

Kyiv commercial property market

2 quarter 2021 Summary



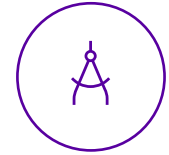
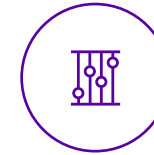
Positive dynamics is observed on the market, which will continue until the end of the year, however, it has not yet reached pre-crisis indicators.

Vacancy level:

Class	Q1 2020	Q1 2021	Q2 2021
A	8,1	11,1	11,1
B+	7,2	15,6	13,9
B	9,1	13,2	11,9

Rental rates are still lowered, but owners of quality properties are in no hurry to make any additional concessions for tenants.

The size of the leased space and the status of the company are the main factors in the deviation of the achievable rental rate from the declared one.



Vacancy rate during the crisis of 2009 and 2014

Class	2009	2014
A	22,9	30,1
B+	17,8	17,0
B	13,5	20,2
C	5,5	12,2

During the analyzed periods, the cheapest office premises were in the highest demand, accordingly, the lowest vacancy rate was in the class C segment. In the current quarter, the lowest vacancy rate is in class A, despite the fact that rental rates did not significantly decrease.

2,611 millions sq. m
(GLA)

Total area of office

11,7 thousand sq. m
(GLA)

New construction
(commissioned facilities)

312,6 thousand sq. m
(12%)

Vacancy level

44,4 thousand sq. m

Net absorption*

* Net absorption – a value showing the difference between the volume of space occupied at the beginning and at the end of the period under review. Positive absorption means that space is being occupied on the market. Negative absorption reflects the opposite – vacation of additional space which together with newly constructed facilities become vacant space.

Class A, B+, B

Q2 2021	A	B+	B
Lease rate range**, \$/month	15-37	15-30	5-20
Lease rate dynamics (Q2 2021/ Q2 2020), %	+7,0	-23,1	-11,1
Vacancy level, %	11,1	13,85	11,86
Vacancy level dynamics, points compared to Q2 2020	0,0	+4,6	-0,2
Vacancy level dynamics, points compared to Q1 2021	-0,1	-1,8	-1,4

** base lease rates, exclusive of VAT and maintenance charges

The market volume at the end of the Q2 of 2021 amounted to **2,611 million sq. m** (GLA) in **335*** classified business centers of class A, B + and B.

Market volume growth in relation to Q2 2020 amounted to **3,25 %**.

New construction:

In the first half of 2021, one class B + facility was commissioned: Luvr BC, 2/10 Yuri Ilyenko str., **19,1 thousand sq. m** (GLA) and class B: Business Center, 4, Garmatna str., building 12, **11,7 thousand sq. m** (GLA) и River Mall, 12, Dneprovskaya naberezhnaya str., **5 thousand sq. m** (GLA)

