

BULLETIN

REAL ESTATE MARKET

OF KYIV AND THE REGIONS OF UKRAINE

NEWS DIGEST



Record low mortgage rates appeared in Ukraine

Start of lending programs with conditions close to pre-crisis is a real incentive for the property market restoration, as the market has accumulated deferred demand for housing, which was forming last one – two years. This statement was announced by the Managing Director of ARPA Real Estate Company, Mikhail Artyukhov.

He also reported that, according to the monitoring data of ARPA Real Estate Company, 45% of potential buyers were ready to invest in a newly built primary housing under the condition that the house was ready for more than 75%, while only medium-term mortgage lending was available and annual family income was about 400 thousand hryvnia per year. Such conditions will allow the potential buyer to purchase a new apartment in the capital in the prestigious district called Pechersk.

In turn, Alexander Sorokin, chairman of the Supervisory Board of the "Tavkira" Bank told journalists about the launch of a new lending program for primary real estate. However, the program is limited by one residential complex "Pechersk Quarter" at 14-16, Dryzhby Narodov Boulevard, which is constructed by Trest Yugozaptransstroy Development Company. So, one may take now a mortgage for three years in order to buy an apartment under 12.75% per annum (NBU rate +5%), for five years – under 14.75% (NBU rate +7%)

and for seven years – under 17.75% (NBU rate +10%). The new bank program will end on December 31, 2010, but the banker does not deny that this is pilot project and in case of success this program will be extended and its terms will be applicable to other objects of developer. In general, the Tavrika Bank plans to attract funds from buyers during this lending program.

Presenting the speech at the press conference, Vladimir Gusakov, Chairman of the Supervisory Board of the Trest Yugozaptransstroy Development Company, reported that the first three sections of Pechersk Quarter, credited by the bank, would be completed in the middle of the next year.

AGENT.ua
01.09.2010

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NEWS DIGEST

Japanese agency R&I upgraded the outlook for rating of Ukraine to “stable”

Japanese rating agency R&I upgraded the rating outlook of Ukraine “B+” from “negative” to “stable”. This decision based on the political situation stabilization in the country, recovery of the economic situation and resumption of cooperation with the International Monetary Fund (IMF).

The agency decision to reduce in December 2009 the outlook of Ukraine to “negative” was due, primarily, to a large destabilization of the political situation in the country, the result of which was government policy uncertainty and postponement of the International Monetary Fund in provision of loan to support the economy.

“A number of events that occurred after the presidential elections in February 2010 – the election of Victor Yanukovich as the President of Ukraine, appointment of Mykola Azarov as the Head of the Government, and formation of the President coalition in the Parliament, gave the reason to assume the start of internal stabilization in the country” – informed the agency.

In particular, R&I notes that the IMF decision on granting Ukraine a stabilization credit line of \$15.15 billion, and receipt of the first tranche of \$1.89 billion, where \$1 billion will be used for financing of the budget deficit and \$0.89 billion will be used on formation of the reserves of the National Bank of Ukraine, will reduce in the short term the budget requirements for funding.

In addition, the IMF forecast for GDP growth in Ukraine this year is 3.7% along with the economic recovery of the country due to increase in export, which was the main driving force for growth in demand for steel products abroad, which is the basis of exports of Ukraine. The agency also notes as a positive factor the approval issued by the

Cabinet of Ministers of Ukraine of additional measures to limit the budget deficit for 2010 in accordance with the IMF requirements for providing the loan to Ukraine at the level of 6.5% of GDP.

However, in the IMF requirements there is a provision on reduction of the budget deficit to 2.5% by 2012. This provision, according to the R&I, is very hard to implement and permits to assume that in case of failure to perform this provision the IMF Board of Directors decides to stop lending for an indefinite period with deterioration of further funding opportunities.

In this regard, the rating agency retains control over plans and actions of the Government of Ukraine on compliance with the IMF requirements.

As previously reported, the International rating agency Standard&Poor's upgraded the long-term rating of Ukraine of the obligations in foreign currency to another level – to “B+” from “B” in connection with the adoption of new credit program for Kyiv by the International Monetary Fund (IMF). The long-term rating in the national currency is upgraded to “BB-“ from “B+”, as it is said in the statement.

