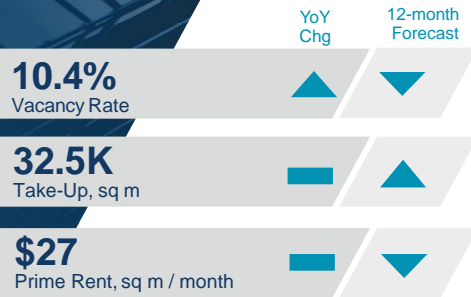


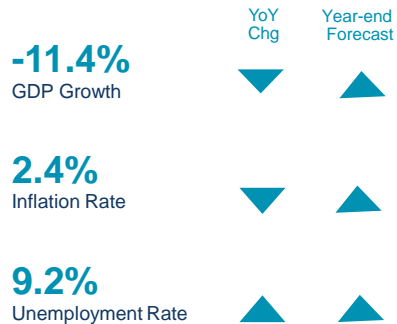
Kyiv, Ukraine

Office Q3 2020



(Overall, All PropertyClasses)

ECONOMIC INDICATORS IN UKRAINE FOR Q2 2020



Source: State Statistics Committee of Ukraine, Oxford Economics

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

From the start of 2020 Ukraine's economy slowed down with real GDP contracted for the first time since 2016 by (-1.5%) in Q1 2020 and (-11.4%) in Q2 2020 in the light of the nationwide lockdown between mid-March-May in Ukraine combined with the global economic recession. Prospects of economic rebound in 2021 strengthened upon receiving \$2.1 billion from renewed IMF assistance of \$5 billion 18-month standby loan in June. With the continued IMF support being now under serious threat, Ukraine is facing difficult choices in financing its budget deficits of 7.5% of GDP in 2020 and 6% in 2021. The GDP is forecast to grow by 3.8% in 2021 and 3.5% in 2022-23 after the projected fall by (-5.2%) in 2020.

On the positive note, in Q3 2020 a certain recovery of business activity was seen, particularly in the retail sector, along with the improved dynamics in industrial production due to improved domestic and international demand. Nevertheless the constantly increasing number of new COVID-19 cases in Ukraine means that business activity is at risk, and industrial recovery can be disrupted along with the strain on public services added.

SUPPLY AND DEMAND: demand dynamics remaining suppressed, significant new supply

In Q3 2020, new supply on the office property market in Kyiv amounted to around 43,200 sq m GLA, bringing cumulative new supply for 9 months to around 78,800 sq m, which is 30% and 50% more than in Q1-Q3 2019 and Q1-Q3 2018 respectively. New deliveries in Q3 2020 include the business centres Hillfort Business Mansion and Avenue 53, along with Forum Infinity and Forum Park Tower developed via reconstruction. The business centre Sigma was also completed and opened in Q3 2020, but the property was commissioned by its previous owner back in 2014, therefore it is not included into the new supply figure for Q3 2020. The next phase of UNIT.City Innovation Park will be completed in Q4 2020.

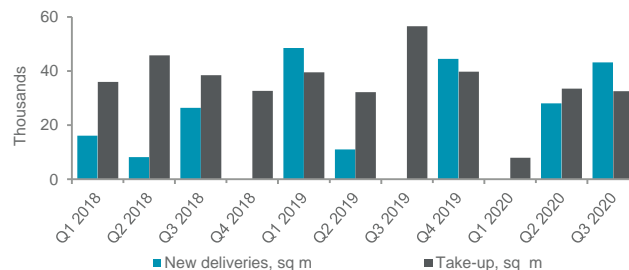
In Q3 2020, occupier demand was similar to Q2 with take-up estimated at approximately 32,500 sq m, while cumulative take-up in January-September 2020 was around 70-75% less than during the first 9 months of 2019 and 2018. Out of 5 properties delivered in Q3 2020, two business centers achieved 90% and 100% occupancy. Net absorption was estimated at 3,500 sq m in Q3 2020.

