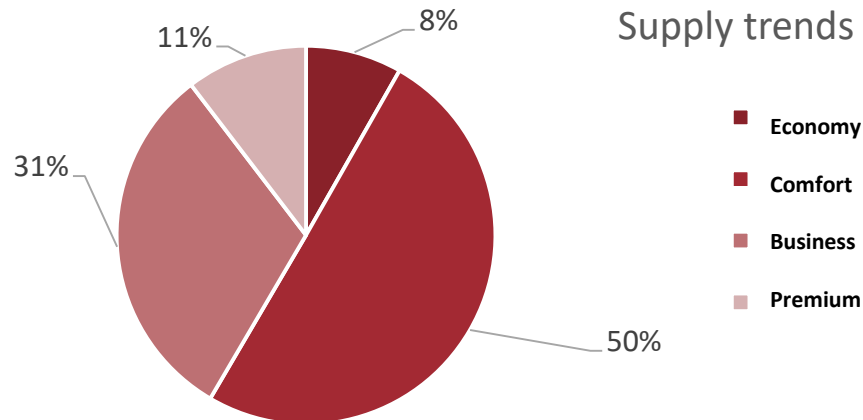
240 complexes are on active sale
Nearly 50 complexes sale are on hold
70 complexes are prepared for sales start

Leaders

Kyiv + region and Lviv + region are on top for new living complexes construction in Ukraine;
Local players are leaders in cities

New premises

Proportion between primary and secondary market 55%/45%



Supply trends

Shifting of deadlines of putting into operation

Putting into operation volume decreased of 20-35% for 2020; there were a lot of projects with missed deadlines (SACI+the quarantine)

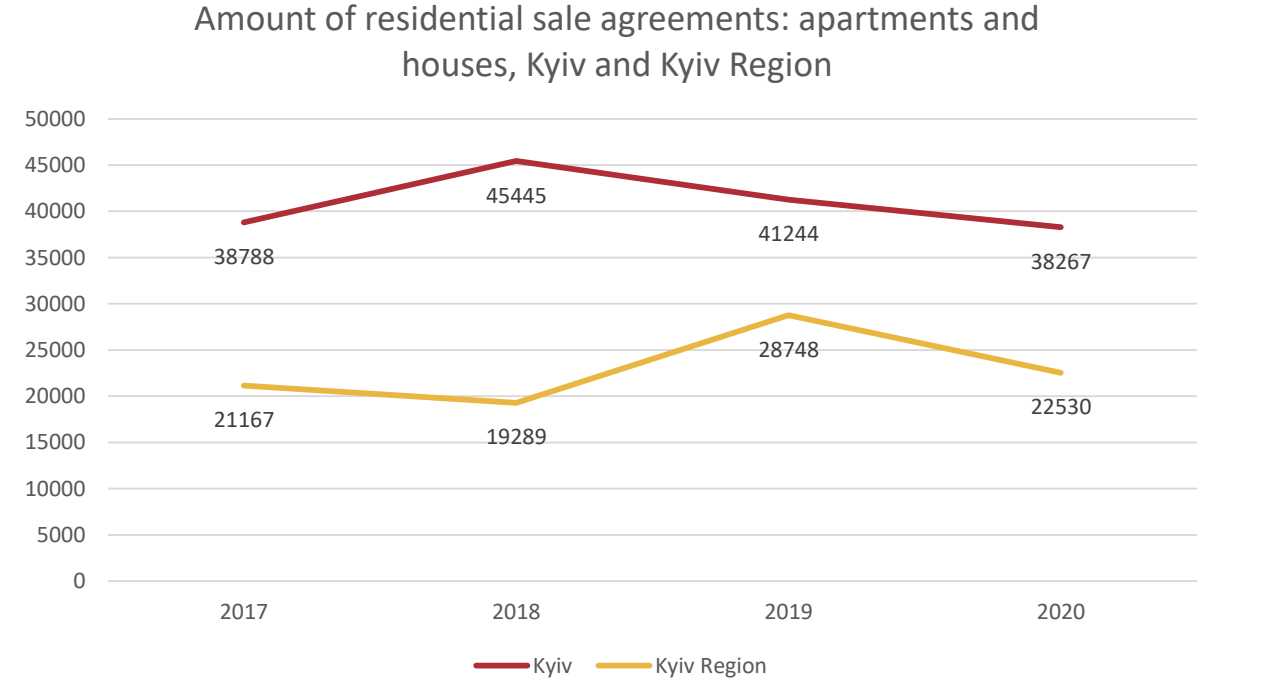
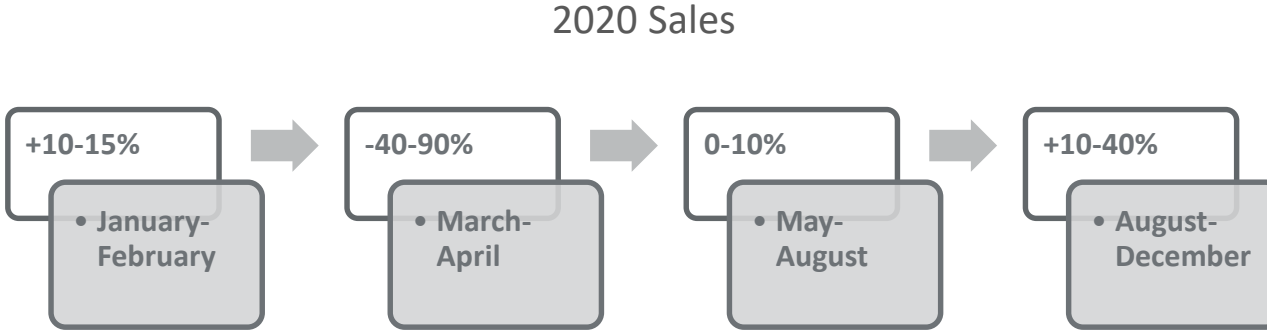
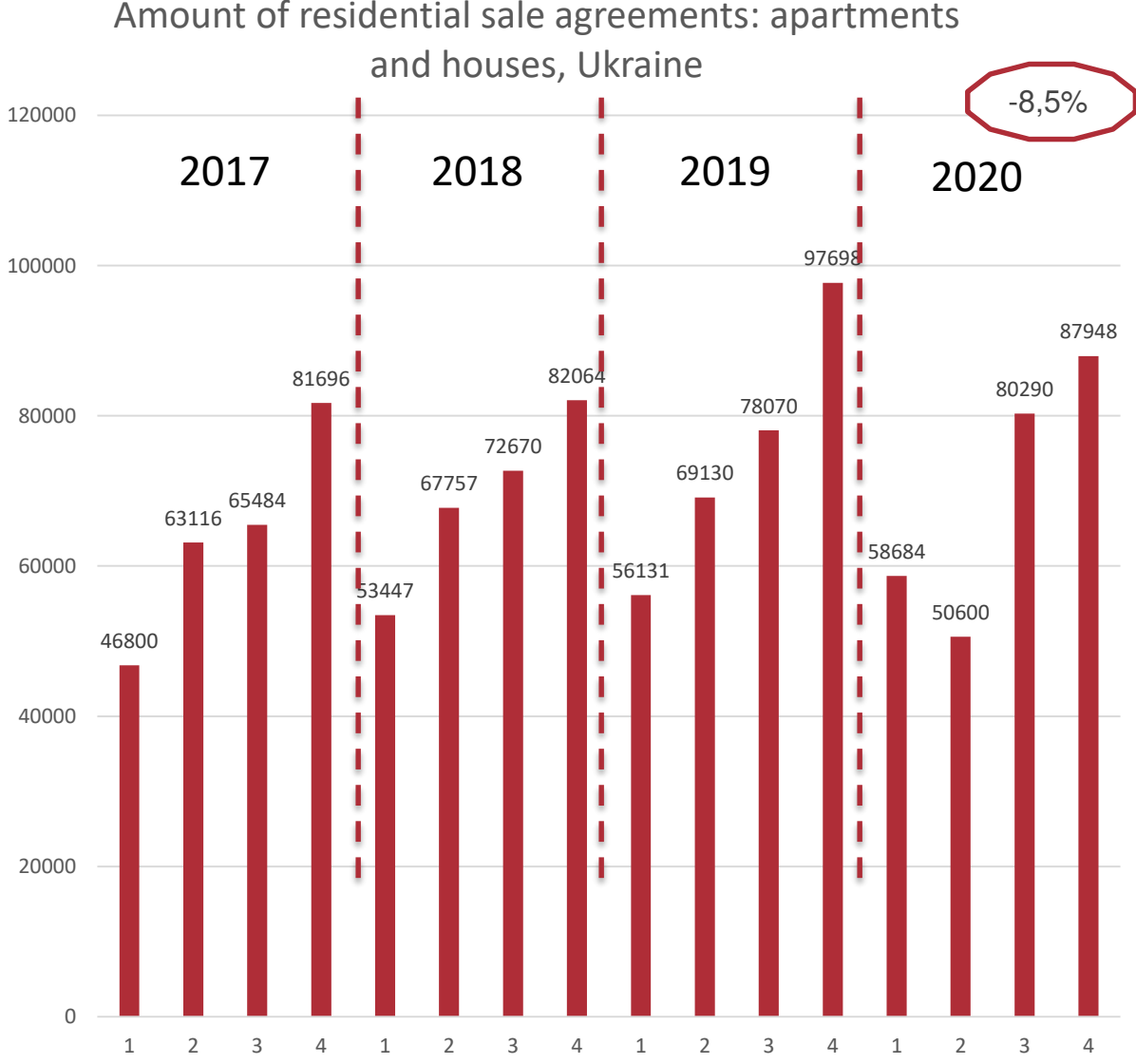
Prices

