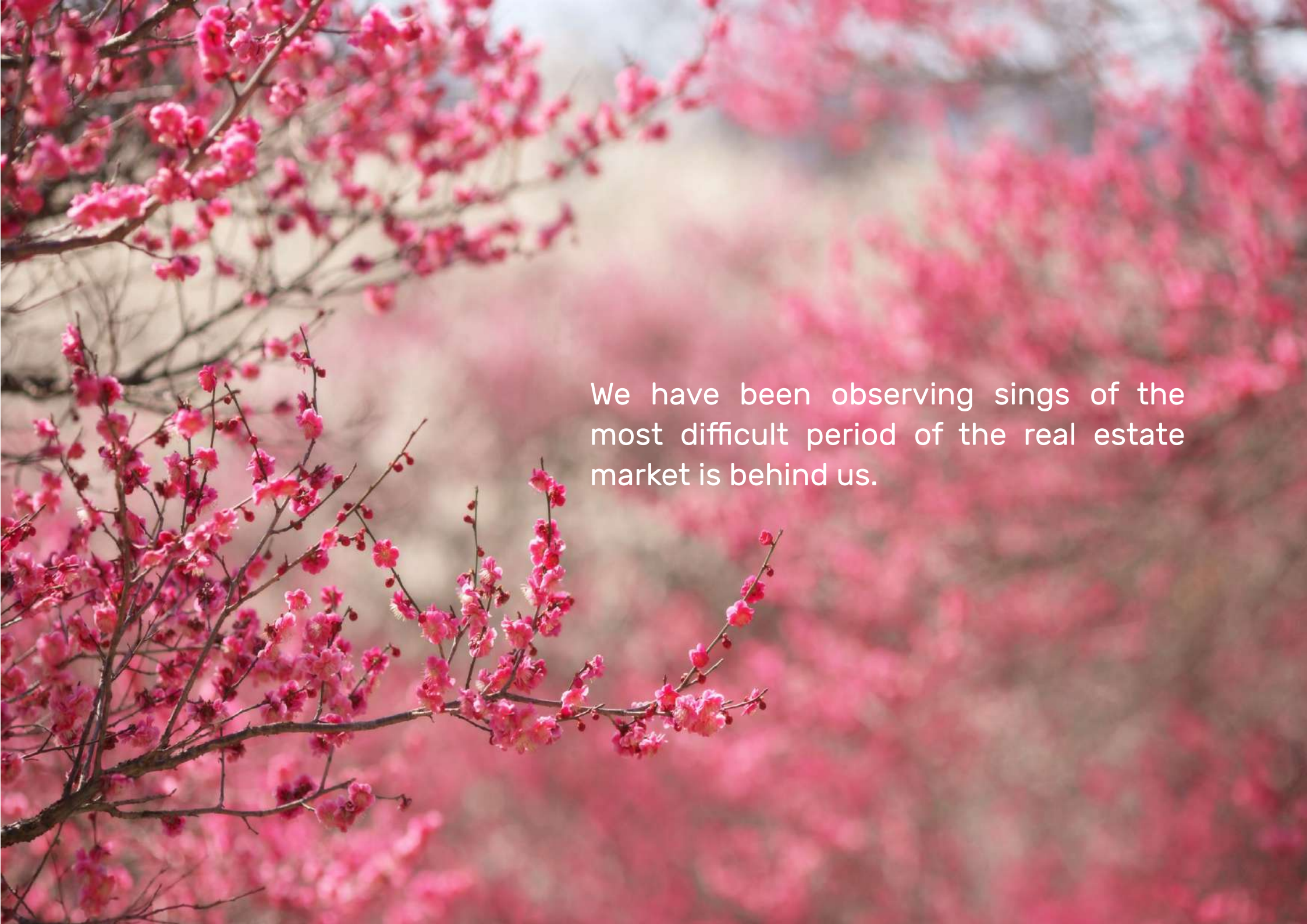


Kyiv commercial property market

1 quarter 2021 Summary



We have been observing signs of the most difficult period of the real estate market is behind us.



According to forecasts of analysts at Deutsche Bank, global GDP is expected to grow by 6.8% in 2021, and by 4.6% in 2022.