Simultaneously, the long-term sovereign ratings were removed from the Credit Watch list (“ratings on review”), where they were placed on July 22, 2010 with a positive outlook. S&P also confirmed the short-term sovereign ratings of Ukraine on obligations in foreign and local currency at the “B” level. The ratings outlook is “stable”.

The national scale rating is also increased to another level – to “uaAA-“ from “uaA+”. The currency conversion assessment has been raised to the “B+” level according to the sovereign rating on obligations in foreign currency. The rating of the expected debt repayment rate is confirmed at the level “4” after default.

«The rating action occurred after the IMF executive committee approved the

decision to grant Ukraine a stabilization loan (for 29 months) in the amount of \$15.15 billion, which is a reliable pillar of the Government political strategy and gives Ukraine immediate access to approximately \$2 billion”, - was emphasized in the message.

Komersant-Ukraine

05.08.2010

NEWS DIGEST



Sky Mall is opened

Major hotel chain, Fairmont Raffles Hotels, brings to Ukraine its next brand – Swissotel.



August 27, 2010 will become a historical day not only for Kyiv but for the Ukrainian retail industry. One of the biggest and most expensive projects in the retail sphere was opened. Sky Mall shopping and leisure center is a unique kind of the shopping malls in Ukraine.

Trade structure and content of the Sky Mall Shopping Center. The number of stores may impress anybody. Even before the official opening of the second stage of the Sky Mall, the well known clothing brands like Mango, Zara, Benetton, Puma and Reebok, operated in the shopping center. And recently the new brands were presented in the shopping mall among which are LTb, Colin's, Sela, Telly Weijl, O'stin, OGGI, Naf Naf, Levi's, Kira Plastinina, Reserved, Berska, Ecco, Intertop, Respect, Minelli. In addition to the abovementioned brands, the Sky Mall opened the following stores New Yorker, Topshop, Massimo Dutti, Oysho, New Look and especially for children Okaidi and Obaibi, that is absolutely exclusive phenomenon, because these brands are represented only in this shopping center. In addition, the Sky Mall has a great variety of cafes, restaurants, where you can have a snack. And if you like to do shopping, you can easily find everything

in Auchan and Comfy.

SocMart
29.08.2010

The law specifying the state registration procedure of the land lease rights entered into force

On August 13, 2010, entered into force the Law № 2469-VI On amending the Article 20 of the Law of Ukraine On land lease, which determines the rights and obligations emanating from the land lease agreement.

Under the new wording, the land lease right arises after the state registration according to the law, which regulates the state registration of ownership rights for immovable property and its limitations.

Now the Law clearly defines the commencement date of rights and obligations emanating from the land lease agreement.

"It is also specified that the term for the land lease agreement registration should not exceed 14 days from the date of the application, and the state registration fee for agricultural land lease could not be more than three non-taxable minimum incomes of citizens (51 hryvnia)", - as it was noted in material.

As previously reported, the President of Ukraine Viktor Yanukovich had signed the law clarifying the state registration procedure of land lease agreements.

SV Development
13.08.2010

residential area of Kyiv.

Construction should begin this autumn. According to the plan, it will be a shopping center in the Troyeschina residential area. The total area of the shopping center will be about 47 ths. square meters. Approximately 22 ths. square meters from the total area will be rented.

Currently, Kyiv Development Company AstraProperty carries on negotiations with the European Bank for Reconstruction and Development. The purpose of discussion is attraction of investments for the shopping center construction. Only when the contract with anchor tenants are signed the shopping center project will receive funding. "At present, many leading retail chains, operating in Ukraine, have expressed interest to become anchor tenants"- said the development company representatives. It is assumed that the shopping center will be completed in the first quarter of 2012.

In addition, LLC "Astra Property" intends this year to begin construction of the second stage of the City Mall shopping center in Zaporizhia. At present Auchan and Epicentr are operating on the shopping center territory, thus the issue with anchor tenants is resolved. According to the project, the gallery will be constructed in the second stage with the total area of about 12 ths. sq.m.