Prices in hryvnia increased of 12-15% due to decline of putting into operation volumes, cost of construction, materials, salary. Single-bedroom apartments had the most significant increase of prices.

Trends

- Comfort and Business class dominance
- Huge projects in a format of city in city, which compose of residential and non-residential premises (schools, preschool, service centers, clinics).
- Multifunctional complexes, combining different functions: residential, commerce, offices and other premises.

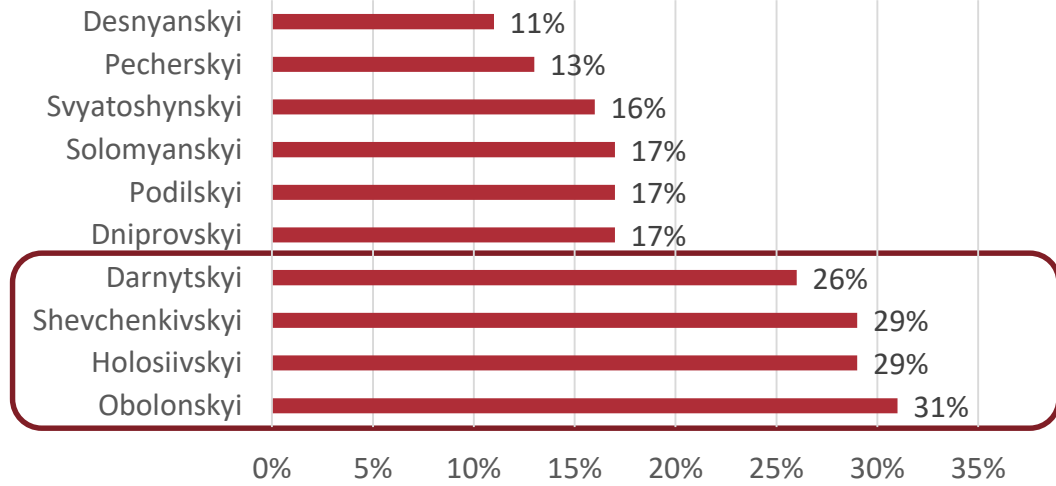
Residential premises market: demand



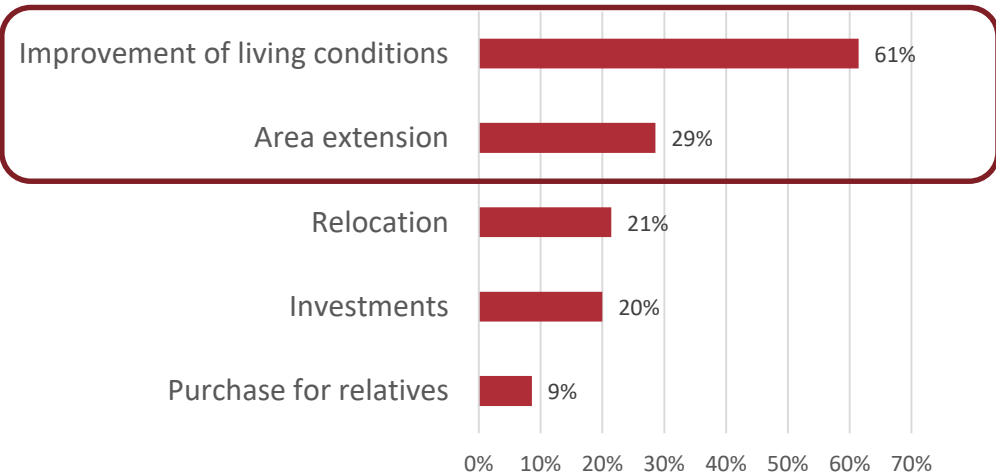
Source: Ministry of Justice

Residential purchase – main trends (comfort class segment)

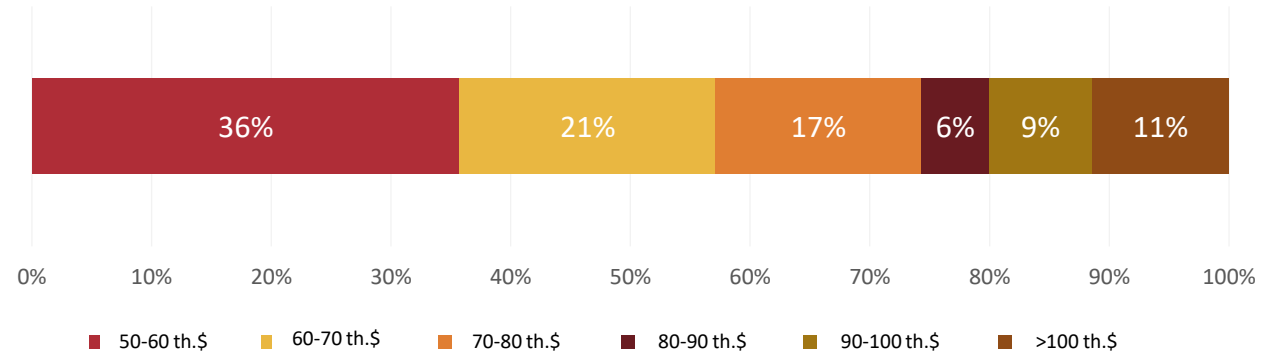
Which Kyiv districts are the most popular for purchase