Progress in controlling the COVID-19 pandemic and vaccinations, which could lead to herd immunity in the near future, as well as large-scale measures to support the economy in the United States and Europe, are called favorable factors for the economy.



In Ukraine, the World Bank raised its forecast for GDP growth in 2021 from 3% to 3.8%.

J.P. Morgan predicts Ukraine's GDP growth in 2021 by more than 5%

Analysts J.P. Morgan noted that severe investment cuts and declining inventories were the main negative factors behind the 4% decline in GDP in 2020 and predict that these areas will improve in 2021. They expect investment to rebound by almost 30% after falling more than 24% in the past year and reaching the pre-crisis level.



Vaccination in Ukraine will progress very slowly, more than half of the population will be vaccinated no earlier than mid-2022.

2,595 millions sq. m
(GLA)

Total area of office

19,1 thousand sq. m
(GLA)

New construction
(commissioned facilities)

340,4 thousand sq. m
(13,1%)

Vacancy level

4,7 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

Q4 2020	A	B+	B
Lease rate range**, \$/month	15-35	15-30	6-20
Lease rate dynamics (Q1 2021/ Q1 2020), %	-4,2	-25,2	-18,8
Vacancy level, %	11,1	15,6	13,2
Vacancy level dynamics, points compared to Q1 2020	+3,0	+8,4	+3,6
Vacancy level dynamics, points compared to Q4 2020	0,8	+5,4	-0,6

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

The market volume at the end of the Q1 of 2021 amounted to **2,595 million sq. m** (GLA) in **333*** classified business centers of class A, B + and B.

Market volume growth in relation to Q1 2020 amounted to **5,57 %**.

New construction:

In 2021, one class B + facility was commissioned:
Business Center Luvr, 2/10, Yuriya Il'yenko str.,
19,1 thousand sq. m (GLA)

In 2021, it was scheduled for commissioning **224,4 thousand sq. m**

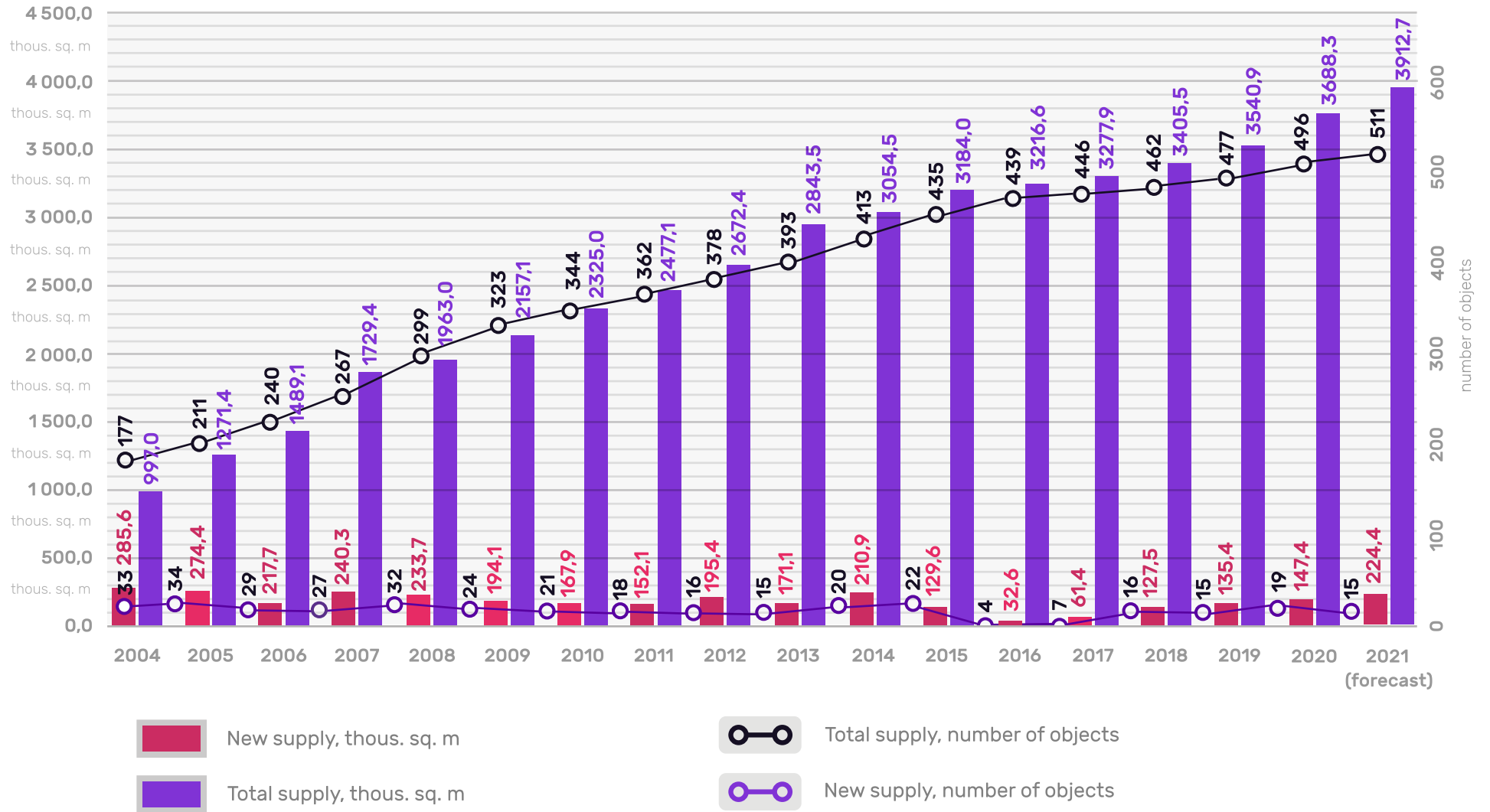
* Some objects may consist of several separate buildings and are put into operation in different phases, but are presented on the market under a single name within a single project

