

KYIV PROPERTY MARKET SHORT CUT (Q1 2015)

FIRST REALTY BROKERAGE

CONTENT

THIS REPORT HAS BEEN PREPARED BY FIRST REALTY BROKERAGE TO PROVIDE AN INTRODUCTION TO UKRAINE'S KEY REAL ESTATE MARKETS IN Q1 2015 AND AN INDICATION OF ACTIVITY FOR WHOLE 2015.

This summary report is supplemented by five Market Profiles for Offices, Retail, Warehouses, Hospitality, Residential, all of which include page by page market indicators overviews.

The report covers the main areas of the markets, showing the size and status of each and giving a flavor for the real estate sectors and a brief view on where each is heading.

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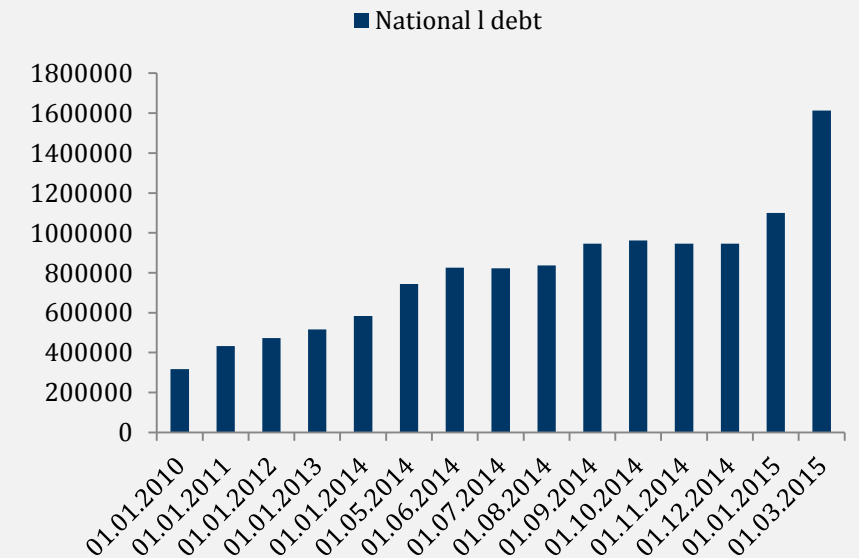
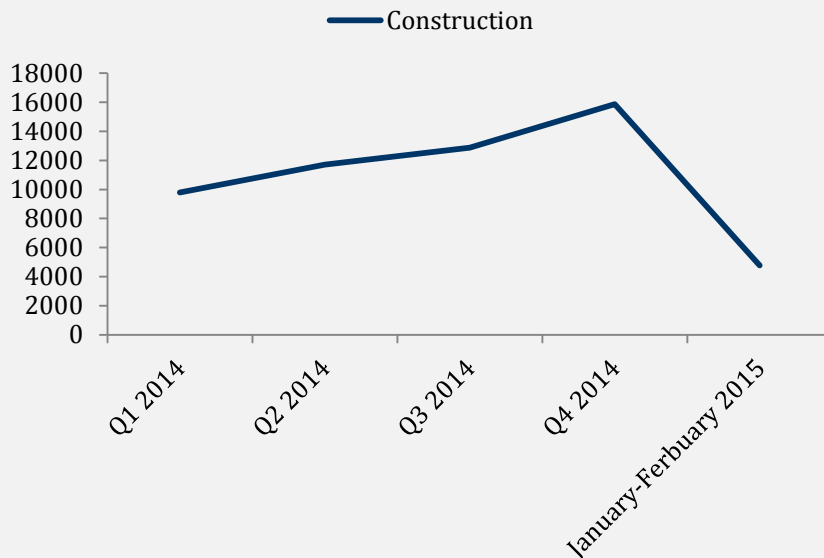
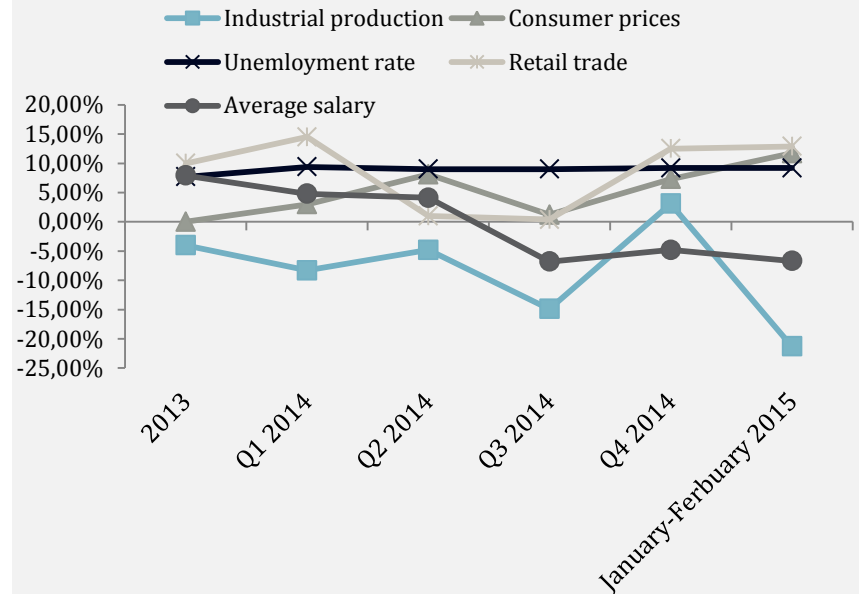
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ECONOMY REVIEW

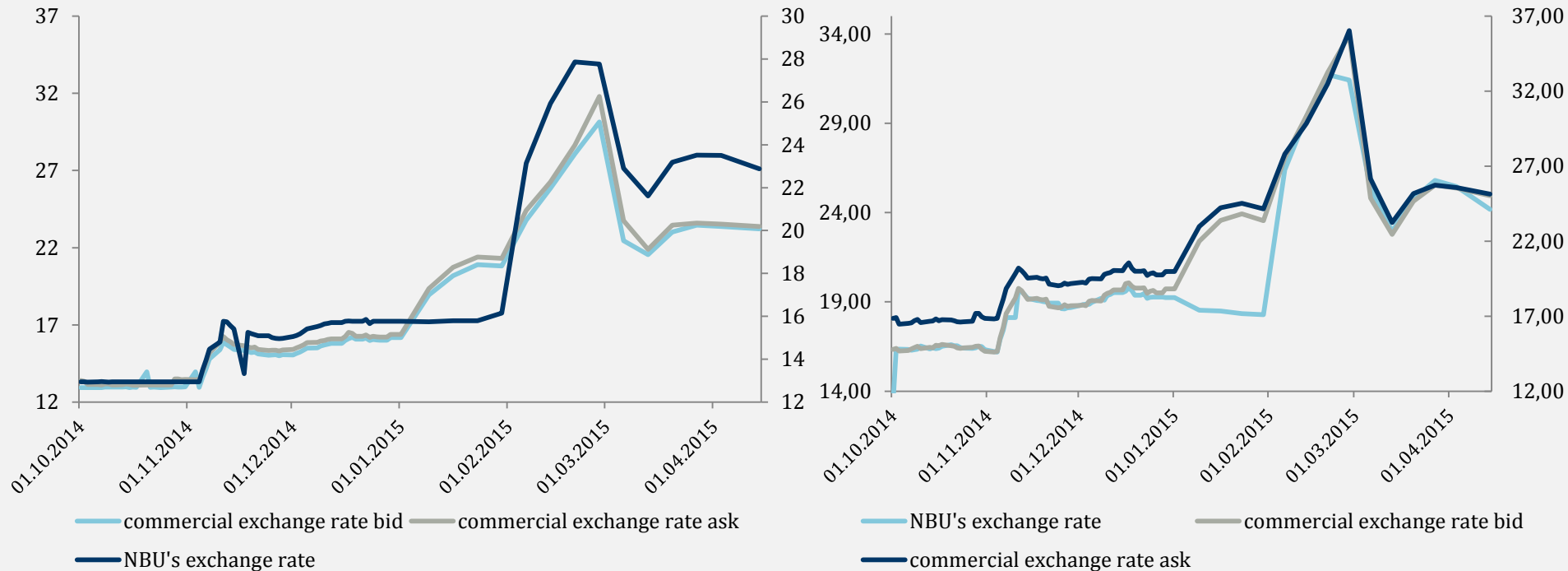
The fall in gross domestic product (GDP) of Ukraine in the first quarter of 2015 speeded up slightly - to 15% from 14.8% in the fourth quarter of last year.