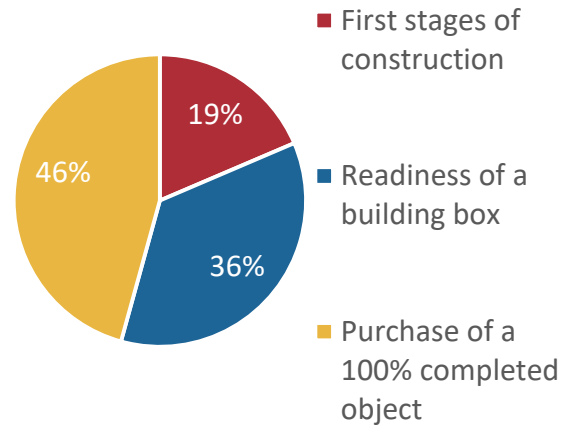
Main reasons of purchase



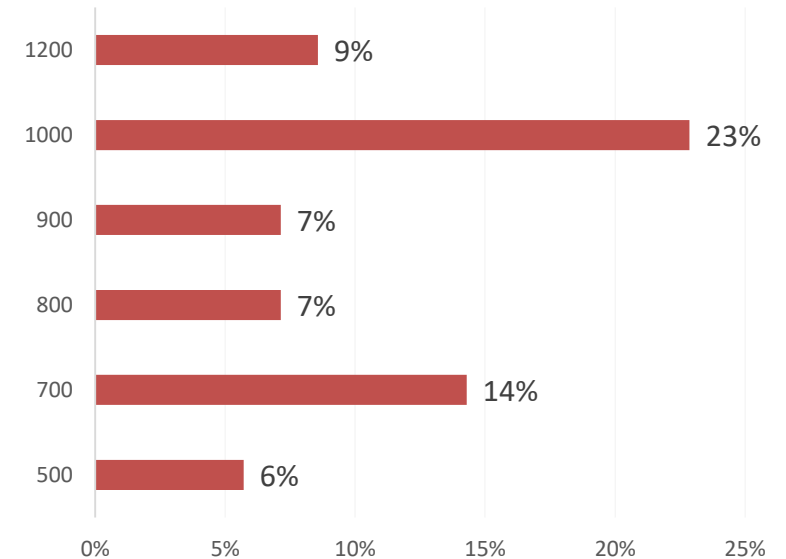
In which price range do you plan to purchase?



On which stage of construction are you ready to invest



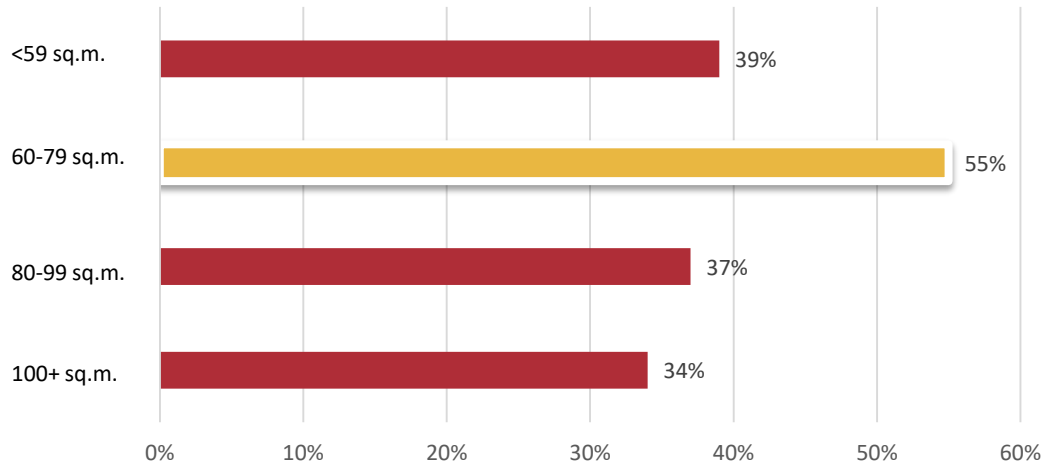
What price would be appropriate for you in USD/sq.m.*



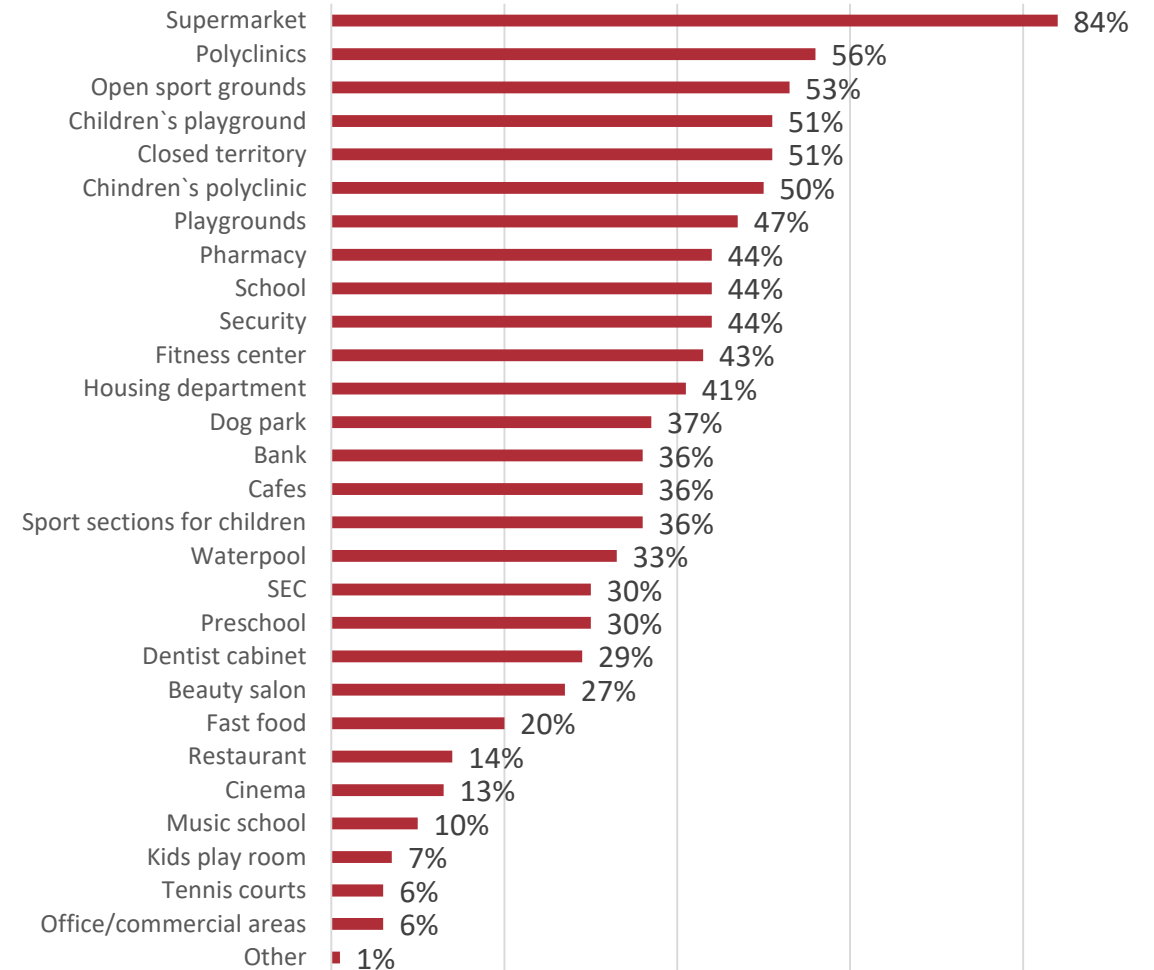
*Responses which received below 5% weren't taken into attention

Residential premises purchase – main trends (Comfort class buyers)

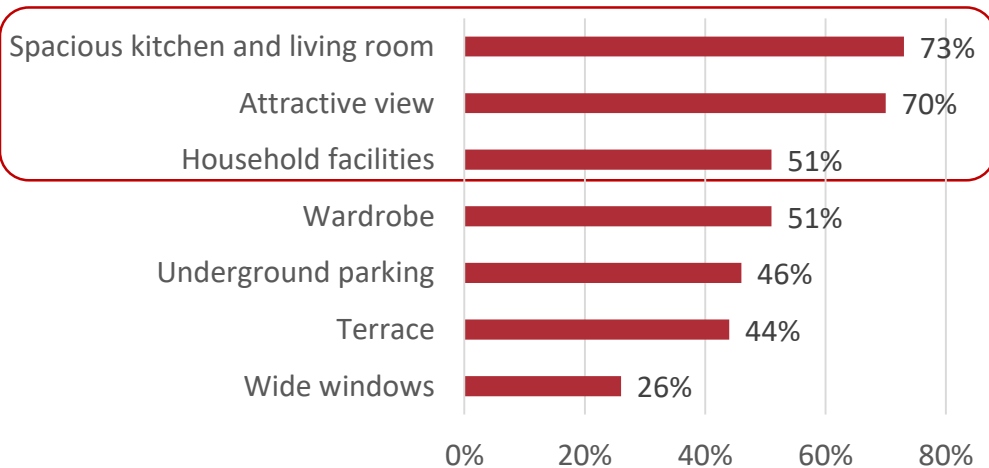
What area ranges do you consider



What infrastructure objects are needed on the residential complex territory



What features of premises do you consider the most precious and comfort?