Class A, B+, B

Key indicators Dynamics Q4 2019 - Q4 2020	Period	A	B+	B
Offer volume, thous. sq. m	Q1 2021	538,7	366,9	1686,9
	Q1 2020	495,9	335,2	1627,0
New construction, (put into operation in Q4) thous. sq. m	Q1 2021	0,0	19,1	0,0
	Q1 2020	8,9	4,1	16,5
Vacancy level, %	Q1 2021	11,1	15,6	13,2
	Q1 2020	8,1	7,2	9,6
Min. basic rental rate, \$ for sq. m per month	Q1 2021	15,0	15,0	6,0
	Q1 2020	22,0	17,0	7,1
Max. basic rental rate, \$ for sq. m per month	Q1 2021	35,0	30,0	20,0
	Q1 2020	32,0	29,0	25,0
Weighted average basic rental rate, \$ for sq. m per month	Q1 2021	22,7	15,9	11,4
	Q1 2020	23,7	21,2	14,9
Growth of rental rates in relation Q4 2019, %	Q1 2021	-4,2	-25,2	-18,8



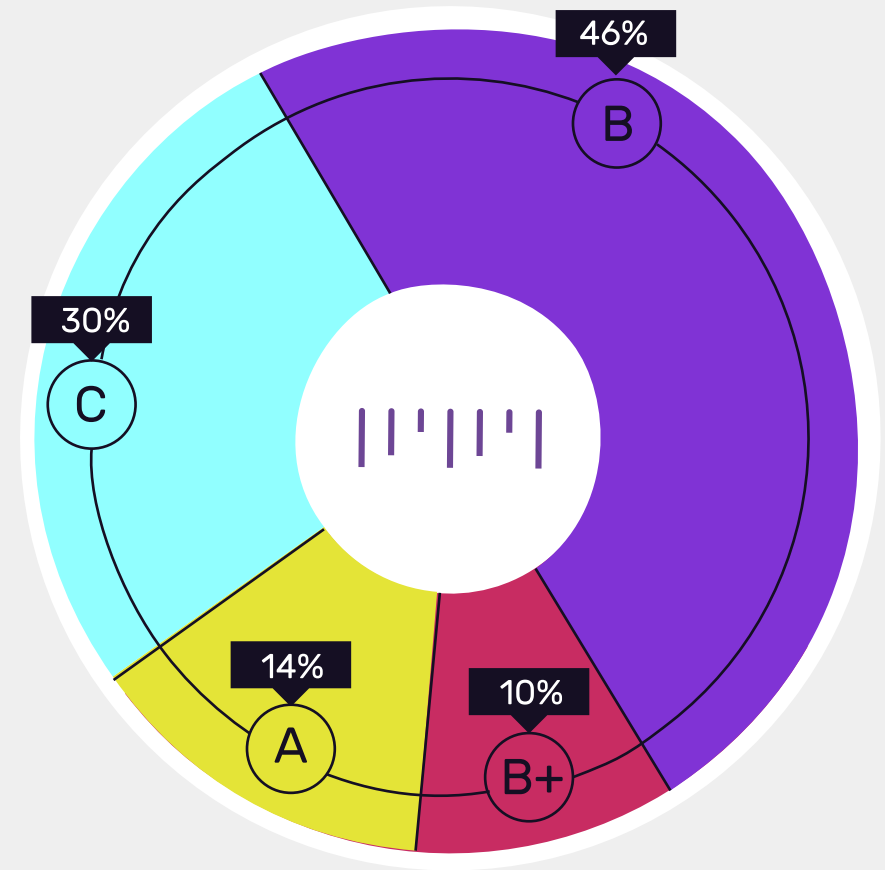
Dynamics of the professional market in terms of classes of spaces 2014-2021 (forecast) Class A, B+, B and C



