

Kyiv commercial property market

3 quarter 2021 Summary



The results of the first three quarters of 2021 demonstrate a steady recovery in the office real estate market.

2,719 millions sq. m
(GLA)

Total area of office

108,2 thousand sq. m
(GLA)

New construction
(commissioned facilities)

306 thousand sq. m
(11,25%)

Vacancy level

114 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

Q3 2021	A	B+	B
Lease rate range**, \$/month	15-40	15-30	4-23,3
Lease rate dynamics (Q3 2021/ Q3 2020), %	-1,7	-20,3	-4,4
Vacancy level, %	11,3	8,72	11,82
Vacancy level dynamics, points compared to Q3 2020	0,8	-7,0	-1,9
Vacancy level dynamics, points compared to Q2 2021	0,2	-5,1	0,0

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

The market volume at the end of Q3 2021 amounted to **2,719 million sq. m** (GLA) in **341*** classified business centers of class A, B+ and B.

Market volume growth in relation to Q3 2020 amounted to **5,9 %**.

In Q3 2021 were commissioned **108,2 thousand sq. m** (GLA) и **111,9 thousand sq. m** are planned to be commissioned by the end of the year.

*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.

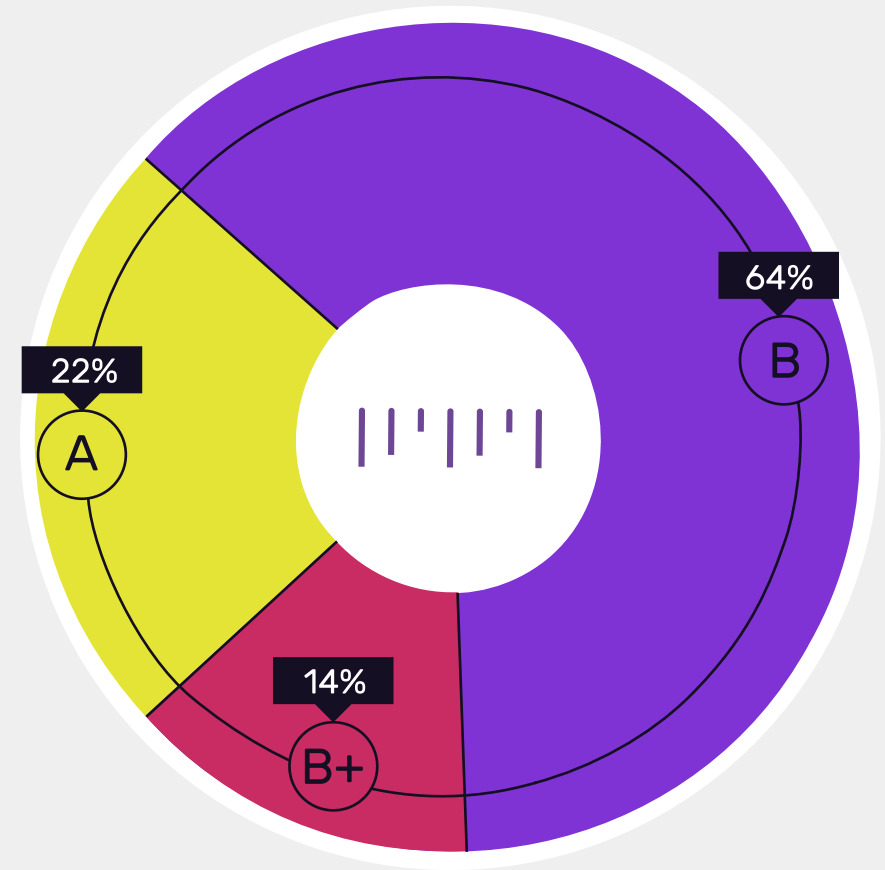
Class A, B+, B

Key indicators Dynamics Q3 2020 - Q3 2021				
	Period	A	B+	B
Offer volume, thous. sq. m	Q3 2021	595,8	387,1	1736,4
	Q3 2020	533,2	347,7	1686,9
New construction, (put into operation in Q3) thous. sq. m	Q3 2021	63,0	20,2	24,9
	Q3 2020	26,3	0,0	11,9
Vacancy level, %	Q3 2021	11,2	8,7	11,8
	Q3 2020	10,5	9,4	13,7
Min. basic rental rate, \$ for sq. m per month	Q3 2021	15,0	15,0	4,0
	Q3 2020	20,0	17,0	6,0
Max. basic rental rate, \$ for sq. m per month	Q3 2021	40,0	30,0	23,0
	Q3 2020	32,0	29,0	24,0
Weighted average basic rental rate, \$ for sq. m per month	Q3 2021	22,0	15,7	13,1
	Q3 2020	22,4	19,7	13,4
Growth of rental rates in relation Q3 2020, %	Q3 2021	-1,7	-20,3	-4,4

Market structure by space class in Q3 2021:

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

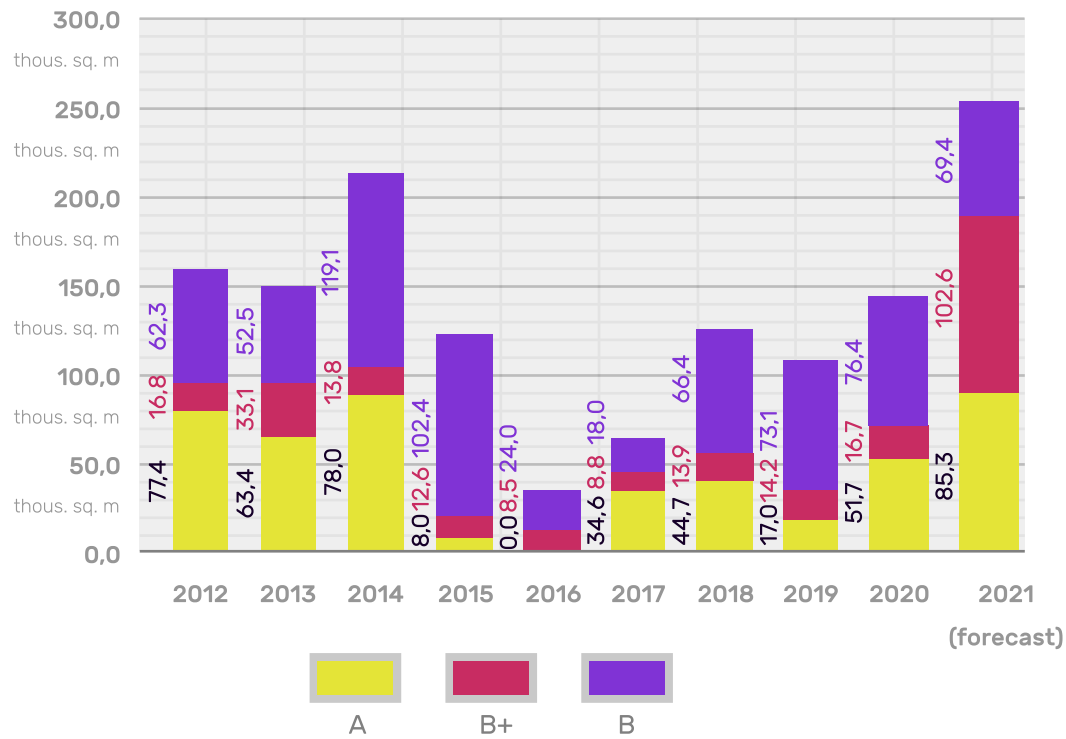
The share of class A will be 33%, class B + and B 40% and 27% respectively.