SocMart
23.08.2010

Astra Property to build shopping centers in Kyiv and Zaporizhia

Kyiv Development Company Astra Property plans to begin construction of a shopping center in the Troyeschina

NEWS OF UKRAINIAN LEGISLATION



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Arzinger



New Exceptions to the Public Procurement Regulations

The Cabinet of Ministers of Ukraine by its Resolution № 300 dated 12.04.2010 approved amendments to the Regulations on Procurement of Goods, Works and Services for Public Funds. According to these amendments the norms of the abovementioned Regulations do not apply to the procurement of goods, works and services, connected with the preparation of infrastructure objects for the final part of the 2012 European Football Championship in Ukraine, notably to the following procurements:

- construction of new stadiums and reconstruction of operating stadiums for the conduct of the final part matches of the 2012 European Football Championship in Ukraine;
- construction of new, reconstruction and additional fitting-out of operating training centers in order to facilitate the trainings of teams participating in the Championship;
- designing, construction, reconstruction and repairs of airports;
- construction, reconstruction, and complete overhaul of public motor roads (interurban communication) according to the European standards;
- establishing of modern systems aimed at rendering public transport services around Kiev, Donetsk, Lvov, Kharkov as well as at the road safety monitoring all the way to the stadiums.

Innovations in the State Budget Law Regarding Dividend Payment

In concordance with the Law «On the State Budget of Ukraine for the Year 2010» which was adopted on 04.27.2010 by the Parliament of Ukraine, in 2010 all joint stock companies (irrespective of the proprietary form) are obliged to pay out dividends from the net profit of the accounting year and/or from their unappropriated balances at the minimum rate of 30 per cent.

Consequently, in case a decision on dividend payment is taken it is only possible to augment the dividend rate as compared with the specified minimum rate, but not to curtail it.

The current norm will come into force once the Law has been published.

According to the current legislation a regular general meeting is to be held by a joint stock company on or prior to April 30th of the year following the reporting year. Hereby, for the majority of joint stock companies which have already held their meetings and taken their decisions on dividend payment at a smaller rate this innovation will be irrelevant (as well as for the shareholders concerned).

Thus, on the one hand, the establishment of the obligatory rate of dividend payment could produce a negative impact on the company's activities and its further intensive development (considering that the planning of economic activities takes more than a month or two, and indeed amendments to plans are oftentimes not relevant). On the other hand, the rights of shareholders are protected in such

a way, chiefly of minority shareholders having no particular «levers» for exerting pressure on the company's activity. Therefore, the companies' obligation to pay dividends can make the minority interests more attractive, which will certainly contribute to the development of the stock market (however, not in our case, when a company's obligation to pay dividends is established practically in May of the current year, and this only for the current year).

NEWS OF UKRAINIAN LEGISLATION



Amendments Concerning the Regulation of Foreign Investments

On April 27th the Parliament of Ukraine has adopted a law cancelling mandatory registration of foreign investments and lifting the ban on early repayment of cross-boarder credits and loans.

As it is known, in autumn 2009 the amendments became operating, according to which all investments in Ukraine prior to and in January 2011 must be carried out with the obligatory conversion to Grivna (Ukrainian national currency) and the use of investment accounts. The registration of foreign investments has thereby become obligatory, also for the purpose of dividend payment or return of investment; early repayments of crossborder credits and loans were also put under a ban (such loans quite often serve as the main means for financing activities of foreign investors in Ukraine). The given amendments were part of countermeasures against the financial crisis in Ukraine. However, they have exerted considerable negative influence on the foreign investors' activity, modest as it is, having obstructed their business in Ukraine. The mentioned amendments proved again the fact that "rules" can also be changed in the course of the "game"...

That is why the adoption of the law cancelling the above stated restrictive norms for foreign investors could positively influence the increase of investment appeal of Ukraine.

Timely Provision of Construction Permits

Under decree N 114 dated 03.31. 2010 the Ministry of Regional Development and Construction has obliged the State Architectural Construction Inspection to provide the unconditional observance of review duration of submitted documents and making decisions on:

- Issue or refusal of permits for preparation and construction work approved by Resolution N 1104 of the Cabinet of Ministers of Ukraine dated 30.09.2009 "Certain Points of Issuance of Permits for Preparation and Construction Work";
- Commission of ready construction projects and issue of conformance certificates as stipulated by the Resolution of the Cabinet of Ministers N 923 dated 10.08.2008 "On the Procedure of Commission of Ready Construction Projects".

By the normative deadline the applicant is to be informed without fail of refused permissions:

- On preparation and construction work – within 5 working days;
- On issue of conformance certificates – within 2 working days.