RENTS AND VACANCY: further increase in vacancy and stable rents

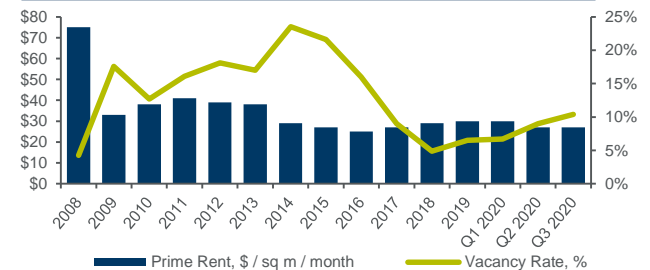
Due to ongoing impact of COVID-19, economic slowdown and significant new supply, at the end of Q3 2020 primary vacancy reached 10.4% increasing from 9% in Q2 2020 and 6.5% at the end of 2019. Nevertheless, primary vacancy is expected to decrease by the end of 2020.

During Q3 2020 prime office rents remained at USD 27 per sq m per month (net of VAT, service charge and utility payments). In view of the sharp deterioration of economic situation both in Ukraine and globally since Q1 2020, some downward correction in occupational costs across all office property classes is still likely during the coming months, but various properties on the market will demonstrate differing rental performance depending on their quality, occupancy and management.

OFFICE TAKE-UP AND NEW DELIVERY



PRIME OFFICE RENT AND MARKET VACANCY





KEY OFFICE PROPERTY MARKET STATISTICS

MARKET INDICATORS	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020
TOTAL STOCK (sq m)	1,848,300	1,899,980	2,003,890	2,011,370	2,039,470	2,082,700
OVERALL VACANCY (%)	8.9%	4.9%	6.5%	6.7%	9.0%	10.4%
TAKE-UP (sq m)	205,000	155,300	167,940	7,900	33,500	32,500
NET ABSORPTION (sq m)	160,600	125,900	67,800	3,125	-19,500	3,500
PRIME RENT (USD / sq m / month)	19-27	22-29	24-30	24-30	24-27	24-27
PRIME YIELD (%)	12.25%	12.00%	11.50%	12.00%*	12.50%*	12.50%*

Notes: All figures are provided as of the end of the reporting period, and due to non-transparency of the market are subject to continued revision. Take-up and vacancy figures do not include sub-lease opportunities

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

KEY OFFICE LEASE TRANSACTIONS, Q3 2020

PROPERTY	SUBMARKET*	TENANT	AREA, SQ M	TYPE
BC Hillfort Business Mansion	CBD	confidential	8,550	additional location
BC at 15 Leiptsigaska St	Pechersk	EvoPlay	4,500	relocation
BC Venetsianskyi	NC-EB	Frag Lab	3,600	relocation

OFFICE PROPERTIES DELIVERED IN Q3 2020

PROPERTY	SUBMARKET	AREA, SQ M	OWNER / DEVELOPER
BC Sigma	NC-WB	18,764	MERX
BC Avenue 53	NC-WB	18,300	local developer
BC Hillfort Business Mansion	CBD	8,550	NEST
BC Forum Park Tower	NC-WB	8,207	FMG
BC Forum Infinity	NC-WB	8,176	FMG

MAJOR OFFICE PROPERTIES SCHEDULED FOR COMPLETION IN Q4 2020 and 2021

PROPERTY	SUBMARKET	AREA, SQ M	OWNER / DEVELOPER
BC Lukyanivskyi	NC-WB	22,000	local developer
BC at 4 Korolenkivska Str. (phase 1)	CBD	18,000	TRK
BC Voronin	Center	17,200	City Capital Group
BC Eleven (phase 3)	NC-WB	16,490	Centre Invest
UNIT.City Innovation Park (phase 4)	NC-WB	5,368	UDP

* CBD – Central Business District; C – central outside CBD; NC-WB – non-central area on the western bank of Dnipro River; NC-EB – non-central area on the eastern bank of Dnipro River.

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