By classes

New construction by classes A, B+, B



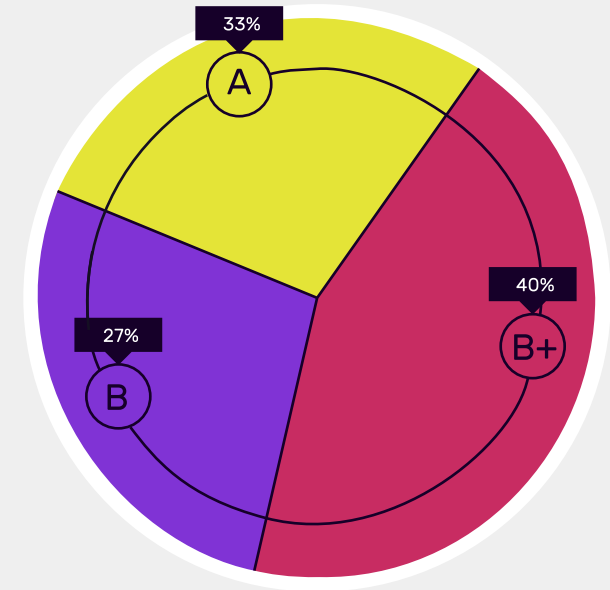
108,2 thous. sq. m

of new areas was put into operation in Q3 2021.

111,9 thous. sq. m

are scheduled for commissioning in the end of 2021 (Q4 2021).

Market structure by new space classes in 2021



- A** - 85,3 thous. sq. m 33%
- B+** - 102,6 thous. sq. m 40%
- B** - 69,4 thous. sq. m 27%



Commissioned in the Q3 2021

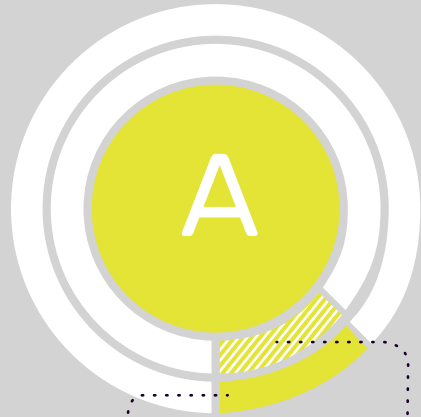
No	Name, address	Class	Rental area, sq. m
1	S26, Spasska str., 26/14	B+	13 170,25
2	Unit.city, Dorohozhytska str., 3, building B14	B	8 900
3	Mag.nett, V. Vasykivska str., 137-139	B+	41 000
4	K-Most, Zoolohichna str., 5/1A	B	5 447
5	Business Center, Korolenkivska str., 4, (1st phase)	A	14 800
6	Business Center, Zoolohichna str., 5A	B	5 350
7	Eleven, Solomenska str., 11, building B	B	8 355
	Eleven, Solomenska str., 11, building G (Г)		11 200
Total			108 222

Planned to be commissioned by the end of 2021

No	Name, address	Class	Rental area, sq. m
1	Podol Mall, Olenivska str., 23	B+	21 164
2	Pyramida, Mishugi str., 4	B	4 716
3	M3, Mishugi str., 3a	B	2 700
4	Unit.city, Dorohozhytska str., 3, building B6	B+	13 400
5	Unit.city, Dorohozhytska str., 3, building B15	B	7 700
6	Business Center, Prorizna str., 8A (RECON)	A	7 000
7	Business Center, Henri Barbusse str., 37	A	3 700
8	Business Center, Korolenkivska str., 4, (2nd phase)	A	51 500
Total			111 880