Moreover, the Ministry of Regional Development and Construction has forbidden out-of-time complex state expert examinations executed by the State Enterprise "Ukrainian State Construction Expertise" and its local departments.

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REAL ESTATE MARKET OBSERVATION

Kyiv

By summing up this month results one may note the positive trend in the rental business of the Kyiv commercial real estate. Experts attribute this rise in rent prices with improving of the economic situation in the country and some growth in demand for office premises.

There is another reason for the growth of rates – low volume of new office premises proposals for the first half of the year which influenced the vacancy level and as a result the presence of tenants on the market declined. The rent dynamics shows increase of 1.8% for commercial premises and 3.7% for office premises.

In the residential market the value index remained practically unchanged at the end of the month, but by the month results it fell by 1.8%. Analysts say that this has happened as a result of the return of sellers, who had temporarily taken off their objects from sale in early summer. Many of them posted the previous announcements with the prices of May and April. They apparently believe that they should examine the current market situation first and only then adjust prices. The business activity level was low. If to judge from the transactions in the apartments' sale segment, so the market actually slowed down. But if to judge by the number of phone calls, then we can talk about the market revival.

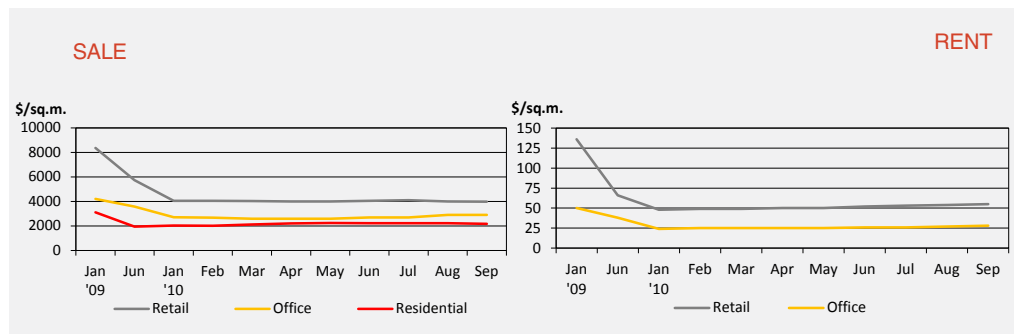
Prices for cottages decreased by 0.7% and for land plots by 1.2% at the cottage market of Kyiv region.

The Dynamics of 1 sq.m Valuation Changes in the Sectors of Commercial and Residential Property

Kyiv (on average)

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	4 000	3 990
Office	2 900	2 900
Residential	2 220	2 178
Rent		
Retail	54	55
Office	27	28

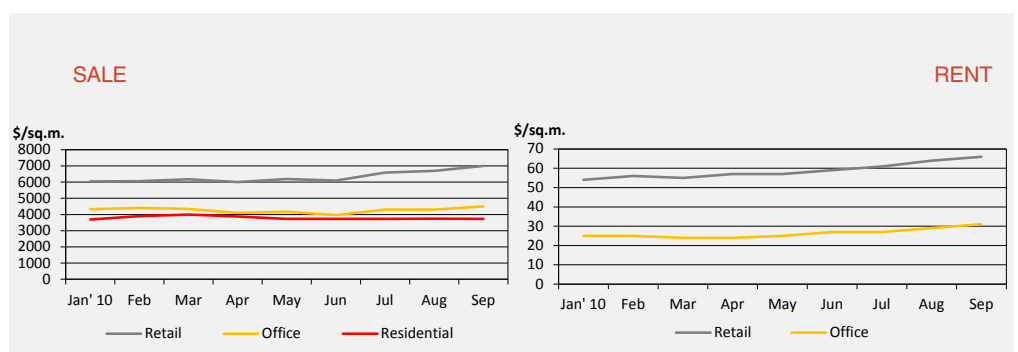
Property Type



Centre

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	6 700	7 000
Office	4 298	4 500
Residential	3 735	3 730
Rent		
Retail	64	66
Office	29	31