Demand

A buyers profile is stable:
The most are young families below 35 years old (>50%), people, who improve their living conditions, 36-55 years old (>30%), investors in the age 40-55 years (nearly 15%)

Improvement of living conditions

Population which aims and can improve their living conditions



Investment demand

High investment demand on newbuildings and business class market. Share of investment agreements is in average 20%, in separate complexed up to 40%.



Redistribution

Redistribution of demand took place: popularity of economy-class objects significantly decreased, but investors activity over complex buildings increased: comfort-class complexes were key figures in a budget segment, defeating economy-class premises.



The quarantine influence

Demand on eco- and nature-frend complexes in suburbs, which compose more than half of sales volume in Kyiv and suburbs.



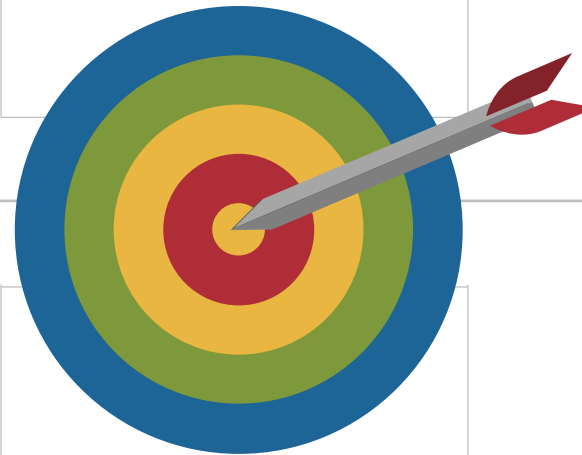
Trend

Demand structure becomes more diversificated: demand on differen formats and plannings

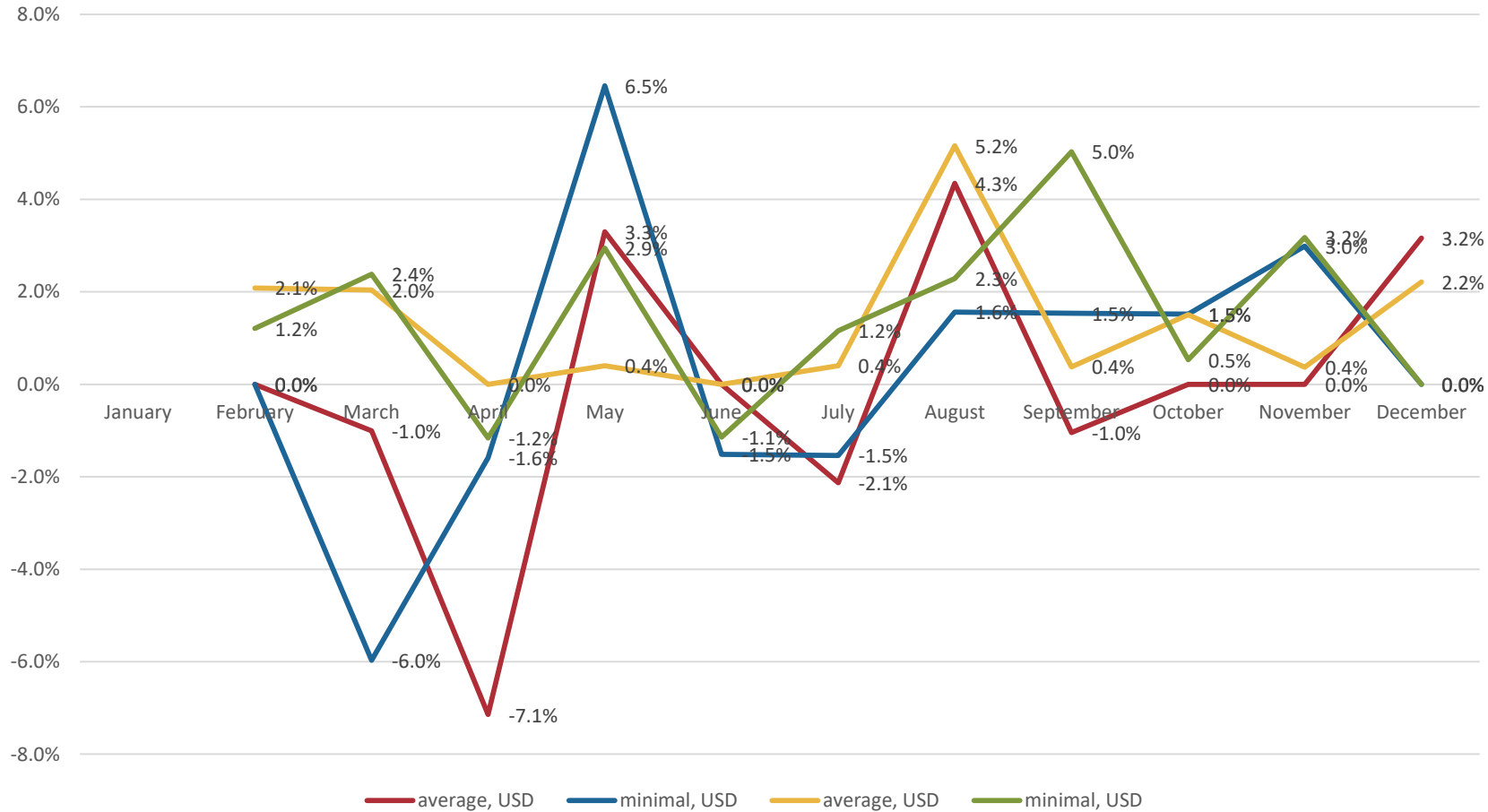


Residential issue

Requests for single and double-bedroom apartments with area 45-75 sq.m. Permissive papers liquid, location, pricing, architect decisions and improvement of nearby house territory matter.