Market structure by space class in Q1 2021

Based on the objects announced for commissioning in 2021 class A (71.9 thousand sq. m), class B + (102.6 thousand sq. m) and class B (49.9 thousand sq. m), the share of space class A and B + will increase.

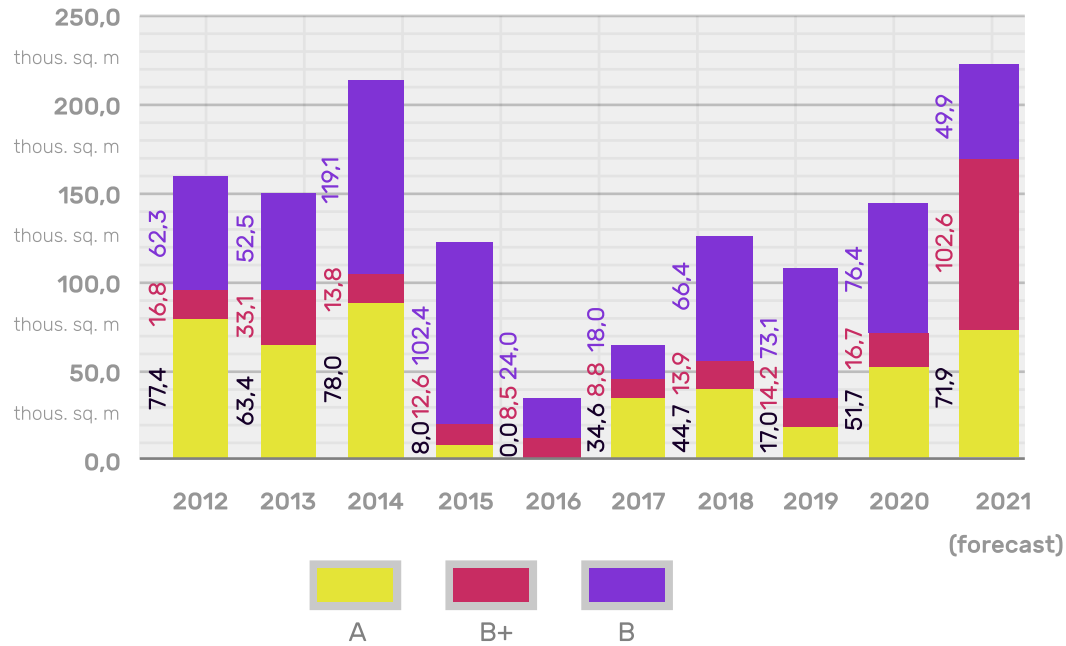
The share of class A will be 32%, class B + and B 46% and 22% respectively.