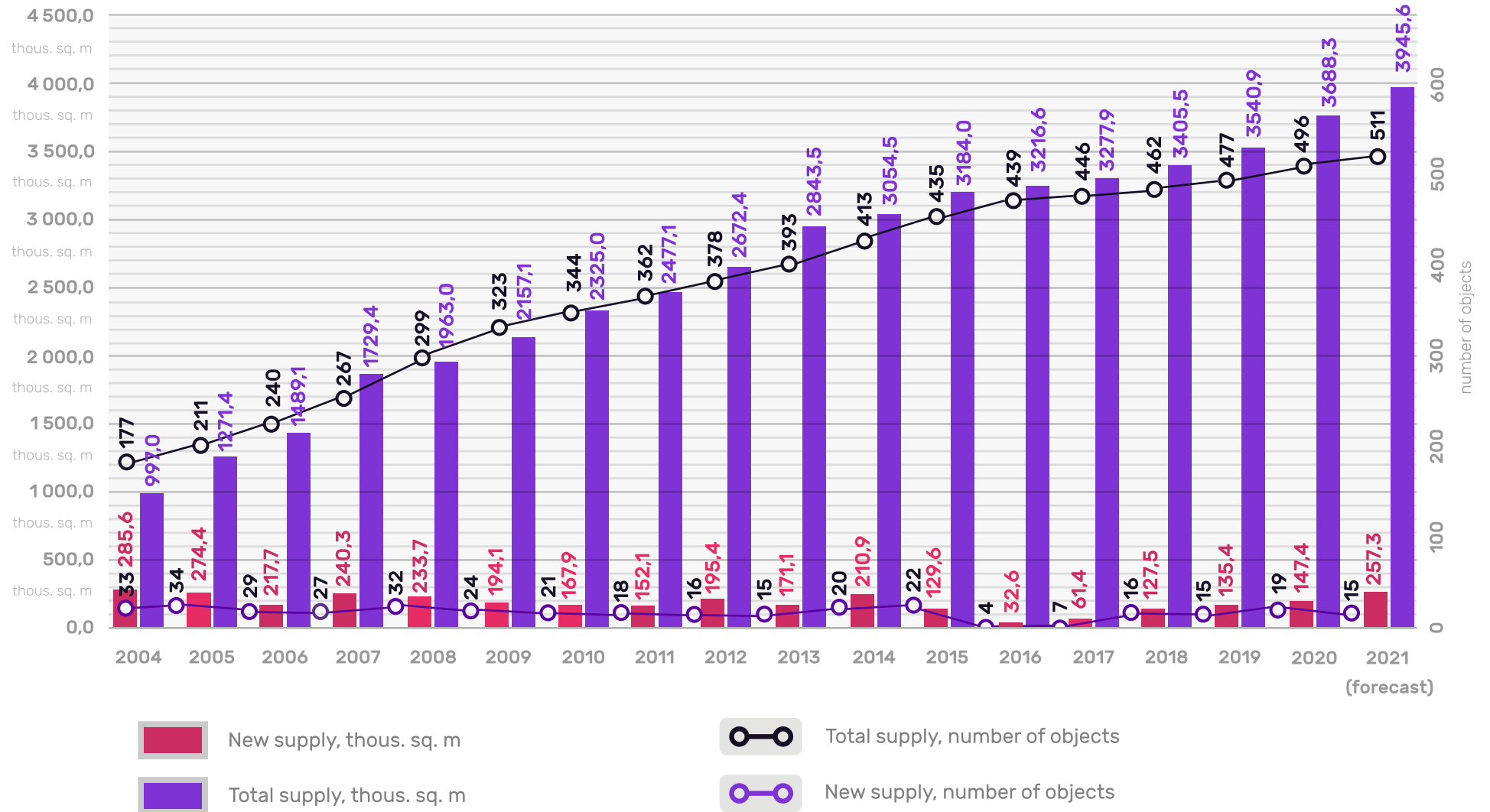
In 2021, it was scheduled for commissioning **221,5 thousand sq. m**

* Some objects may consist of several separate buildings and are put into operation in different phases, but are presented on the market under a single name within a single project.

Class A, B+, B

Key indicators Dynamics Q2 2020 - Q2 2021	Period	A	B+	B
Offer volume, thous. sq. m	Q2 2021	538,7	366,9	1706,3
	Q2 2020	506,9	347,8	1674,9
New construction, (put into operation in Q2) thous. sq. m	Q2 2021	0,0	0,0	11,7
	Q2 2020	11	12,5	47,9
Vacancy level, %	Q2 2021	11,1	13,9	11,9
	Q2 2020	11,1	9,3	12,0
Min. basic rental rate, \$ for sq. m per month	Q2 2021	15,0	15,0	5,0
	Q2 2020	20,0	17,0	6,2
Max. basic rental rate, \$ for sq. m per month	Q2 2021	37,0	30,0	20,0
	Q2 2020	32,0	29,0	24,0
Weighted average basic rental rate, \$ for sq. m per month	Q2 2021	23,3	15,7	12,7
	Q2 2020	21,8	20,4	14,3
Growth of rental rates in relation Q2 2020, %	Q2 2021	7	-23,1	-11,1