Change of price for sq.m. in Kyiv newbuildings



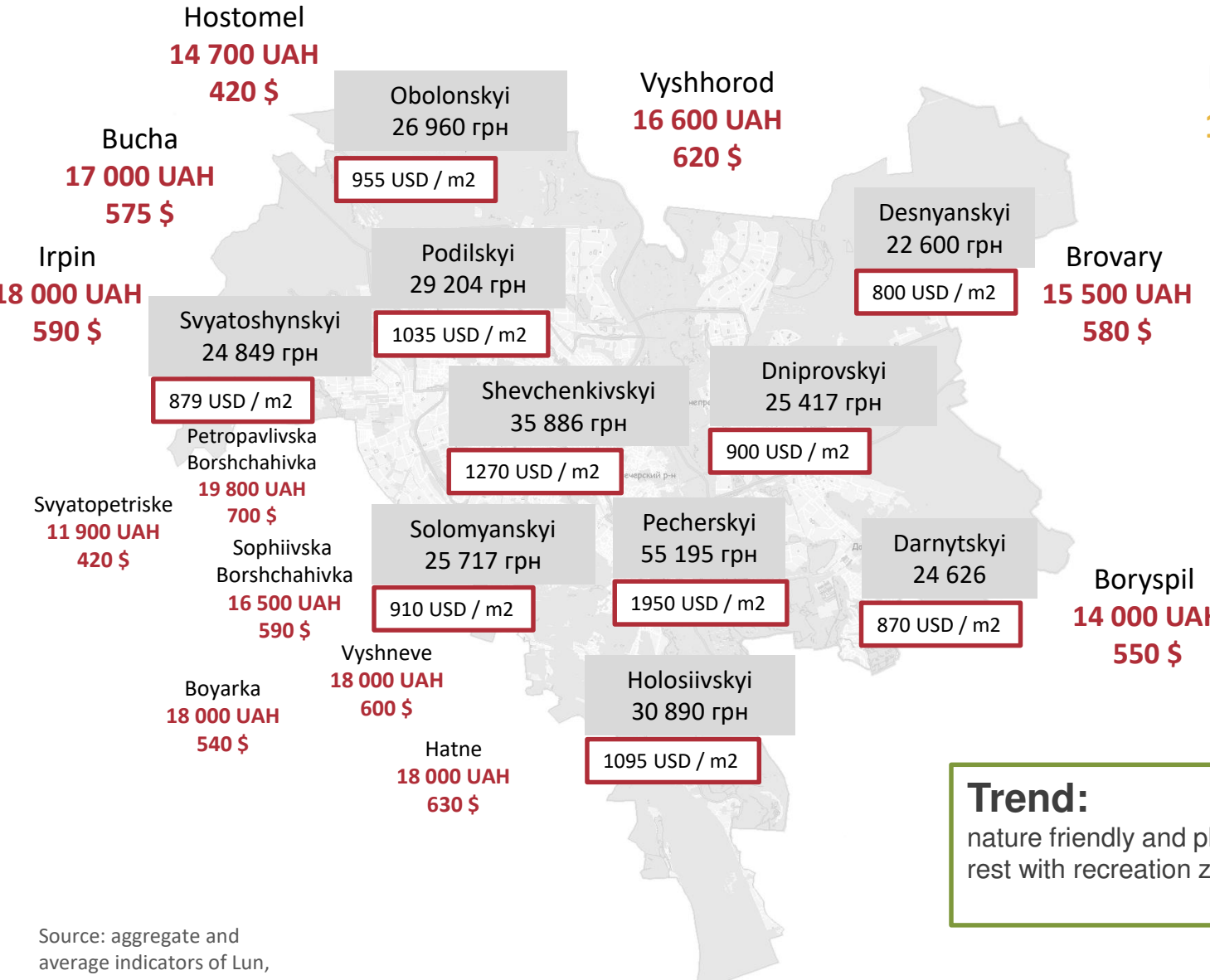
Average price by premises classes

	UAH / sq.m.	UAH / sq.m.
Economy	20 800	730
Comfort	23 000	820
Business	41 700	1 480
Elit	65 300	2 310

Comparing to January 2020 prices in hryvnia have increased for all segments of primary premises: economy – rise of 14,4%; comfort class- rise of 9%; business class – rise of 7,1%; premium class – rise of 14,4%.

Source: Lun.ua data, communications with sales departments

Average cost in suburbs



Below 5 km
18 000 UAH
630 \$

5-10 km
17 000 UAH
600 \$

10-20 km
15 000 UAH
550 \$

Average cost in Kyiv newbuildings
30 150 UAH / sq.m. (+12% from January)
1070 USD/ sq.m.
Median:
27 000 UAH / sq.m. (+12% from January)

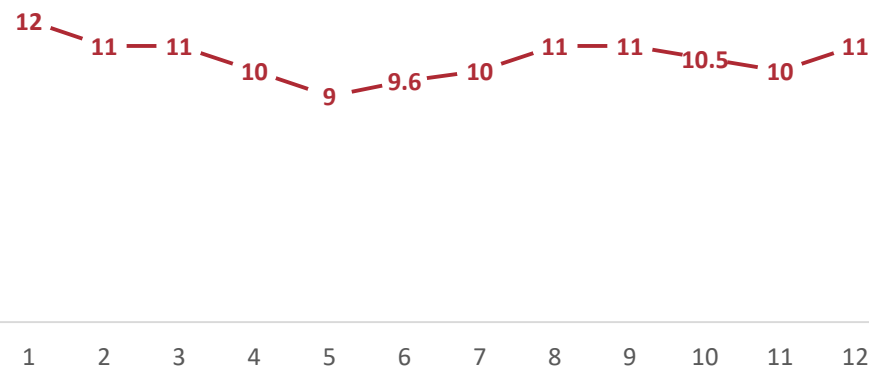
Average price in Kyiv suburbs
16 500 UAH / sq. m.
585 USD / sq. m.

Trend:
nature friendly and places for a rest with recreation zones

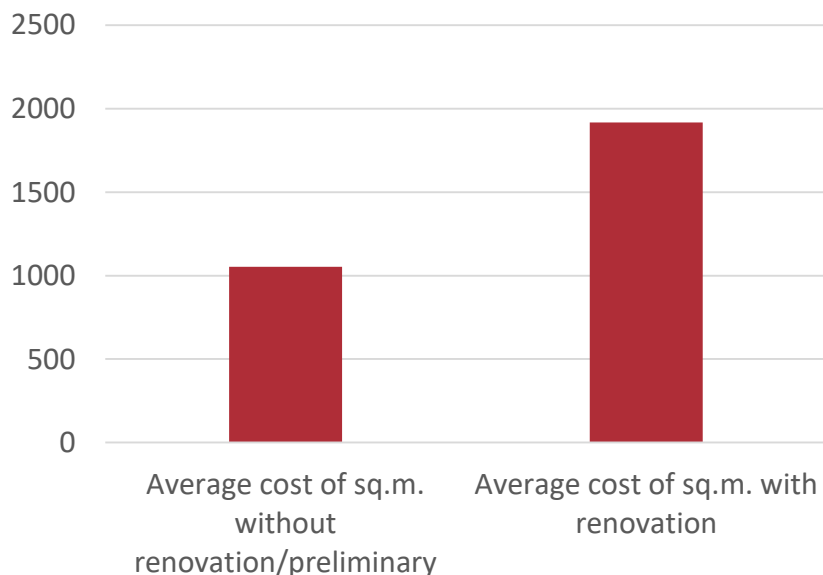
Source: aggregate and average indicators of Lun, Olimp, 100 realty and NAI Ukraine

Apartments market

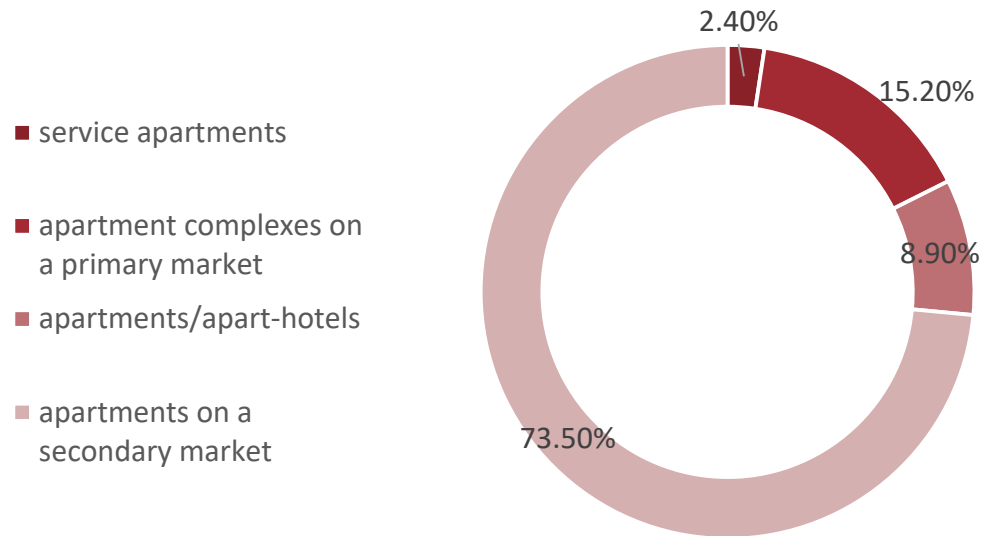
Residential premises rent rate in Kyiv in 2020, USD/sq.m. (address.ua)



