

Real Estate Market in Ukraine

National Conference of Steelwork Contractors

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Retail Real Estate Market

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- Total modern retail stock in Kyiv remained at around **1,183,700 sq m (GLA)** in H1 2013.
- DTZ projects that during the whole 2013 new annual retail supply in the Ukrainian capital may exceed **200,000 sq m (GLA)**.
- As of H1 2013, DTZ estimates that presently around 1,200,000 sq m (GLA) of new 'modern' retail space is in active stage of planning or construction in Kyiv.
- Majority of pipeline retail stock scheduled for opening in Kyiv by 2016 are regional and super-regional shopping malls with the first fashion outlets planned for delivery.



<i>Key retail property market indicators in Kyiv</i>	2011	2012	H1 2013	H2 2013	2014 - 2015
Stock (sq m)	1,001,400	1,143,700	1,183,700	1,278,180	1,848,180
New supply (sq m)	75,080	142,300	40,000	94,480	570,000 (TBC)

“Big-Box” Retail in Ukraine

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Focus on:

- Quick build program
- Maximum grid width



Industrial and Logistics Real Estate Market

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- At the end of the second quarter of 2013, total stock of modern warehousing and logistics space in the Greater Kyiv area amounted to around **1,560,350 sq m**.
- In the first half of 2013, new supply of modern warehousing and logistics space in the Greater Kyiv area amounted to around **120,500 sq m (GLA)**, exceeding the figures registered for the same periods in 2012 by almost 2.5 times.
- Most of the regional activity is recorded in Dnepropetrovsk, where total stock of class A and class B warehousing and logistics space amounts to approximately 70 000 sq m, Odessa, where 14 000 sq m of quality stock has been recently delivered and 32 000 sq , are under construction and in Donetsk, where 23 000 sq m of class A logistics and warehousing space is planned.



<i>Key logistics property market indicators in Kyiv</i>	2011	2012	H1 2013	H2 2013	2014-2015
Stock (sq m)	1,322,000	1,440,000	1,560,350	1,577,350	1,812,350
New supply (sq m)	156,000	108,000	120,500	17,000	235,000
Take up (sq m)	222,000	236,000	147,900	↔	↑
Vacancy rate (%)	15.7	6.8	8.25	↔	↓

Offices Real Estate Market

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- There was approximately **1,496,100 sq m (GLA)** of speculatively delivered office stock in Kyiv at the end of the second quarter of 2013.
- The cumulative new office supply during the first half of 2013 in Kyiv amounted to approximately **63,000 sq m (GLA)** being 13% lower compared to the same period in 2012, but exceeding the figure for the first half of 2011 by over 40%.
- Though new office supply is annually increasing, the office property market in Kyiv remains structurally undersupplied compared to other CEE capitals in terms of total office stock, stock per capita, as well as the variety of formats and quality of properties available for occupation.



Key office property market indicators in Kyiv	2011	2012	H1 2013	H2 2013	2014-2015
Stock (sq m)	1,277,000	1,434,350	1,501,710	1,710,000	2,340,000
New supply (sq m)	158,000	158,000	63,000	208,300	630,000

Modern Office Buildings in Kyiv

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The nature of the modern office buildings is changing:

- Structures are much “lighter”
- Floor plates in modern office buildings is much bigger
- Larger grid span
- Speed of construction



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Why steel?

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When some OCCUPIERS require energy efficiency ranking –
BREEAM or LEED,



MANY INVESTORS DEMAND IT!



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Why Steel?

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Compared to today's average construction practice, modern steel construction offers:

- **MATERIAL EFFICIENCY** - resulting in less natural resource usage, less transports, less emissions and less energy usage;
- **ULTRA-HIGH RECYCLABILITY** - resulting in less natural resource usage, less waste and less emissions;
- **QUALITY AND DURABILITY** – resulting in many sustainability favors;
- **DRY AND LEAN CONSTRUCTION** – resulting in less health hazards, less waste, less energy.

Issue	Steel construction relation
Usability	Steel construction is pre-fabricated in efficient factory processes with minimum use of resources, and enables long-span, high-rise and flexible buildings.
Speed	Steel structures are installed rapidly on site which reduces local disruption
Weight	Steel structures are light, and therefore efficient on materials, energy, transports and emissions. The low weight also enables vertical extension and optional location
Waste	Steel construction is very material efficient, generating low amounts of waste, and most of the waste is recycled
Performance	Steel is a high performance, dimensionally accurate material, produced with modern computerized technology
Logistics	Steel structures are delivered to site 'just in time' for installation, and can be produced locally
Durability	Steel structures have long very design life and the high quality remains
Health	Steel construction is dry construction, low-emitting materials, controlled and safe process and leads to high quality architecture
Recyclability	All steel can be recycled, steel is recycled without quality losses, and all steel has recycled content
Reusability	Steel buildings or components can be dismantled and re-used

Large Urban Developments and Industrial Parks

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Recently there has been lots of discussion regarding possible development of large scale urban development with industrial components in Kyiv and Ukraine.

'Kyiv City International Business Centre'

In 2012 DTZ undertook the highest and best use analysis of 5 land plots in Kyiv, Ukraine providing strategic advice on optimal marketing and commercial concept of international business district 'Kyiv-City', as well as recommendations on the optimal site for this development, massing and mix of both residential and commercial areas and financial analysis.

Industrial hub 'Kyiv Business Harbor'

The initiative to implement the project "Kyiv Business Harbor" appeared during the joint participation of KSCA delegation and AVEC GROUP in the international real estate exhibition in spring 2013.

In June 2013 the agreement of intent was signed and the parties agreed to combine efforts and use all available means in order to implement the project in Desnianskiy area of Kyiv.

Upon completion, these project s will...

- **Create a new mixed used urban sub centre:** that connects with the surrounding area and provides for improved city's infrastructure
- **Create** a clear and transparent mechanism of interaction with the city's authorities, promotion of local business and attraction of international firms.
- **Enhance employment** by attracting the best international companies providing for long-term employment opportunities for residents of Kyiv and Kyiv region, particularly on the Left Bank.
 - **Address employment disbalance.**

Perspectives of Real Estate Market

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- **Increasing delivery** of office real estate likely to overtake existing supply rates.
- Ultimate move towards **out of town office parks** with larger floor plates and lower density, which means more **opportunities for steel producers.**
- Whilst retail mall development continues to increase, **larger format retail** (Big Box) will outstrip general mall dynamics.
- **Continued development** of logistics space and future bespoke manufacturing and assembly facilities.
- Heightened awareness by developer and the **importance of sustainability** to investors on exit.



Thank you!

Nick Cotton, Managing Director at DTZ Ukraine