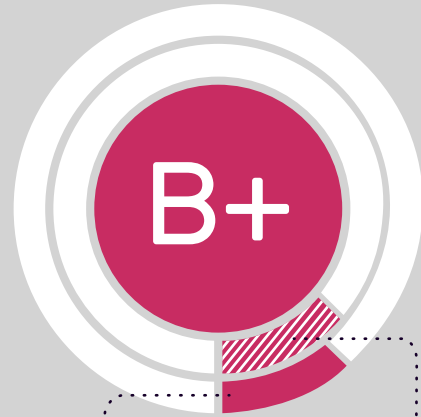


The vacancy rate for classes of Q2 2020 and Q2 2021



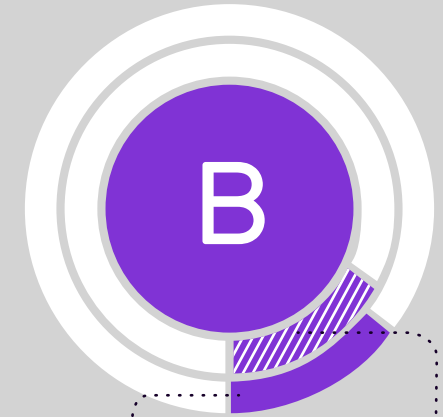
11,25%
67,03 thous.sq.m

10,5%
49,56 thous.sq.m



8,72%
33,74 thous.sq.m

9,43%
11,51 thous.sq.m



11,82%
205,29 thous.sq.m

13,74%
105,63 thous.sq.m

A	B+	B	
			Q3 2021
			Q3 2020

11,25%

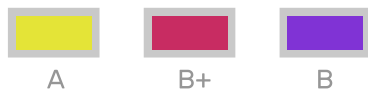
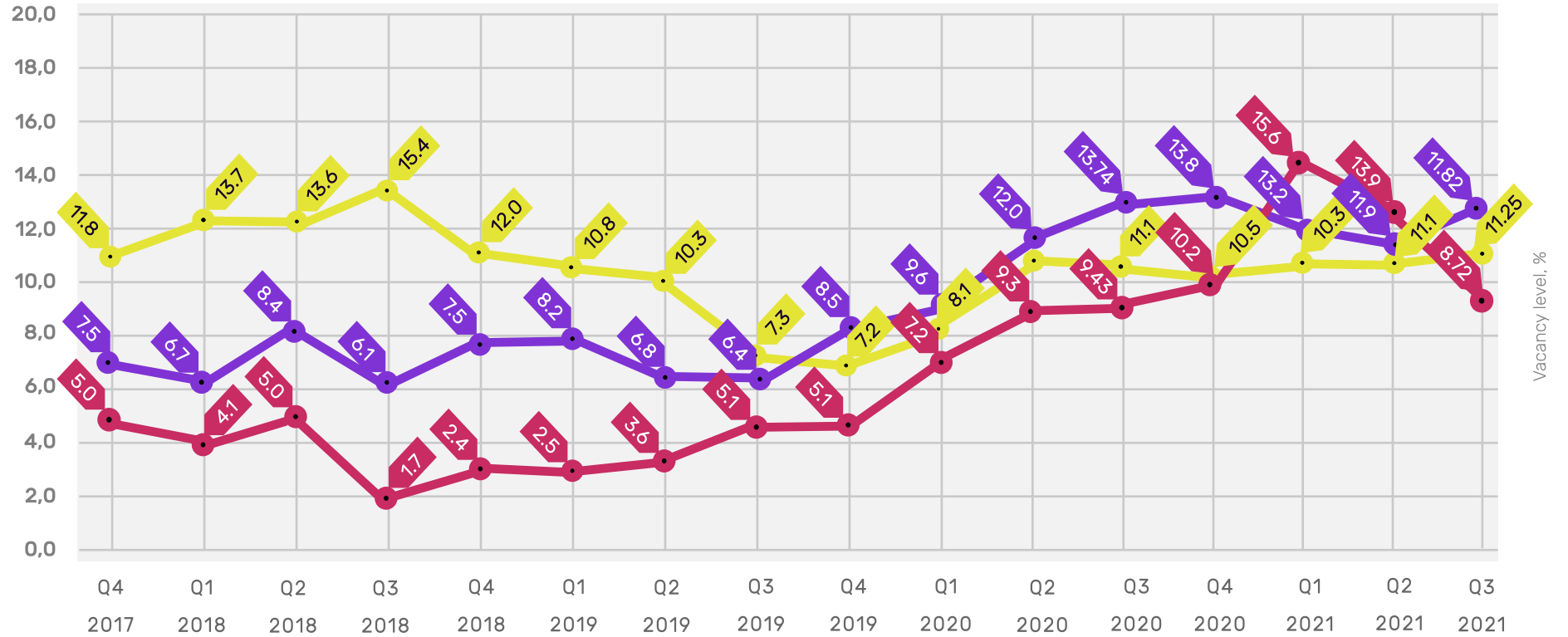
The share of vacant premises as of Q3 2021
Class A, B +, B