Rates range in apart-complexes is 15-45 USD/sq.m./month

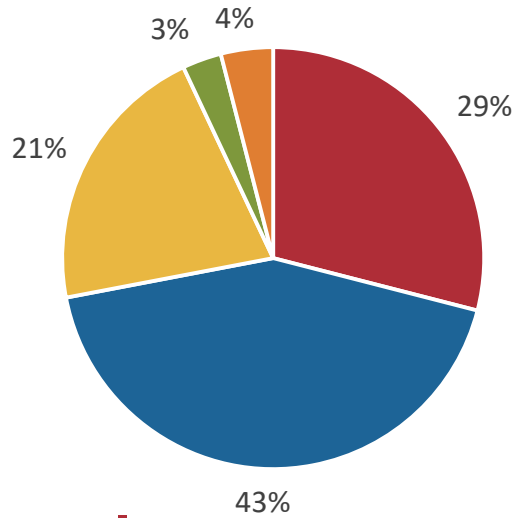


Apartments market in Kyiv

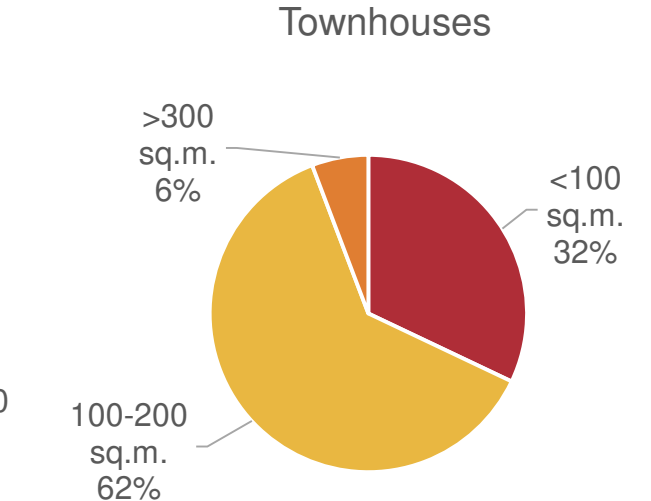
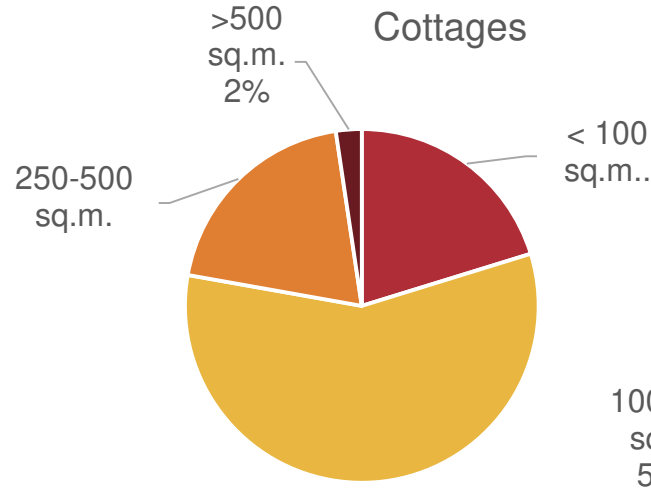


- **Service apartments** – 2,4%. Apartments in RC Be The One (2021), Standard One Terminal (2022), Times (project).
- **Apartment complexes on a primary market** – 15,2%. Potential apartment for rent, e.g. RC Metrololia, Parkland, Own Apartment, 4U, Karavaievi dachi, apart-complex in Pushcha-Vodytsya, Saga City Space.
- **Apartments/Apart-hotels** – 8,9%. They are represented by rooms in apart-hotels, different classes apartments and apartments for rent.

Cottage towns



- Townhouse
- Cottage
- Duplex
- Quadruplex
- Plot



Supply structure



Kinds

Cottages, city-houses, townhouses, which can be duplexes, triplexes quadruplexes depending on sections amount in a house



Supply

There are 275 cottage towns, from which 122 has townhouses in Kyiv region within 110 km to the capital



Construction boom

During summer and the beginning of autumn more than 10 new objects turned into a market – different townhouses, but also there are classic cottages

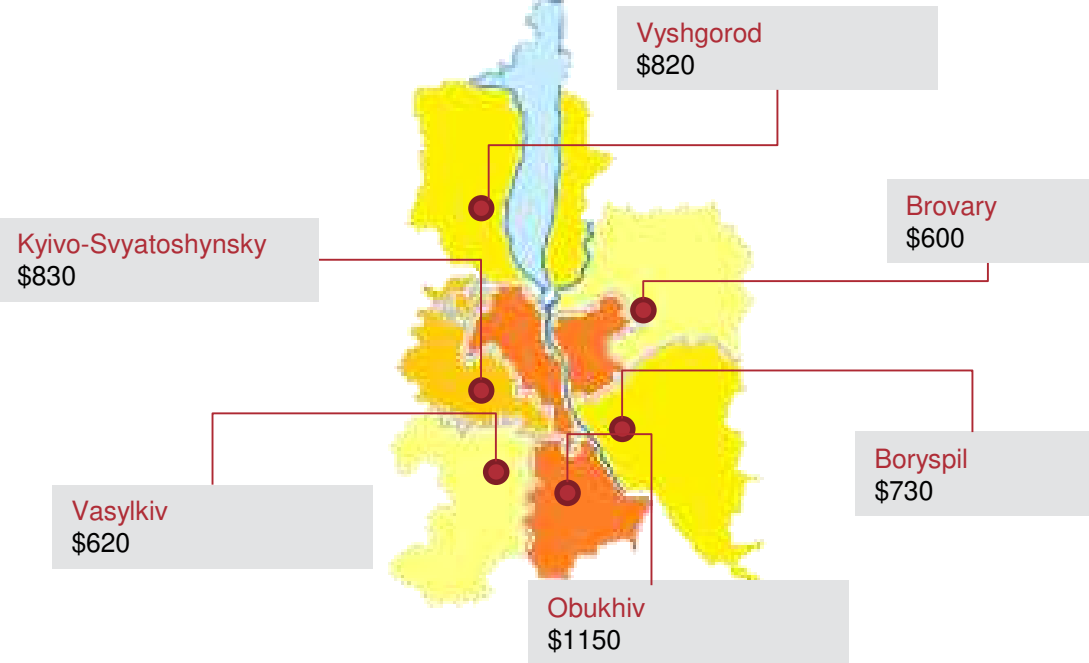


Trend

Cottage towns with higher level of comfort with multifunctional infrastructure and spacious planning have increased purchase cost by 30%

250 sq.m.
Average area

Prices for low-rise cottage construction by directions, \$ / sq.m.



Dynamics, %



Dec 2020 / Dec 2019: + 25% in UAH i + 5% in USD –
 average price **23 000 UAH and 804 \$**

In price range 250 th. – 90 mln. UAH
 5 cottage towns has loan systems, 192 – credit.
 The cost of duplexes and thriplexes is in average 10-15% below separate house with the same are and characteristics.
 Price for townhouses with ares 70-90 sq.m. In average starts from 850 th. UAH, houses with area 110 sq.m. and more cost 1,1-1,2 mln. UAH and above.