Reduction of the economic activity level in 2014, has continued its fall in the I quarter of 2015. At the same time, according to the NBU and government opinion, Ukrainian economy has reached the lowest level of its activity, which will be followed by gradually recover in the nearest future.

During the first two month of 2015 the biggest part of macroeconomic figures continue to show negative tendencies: the volumes of industrial production have declined, retail trade has showed a moderate growth, average salary has dropped, while consumer prices have continued to grow.



CURRENCY RATES



During February 23–25, Ukraine experienced a financial meltdown. The market exchange rate collapsed from 20 hryvnia per dollar in late January to as little as 40 hryvnia per dollar.

Curiously, this panic occurred after the Minsk-2 ceasefire agreement signed on February 12 and the IMF mission in Kiev had concluded the new agreement with the Ukrainian government. Neither of these agreements was sufficient to contain the panic, which subsided only after people realized that the parliament really would adopt the laws required by the IMF.

The reason for the panic was that Ukraine's reserves had fallen below the permissible limit to only \$5.6 billion on March 1. With such small reserves, no currency stability was possible.

On March 11, the Executive Board of the International Monetary Fund (IMF) approved an Extended Fund Facility for Ukraine. This helped to stabilize exchange rates.

ECONOMIC OUTLOOK

In the second quarter of 2015, GDP reduction will slow down to -10.2%, in the third quarter - to 5.7%, and in the fourth quarter might be growth by 2%, which is generally at the end of the year will result 7, 5% of GDP decline compared to 2014.

Given to high USD/UAH exchange rate, import unlikely will grow, while export has a chance to increase in Q2-Q4 due to price competitiveness of Ukraine goods and services. According to estimates, it will add 3,5% to GDP in the current year.

Decreased real salary, increased unemployment will continue to make downward pressure on consumption, thereby, it most likely will fall in 2015.

According to estimates of the NBU, inflation in the current year in annual terms after a small acceleration from 35.6% to 38.6% in the second quarter, due to administrative price increases will begin to slow down: up to 35.9% in the third quarter and 30.1% for the year.

The risks still are many and great. Most notable are Russian warfare, the very poor state of the economy, too little reform, limited funding, and the specter of a popular uprising against poverty.

In this situation, the IMF expects Ukraine's GDP to contract by 5.5 percent this year after a decline of 6.9 percent last year. From 2016, the Fund anticipates a growth of approximately 4 percent a year. At present, year-over-year inflation runs at 35 percent, but the IMF anticipates that it will moderate to 25 percent by year end, the same as last year, and then fall to 10 percent in 2016. The consolidated budget deficit is supposed to be brought down from 10.3 percent of GDP in 2014 to 2.6 percent of GDP in 2018.



AVERAGE YIELDS AS OF THE END OF Y 2014

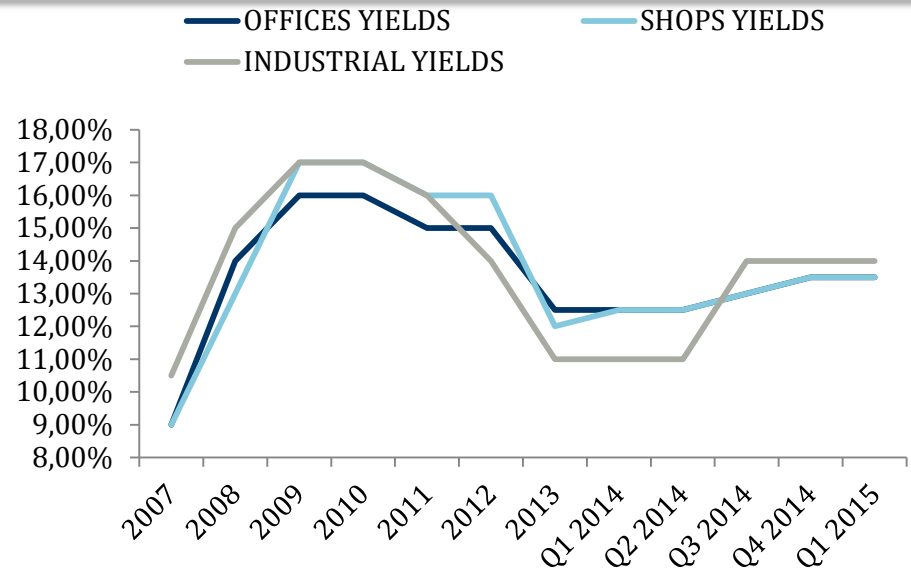


OFFICES

The political and economic crisis in the country affected by war situation has driven changes in the yield rates for professional office property to the level of 13.5% (analysis based - no available deals for benchmarking).

WAREHOUSES

In warehouses sector, investment activity is low, but some activity is observed in the frame of 'built-to-suit' projects: developers are ready to launch new projects as soon as relatively large tenants for their space are secured.



RETAIL

Prime yield in retail segment is averagely 13,5%. There was a lack of investment deals in 2014. Developers are busy in finishing existing shopping malls and trying to reduce their risks by selling properties in Crimea and Dondass (Ukrainian company UDP announced sale of shopping mall 'Meganom' in Simferopol).

In the same time, market is not 'dead': some developers are still able to get funding – for example, 'Arricano' has arranged \$25 mln from EBRD.

Among other main news in Y 2014: 'Arricano' has succeeded in the court case about its right for getting 50,03% of SM "Sky mall" (GLA 66 000 sq.m.). The company has bought these rights by option call in Y 2013. Nowadays, 'Arricano' also owns another 49,97% of the shopping mall. It's value in Y2013 was 209.4 mln USD.

OFFICES

MARKET OVERVIEW & SENTIMENT

Supply prevails demand side, especially in class A. The business activity is low. There are almost no newcomers to the country. Landlords compete for international tenants to attract, thereby they have become more flexible in terms of providing tenants with more favorable conditions. The most widespread compromises are: capping of UAH/USD exchange rate (more rarely – UAH fixation), providing of construction vacations.

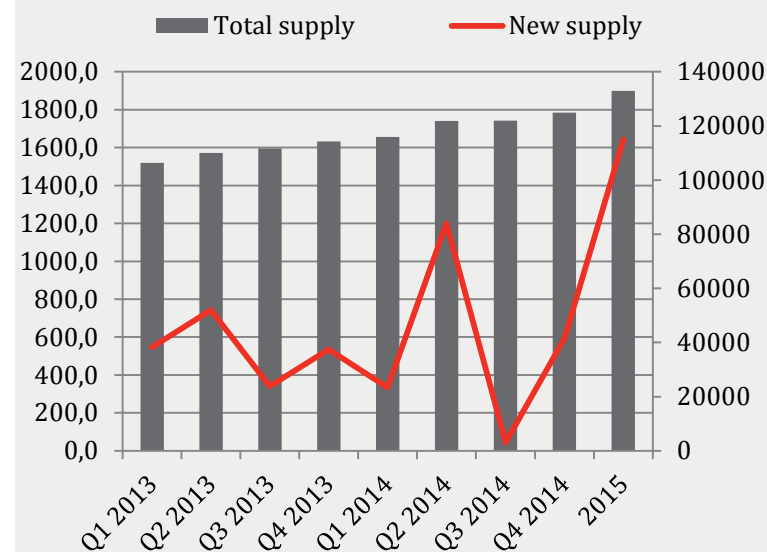
SUPPLY

The biggest part of office property development projects have been postponed to 2015 and later periods given to unfavorable situation at the market in 2014. As of the end of 2014 Kiev office supply has amounted to 1,784,000 sq.m of professional space, and it shows 9% increase of the total office stock in Kiev in comparison with Y2013. The biggest part of new supply in 2014 was in Class A. Kiev office supply per 1,000 inhabitants is still behind the European markets, and the amount of new supply tends to decrease from year to year.

We presume that new supply in 2015 will be lower comparing to Y 2014, for 17-20%. Still there are few big projects in a pipe line: BC Sky Tower (Class A, 95,000 sq.m) and Astarta Residence (20,000 sq.m). Both projects represent Class A. Upon the delivery of those and with existing low tenant activity, the supply/demand misbalance will be enhanced.

In January-February 2015 there were no new openings in the office market of Kyiv, all objects scheduled to delivery will be commissioned later during the year (see the table below). Almost a half of new openings belong to the Podil district, thereby, in 2015 the growth of competition may be observed there.

