

MARKET SNAPSHOT

Kyiv Office Market

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Q3 2015

HOT TOPICS

- Office transactions were driven by relocations and renegotiations over July – September 2015
- No new business centers were delivered in Q3 2015
- Average vacancy contracted by 1.7 pp from 32.9% to 31.2% over Q3 2015
- Indicative prime rent stabilized over the second consecutive quarter and stood at \$23 per sq m/month (triple net)

PERFORMANCE

Notwithstanding minor signs of stabilization recorded on the market in Q3 2015, occupier demand for office space remained limited on the back of still high uncertainty driving the corporate decision making. Following the trend of two preceding quarters, transactions were driven by relocations and renegotiations over July – September 2015. No notable business centers were delivered to the market in Q3 2015. Thereby total competitive office stock in Kyiv was unchanged compared to the previous quarter and amounted to c.a. 1.63 mln sq m. On the positive note, office market vacancy started to diminish over the course of the last three months. This change arose from the absence of new supply coupled with limited but stable leasing activity bringing the average market vacancy down by 1.7pp from 32.9% to 31.2%. Rents stabilization was another notable trend displayed on the market during Q3 2015. Indicative prime rent remained flat at \$23 per sq m/month (triple net) at the end of Q3 2015.

OUTLOOK

Weak economy and halted employment expansion will determine the sluggish demand for office space by the end of 2015. At the same time given a beneficial lease terms and availability of quality office space, leasing activity will be dominated by relocations and renegotiation during the next three months, while expansions are still seen as a rare occurrence. While 57,300 sq m of new office premises were delivered to the Kyiv market year-to-date, minor increase in supply of office space (12,500 sq m GLA) is expected by the end of 2015. As a result, annual completions are forecast to reach 69,800 sq m (+7% y-o-y). In case of timely delivery of new space in Q4 2015, vacancy indicator is expected to increase by 0.5 pp. Generally, office rents for quality space are likely to remain relatively stable over the course of the next 3 months assumed no economic and currency shocks.

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