



UKRAINE  
OFFICE MARKET RESEARCH REPORT

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Q3 2011

# Office Market

## SUPPLY

New supply of class A and B office space amounted to around 50,000 m<sup>2</sup> in Q3 2011. Three business centers were commissioned. These were Premium Center BC (GLA ~ 38,000 m<sup>2</sup>), BC on Baggovutivska str. (GLA ~ 3,700 m<sup>2</sup>), and Shchekavitskiy BC (GLA ~ 8,600 m<sup>2</sup>). Thus, the total office stock in Kyiv reached approx. 1,280,000 m<sup>2</sup>.

Currently, there are about 240,000 m<sup>2</sup> GLA of office space under active construction to be commissioned in 2012-2013. The most significant among them are Gulliver (former Continental) BC (GLA ~ 48,000 m<sup>2</sup>), 101 Tower BC (GLA ~ 45,000 m<sup>2</sup>), and Toronto-Kiev BC (GLA ~ 36,000 m<sup>2</sup>).

## DEMAND

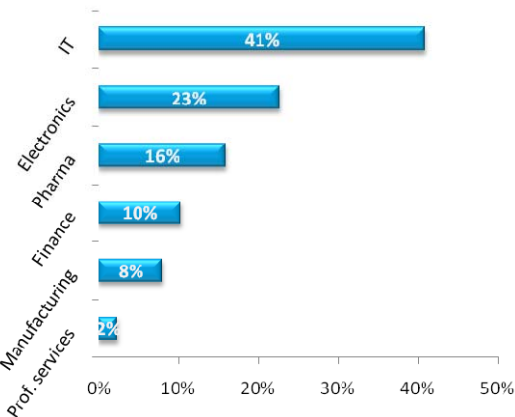
The total office space take-up reached about 40,000 m<sup>2</sup> in Q3 2011. This significant demand was mostly driven by companies from the IT, electronics, and pharmaceutical sectors.

**TOTAL STOCK, NEW SUPPLY, TAKE-UP CHANGE 2006 – 9M2011**



Source: Colliers International

**TAKE-UP, DISTRIBUTION BY BUSINESS SECTOR**



Source: Colliers International

**5 largest office transactions in Q3 2011**

Occupier	Business sector	GLA, m <sup>2</sup>	Address
Metinvest	Manufacturing	2,590	7, Krutyi uzviz
Pro-pharma	Pharmaceutical	2,000	120, Kazachya
IBM	IT	1,800	12, Amosova
Pfizer	Pharmaceutical	1,400	12, Amosova
Itera	IT	800	13, Pimonenko

Source: Colliers International

The share of foreign companies in the structure of total take-up in Q3 constituted 65%, which is in line with take-up distribution in previous periods. Domestic companies, correspondingly, comprised 35% in take-up of Q3 2011.

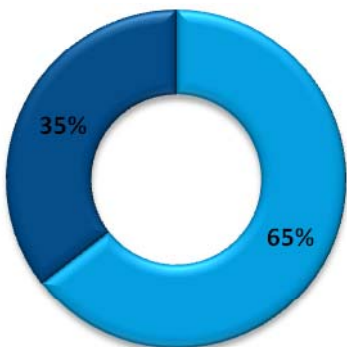
The share of purchase transactions by end users in the total take-up amounted for 32%, correspondingly, the share of lease transactions – 68%.

The largest share of total take-up - 42% - is accountable for class B office space, 36% - class A office space, and the least popular is class C – 22% of total take-up.

## RENTS AND VACANCY

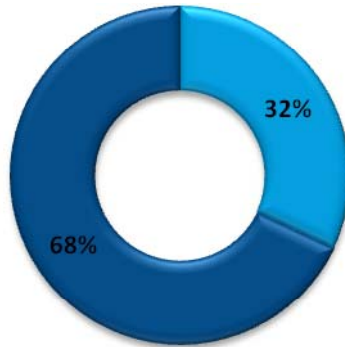
At the end of Q3 2011 vacancy rate is around 13.5%. Rental rates remain stable.