Property Type



REAL ESTATE MARKET OBSERVATION

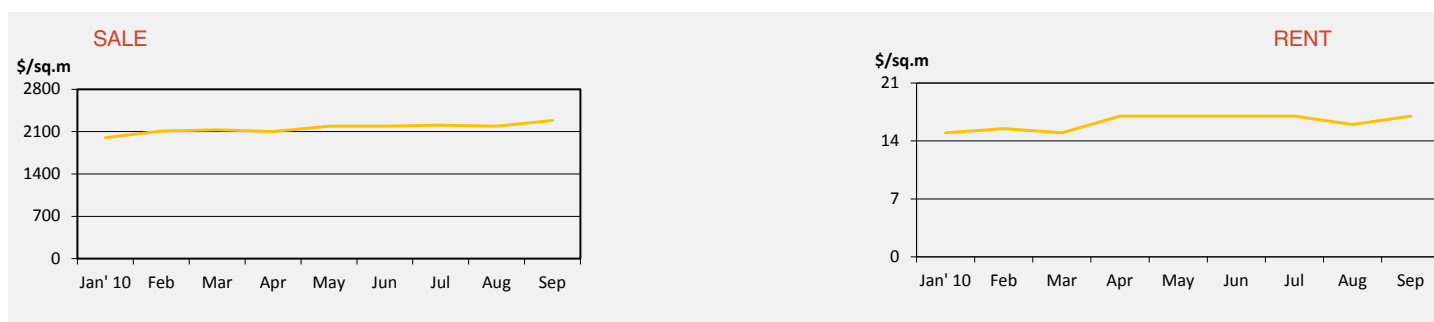


The Dynamics of 1 sq.m Valuation Changes in the Sectors of Commercial Property

East Kyiv (Solomyanka)

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Office	2 190	2 283
Rent		
Office	16	17

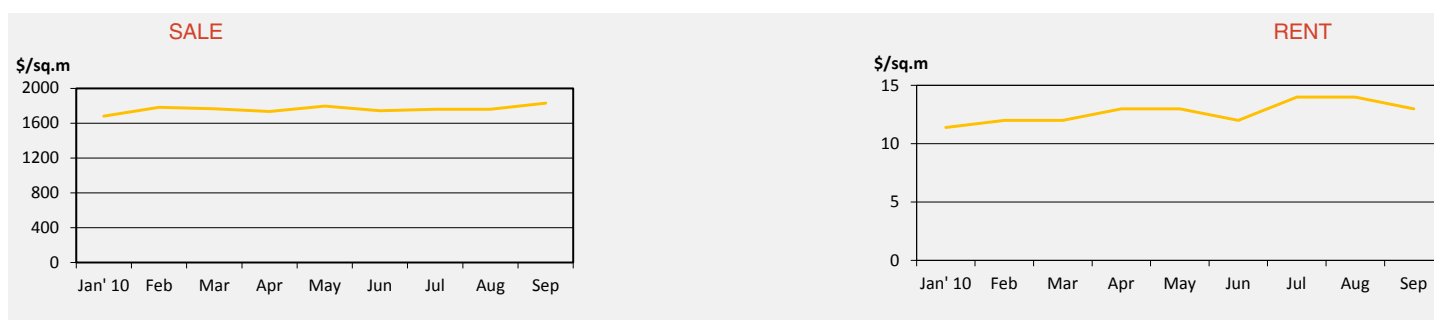
Property Type



West Kyiv (Svyatoshin)

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Office	1 759	1 829
Rent		
Office	14	13