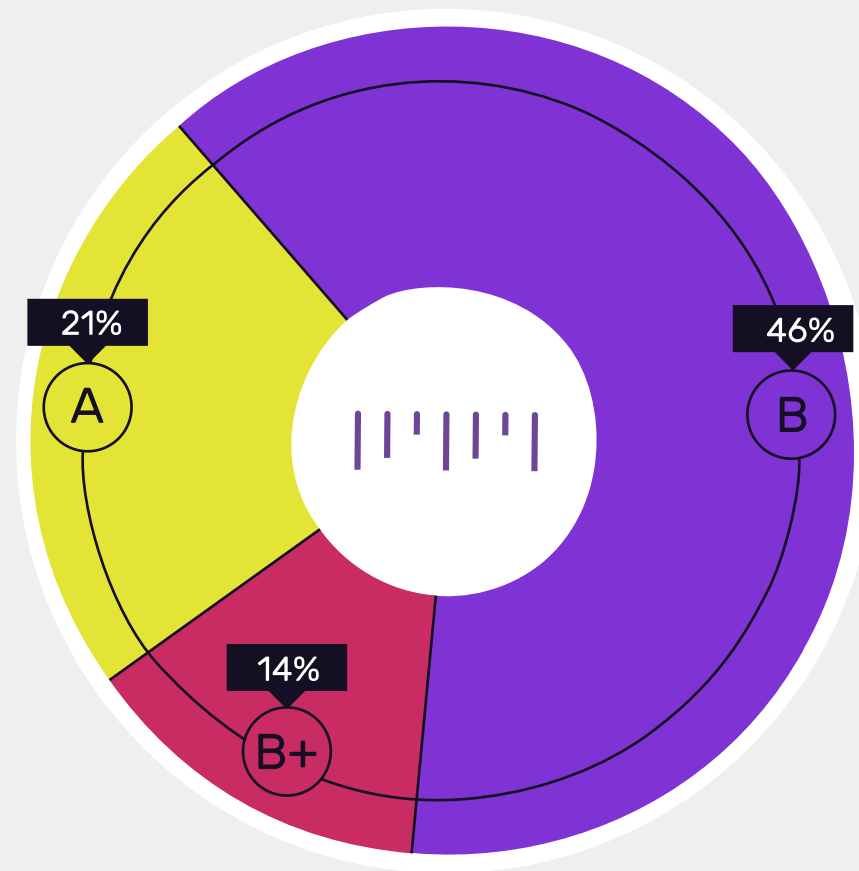
Dynamics of the professional market in terms of classes of spaces 2014-2021 (forecast) Class A, B+, B and C



Market structure by space class in Q2 2021

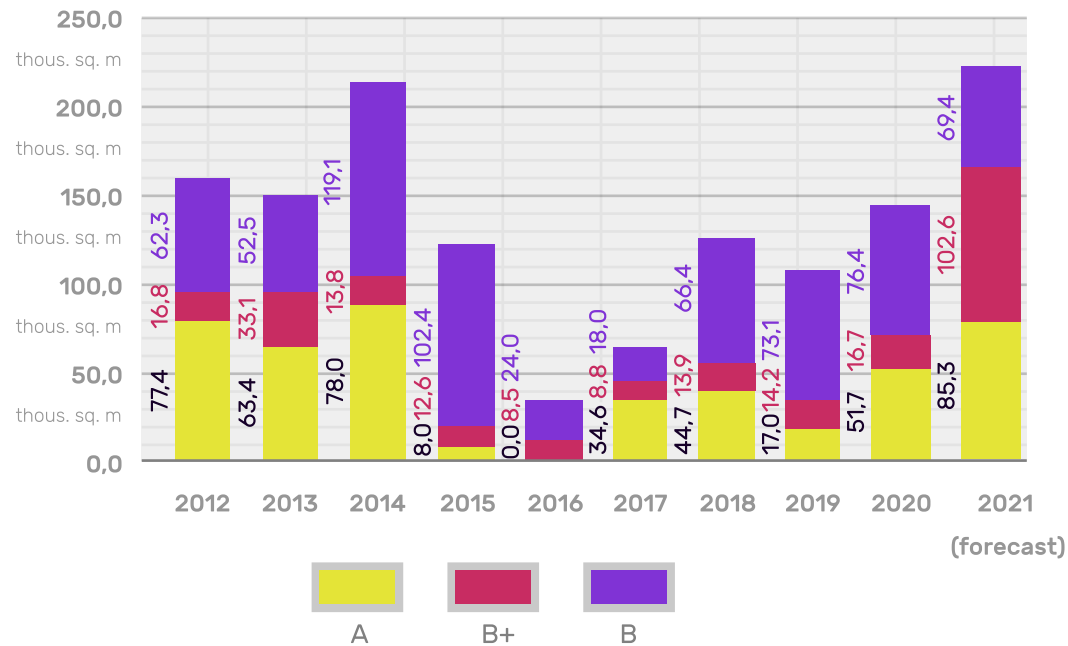
Based on the objects announced for commissioning in 2021 class A (85,3 thousand sq. m), class B+ (102,6 thousand sq. m) and class B (69,4 thousand sq. m) the share of space class A and B + will increase.