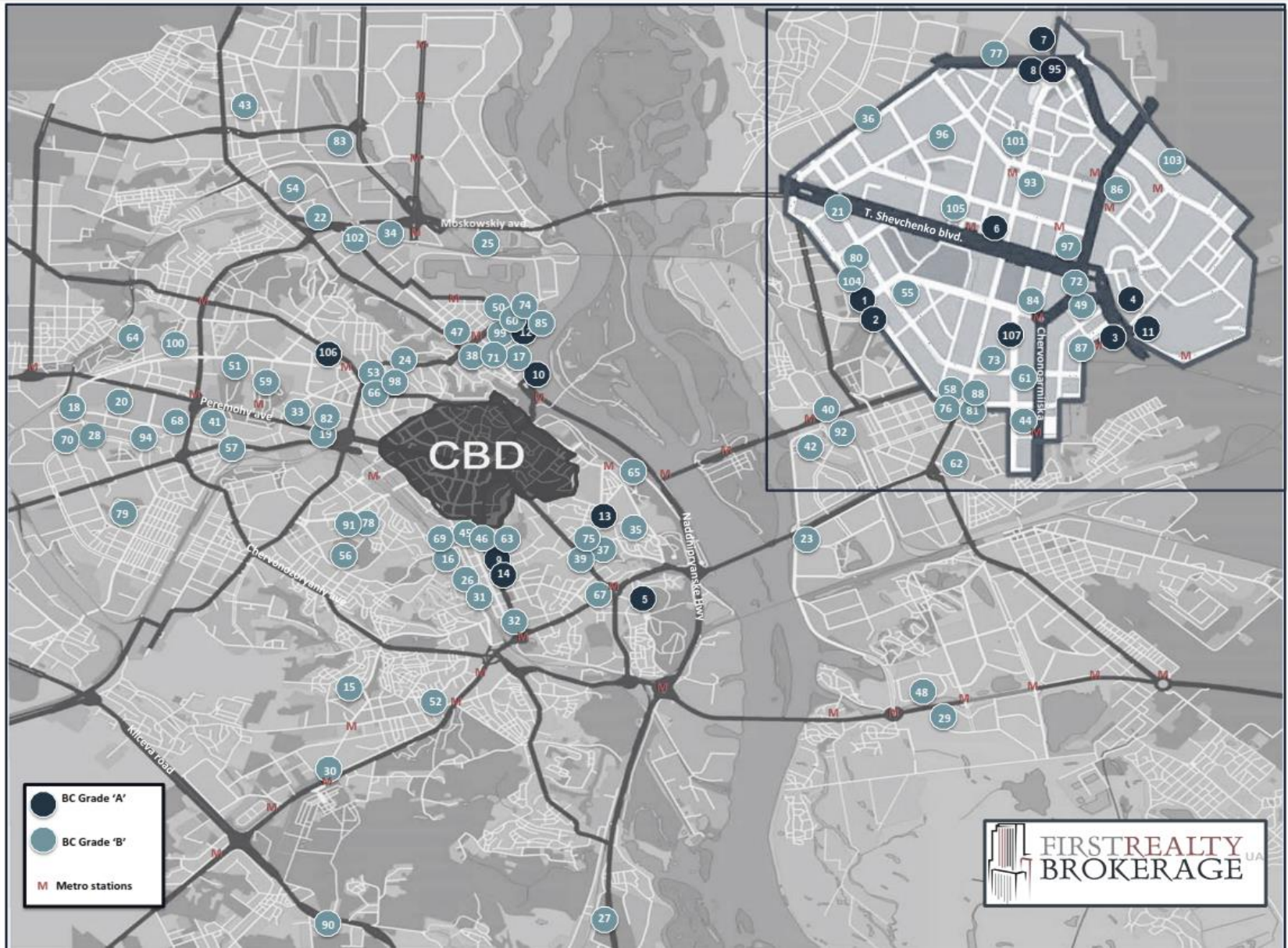
FIGURE	TREND
PRIME RENTS:	stable/down
PRIME YIELDS:	stable/up
SUPPLY:	stable
DEMAND:	stable/down



THE BIGGEST OPENINGS ON THE OFFICE MARKET IN 2014

BUSINESS CENTER	CLASS	AREA, SQ.M
IQ BC	A	25 900
BC SENATOR	A	53 715
SIGMA BC	B	18 000
LADOGA BC	B	18 000
FORUM VICTORIA PARK (PHASE 2)	B	14 500

OFFICES



OFFICES

№	Name			№	Name			№	Name		
1	101 Tower BC	2012	45000	38	BC	2007	13800	76	NTBC (phase 1)	2003	7200
2	Eurasia BC	2007	27900	39	OB	2006	13000	77	Panorama BC	2003	7100
3	Gulliver BC	2013	64000	40	Komod BC	2007	12800	78	Vremena Goda	2004	7100
4	Horizon Tower BC	1999	15000	41	Inkom BC	2004	12700	79	BC	2009	7100
5	IQ BC	2014	38000	42	Granit BC	2008	12600	80	Botanic Towers	2005	7000
6	Leonardo BC	2005	14000, 18200	43	BC	2006	12000	81	Capital Hall BC	2009	7000
7	Millenium BC	2000	6500	44	Olimpiyskyi BC	2003	11700	82	Cubic Center BC	2003	7000
8	OB	2006	5400	45	OB	2008	11000	83	Karavan BC	2008	7000
9	OB	2014	8000	46	Fahrenheit BC	2007	10600	84	Kyiv-Donbas BC	1996	7000
10	OB	2004	6700	47	Schekavytskyi BC	2011	10300	85	Dnipro Plaza BC	2010	6900
11	Parus BC	2007	47000	48	Crystal BC	2012	10000	86	Khreschatyk Plaza	1999	6600
12	Podil Plaza BC	2000	19800	49	IOHC BC	1992	10000	87	BC	2005	6500
13	Senator BC	2014	47600	50	Itera BC	2006	10000	88	BC	2006	6500
14	Toronto BC	2012	36000	51	Mikom Palace BC	2008	10000	89	OB	2012	6500
15	Forum Victoria Park BC	2003, 2012	7000, 14400	52	Stand BC	2003	10000	90	BC	2008	6400
16	HPBC II	2009-2010	18300, 16,000	53	Artem BC	1997	9900	91	Izumrudnyi BC	2008	6000
17	Illinskyi BC	2005-2008	37,100	54	Forum Kinetic BC	2010	9900	92	Livoberezhnyi BC	2009	6000
18	Irva BC	2005	11,000, 11,300	55	BC	2011	9600	93	Seven Hills BC	2006	6000
19	Sky Towers BC	2014-2015	80000	56	Elev en BC	2010	9500	94	Silver Center	1998	6000
20	Premium Center BC	2011	38000	57	Grand Step BC	2007	9500	95	OB	2008	6000
21	Europe plaza BC	2005-2006	36000	58	Prime BC	2008	9500	96	BC	2008	5800
22	Forum Park Plaza BC	2005	32000	59	OB	2008	9200	97	OB	2006	5800
23	Silver Breeze BC	2013	26000	60	Domino BC	2014	9000	98	Stolytsia BC	2008	5800
24	Forum Business City BC	2002	23000	62	Prague BC	2008	8700	99	BC	2006	5700
25	SP Hall BC	2013	23000	63	Renome BC	2009	8500	100	Fermmash BC	2005	5700
26	Protasov BP	2009	22700	64	Flora Park BC	2008	8500	101	BC	2006	5400
27	Europe BC	2012	20000	65	BC	2010	8300	102	Valmi BC	2003	5300
28	Sigma BC	2014-2015	19500	66	BC	2005	8000	103	Europe BC	1995	5200
29	Tri Zhelaniya BC	2006	18000	67	BC	2007	8000	104	Karat BC	2008	5200
30	BC	2014	17500	68	Bilshovyk BC	2011	8000	105	OB	1998	5200
31	HPBC	2006	16000	69	FIM Center	2010	8000	106	BC Smart office	2014	2,400
32	Palladium Plaza BC	2008	16000	70	Irva BC	2005	8000	107	BC Herkago	2014	2,100
33	Vector BC	2008	16000	71	Kontraktovyi BC	2015	8000				
34	Rialto BC	2011	15500	72	OB	2000	8000				
35	MERX-2 BC	2013	15400	73	Chicago BC	2006	8000				
36	Renaissance BC	2006	15000	74	BC	2015	48000				

OFFICES

DEMAND

Demand can be characterized as stable low. We estimate take-up reduction for about 38% for Y2014 comparing to Y2013. There are almost no newcomers to the market. A number of big international companies are shrinking the office spaces/cutting the costs. The main source of demand for office space lease acquisitions is from IT system providers and Hi-Tech companies, which are serving goods to mass market.