By classes

New construction by classes A, B+, B



19,15 thous. sq. m

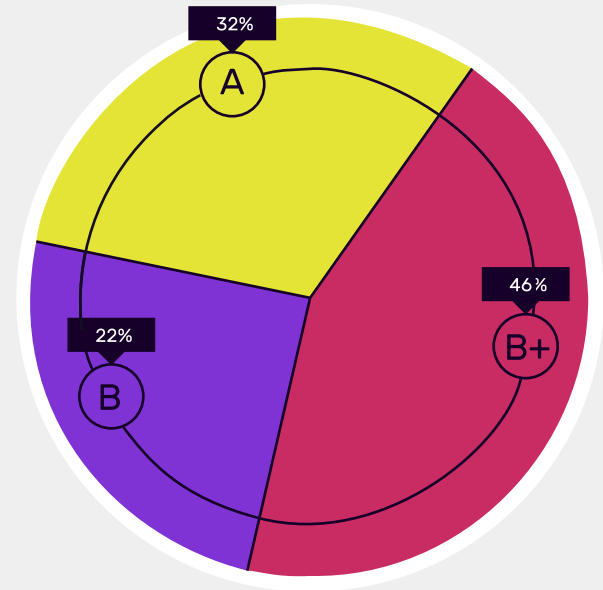
new areas (Business Center Luvr, 2/10, Yuriya Il'yenko str.) in Q1 of 2021 was put into operation.

224,4 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)



- A - 71,9 thous. sq. m 32%
- B+ - 102,6 thous. sq. m 46%
- B - 49,9 thous. sq. m 22%

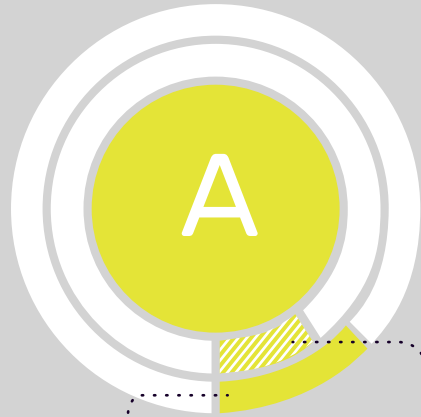


Planned to be commissioned in 2021

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	Business Center, 4, Garmatna str., building 12	B	11 700
4	Pyramida, 4, Mishugi str.	B+	4 716
5	M3, 3a, Mishugi str.	B	2 700
6	S26, 26/14, Spasska str.	A	11 318,36
7	Unit. city, 3, Dorogozhitska str., building B14	A	8 900
8	Unit. city, 3, Dorogozhitska str., building B15	A	7 700
9	River Mall, 12, Dniprovskya naberezhna str.	B	5 000
10	Business Center, 8A, Prorizna str. (RECON)	B+	7 000

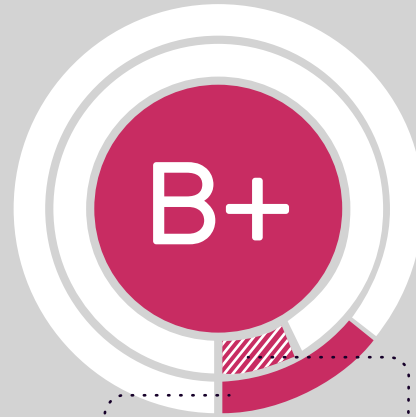
No	Name, address	Class	Rental area, sq. m
11	Business Center, 5A, Zoologichna str.	B	5 600
12	Business Center, 37, Henri Barbusse str.	B	3 700
13	Mag.nett, 137-139, B. Vasil'kovska str.	A	44 000
14	Business Center, 4, Korolenkovska str., (1 phase)	B+	14 800
	Business Center, 4, Korolenkovska str., (2 phase)		51 500
Total			205 245,37

