

KyivPost

# REAL ESTATE

March 15, 2019, Vol. 3, Issue 1

# Spring Revival



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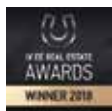
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# Editor's Note

## Corruption mars real estate recovery

Kyiv's buildings — and its real estate market — show both the charm and decay of one of Europe's oldest cities. With a growing metropolitan area population of 3.4 million, adding 200,000 residents each year by city estimates, the market is rebounding. But construction of new homes and offices is still not meeting the demand.

In the commercial sector, most of the 1.8 million square meters of office space is filled. The vacancy rate is below 5 percent. Rising rental prices may spur new construction. New shopping malls and hotels continue to be built.

On the residential side, people find real estate to be a safe investment. The lack of affordable credit is a double-edged sword: Prices stay low, but prospective buyers who can't come up with the purchase price are locked out of the market. Kyiv has about 1.2 million apartment units, dominated by two-room apartments under 60 square meters.

The lack of rule of law causes big problems. Scammers and raiders go unpunished. Builders ignore the rules. The construction industry is not competitive and seems to be controlled by people close to Kyiv Mayor Vitali Klitschko. Poor city planning and the lack of property taxes have turned parts of the city center into ghettos with abandoned buildings.

In our fourth Real Estate edition, we talk to the experts, highlight trends, describe challenges and identify solutions.

All of our contacts are available online at <http://www.kyivpost.com/contacts/>

**KyivPost**

**REAL  
ESTATE**  
Commercial and Residential

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Construction goes on at Ocean Mall, one of the most anticipated real estate projects in Kyiv, on March 7, 2019. The mall had been scheduled to launch in September 2019, but the opening has since been postponed. (Volodymyr Petrov)



One of the largest shopping malls in Ukraine, Ocean Plaza, is expanding, with another 84,000 square meters of leasable area planned to be completed in 2019. (Volodymyr Petrov)

# Spring thaw: These hot commercial property projects are coming soon

By Natalia Datskevych  
datskevych@kyivpost.com

**I**t's nearly spring, and the first green shoots are starting to appear in Kyiv. Not only that, some green shoots of economic recovery can be seen in the capital as well: Demand for commercial property is growing as Ukraine recovers from the political and economic upheaval of 2014 and 2015. New construction is under way, frozen projects are thawing out, and new buildings are sprouting up.

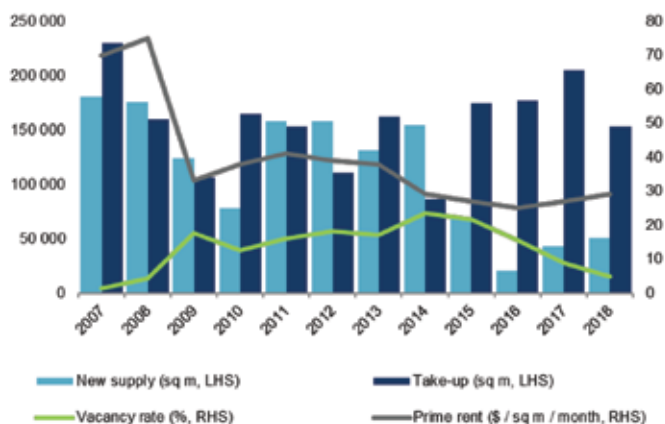
Nick Cotton, the managing director at Cushman &

Wakefield in Ukraine, has figures that illustrate the recovery: In 2018, investment transaction in all sectors of commercial real estate increased by more than 130 percent, or by over \$400 million, compared to 2017.

And the trend is expected to persist, he says.

Here is the Kyiv Post's guide to the major commercial and retail projects under construction in Ukraine's capital.

## Major indicators of the office property market in Kyiv



Source: Cushman & Wakefield

Note: All figures are year-end.

**Demand for office space in Kyiv increased in 2018, while at the same time there was low development activity. The upward pressure on rents intensified as vacancies dropped to 4.9 percent in December 2018, the lowest level since 2009.**

### Commercial: Retail

Six new shopping malls were opened in Kyiv in 2018, adding 85,000 square meters to the 1.2 million square meters of already existing space. That was an 11-fold increase compared to 2017, according to report by real estate consultancy Colliers International.