New lease acquisitions are mainly relocations of existing market players (tenants) from one business center to another. We also observe the trend of renegotiating of existing lease agreements with Landlords. It concerns mainly either lowering of rental rate in USD or capping of UAH/USD rate range level. Some players try to negotiate both parameters.

VACANCY AND RENTS

Low demand for professional office spaces and increased supply have caused to the further rent decline, especially during negotiation process with international tenants. Average vacancy is on the level of 27%.

AVERAGE RENTS, USD/SQM/MONTH, triple net

CLASS	2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	January-February 2015
Class A	26-36	25-35	24-35	22-35	20-32	20-32
Class B	20-23	21	14-23	14-22	14-21	14-21

OUTLOOK

In the short and medium-term period, the market will maintain a state of permanent turbulence; tenants and landlords tend to find out a compromise, due to the limited number of mechanisms to resolve the market situation. We do not see any up stream trends for commercial real estate in 1-2 years, unless the war conflict will be at least stabilized (frozen), the Government will implement the real reforms, that will lead to international investments flow in. In this case those factors will positively affect the market situation and office property segment among others.

THE BIGGEST POTENTIAL OPENINGS ON THE OFFICE MARKET IN 2015

BUSINESS CENTER	Area (GLA), sq. m.
Sky Towers (Class A)	80 000
Astarta Residence (Class A)	15 130
Dorogozhitskaya, 8 (Class B)	8 083
Zoologichna, 5/1 (Class B)	5 000
Zhilyanskaya str., 34-36 (Class B)	3 125
Podol Prestige (Class B)	12 960
Horkogo, 46 (Class B)	7 400
40-richa Ocityabrya (Class B)	15 000

VACANCY PER SUBMARKETS	CLASS A	CLASS B	TOTAL
CBD	30,2%	10,4%	19,7%
Podil	16,0%	22,8%	22,1%
Western Bank	40,5%	21,3%	24,9%
Eastern Bank	-	25,9%	25,9%

RETAIL

FIGURE	TREND
PRIME RENTS:	stable/up
PRIME YIELDS:	stable/up
SUPPLY:	stable/up
DEMAND:	stable

MARKET OVERVIEW & SENTIMENT

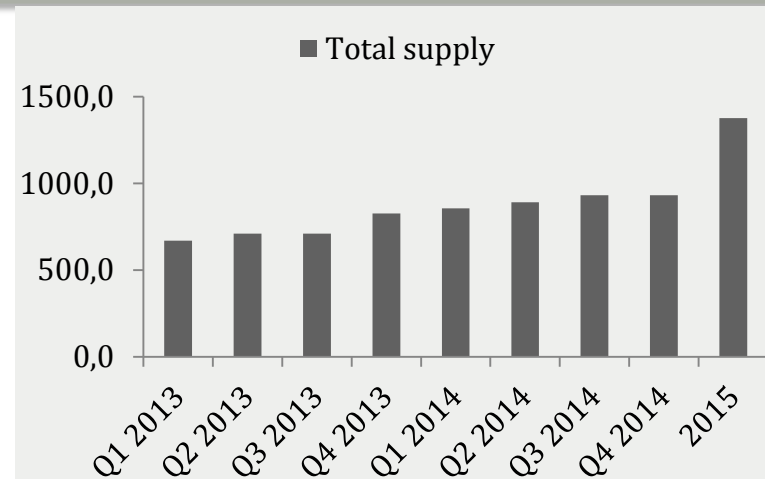
Volumes of new retail space supply in 2014 were the lowest in the last three years. Taking into account the cost of funding and decreased rental rates, development of a new shopping center is currently unprofitable. This trend remains in 2015: the biggest part of new supply will be represented by postponed in 2013-2014 objects. Nevertheless, the volumes of new supply in 2014, combined with an extremely difficult economic situation in Ukraine allowed retailers to improve their lease terms, but a caused a negative effect on the landlord's position.

SUPPLY

2014 has to be the year of the biggest new supply during the last few years, but due to unfortunable conjecture, a lot of openings were postponed to 2015-2016. In Q4 new supply was represented by TC April (6 900 sq.m), TC Doma (8 147 sq. m) and DIY hypermarket Epicenter (105 000 sq. m) in its new format - shopping mall.

The total supply as for the end of 2014 amounted to 931,6 th. sq.m, it is by 12,7% more in comparison with 2013. The amount of new supply in 2014 is almost 90 th. sq.m., it is much lower increase than in the previous years.

In January-February 2015 there were no new openings in the retail property market of Kyiv, developers discuss terms of opening in order to postpone them. Today, all objects scheduled to delivery (see the table below) will be commissioned in the Q3 of the year and later, but some of them may open only in 2016.



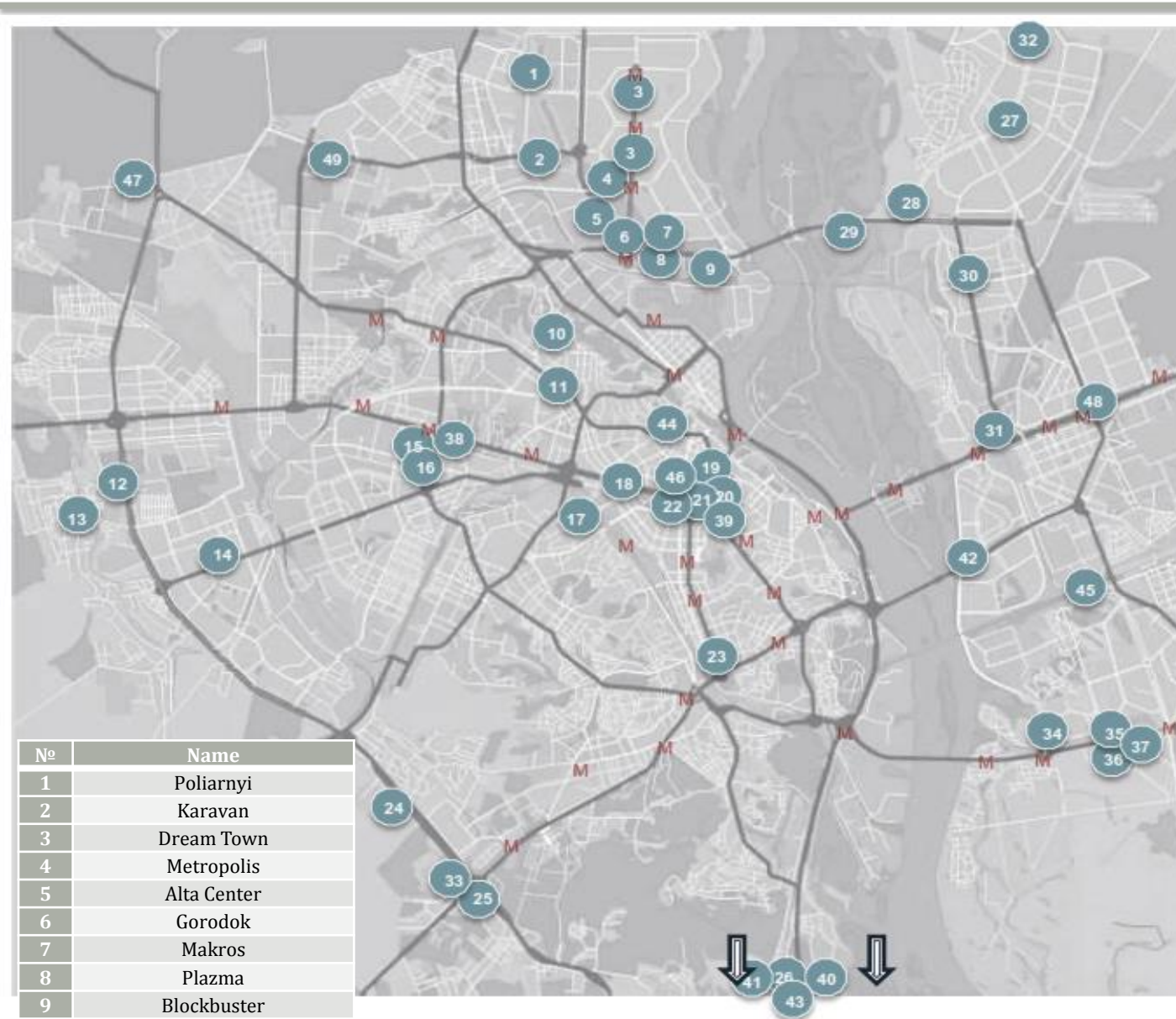
THE BIGGEST OPENINGS ON THE RETAIL MARKET IN 2014