The vacancy rate for classes of Q1 2020 and Q1 2021



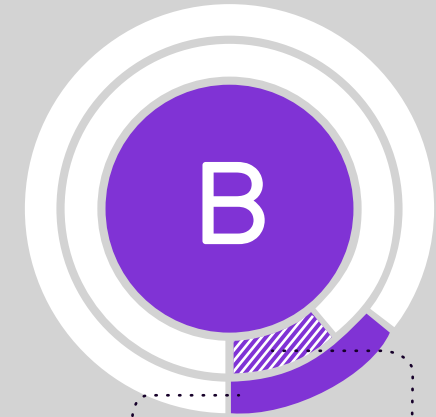
11,11%
56,21 thous.sq.m

8,08%
49,56 thous.sq.m



15,61%
32,35 thous.sq.m

7,24%
11,51 thous.sq.m



13,22%
201,36 thous.sq.m

9,62%
105,63 thous.sq.m

A	B+	B	
			Q1 2021
			Q1 2020

13,12%

The share of vacant premises as of Q1 2021
Class A, B +, B

340,4 thous. sq. m

Available space as of Q1 2021
Class A, B +, B

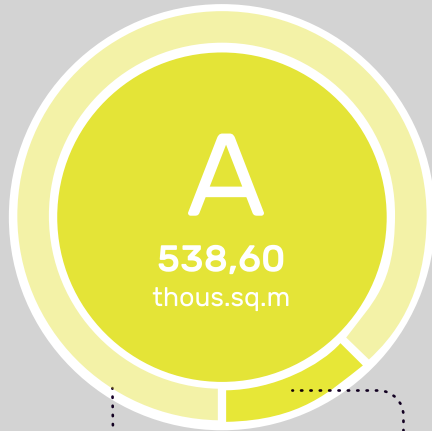


Vacancy rate dynamics (quarterly)

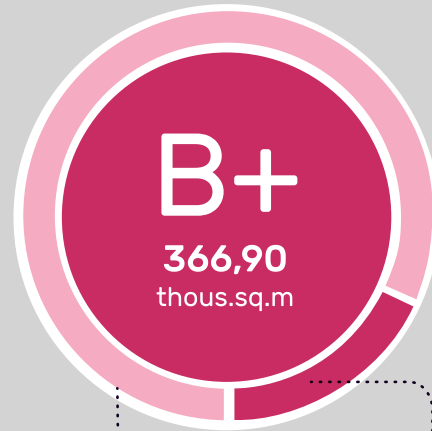




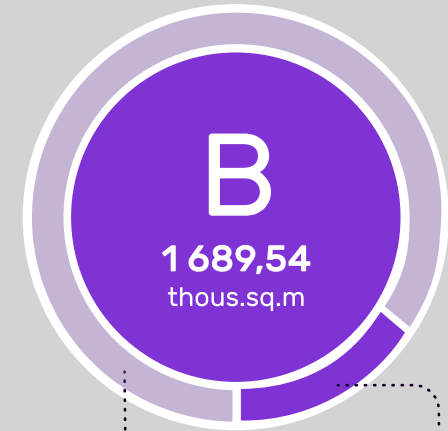
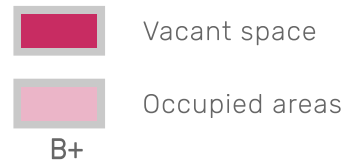
Analysis of vacancy level in the context of classes of objects for Q4 2020



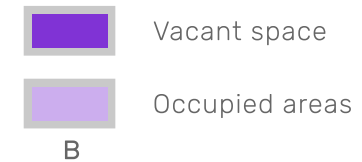
11,1%
478,834 thous.sq.m 59,834 thous.sq.m



15,61%
309,678 thous.sq.m 57,274 thous.sq.m



13,22%
1 466,210 thous.sq.m 223,337 thous.sq.m





The level of weighted average rental rates for office premises in Kyiv in Q1 2021 showed negative dynamics for all classes :

- Class A: -4,2%;
- Class B+: -25,2%;
- Class B: -18,8%;

relative to Q1 2021

In Q1 2021 base rental rates for high-quality class A office premises with renovation remained at the level of \$ 27- \$ 35 per sq. m per month (excluding VAT, service and utility payments).