306 thous. sq. m

Available space as of Q3 2021
Class A, B +, B



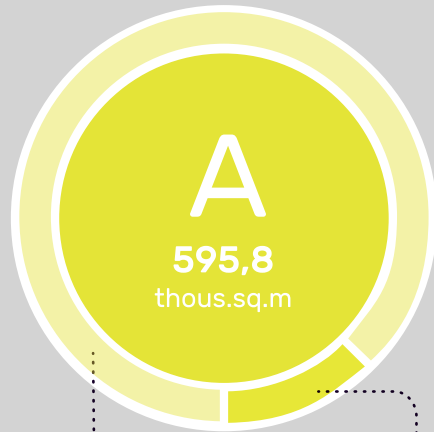
Vacancy rate dynamics (quarterly)



The greatest demand is for new business centers with panoramic glazing, a high level of engineering, and certainly view offices. The advantage for tenants is also the owner's participation in the cost of repairs or the owner's repairs and more longer compensation by the tenant during the lease term.

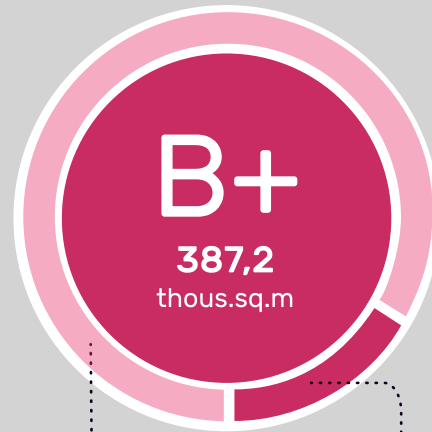
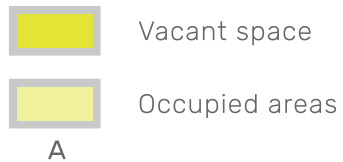


Analysis of vacancy level in the context of classes of objects for Q3 2021



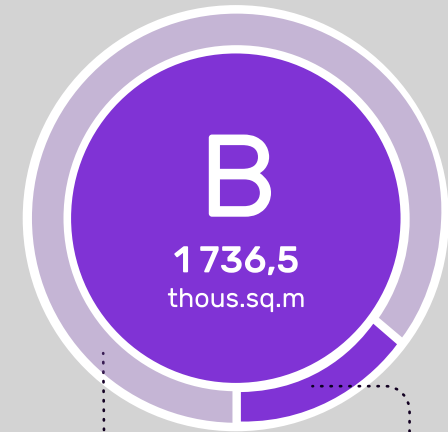
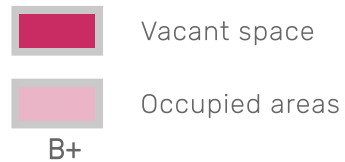
11,25%

528,813 thous.sq.m 67,032 thous.sq.m



8,72%

353,451 thous.sq.m 33,747 thous.sq.m



11,82%

1 531,190 thous.sq.m 205,296 thous.sq.m





For three quarters of 2021, the market absorbed about 163 thousand sq. m, which is more than 2 times higher than the same indicator in 2019.

The vacancy rate is at a fairly stable level. Growth of vacancy in relation to the Q2 2021 in class A amounted to only 0.15% and for the year (in relation to Q3 2021) increased by 0.75%.

However, these figures do not include offices that are subleased by companies that have reduced their offices.

Offer area sub. lease (in class A, B + and B) is no more than 1-1.5% of the total number of vacant premises.

■ Net absorption of office space in Q3 2021 amounted to 114 thousand sq. m.

■ The vacancy in class B + in Q3 decreased by 5.18% in relation to Q2 2021 and amounted to 8.72%.

■ By almost 2%, in relation to Q3 2020, the vacancy rate in the class B business center was decreased.



The level of weighted average rental rates for office premises in Kyiv in Q3 2021 showed negative dynamics:

- Class A: -1,7%;
- Class B+: -20,3%;
- Class B: -4,4%;

relative to Q3 2020

In the Q3 2021, base rental rates for high-quality class A office premises with renovation were fixed at \$ 27- \$ 40 per sq. m per month (excluding VAT, service and utility payments).