The share of class A will be 33%, class B + and B 40% and 27% respectively.



By classes

New construction by classes A, B+, B



11,7 thous. sq. m

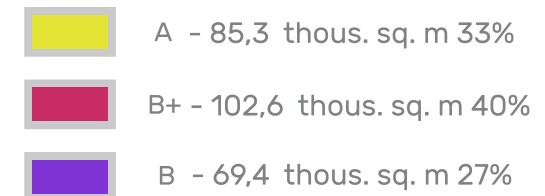
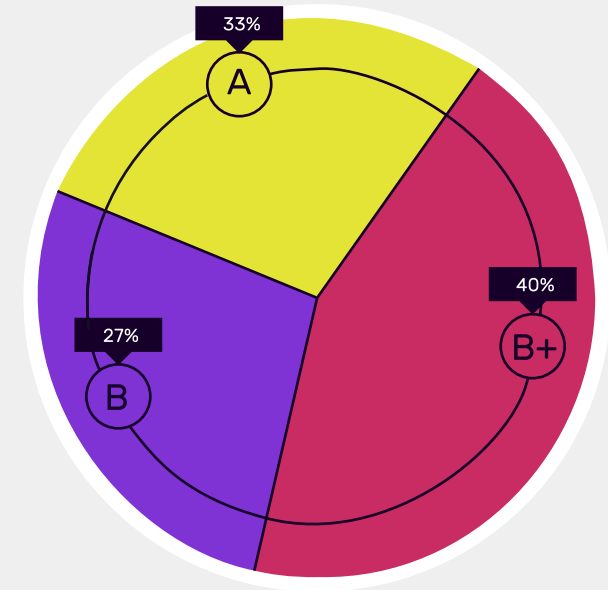
new areas (Business Center Luvr, 2/10, Yuriya Il'yenko str.) in Q2 2021 was put into operation.

257,3 thous. sq. m

offices of class A, B + and B (GLA) are scheduled for commissioning in 2021.

Market structure by new space classes in 2021

(Predictions)





Planned to be commissioned in Q3-Q4 2021

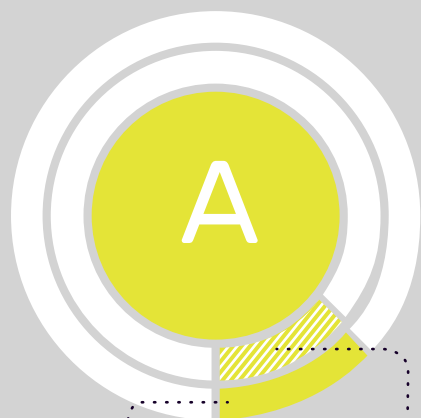
No	Name, address	Class	Rental area, sq. m
1	K-Most, 5/1A, Zoologichna str.	B+	5 447
2	Podol Mall, 23, Yelenovska str.	B	21 164
3	Pyramid, 4, Mishugi str.	B+	4 716
4	M3, 3a, Mishugi str.	B	2 700
5	S26, 26/14, Spasska str.	A	11 318,36
	Unit.city, 3, Dorogozhitskaya str., building B14		8 900
6	Unit.city, 3, Dorogozhitskaya str., building B6	A	13 400
	Unit.city, 3, Dorogozhitskaya str., building B15		7 700
7	Business Center, 8A, Prorizna str. (RECON)	B+	7 000
8	Business Center, 5A, Zoologichna str.	B	5 600
9	Business Center, 37, Henri Barbusse str.	B	3 700

No	Name, address	Class	Rental area, sq. m
10	Mag.nett, 137-139, B. Vasil'kovska str.	A	44 000
11	Business Center, 4, Korolenkovska str., (1 phase)	B+	14 800
	Business Center, 4, Korolenkovska str., (2 phase)		51 500
12	Eleven, 11, Solomenskaya str., building B	B	8 355
	Eleven, 11, Solomenskaya str., building B		11 200
Total			221 500,36

Commissioned in the Q2 2021

No	Name, address	Class	Rental area, sq. m
1	Business Center, 4, Garmatna str., building 12	A	11 700
Total			11 700

