

# Kyiv Region, Ukraine

## Industrial Q2 2020

**2.6%**  
Vacancy Rate



**51K**  
Take-Up, sqm



**\$5**  
Prime Rent, sq m / month



(Overall, All Property Classes)

### ECONOMIC INDICATORS IN UKRAINE Q1 2020

**-1.3%**  
GDP Growth



**2.6%**  
Inflation Rate



**8.5%**  
Ukraine  
Unemployment Rate



Source: State Statistics Committee of Ukraine, Oxford Economics

### ECONOMY: economic slowdown aggravated by the effects of the global coronavirus pandemic

After economic growth of 3.5% in 2019, from the start of 2020 Ukraine's economy slowed down with real GDP having contracted for the first time since 2016 by (-1.5%) in Q1 2020. In accordance with the preliminary estimates, real GDP dropped by over 10% in Q2 2020 in the light of the nationwide lockdown between mid-March-May in Ukraine combined with the global economic recession. In accordance with Oxford Economics, some regulatory and budget support of business and household income, made possible by the new \$5 billion IMF loan and related multilateral funding, should ensure that production starts to recover before end-2020, with GDP rising by estimated 3.6% in 2021 after the projected (-5.2%) fall in 2020.

Prospects of economic rebound in 2021 strengthened after an outline agreement on renewed IMF assistance of \$5 billion 18-month standby loan with \$2.1 billion received in June. On 1 July 2020, the National Bank of Ukraine (NBU) governor resigned, explicitly citing persistent political pressure, which put into question further independence of the NBU and, as a result, Ukraine's cooperation with the IMF.

In June 2020, to support the economy the National Bank of Ukraine cut the key policy rate to 6%, being the lowest historic level in Ukraine. The Ukrainian hryvnya depreciated from UAH 23.69 per \$1 on 1 January 2020 to UAH 26.67 per \$1 on 1 July.

### SUPPLY AND DEMAND: stable occupier demand and increasing development dynamics, but no new deliveries in H1 2020

In Q2 2020, there were no new deliveries on the warehousing and logistics property market in the Greater Kyiv area. Nevertheless, in view of stable low vacancy having decreased to record low levels towards the end of 2019, development activity in the sector picked up. As of August 2020, Cushman & Wakefield projects that around 125,000 sq m of new warehousing space may be commissioned in H2 2020 with additional 50,000 sq m in pipeline for 2021.

Take-up in the warehousing and logistics property sector in the Greater Kyiv area reached around 51,000 sq m in Q2 2020, which was around 25% less the figure for Q2 2019, but almost doubled compared to Q1 2020. Pre-leases formed around 30% and 85% of all lease transactions signed in Q2 and Q1 2020 respectively. Take-up for H1 2020 amounted to around 79,800 sq m, which is only 15% less compared to the figure in H1 2019.

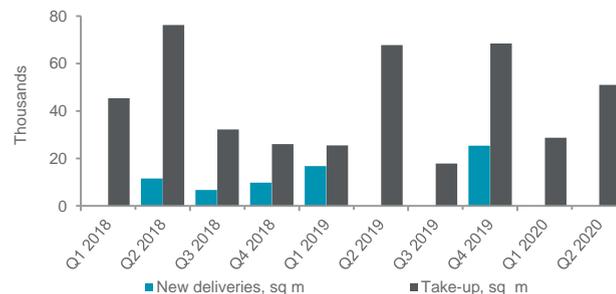
Cushman & Wakefield estimates that net absorption in the sector amounted to around 8,150 sq m in Q2 2020. Though in March 2020 several lease transactions were postponed till after the quarantine, and in Q1 2020 net absorption was negative, occupier dynamics in the Greater Kyiv area remained generally stable during the most of H1 2020.

### RENTS AND VACANCY: stable rents and decrease in vacancy

Primary vacancy in the logistics and warehousing property sector in the Greater Kyiv area reached 2.6% at the end of Q2 2020, having decreased from 2.9% in Q1 2020. Furthermore, warehouses scheduled for delivery in H2 2020 are already partially or fully pre-leased.

After continuous rental growth in 2017-2019, in H1 2020 base monthly rents for quality warehousing space were generally stable in the US dollar equivalent, being in the range of 4.0-5.8 per sq m for prime warehousing space, and at around USD 3.2-3.8 per sq m for the highest quality B class properties. At the same time, in a number of properties with UAH denominated leases base rents decreased in the US dollar equivalent due to the hryvnya depreciation by more than 12.5% since the year start. Though rare temporary discounts were provided to some occupiers in the sector in April-May 2020 because of COVID-19, starting from June lease terms in most cases were brought back to pre-quarantine arrangements.

### WAREHOUSING SPACE TAKE-UP AND NEW DELIVERY



### PRIME LOGISTIC RENT AND MARKET VACANCY



## KEY STATISTICS OF THE WAREHOUSING AND LOGISTICS PROPERTY MARKET IN THE GREATER KYIV AREA

SUBMARKET	2017	2018	2019	Q1 2020	Q2 2020
TOTAL STOCK* (sq m)	1,853,290	1,881,476	1,923,620	1,923,620	1,923,620
OVERALL VACANCY (%)	4.0%	2.4%	0.8%	2.9%	2.6%
TAKE-UP* (sq m)	190,115	179,900	179,650	28,800	51,000
NET ABSORPTION* (sq m)	115,655	57,400	70,735	(-40,788)	8,150
PRIME RENT (USD / sq m / month)	2.8-4.2	3.6-5.0	4.5-5.8	4.0-5.8	4.0-5.8
PRIME YIELD (%)	13.25%	12.75%	12.25%	12.50%**	12.50%**

Note: All figures are provided as of the end of the period. Take-up and vacancy figures do not include sub-lease opportunities, as well as lease renewals.

\* Including ancillary office and mezzanine space.

\*\* Preliminary estimate in view of the absence of open-market investment transactions during the analysis period, which may be subject to further revision.

## MAJOR WAREHOUSING AND LOGISTICS PROPERTIES SCHEDULED FOR COMPLETION IN THE GREATER KYIV AREA IN Q3 2020 - 2021

PROPERTY	LOCATION	AREA*, SQ M	OWNER / DEVELOPER
Office and logistics complex 'Makarivskiyi' (phases 1-4)	M-06, E40	61,992	ADG
Amtel Logistics Complex (phase 2)	Kyiv Ring Road	53,000	Amtel Properties
FM Logistic (phase 4)	Brovary-Boryspil RR	17,000	FM Logistic
Warehouse	M-06, E40	9,500	Local developer
Nova Poshta Terminal	Kyiv Ring Road	9,000	Local developer

\* Including ancillary office and mezzanine space.

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