Last year 12 new global retailers entered the Ukrainian market for the first time, boosting the national economy. Among them were H&M, DeFacto, Zara Home, All Saints and Tru Trussardi.

Driven by the high demand from incoming business, the plan for new space in 2019 is impressive — 300,000 square meters.

The following list shows some of the long-awaited new and largest developments for retailers scheduled for delivery in 2019.

#### Blockbuster Mall

Address: 34B Stepana Bandera Ave.

An extension of the Blockbuster entertainment center, the Blockbuster mall is scheduled to open in the first quarter of 2019. The mall will be joined to the existing center.

With more than 500 stores and 40 restaurants located on total area of 270,000 square meters, the mall is expected to be the largest in Ukraine.

The mall will include an 18,000-square-meter indoor amusement park and a giant, 10,200-square-meter Silpo supermarket, according to the Ukrainian Trade Guild.

#### Ocean Mall

Address: Druzhby Narodiv Street — Horkoho Street

Right next to famous Kyiv's Ocean Plaza shopping mall, new Ocean Mall is scheduled to open by the fourth quarter of 2019, offering additional 84,000 square meters of space for retailers, according to Cushman & Wakefield.

Ukraine's first, long-awaited store of Swedish retailer IKEA will occupy space on the below-ground level, while shops and galleries will be located on the first to third levels.

The fourth level will have an entertainment zone with IMAX and 4DX cinemas, as well as a giant digital entertainment park.

## BUSINESS ADVISER

### LEGISLATIVE ASPECTS OF PRE-CONSTRUCTION WORK



**Alexander Burtovoy**  
Partner of  
Antika Law Firm

The construction of objects of any purpose begins with the need to perform pre-construction work on the site. The volume of such work is determined at the design stage, and depends on a number of factors, such as, for example, the presence of vegetation, engineering communications, buildings and structures to be demolished, the need to remove and store a fertile soil layer, etc. It should be noted that the legislative regulations for performing pre-construction work are not limited only to norms governing relations in the field of urban planning – the performance of such works requires consideration of a number of requirements of legislation governing relations connected to the field of urban development (energy, land legislation, legislation in the field of urban improvement, etc.).

So what types of work are legally deemed to be pre-construction work, and when does the requirement to perform them arise? In accordance with the procedure for the performance of pre-construction and construction work approved by the Resolution of the Cabinet of Ministers of Ukraine No. 466, dated April 13, 2013, pre-construction work is: a) work to prepare a land plot; b) the installation of a fence around the construction site; c) the demolition of buildings and structures; d) work to arrange and order the allocated land plot; e) surveying work; e) work on the construction of temporary production and living facilities necessary for the organization and maintenance of construction; g) building access roads; i) warehousing construction materials; k) the provision of temporary engineering networks; l) the installation of engineering networks; and m) the removal of vegetation. A detailed list of certain types of preconstruction work is contained in DBN A 3.1-5:2016 "Organization of construction production".

In accordance with the Law of Ukraine "On the Regulation of Urban Development", a subject of urban development is entitled to perform pre-construction work on the basis of a notice of the beginning of the performing of pre-construction work. At the same time, the execution of pre-construction work may also be performed on the basis of a notice of the beginning of performing of construction work or permission to perform construction work. That is, the subject of urban development has options as to how to arrange the right to perform pre-construction work. That said, a separate notice on performing pre-construction work, in the case of the receipt of documents granting the right to perform construction works (notice, permission), is not obligatory, as the right to perform construction work also includes the possibility of performing pre-construction work.

Taking into account that work on installing and/or renovating engineering networks are qualified as pre-construction work, it is worth noting that specifically at this stage, in addition to the requirements of urban development legislation, it is necessary to take into account a number of legislative requirements regulating the procedure for obtaining permits/approvals from owners (property holders) of the engineering networks, regarding the conditions and procedure for the performance of the respective work, and the procedure for obtaining such permits/approvals goes beyond the regulatory framework of the urban development industry, and sometimes it is not legally regulated at all.