Cottage in Kyiv suburb 1 hour on a car from the capital is on a budget of 2 mln. UAH and above (mostly above 3,5 mln. UAH). There are options for separate houses with area of 65 sq.m. for 1,3-1,5 mln. UAH. Prices for cottages and townhouses in Kyiv region depend on distance from the capital, location and cottage town conception.



Supply increase

The quarantine and related limitations pushed Ukrainians for searching of possibilities for out-door activities

Conclusions

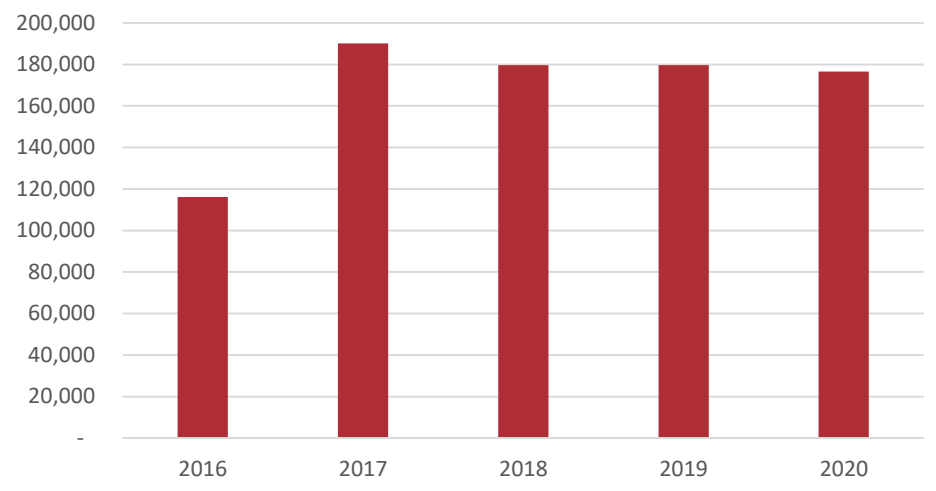
- According to the results of the year, the most possible decrease of putting into operation volumes is 26% for Kyiv and region (for Kyiv it's 36%, for region it's 20%). This is a result not only the pandemic influence, but also reformation of permission system.
- Development of residential construction isn't stopping, sales in more than 250 RC in Kyiv and suburbs continue, 70 more are on a stage of project and are prepared for sale.
- There is redistribution of the market from economy class to comfort class, which has already reached half of supply. Moreover, supply of business class has also increased a bit.
- Market participants comment about a significant decrease of sales in spring, compensated during summer and autumn, saving the previous year indicators or even increasing them. Kyiv and Kyiv region still have the major share – around 22% from all Ukrainian market.
- The quarantine conditions and rise of home importance and its comfort influenced on purchasing motivation for new premises – improvement of conditions and area extension, because nowadays premises should combine place for living, rest, office and recreation.
- Generally, motivation to purchase more ready premises of higher class, growth of USD exchange rate and prices for materials and salary resulted into increase of prices for premises of 12-15%. Average and median price were set at the level 1,000 USD/sq.m. Kyiv suburbs are more dynamic in prices growth (+15-20%), but still showing more attractive cost comparing to the capital – average indicator is 600 USD/sq.m. Those apartments segments, that in limited investment options demonstrate profitability attractiveness, developed more active, comparing to e.g. non-central office premises.
- One more significant trend of 2020 was interest for suburb cottages. Following rent boom interest for purchase of cottage has increased. A market model has transformed from huge projects with classic design and area 250-500 sq.m. to effective and economic options below 200 sq.m., 0,8-1,2 h of nearhouse territory with using of modern construction technologies.
- A key driver for huge changes in the segment beyond the lockdown and desire of more outdoor time is infrastructure development, which has received huge development due to multi-family construction. The segment has also received more development due to increase of segment of business class buyers, which has almost disappeared after the 2008 crisis.

Logistic Real Estate Market

Logistic Real Estate Market

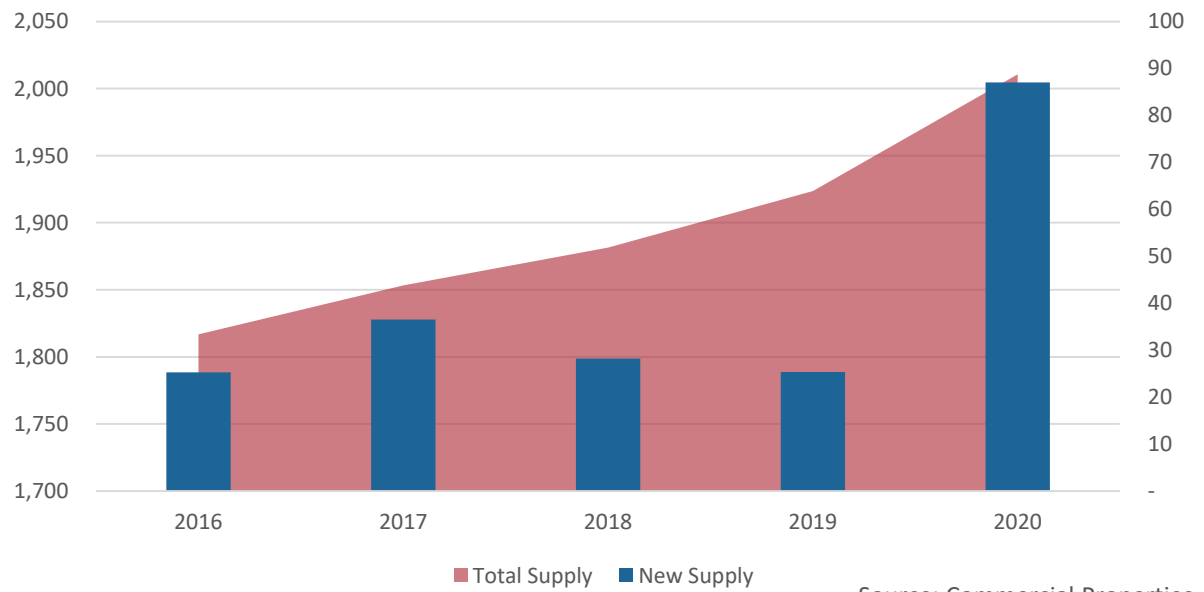
The warehouse real estate market in Kyiv and its suburbs proved to be the most resistant to quarantine conditions, due to the increase in e-commerce and the constant opening of new points of grocery retail. New supply has become a record for the last few years and has almost reached the point of 90 thousand square meters, and the total supply has crossed the point of 2 million square meters. Rental rates remain at 2019 level and reach \$6. Absorption has been fluctuating between 175 and 190 thousand square meters for several years, and the vacancy rate is around 2-3%. There is almost zero vacancy in warehouses within Kyiv - they are needed for fast delivery of online orders, the volume of which is constantly increasing. In 2021, we can expect the development of the warehouse market, which means also the release of a new proposal at the amount of 2020.

Take-up, sq.m.