Shopping mall	Area, sq.m
'Prospect'	80157
'Atmosphere'	38000
'Apettite'	4000
'April'	6900
'Doma'	8147

THE BIGGEST POTENTIAL OPENINGS ON THE RETAIL PROPERTY MARKET IN 2015

SHOPPING MALL	Area (GLA), sq. m.
Blockbuster (2 phase)	93 667
Lavina mall	120 000
Respublika	135 000
Retroville	80 450
New life	16 000

RETAIL



No	Name
11	Kvadrat at Lukianivka
12	4Room
13	Promenada Park
14	Kvadrat at Gnata Yuri
15	Bilshovyk
16	Arkadia at Borschahivska
17	Europort
18	Ukraina
19	Globus (phase 1)
20	Arena city
21	Mandarin Plaza
22	Metrograd
23	Ocean Plaza
24	Araks
25	Magelan
26	Domosphera
27	RayON
28	Global UA
29	SKY MALL
30	Kvadrat at Perova
31	Komod
32	Kvadrat at Balsaka
33	Respublika
34	Arkadia at Dniprovskia Naberezhna
35	inSilver
36	Aladdin
37	Piramida
38	Marmelad (phase 1)
39	Gulliver
40	Manufatura Kiev Outlet Village
41	ART MALL
42	Silver Breeze
43	Atmosphere
44	Victorio
45	Mega City
46	TSUM

DEMAND

During the year, New Look, Bosco Sport, OVS, Minelli, Lee Cooper, Columbia Sportswear, SIX, IAM, s.Oliver and some other brands have left the market. Nevertheless, grocery and electronic goods chains, some other retailers, keep expanding. 16 new retailers have appeared on the market, but this amount is by 20% less than in 2013.

Despite the difficult situation in the country, there are a number of operators who continue to consider the Ukrainian market as a promising for development. They are Turkish and some European retailers, namely: H & M (Sweden), Defacto (Turkey), Zara Home (Spain), Cortefiel (Spain), Converse (USA), Wendy's (USA), Subway (USA), MegaIce (Kazakhstan), Violeta (Spain). The launch of new retailers mainly depends on the political and economic situation in the country, as well on what new facilities will really open in 2015.

VACANCY AND RENTS

The share of vacant spaces in Kiev by the end of Q1 2014 amounted at 5.6%. During Q2 2014 it has risen by almost 40% to 7.8%. In Q3 2014 upward tendency continued and vacancy increased to 10%, but given to good occupancy of new-built shopping mall 'Prospect', vacancy has dropped to 8,5% in Q4. These figures relevant for prime shopping malls, vacancy in the average object can exceed even 15-20%. Big vacancy is also observed in a street retail premises. Vacancy rate growth was driven by new supply, loss of tenants that cut trade areas or go out of the market, and a low occupancy rate of some new objects on the market.

Tenants suffer from low retail trade turnover and try to negotiate down rents. Among the most common forms of individual arrangements are the discount rate for the dollar, the transition to the minimum fixed rental rate with additional payment as turnover percent. Landlords and tenants typically specify a period of validity of the revised conditions, after which the achieved agreements typically being prolonged.

OUTLOOK

Retail market is the one that recovers faster than other real estate segments. But the next few years will be very hard for it as well. Shopping malls which will be commissioned in 2015-2016 most probably will face difficulties in tenants attracting. The main objective this year is not to expand the business but to keep it.

AVERAGE RENTS, USD/SQM/MONTH, triple net

CLASS	1Q 2014	2Q 2014	3Q 2014	4Q 2014	January-February 2015
Shopping centers	100	70-100	50-80	40-70	40-70
High-street (CBD)	240	235	150-200	150-200	150-200
Podil retail streets	25-85	25-80	25-70	25-70	25-70

WAREHOUSES

MARKET OVERVIEW & SENTIMENT

The warehouse market faced a decline in demand, reduction of leased space by some tenants, given to recession in general business activity in the country.

There were no significant changes in the warehouse market during Q1 2015. In the pipeline are only "built-to-suite" projects, thereby, there is a lack of supply for open market. Such situation helped to remain vacancy and rents stable. Nevertheless demand is still comparatively low, companies tend to cut the leased areas, given to recession in general business activity in the country.

Tenants want to save money, so the share of transactions in class "B" warehouses in the overall demand for warehouse space prevails other market segments. Similar to other real estate segments this market was in the process renegotiation of rent terms, fixing rents in the national currency. In the situation of rents declining, big international tenants try to take up more quality premises, than they rent at the current time.

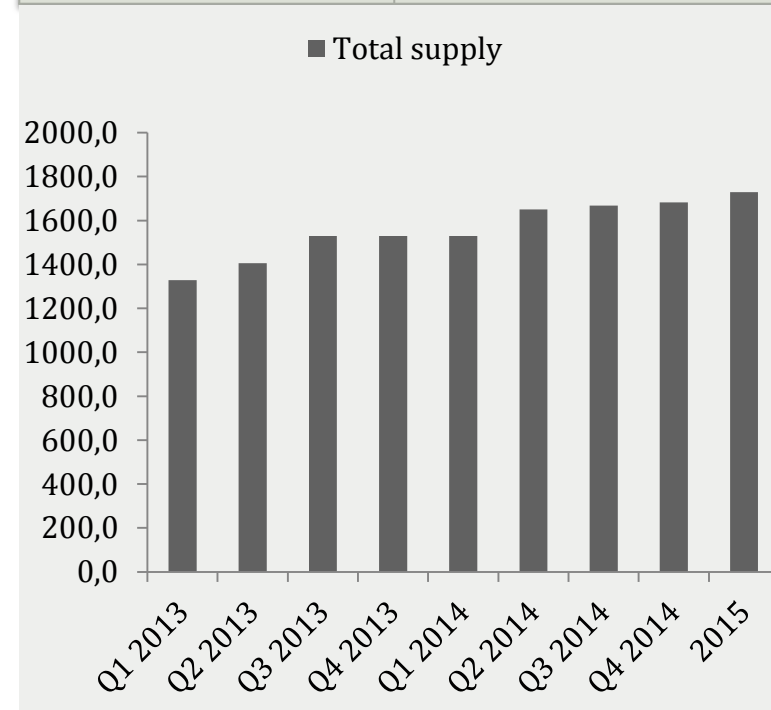
SUPPLY

In Q1 2015 there is no openings on the market. During the year, Imperial Tobacco will commission the 'built-to suit' logistic complex (7,700 sq.m), as well as 'Biokon' (25,000 sq.m). Logistics operator FM Logistic plans to delivery two more sections of its logistic complex with 14,000 sq.m each of them. Thus, the area of the complex will expand by 28,000 square meters to 41,000 square meters.