It should also be noted that in resolving issues related to performing pre-construction work, the location of the land plot (outside a settlement/within a settlement) is important. That is because in the case of a land plot being located within a settlement, it is necessary to comply with the rules of urban improvement for the corresponding settlement (if approved), or the Model rules for the improvement of the territory of the settlement approved by the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine (Order No. 310 dated 27.11.2017).

Considering the above, despite the fact that more and more often in the course of various public events the representatives of the Ministry of Regional Development are informed about the unification of urban development legislation and the practical possibility of performing construction activities, relying solely on the rules governing relations in this field, in practice, with the example of the procedure for performing pre-construction work, we see that it is too early to talk about such a unification.



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## Major office projects scheduled for completion in Kyiv in 2019-2020

Project	Location*	GLA (sq m)	Developer	Year of completion
BC at 4 Korolenkivska Str.	C	56,900	TRK	2020
BC 'Wave Tower'	NC-WB	15,000	local developer	2019
BC 'M8'	Pechersk	13,000	local developer	2020
Innovation Park 'UNIT.City' (phases 2, 3)	NC-WB	13,800	UDP	2019
Innovation Park 'UNIT.City' (phase 4)	NC-WB	9,520	UDP and KAN Development	2019
BC at 98 Velyka Vasylykivska Str.	C	9,200	Dragon Capital	2019
BC at 12 Mykhailivska Str.	CBD	8,550	NEST	2020
BC at 1 Sahaidachnoho Str.	Podil	7,556	local developer	2019
BC at 28 Voznesenkyi Lane	Podil	5,500	local developer	2019
BC at 5/1 Zoolohichna Str.	NC-WB	5,000	Liudmyla Pharma	2019

Source: Cushman & Wakefield

\* 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.

As of December 2018, around 90,000 square meters of gross leasable area of new office space was under construction in Kyiv and scheduled for completion in 2019, while approximately 138,000 square meters may potentially be delivered during 2020. The current lack of affordable credit remains a major obstacle to a significant increase in office supply, say real estate market analysts Cushman & Wakefield.

### Retroville

Address: 47 Pravydy Avenue

Located in one of the capital's most densely populated neighborhoods, Vynohradar, the two-level Retroville multifunctional complex with 77,040 square meters of leasable area is expected to open in the third quarter of 2019.

Besides 250 stores, the mall will have a 10,250-square-meter Novus supermarket, a sports complex with three pools, and an ice rink with a figure skating school.

Around the ice arena, which will be equipped with all of the necessary infrastructure for professional athletes, will be a food court, according to real estate website Commercial Property.

On the second floor, the mall will have an entertainment zone with a nine-hall Multiplex cinema.

### Commercial: Office centers

Eight new business centers were opened in 2018, including the A-class Astarta center with nine to 11 floors, and the Unit.City innovation park. Altogether around 50,000 square meters was added

in 2018 to the 1.88 million square meters of total space in the Ukrainian capital's office real estate market, according to Colliers International.

Increasing developer activity and growth in the number of sales of business centers were the two main trends seen by experts in 2018.

Stable demand for office space was generated by upcoming business projects, together with a further decrease in the vacancy rate, which reached its lowest value for a decade in December 2018, at 4.9 percent, according to a report by Cushman & Wakefield.

This led to a record per square meter rental price for the past four years of \$32.

"Many developers now see clear prospects that future projects can be profitable," said Oleksander Nosachenko, managing director at Colliers International.

However, experts forecast no significant market growth before 2021, as in previous periods growth was very low.

Here are business centers expecting to be commissioned this year in Kyiv.

## Major office projects delivered in Kyiv during 2018

Project	Location*	GLA (sq m)	Developer	Developer's nationality
BC 'Europassage'	C	13,800	local developer	UA
'ASTARTA Organic Business Centre' (phase 3)	Podil	8,997	Energoinvest	UA
BC 'Maydan Plaza'	CBD	5,660	local developer	UA
BC at 101 Volodymyrska Str.	C	5,000	INOR	UA
BC 'Paladis'	C	4,950	local developer	UA
BC at 1L Bazhana Ave.	NC-EB	4,800	local developer	UA
BC at 6 Panas Myrnoho Str.	Pechersk	3,080	local developer	UA
Innovation Park 'UNIT.City' (phase 1, part 2)	NC-WB	2,490	UDP	UA

Source: Cushman & Wakefield

\* 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.