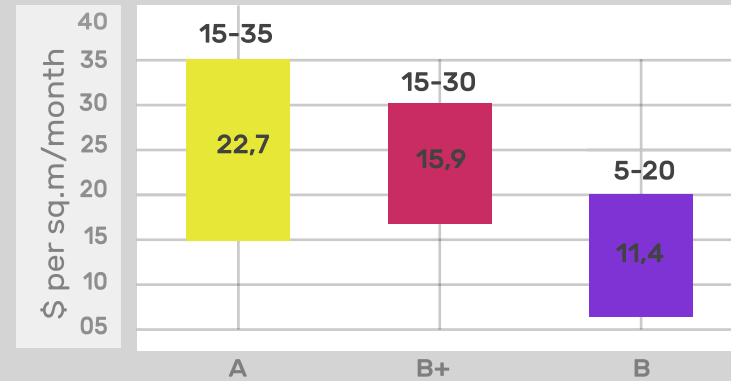
The minimum rental rates in class A are offered for offices with low liquidity (no possibility of creating flexible spaces, low level of natural light).

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

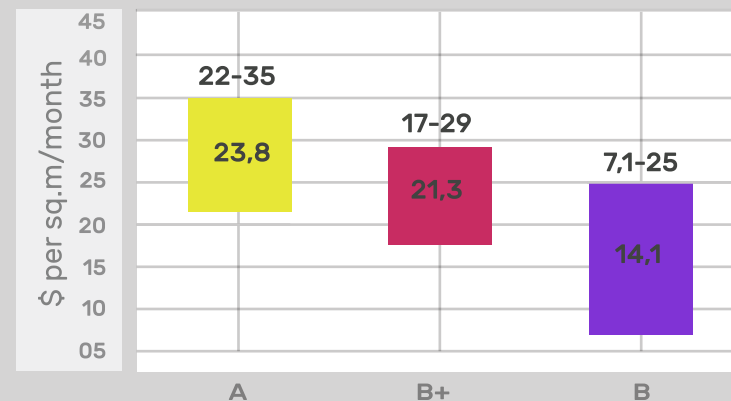
* Real weighted average, base rental rate - the proposed base rate for specific tenants (excluding VAT, service, and utility payments)

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

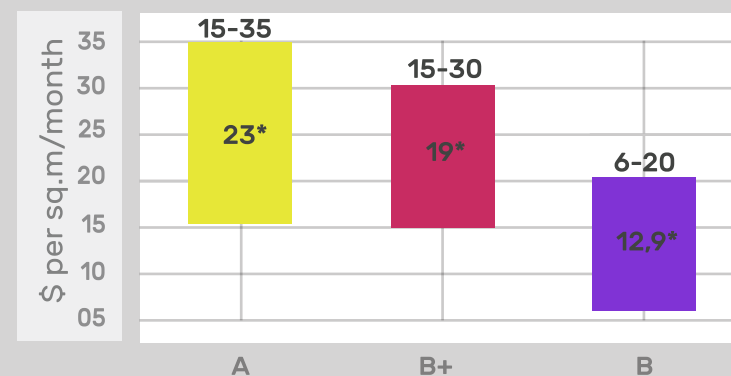
Lease Rates by Classes Q1 2021



Lease Rates by Classes Q1 2020



Lease Rates by Classes Q4 2020



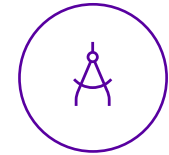
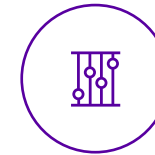
Rental rates for offices in Q1 2021 decreased in relation to the end of the Q4 2021 slightly more than 1% in class A, 16% in B + and 11% in class B.

The vacancy has increased:

Class	Q1 2021	Q1 2020	Dynamics, %
A	10,3	11,1	0,8
B+	10,2	15,6	15,4
B	13,8	13,2	-0,6

Rental rates for high-quality office space are falling moderately. In some modern business centers, they were fixed at the level of Q4 2020.

The office real estate market is still characterized by a shortage of quality supply, therefore, unlike the crises of 2008-2009 and 2014, we record a relatively low level of vacancy now.