**TAKE-UP, DISTRIBUTION BY ORIGIN**



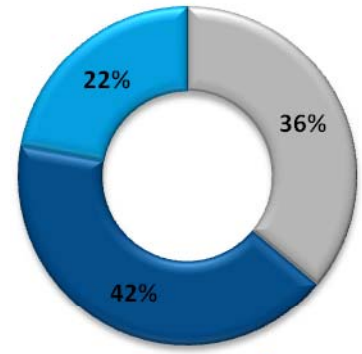
■ Foreign companies ■ Domestic companies

**TAKE-UP, DISTRIBUTION BY TYPE OF TRANSACTION**



■ Purchase ■ Lease

**TAKE-UP, DISTRIBUTION BY CLASS OF BUILDING**



■ Class A ■ Class B ■ Class C

Source: Colliers International

## 512 offices in 61 countries on 6 continents

United States: 125  
Canada: 38  
Latin America: 18  
Asia Pacific: 214  
EMEA: 117

- **\$1.5 billion in annual revenue**
- **978.6 million square feet under management**
- **Over 12,500 professionals**

### UKRAINE

Colliers International

Leonardo Business Center  
19-21 Bohdana Khmelnytskoho Street  
Kyiv 01030  
Ukraine

TEL +38 044 499 0000  
FAX +38 044 499 0009

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### COLLIERS RESEARCH

Colliers Research Services Group is recognised as a knowledge leader in the commercial real estate industry, providing clients with valuable market intelligence to support business decisions. Colliers International research analysts provide multi-level support across all property types, ranging from data collection to comprehensive market analysis.

Across the CEE-SEE-Russia region of EMEA, Colliers researchers regularly collect and update data on key real estate metrics, set to consistent definitions. This information is constantly managed using databases, enabling staff to readily produce analysis on key regional markets including supply, demand, absorption, pricing and transaction data on capital markets and the office, industrial and retail sector. In most CEE-SEE-Russian markets, the office definitions used are consistent with those set out by the CEE Research Forum – an umbrella group, of which Colliers is a founding member - established to ensure consistent research methodologies are used, bringing greater transparency and reliability to the analysis of real estate markets in the region. Definitions of the key metrics used in our regular reports are highlighted below.

### KEY METRIC DEFINITIONS

- **Prime Headline Capital Value (derived):** This is a calculation of market value derived from the annual prime headline rent divided by the prime (net initial) yield.
- **Prime Net Initial Yield:** The yield an investor is prepared to pay to buy a Grade A building, fully-let to high quality tenants at an open market rental value in a prime location. Lease terms should be commensurate with the market. As a calculation  $\text{Net Initial Yield} = \frac{\text{first years' net income}}{\text{purchase price}}$  (prior to deducting fees and taxes)
- **Prime Headline Rent:** Represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand, of the highest quality and specification in the best location in the market at the survey date. This should reflect the level at which relevant transactions are being completed at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on expert opinion of market conditions, but the same criteria on building size and specification will apply.
- **Prime Net Effective Rent:** Prime Net Effective Rent is the lowest rent payable, based on a calculation of the Prime Headline Rent, less the monetary equivalent of the highest of either the rent-free period or fit-out contribution available at the time of the survey date.
- **Average Headline Rent:** Average Headline Rent represents the average open-market tier of rent that could be expected for a unit of standard size commensurate with demand, based on a blend of Grade A & B space across a range of locations in the market at the survey date.
- **Total Competitive Stock:** Includes the gross leasable floor space in all A and B class buildings.
- **Space Under Active Construction:** Represents the total amount of gross leasable floor space of properties where construction has commenced on a new development or in existing properties where a major refurbishment/renovation is ongoing at the survey date.
- **Space Under Construction – Inactive:** Represents the total amount of gross leasable floor space of properties where construction had started/where a major refurbishment/renovation was ongoing, but activity has since stopped for a period of 3 months or longer.
- **Vacant Space:** The total gross leasable floor space in existing properties that meet the Competitive Stock definition, which is physically vacant and being actively marketed at the survey date. Space should be available for immediate occupation.