The vacancy rate for classes of Q2 2020 and Q2 2021

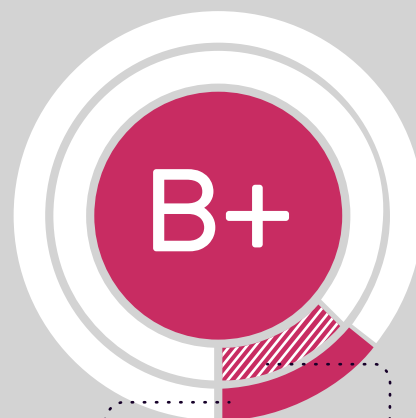


11,05%

56,21 thous.sq.m

11,09%

49,56 thous.sq.m

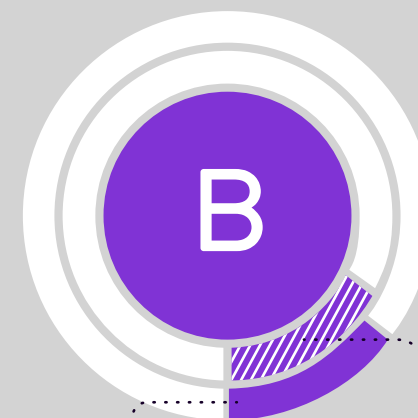


13,85%

32,35 thous.sq.m

9,3%

11,51 thous.sq.m



11,86%

201,36 thous.sq.m

12,02%

105,63 thous.sq.m

A

B+

B



Q2 2021



Q2 2020

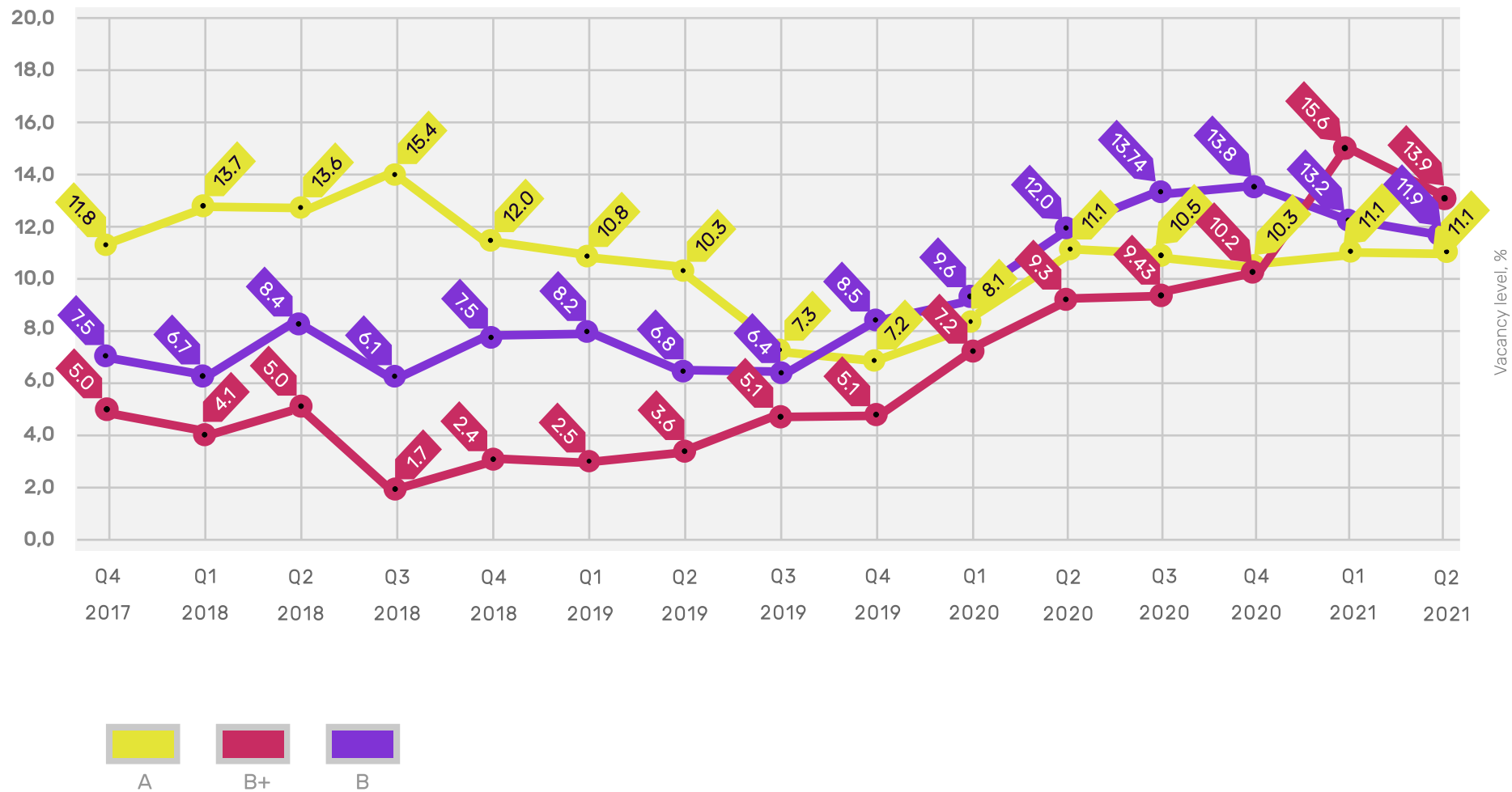
11,97%

The share of vacant premises as of Q2 2021
Class A, B +, B

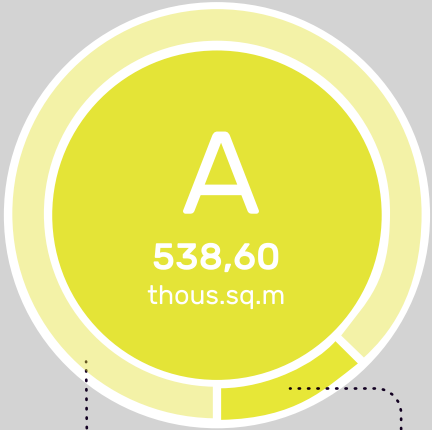
312,6 thous. sq. m

Available space as of Q2 2021
Class A, B +, B

Vacancy rate dynamics (quarterly)

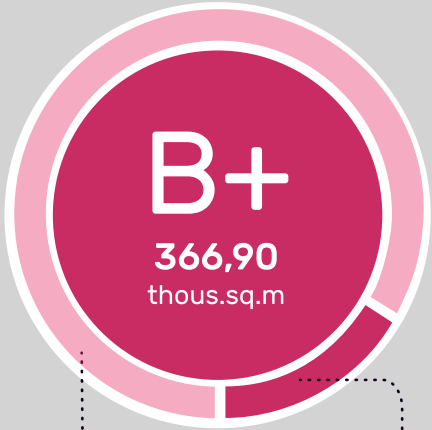


Analysis of vacancy level in the context of classes of objects for Q2 2021