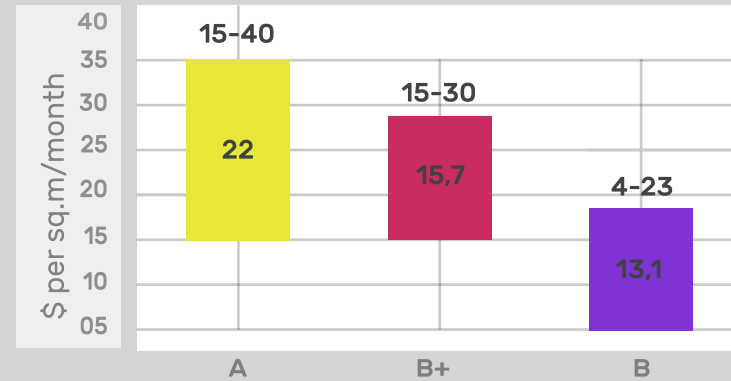
The minimum rental rates in class A are offered for offices with low liquidity (no possibility of creating flexible spaces, low level of natural light).

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.

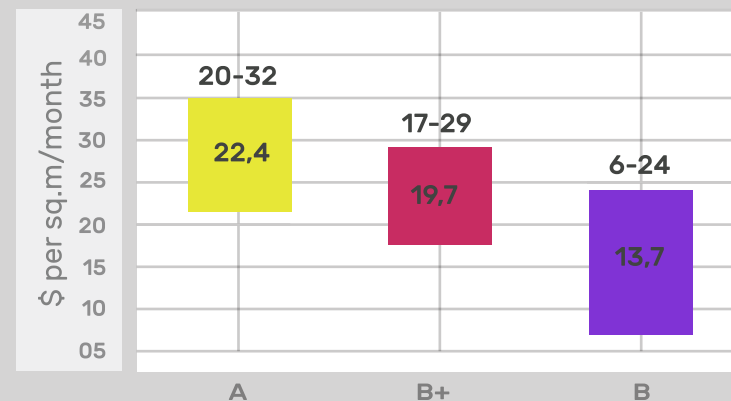
*Real weighted average, base rental rate - the proposed base rate for specific tenants (excluding VAT, service, and utility payments)