New supply on the office property market in Kyiv amounted to around 26,400 square meters in the second quarter of 2018, while the total new annual supply reached approximately 50,700 square meters in 2018. Significant projects last year included three business centers: the Europassage, the continuation of ASTARTA, and the center at 101 Volodymyrska Street.

## Upscale branded hotel occupancy and revenue

(ADR means Average Daily Rate per room. RevPAR means Revenue Per Room)

	Occupancy	Change	ADR	Change	RevPAR	Change
2017	45.9%		\$155.4		\$71.3	
2018	45.9%	0.0%	\$168.92	8.7%	\$77.54	8.8%

## Midscale hotel occupancy and revenue

	Occupancy	Change	ADR	Change	RevPAR	Change
2017	53.9%		\$64.67		\$34.88	
2018	54.9%	1.9%	\$76.90	18.9%	\$42.22	21.0%

According to JLL, upscale hotel occupancies did not change in 2018 compared with the previous year, while midscale occupancy saw a slight increase.

Source: JLL

### Key office property market indicators in Kyiv

	2016	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Annual outlook
Stock (sq m)	1,805,000	1,848,300	1,864,390	1,873,580	1,899,980	1,899,980	▲
New supply (sq m)	20,740	43,320	16,130	8,150	26,400	0	▲
Take up (sq m)	177,100	205,000	36,000	45,800	38,500	35,000	↔↔
Net absorption (sq m)	124,300	160,600	18,000	38,200	32,600	37,100	↔↔
Vacancy rate (%)	15.6	8.9	8.7	7.2	6.9	4.9	▼
Prime rents (USD/ sq m/ month)	15-25	19-27	20-28	20-28	20-28	22-29	▲

Source: Cushman & Wakefield

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.

Kyiv's office property space has been steadily increasing since 2016. The third quarter of 2018 provided most of the new supply of office space while the fourth quarter didn't add any space at all and showed the lowest vacancy rate since 2009. Prime rents have significantly increased since 2016 as well, reaching \$22 to \$29 per square meter monthly, according to Cushman & Wakefield.

#### Wave Tower

Address: 9V Stepana Bandera Ave.

Wave Tower is expected to offer 22,000 square meters of a leased area after it's delivery in 2019, according to Colliers International. It is located in an outlying district of Kyiv on the right bank of the River Dnipro, between Dorohozhychi and Obolon metro stations, near the Freedom Hall theatre and concert complex.

#### Unit.City, Phase 4

Address: Dorohozhytska, 3

A city within the city on a territory of 25 hectares, Ukraine's the first innovation park opened its second and third phases of around 16,300 square meters in area in 2018, according to Colliers International.

But this is not the final stage of the project: already with ten R&D laboratories, Unit.City is expected to deliver another 9,520 square meters — mainly space for startups, companies, students, professionals and more research laboratories, according to Cushman & Wakefield.

#### Business Center at 98 Velyka Vasylkivska Street

This new A-class business center, developed by Dragon Capital, an investment firm, will add another 9,200 square meters of space to Kyiv's office commercial property stock in 2019, according to Cushman & Wakefield.

Located in Kyiv's central Pechersky district, the as-yet-unnamed business center next to the Toronto Business Center is under construction across the road from the Roman Catholic Church of Saint Nicholas, between the Olimpiyska and Palats Sportu metro stations.

Dragon Capital, together with the Goldman Sachs Group, also controls Horizon Park, one of Kyiv's largest office centers with a total area of 68,800 square meters. ■



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Dragon Capital bought Aladdin shopping mall from Meyer Bergman on March 6. The Kyiv shopping center, photographed on March 7, 2019, is the firm's most recent real estate purchase. (Oleg Petراسиuk)

# Dragon Capital bets on Ukraine's real estate

By Igor Kossov  
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**D**ragon Capital and its partners have invested \$400 million into real estate in Ukraine.