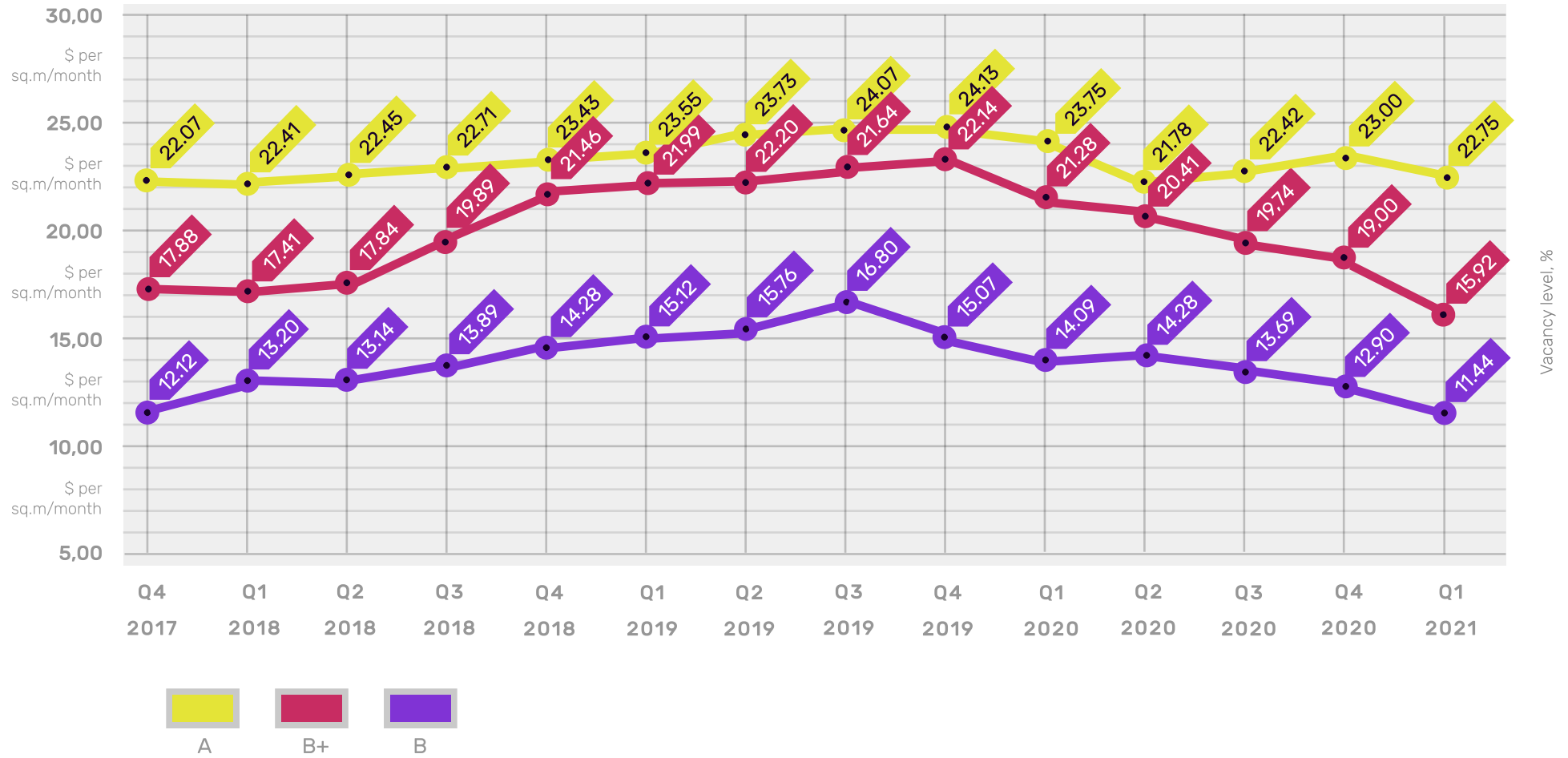
Vacancy rate during the crisis of 2009 and 2014

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.



Dynamics of average lease rates



We have been observing signs of the most difficult period of the real estate market is behind us. The share of companies that work remotely is gradually decreasing and, according to research conducted, is less than 15%.

Companies with a free visiting schedule (visiting not every day) will occupy the prevailing share at least until the end of this year.

Most companies in Ukraine, as well as throughout the world, noted the inefficiency of remote work.

The market is reviving but in new realities. Many business center owners find themselves in a difficult situation: many facilities require anti-crisis management.

These trends have had a significant impact on the development and growth of the coworking market.



- many facilities require crisis management

- most tenants are looking for premises with finished cases where owners are willing to make renovations at their own expense

- tenants are seeking to establish more flexible lease terms now (the possibility of terminating the contract or reducing the leased area without sanctions)