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

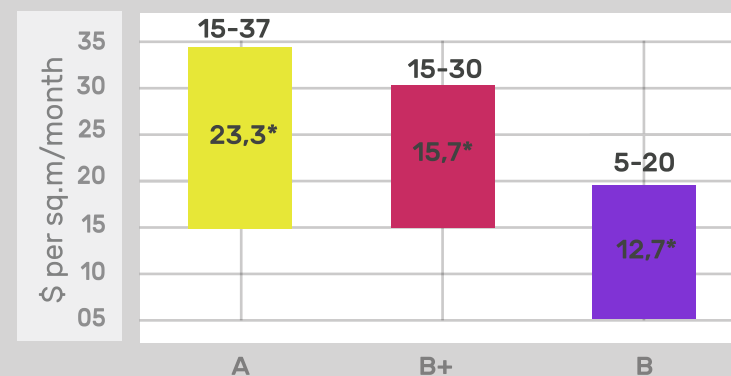
Lease Rates by Classes Q3 2021



Lease Rates by Classes Q3 2020

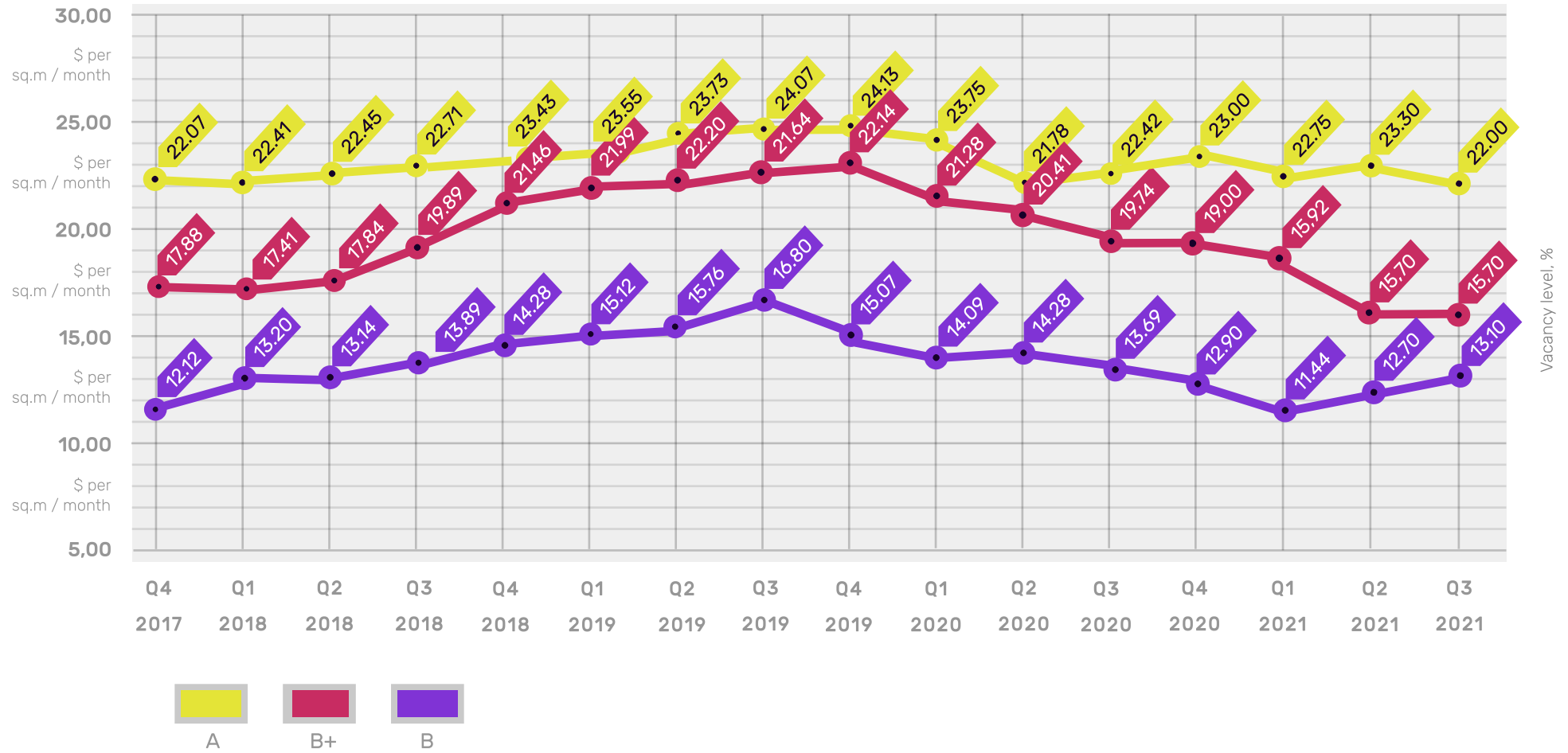


Lease Rates by Classes Q2 2021





Dynamics of average lease rates





The tendencies of the office real estate market in Kyiv are comparable to the trends in the markets of Europe and the USA, where there is also a dynamics of a gradual decrease in the share of employees working remotely, respectively, we observe an increase in the activity of companies looking for new offices.

The basis of demand was still formed by the IT sector, the telecommunications sector, as well as large state companies, banks and corporations-ecosystems. The share of IT companies in the structure of absorption of office premises is over 60%.



Over the course of three quarters, there was an acceleration in the rate of leasing of the highest quality and most expensive offices.

Based on the results of Q3 2021, it is worth noting a slight increase in rental rates for renovated office premises up to 200 sq. m.

The decrease in rental rates for class B + (by 20%) was caused not by a drop in rates in a business center of the corresponding format, but by the entry of new properties into the market.

The maximum declared base rental rate remains at \$ 40 per sq. m per month.

The maximum rental rates are requested by the business center for view offices up to 200 sq. m with high-quality renovation.



Given the competition in the office real estate market, developers are moving beyond building conventional office spaces and creating an entire ecosystem for a productive work environment.

The greatest demand is for new business centers with panoramic glazing, with a high level of engineering, and certainly offices with a view.

The advantage for tenants is also the owner's participation in the cost of repairs or the owner's repairs and longer compensation by the tenant during the lease term.

Changes in work formats and, accordingly, changes in physical space will be a steady trend in the coming years.