DEMAND

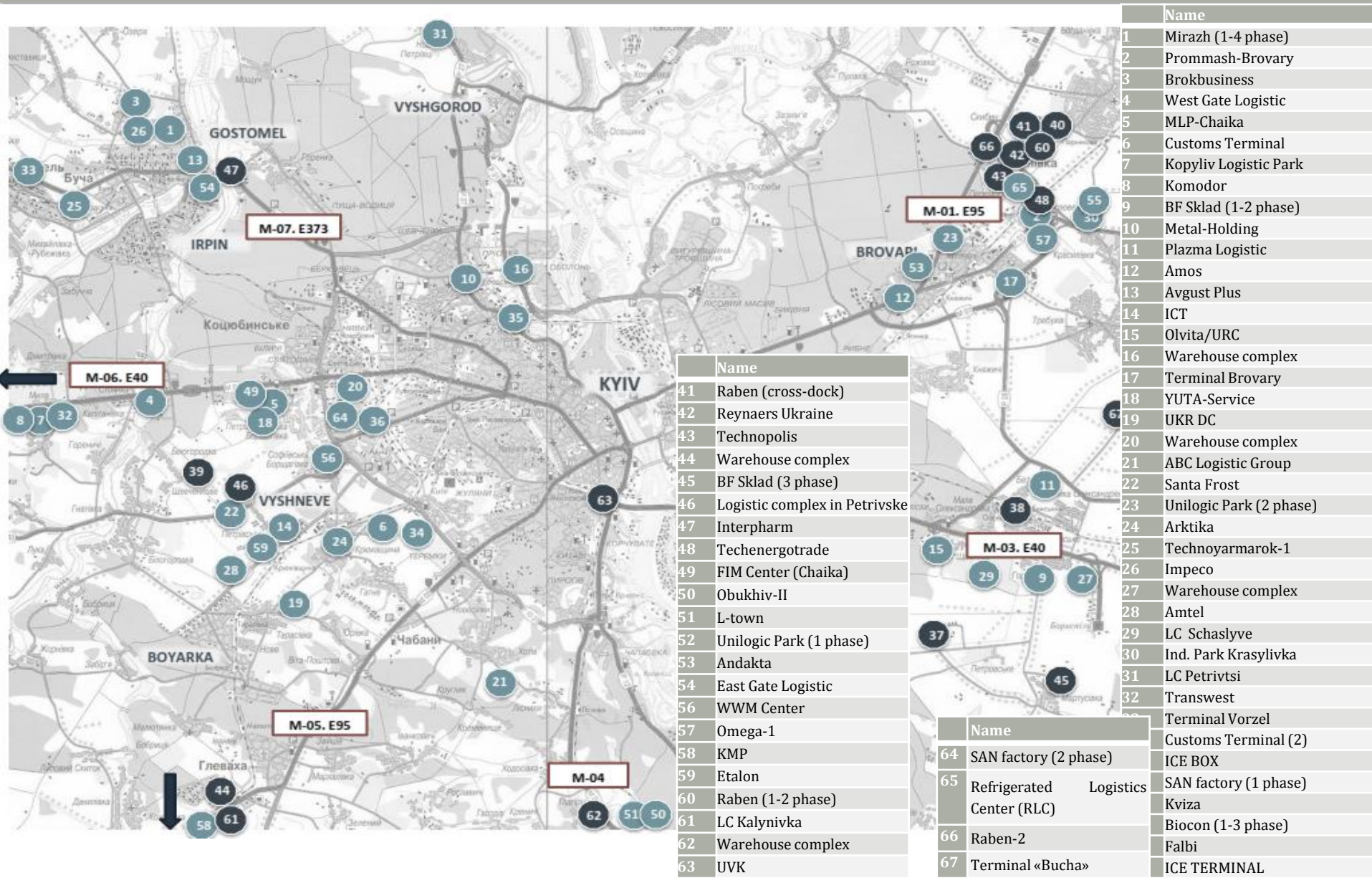
Almost no companies expand their leased areas, the tenant activity on the market is represented by moving from one facility to another, higher or lower by its class, or with smaller area. Such processes help to remain demand level comparatively stable.

FIGURE	TREND
PRIME RENTS:	stable/up
PRIME YIELDS:	stable
SUPPLY:	stable
DEMAND:	stable



As there is a small amount of new objects for open-market in 2015, so vacancy may decrease in the nearest future. Tenants still need quality and specific (for example, cold stores) logistic premises. The highest demand is from pharmaceutical and logistic operators.

WAREHOUSES

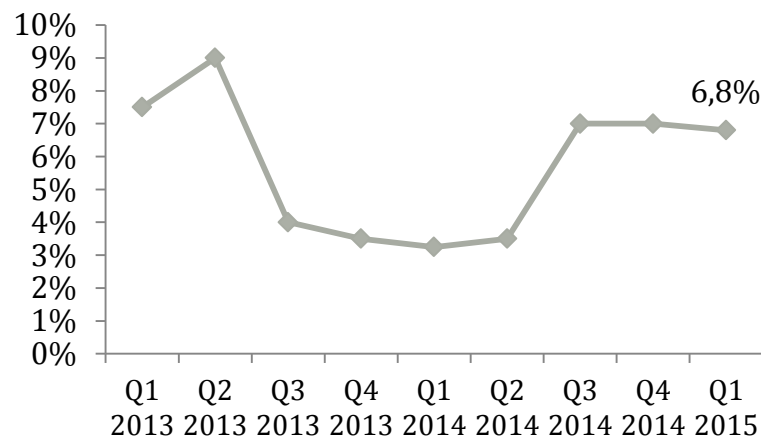


WAREHOUSES

VACANCY AND RENTS

At the end of 2014 the vacancy rate has increased from 3-3.5% up to 7% (depending on the object) due to the decrease in demand from tenants, reduction in the volume of occupied space by some tenants.

The determining factor in the demand for warehouse space become a price offer from the owners of storage facilities, their readiness to meet potential tenants and landlords were forced to change the approaches to establish the amount of rent. At the end of 2014 in the most high-quality warehouse facilities rents were \$ 4-5.5 / m² / month (at the end of 2013 - \$ 5.5-7.0 / m² / month) in the class "B" - \$ 2.5 3.5 / m² / month. In Q1 2015 the situation has not changed.



Average rents, USD/sq.m./month						
	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Right bank	6-7	6-7	6-6.5	6	6	6
Left bank	4.5-6	4.5-6	4.5-5.5	4-5	4-5	4-5

OUTLOOK

In the longer term, the absence of open-market projects, and strengthening occupier demand may lead to a fall in vacancy and further upward correction in logistics rents. There is a great lack of quality logistic real estate in the regions, but limited and high-cost funding block out market development.

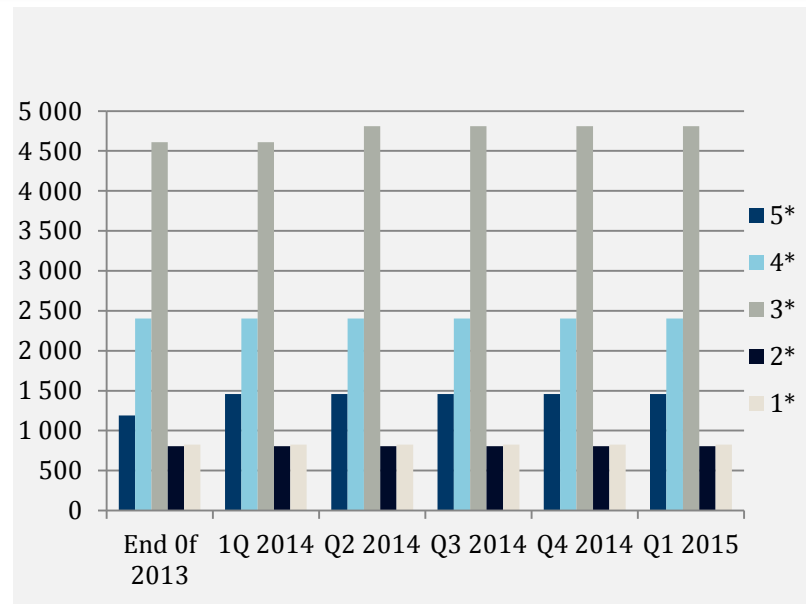
MARKET OVERVIEW & SENTIMENT

In 2014, absolutely all categories of hotels in Kiev showed a significant drop in operating performance. In 2015 this trend is going to continue.

SUPPLY

This year in Kiev is preparing to open five hotels, 3 four-star and 2 three-star. Three projects are reconstructions and two projects are built from scratch.