Property Type





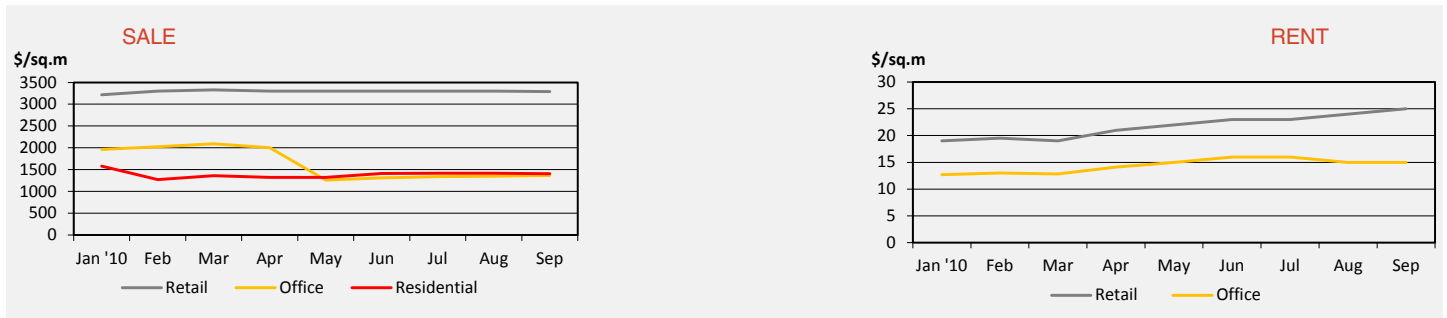
REAL ESTATE MARKET OBSERVATION

The Dynamics of 1 sq.m Valuation Changes in the Sectors of Commercial Property

Left bank

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	2 328	2 320
Office	1 750	1 778
Rent		
Retail	22	22
Office	13	14

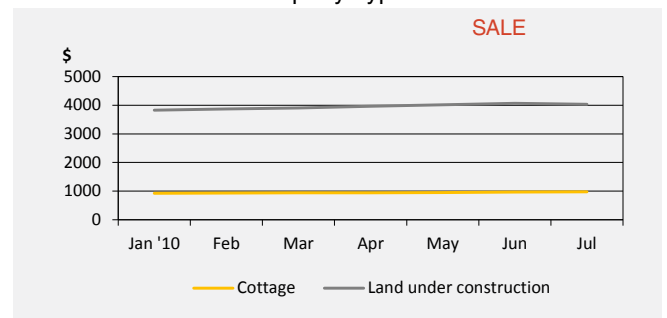
Property Type



Kyiv region

Property Type	Price, USD	
	01.08.10	01.09.10
Sale		
Cottage, sq.m	968	961
Land, 100 sq.m	3 981	3 933

Property Type



REAL ESTATE MARKET OBSERVATION



The Dynamics of 1 sq.m Valuation Changes in the Sectors of Commercial and Residential Property
The regions of Ukraine

Lviv

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	3 300	3 290
Office	1 350	1 370
Residential	1 416	1 406
Rent		
Retail	24	25
Office	15	15

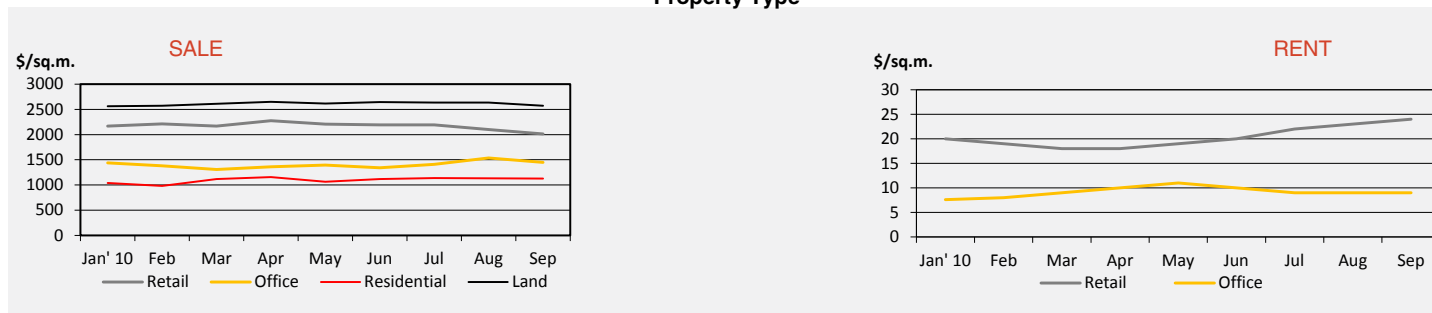
Property Type



Dnepropetrovsk

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	2 100	2 012
Office	1 536	1 450
Residential	1 131	1 126
Land	2 636	2 572
Rent		
Retail	23	24
Office	9	9