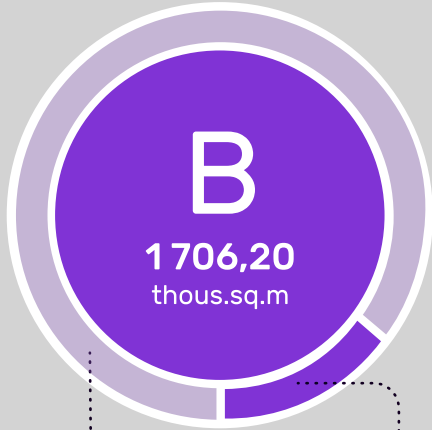
11,05%

479,133 thous.sq.m 59,535 thous.sq.m



13,85%

316,136 thous.sq.m 50,815 thous.sq.m



11,86%

1 503,937 thous.sq.m 202,309 thous.sq.m



Vacant space



Occupied areas

A



Vacant space



Occupied areas

B+



Vacant space



Occupied areas

B

The level of weighted average rental rates for office premises in Kiev in Q2 2021 showed positive dynamics in class A and negative dynamics in classes B + and B:

Class A: +7%;
Class B+: -23,1%;
Class B: -11,1%;

relative to Q2 2020

In the Q2 2021, base rental rates for high-quality class A office premises with renovation were fixed at \$ 27- \$ 37 per sq. m per month (excluding VAT, service and utility payments).