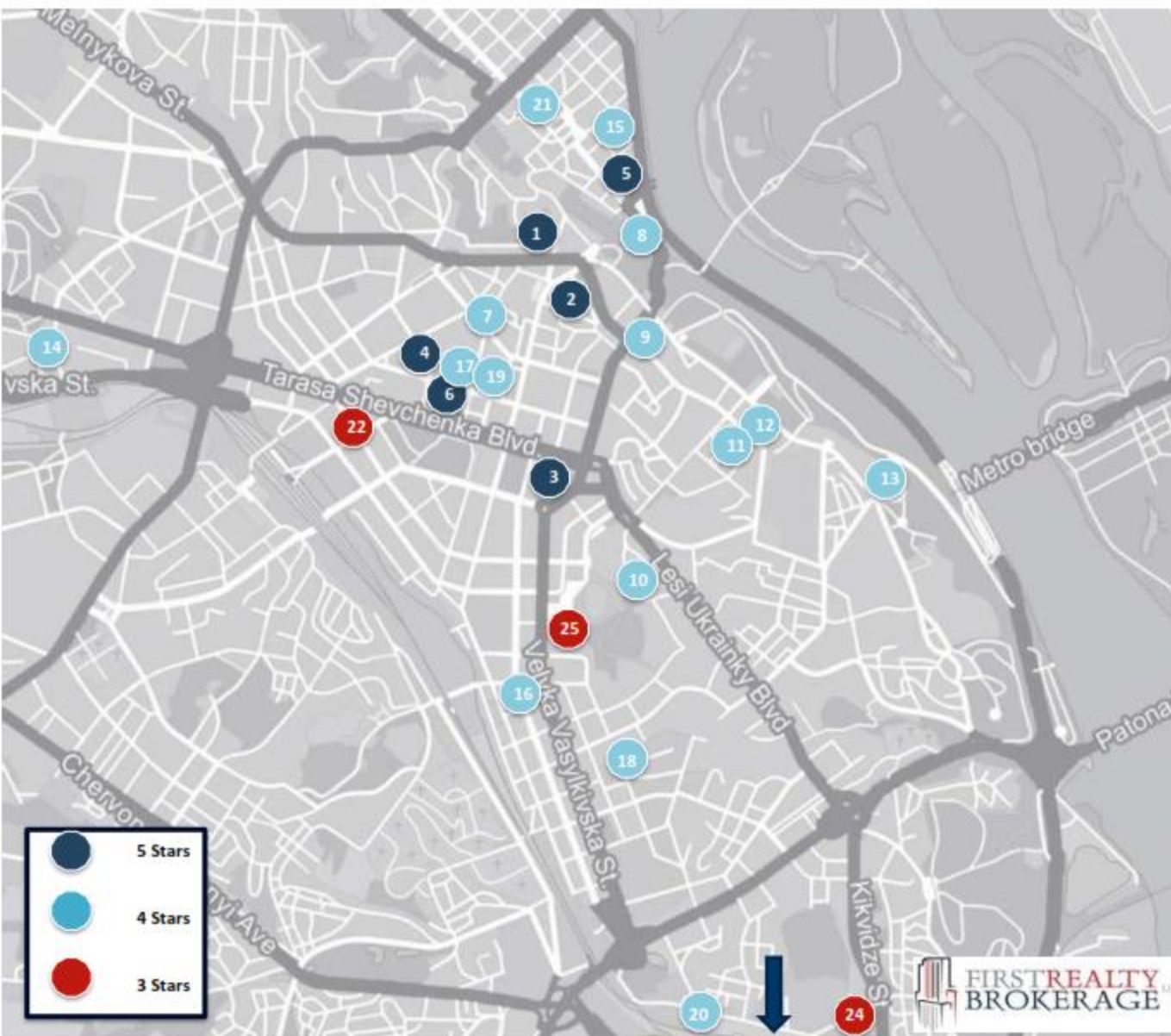
In particular, the former hotel 'Leipzig' in front of the Golden Gate is being reconstructed and will be opened as Renaissance Kiev Hotel. The project is almost ready for opening. However, in the current economic situation the hotel is unlikely will start work in 2015. Park Inn by Radisson Kyiv Troyitska (former hotel "Sport") is ready by 75 percent.



Hotels scheduled to delivery in 2015-2016

Renaissance Kiev Hotel	Prorizna str., 24/39	173 rooms	4 stars
Indigo	Horkogo str., 44	240 rooms	4 stars
Saint Petersburg	T. Shevchenko blvd., 4	50 rooms	4 stars
Park Inn by Radisson Kyiv Troyitska	V. Vasilkivska, 55a	196 rooms	3 stars
Aloft Kiev	Esplanadna str., 17	320 rooms	3 stars

HOSPITALITY



	NAME
1	InterContinental Kyiv
2	Hyatt Regency Kiev
3	Premier Palace
4	Opera
5	Fairmont Grand Hotel Kyiv
6	Hilton Kiev
7	Radisson Blu Hotel, Kyiv
8	Riviera
9	Dnipro
10	President Hotel
11	Natsionalnyi
12	Kyiv
13	Salyut
14	Cosmopolite
15	Radisson Blu Hotel, Kyiv Podil
16	Holiday Inn Kiev
17	CITYHOTEL
18	Alfavito
19	11 Mirrors
20	Park Hotel Golosievo
21	Podol Plaza
22	ibis Kiev Shevchenko Boulevard
23	Ramada Encore Kiev
24	Park Inn by Radisson Kyiv Troyitska
25	Rus

DEMAND

In early 2015 the hotel market of the capital of Ukraine saw an increase in load as compared with January-February 2014 by 8% - up to 29% .At the same time, the recorded increase is a result of the low base of the last year, when the occupancy decreased significantly given to the events in Kiev.

ADR

At the same time, the hryvnia devaluation makes a negative impact on ADR performance. As a result, ADR in foreign currency fell in January-February of 2015 by 24% .

STARS	AVERAGE DAILY RENTS									
	UAH					EUR				
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
3	1050	955	815	915	1030	77	61	50	50	43
4	1810	1800	1663	1410	2318	133	114	102	75	97
5	4964	3245	3693	3500	5210	365	205	226	188	218

OUTLOOK

In the current situation, a forecasts of hospitality performance is extremely complicated. However, even if there will be an improvement in the country, to achieve performance of 2013 in a relatively short period of time will be almost impossible. Taking into account the extremely low demand even for the existing room stock, new hospitality projects, will be hardly taking-up by the market in the coming year.

On the background of the crisis in Kyiv and Eastern region hospitality markets, in Lviv and Carpathian region occupancy has dropped only by 15% in comparison with 2013. The economic crisis and the rise of the dollar have lower impact only in the Western Ukraine. Here, the sharp decline of tourist traffic from Russia and Belarus was compensated by European tourists. An additional argument for visits to Western Ukraine was cheaper hryvnia, as well as fixing the cost of rooms and services in the biggest part of hotels.

RESIDENTIAL REAL ESTATE

MARKET OVERVIEW & SENTIMENT

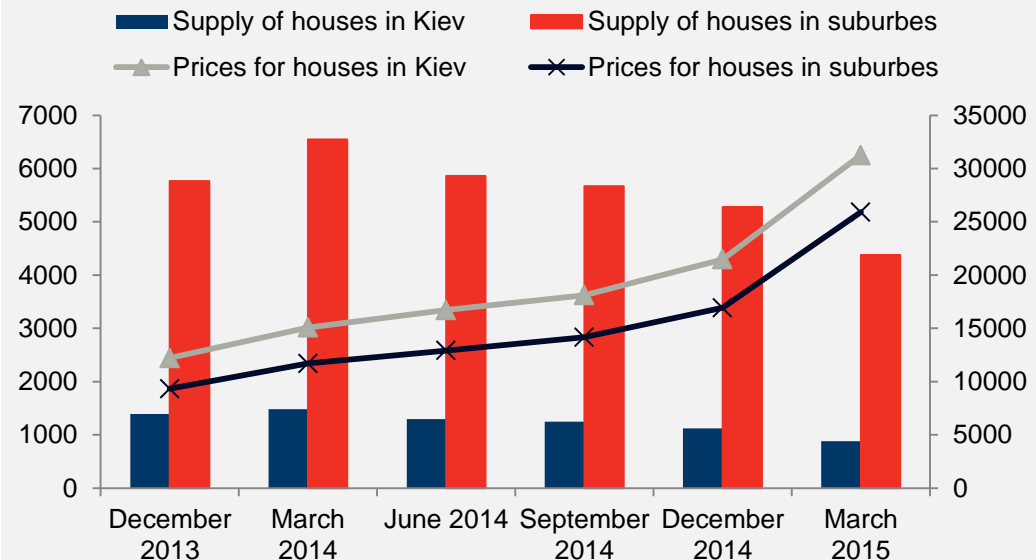
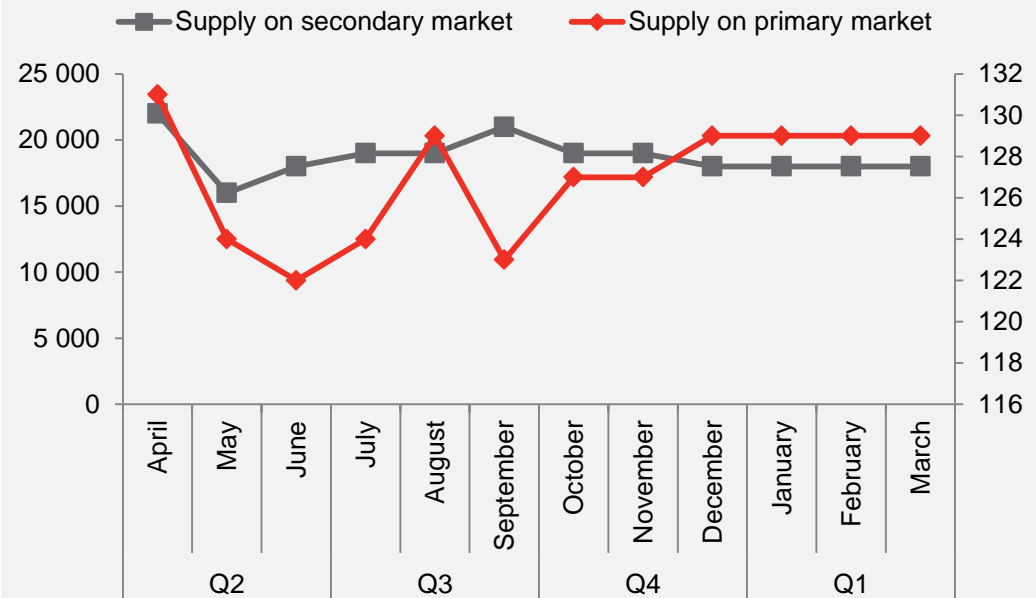
On the background of decreased profitability of commercial real estate development, residential projects become the most popular on the real estate market.