Property Type





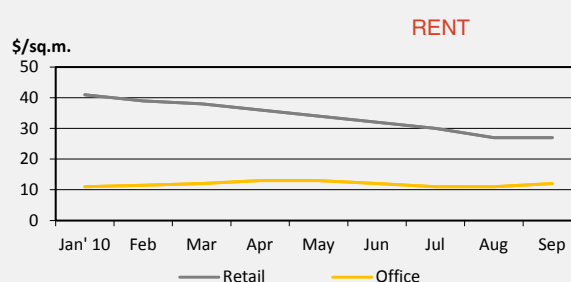
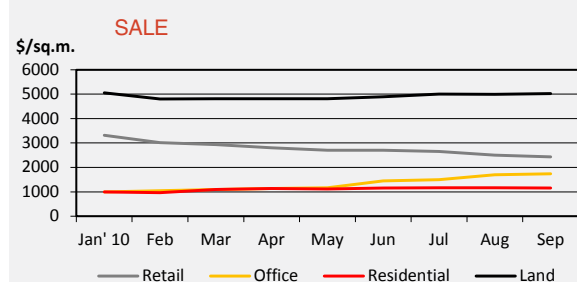
REAL ESTATE MARKET OBSERVATION

The Dynamics of 1 sq.m Valuation Changes in the Sectors of Commercial and Residential Property
The regions of Ukraine

Donetsk

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	2 500	2 430
Office	1 700	1 740
Residential	1 164	1 162
Land	4 993	5 019
Rent		
Retail	27	27
Office	11	12

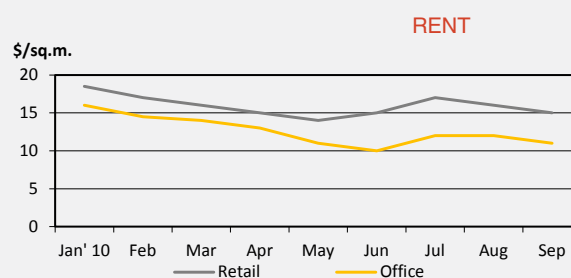
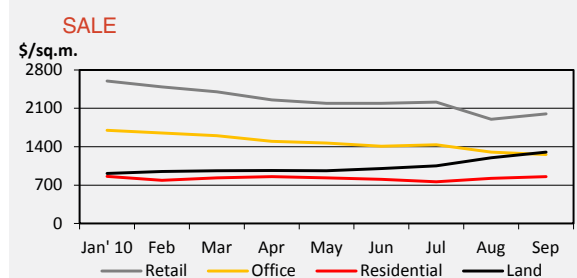
Property Type



Zaporozhia

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	1 900	2 000
Office	1 300	1 259
Residential	824	853
Land	1 200	1 300
Rent		
Retail	16	15
Office	12	11

Property Type



REAL ESTATE MARKET OBSERVATION

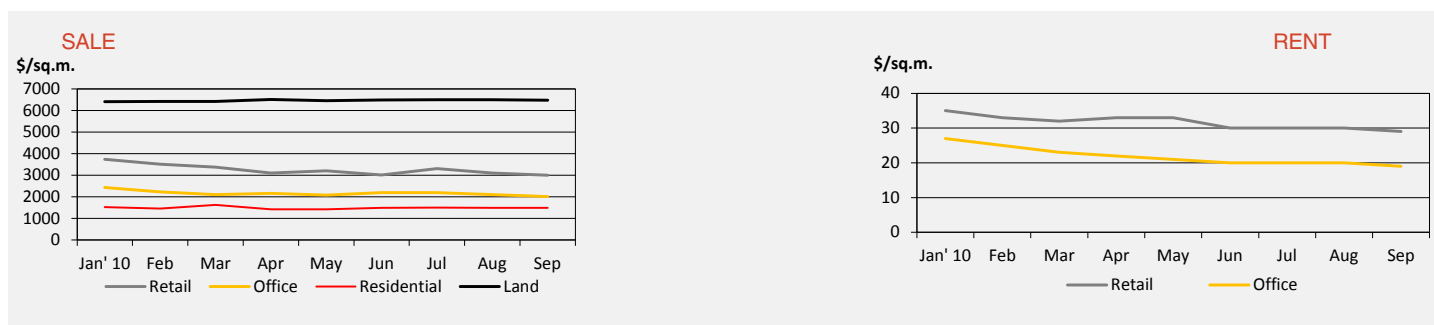


The Dynamics of 1 sq.m Valuation Changes in the Sectors of Commercial and Residential Property
The regions of Ukraine

Odessa

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	3 100	3 000
Office	2 100	2 012
Residential	1 493	1 486
Land	6 493	6 475
Rent		
Retail	30	29
Office	20	19