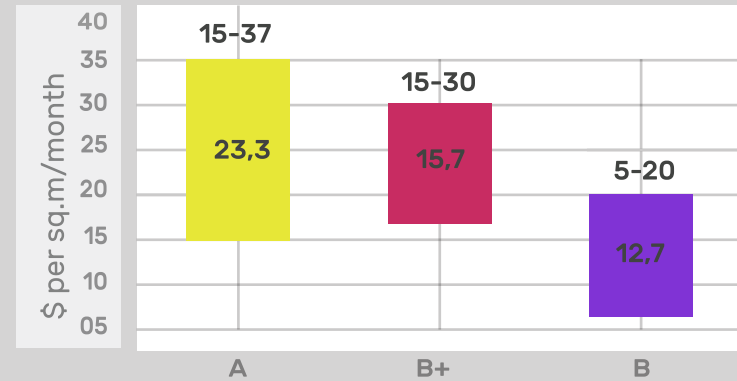
The minimum rental rates in class A are offered for offices with low liquidity (no possibility of creating flexible spaces, low level of natural light).

In class B, the maximum rates are offered for offices with high-quality renovation, in the city center, or near the metro in areas close to the center.

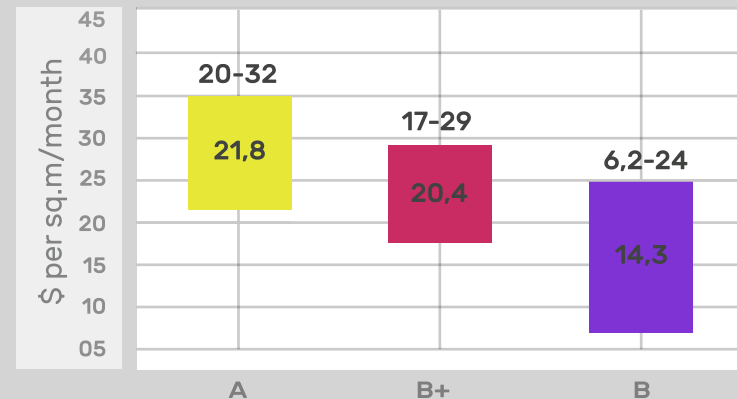
* Real weighted average, base rental rate - the proposed base rate for specific tenants (excluding VAT, service, and utility payments)