The dynamics of the real estate market of Ukraine in Q1 2015 had no clear trends: in February, when there were significant changes in the exchange rates, transaction were almost frozen, given to the market practice to base, especially on the secondary market. But in prices in dollars. In March, there were definite tendency to the market stabilization and a slight increase in the number of transactions. Statistic shows that prices did not change significantly, but there were some downward trends.

SUPPLY

In the 1st quarter of 2015 5 buildings of economy class and 2 buildings of business class have started sales on the primary market. 4 buildings of economy class and 3 building of business class has closed their sales. Thereby, today there are 129 different residential complexes propose apartments on the Kyiv primary market. 57% of supply – economy apartments, 28% - business class and 15% - premium class.

On the secondary market was quite stable. Market players observe reduction proposals in the segment of suburban homes.



RESIDENTIAL REAL ESTATE

DEMAND

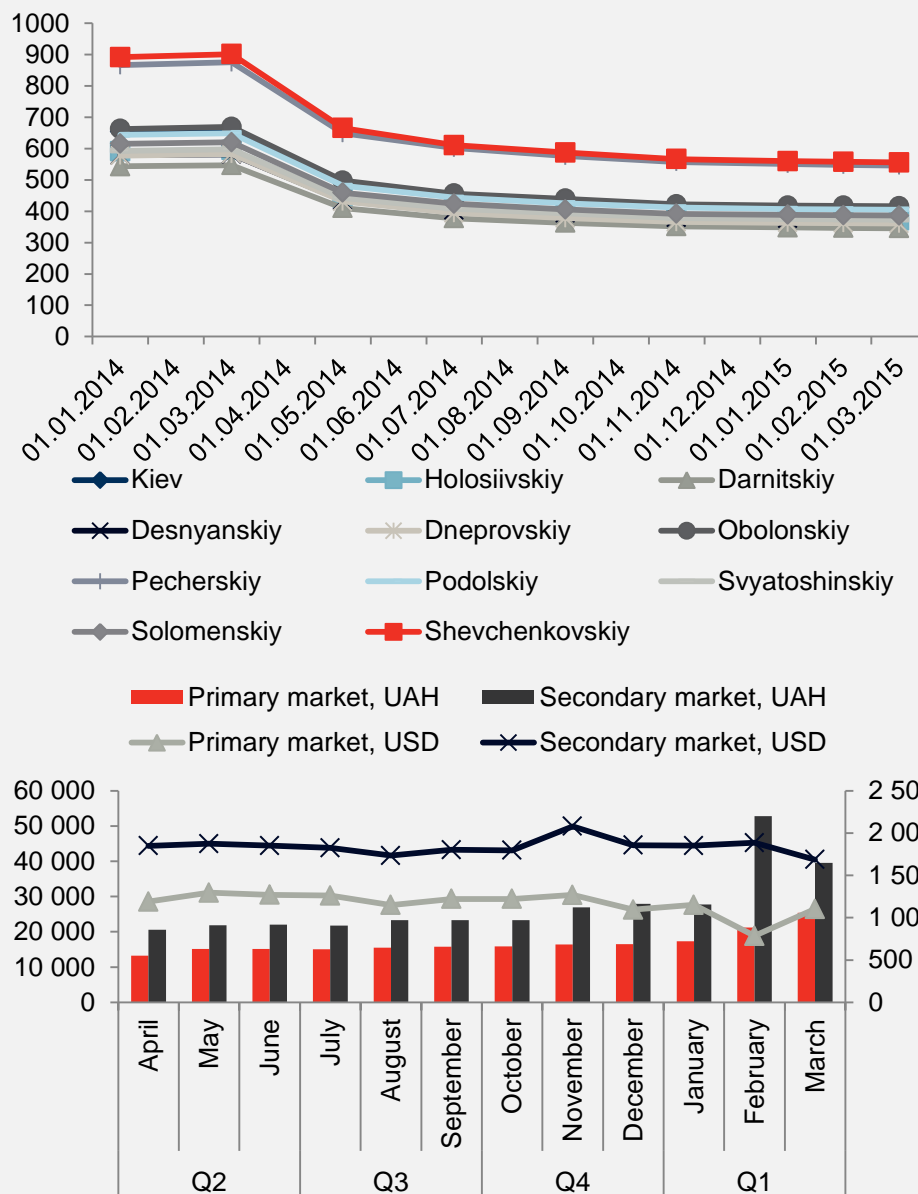
The biggest amount of demand is still for economy class of residential property. In Q1 2015 lower price segments continued to prevail in the structure of transactions, the largest number of sales traditionally was in the diapason of \$ 50-80 thousands and in the middle price segment - \$ 80-95 thousands. The interest for apartments of business and premium class was lower in all areas of Kyiv.

PRICES AND RENTS

Prices in hryvna continued to grow given to risen exchange rates. On the secondary market prices traditionally are in dollar. Due to the devaluation of the national currency prices per meter has increased significantly - by almost 40%. Dollar prices had contrariwise trend - they decreased by 5-10%. These trends were fair for primary market also.

Sales prices are always negotiable: normal discount is 5-10%, this understand both buyers and sellers. But buyers should not expect a larger discount and lower prices, because now the market has reached its bottom.

On the rental market, there were no significant price changes during Q1 2015. Averagely, rents decreased by 1-1,5%.



RESIDENTIAL REAL ESTATE (PREMIUM SEGMENT)

Apartments and houses of the premium segment take 5-6% of the residential real estate market – both sale and rent.

Volume of rent transaction in this segment in Q1 2015 is estimated at 168 th. dollars. Apartments prevailed houses both in supply and demand side as usually, but in March house market became more active given to the desire of tenants to spend the summer in a comfortable environment. In April, this trend will continue.

The average rent for 1 sq.m in this segment is \$17-25, this figures almost has not changed during Q1 2015. The most popular areas are Pechersk and Shevchenkivskiy district (Staronavodnitskaya str., Leskova, P.Mirnogo str., Zverinetsky, Lesia Ukrainka blvd.).

Number of rooms	Price, \$	Area range	Price, \$	Area range	Price, \$	Area range
1 bedroom	1.600	65-85 sq.m	2.000	85-100 sq.m	2.500	100-120 sq.m
2 bedrooms	2.100	85-100 sq.m	3.000	100-120 sq.m	3.600	120-150 sq.m
3 bedrooms	3000	120-150 sq.m	4.000	120-180 sq.m	5.500	150 > sq.m

On the sales market, apartments occupied 75%. Buyers preferred apartments in the Pechersk, Shevchenkovskiy and Obolon districts. Newly-built homes and old houses took the equal shares of transactions. The most popular streets were Honchara, Bohdan Khmelnytsky, Demitrova, Kudryavsky descent. The average prices per square meter were in diapason of \$ 1,700-\$ 2,700. On the houses sale market (25% of the sales market), buyers preferred houses with area of 300-400 sq.m. with a land plot of 15-30 ha in the Obukhov and Borispol directions.



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