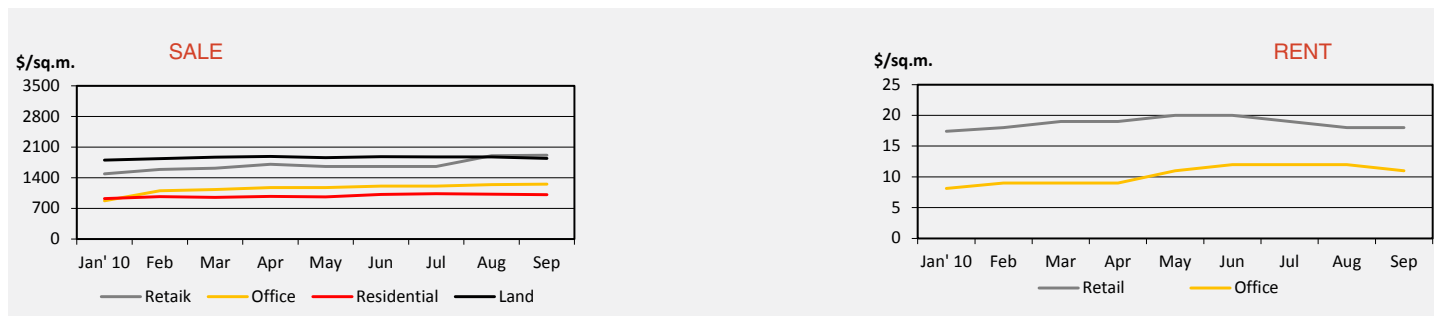
Property Type



Kharkiv

Property Type	Price, USD/1 sq.m	
	01.08.10	01.09.10
Sale		
Retail	1 900	1 916
Office	1 240	1 254
Residential	1 023	1 014
Land	1 873	1 843
Rent		
Retail	18	18
Office	12	11

Property Type

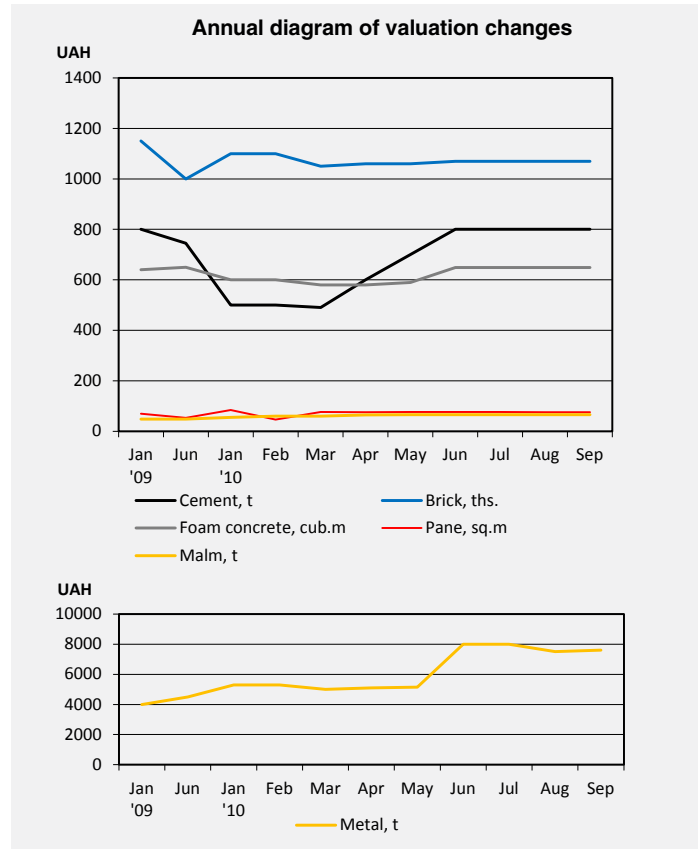


REAL ESTATE MARKET OBSERVATION



The Dynamics of Valuation Changes of sales for building materials

Name	Price, UAH	
	01.08.10	01.09.10
Cement, t	800.0	800.0
Brick, ths.	1 070	1 070
Foam concrete, cub.m	649.0	649.0
Pane, sq.m	76.0	76.0
Malm, t	66.0	66.0
Metal, t	7 500	7 600



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