** The range of declared base rental rates (excluding VAT, service, and utility payments)

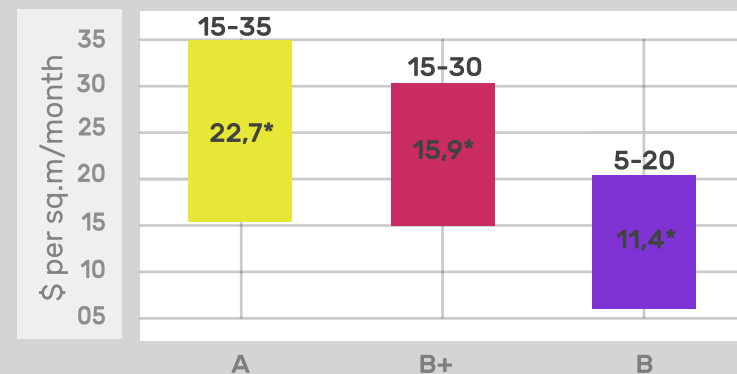
Lease Rates by Classes Q2 2021



Lease Rates by Classes Q2 2020

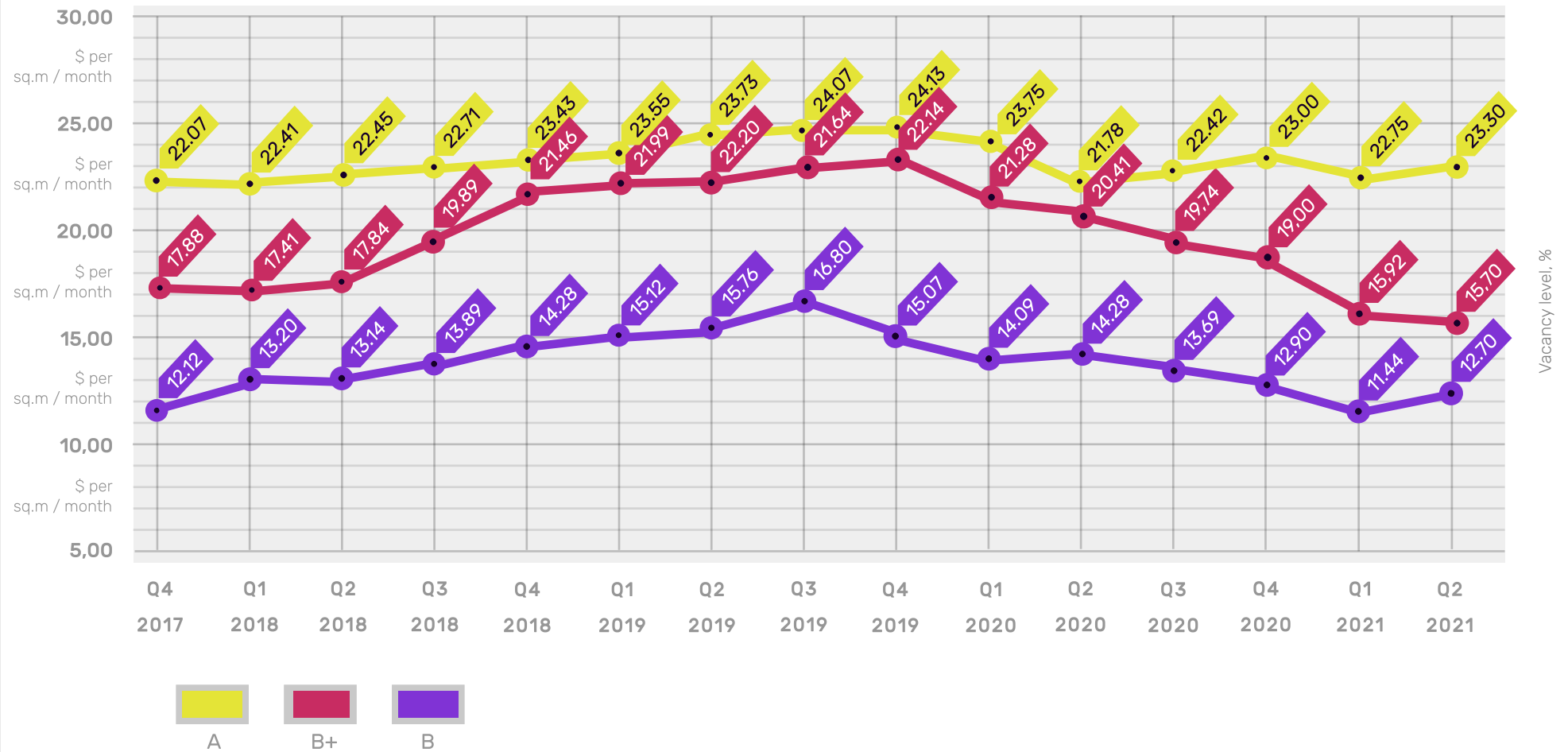


Lease Rates by Classes Q1 2021





Dynamics of average lease rates



Companies that have moved to hybrid or fully telecommuting are gradually returning employees to their offices.

Some companies have postponed consideration of full or partial return to offices until mid-2022, when experts predict that more than half of the population will be vaccinated.

In the Q2 2021, the number of large-format transactions (from 1000 sq. m) Increased both in the A and B class segments.

The greatest demand is for offices in new modern high-quality business centers with an excellent location, with the willingness of the owners to participate in financing repair work. In requests up to 500 sq. m demand for renovated offices prevails.

In most cases, it was a deferred demand in 2020 or an office reformation due to a hybrid work format.

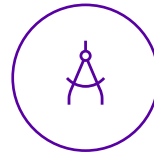
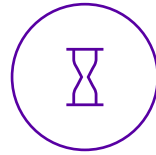
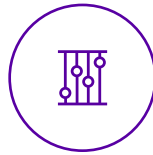


The market continues to demonstrate positive dynamics in demand for coworking spaces from large companies and their individual divisions. The number of requests for spaces from 50 to 100 people is growing.

The demand structure is dominated by FMCG, IT, agro-industrial, logistics, international legal and consulting companies.

The level of business activity is growing and will maintain positive dynamics until the end of the year.

The vacancy rate may be affected by the number of facilities planned for commissioning (221.5 thous.sq.m are planned, however, some may postpone the commissioning dates until 2022). Rental rates may slightly increase for offices in the city-center of Kyiv for renovated premises.



Uncertainty can be introduced by the "third wave" of diseases, the consequences of which are not taken into account in the forecasts. The threat of an increase in epidemic diseases and lockdowns is a constant factor to which the market is gradually adapting.

Building owners must look for solutions that allow security in their facilities.

This will influence the choice of the property by the tenants, which, accordingly, will affect its capitalization. The market is stabilizing, but in new realities.