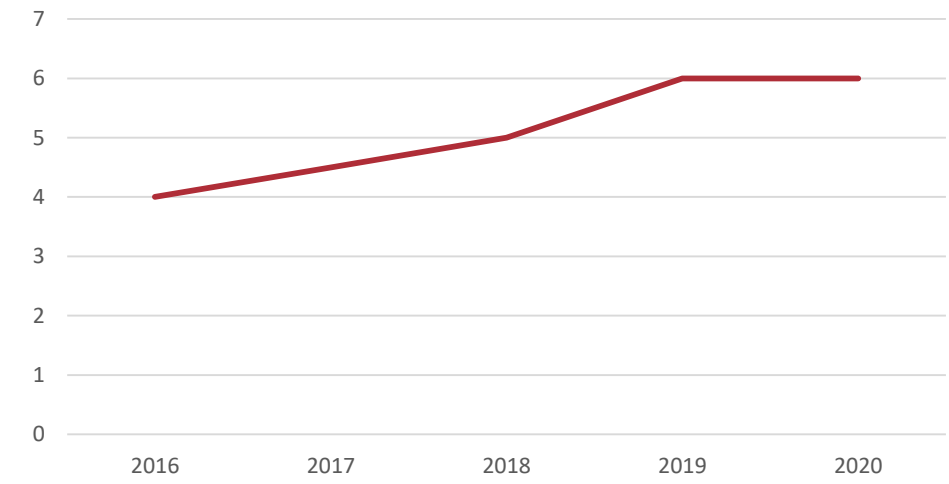
Source: 100realty

New and total supply dynamics, th. sq. m



Source: Commercial Properties

Top rate, USD

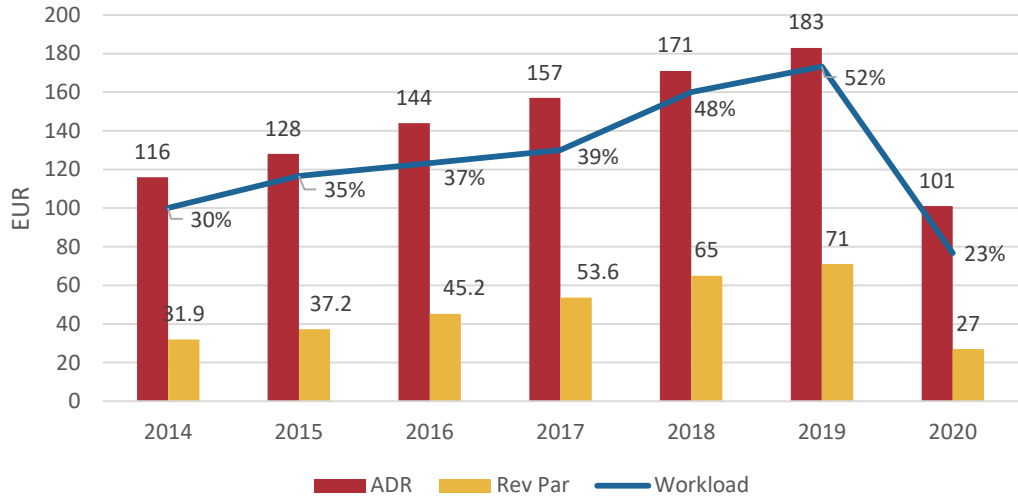


Source: 100realty

Hotel Property Market

Hotel property market

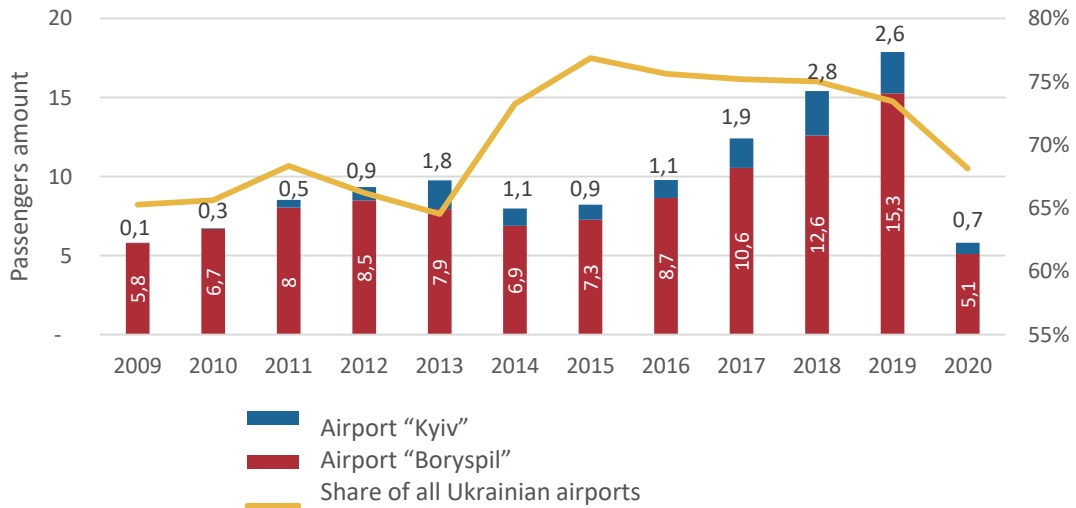
Main Market Indicators



Undoubtedly, the hotel market has suffered the most from the corona crisis. In addition to closed borders, the situation has been exacerbated by the ban on public events, as traditionally hotels are a popular location for business events of various levels. The occupancy rate of hotels fell below 25% on average per year, especially hotels in the high price segment suffered. In 2020, there is no information about the opening of new objects in the hotel industry. Significant improvement of the situation should not be expected in 2021, but the law on legalization of gambling can bring positive changes for the hotel property market.

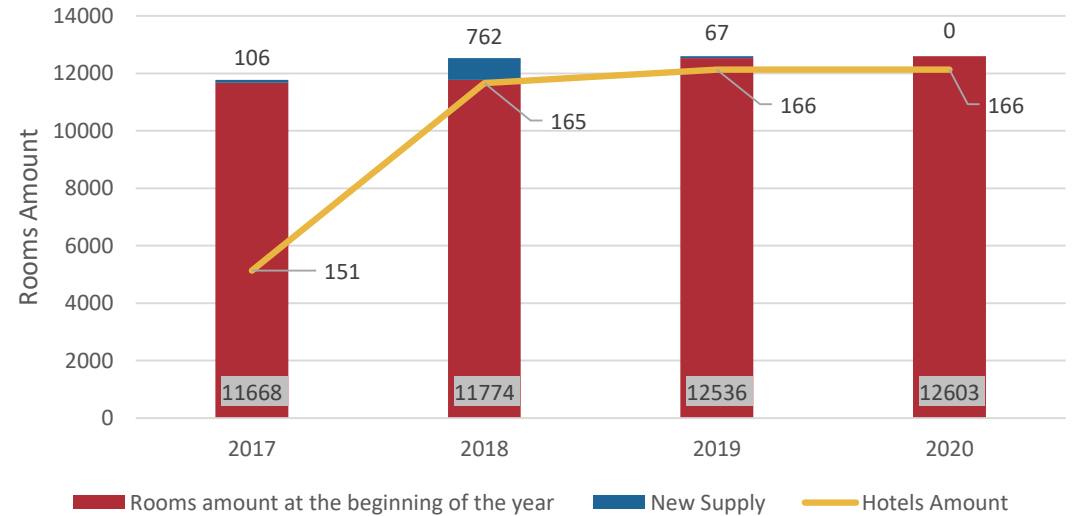
Passenger Traffic Dynamics (Kyiv airports)

Source: finance.ua



Source: airports websites

Supply structure and dynamics



Source: hotels websites, news portals

Hotel property market

	3* Hotel project (50 rooms, gambling hall, 500 sq.m.)	Retail	Offices
Approximate area, sq.m.	2000	2000	2000
Investments, USD:	4,150,000	1,400,000	1,500,000
Hotel	3,500,000	-	-
Casino	650,000	-	-
ADR/rate for sq.m., USD	30-50 USD	5-60 USD	10-30 USD
Hotel occupancy	40% (20%-65%)	70-90%	50-90%
Operational losses and taxes	20%-50%	15-30%	15-30%
Gambling operators rates, USD/sq.m.	70	-	-
Max NOI, USD/year	876,250	712,800	432,000
Max hotel NOI, USD/year	456,250	-	-
Max hall NOI, USD/year	420,000	-	-
Return period	6-8 years	4-6 years	6-8 years
Potential growth of visitors traffic, persons/month	3000-5000	1000-2000	200-500
Average revenue, sq.m.	27	25	15



Thank you for attention!

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