Many of the properties the firm acquired in the past were highly undervalued or overleveraged following Ukraine's financial crisis of 2008 and the EuroMaidan Revolution, which ousted Kremlin-backed President Viktor Yanukovich. Now, as the economy inches back to pre-crisis levels, Dragon Capital says that rents are rising, retail is expanding and office vacancies are extremely low.

"Real estate is a very procyclical sector of the economy," Volodymyr Tymochko, Dragon Capital director of private equity and real estate specialist, told the Kyiv Post in a recent interview. "It directly correlates to macroeconomic conditions."

Tymochko describes Dragon Capital as an opportunistic investor that is betting on Ukraine's continued economic recovery. He said while Dragon Capital was the only real estate investor in real estate here three years ago, now 20 private and institutional investors are looking at the sector.

"We will not come across such attractive opportunities as we did in 2015 and 2016," said Tymochko. "In 2016, properties could be expected to yield about 15 percent, and now the yields are about 12 to 13 percent." He expects the trend to continue, saying that this is a good sign for the Ukrainian economy.

Real estate is still at the bottom of a trough, and has a lot of room to grow in value, according to Tymochko.

While he acknowledged the uncertainty of the 2019 presidential and parliamentary elections, he described such worries as overhyped.

### Office space

Dragon Capital is focused on Kyiv, but it's also looking at regional cities growing in population. Tymochko said that there is currently a deficit of office space, thanks in part to the labor-intensive information technology sector, which has seen over 20 percent annual growth. IT comprised 45 percent of the office space uptake in the past few years.

"The vacancy was 25 percent," three years ago, said Tymochko. "Now, it seems that investing was the right decision in retrospect – vacancy is now just about 2 percent, which really means it's 0 percent." He added that prime rents, which once hit a peak of \$75 per square meter in 2008 are now closer to \$25 per square meter, and are expected to rise.

With this in mind, Dragon Capital acquired Horizon Park Business Center in Kyiv from UkrSotsbank in October 2018. Horizon comprises almost 70,000 square meters across two grade-A buildings and a grade-B office property. It is the largest office park in Kyiv and the largest property in Dragon Capital's office portfolio.

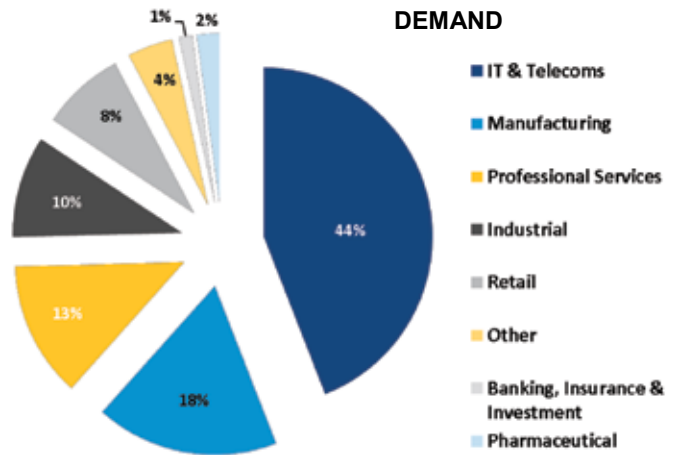
Tymochko said that there is a deficit of office properties in regional cities as well. Last summer, the firm made two acquisitions, including a mixed office and retail property known as Sky Park in Vinnytsia, a city of 370,000 people located 200 kilometers southwest of Kyiv, and the Eco Tower business center in the heart of Zaporizhia, a city of nearly 750,000 people located 445 kilometers southeast of Kyiv.

The director said that it's difficult to get bank financing for property acquisitions. Banks are still terrified of a rent collapse, which happened after the 2008 bubble, even though the situation is nothing like that today, according to Tymochko.

He added that the banks are also cautious about currency risk and are only willing to provide financing in the case of 20 percent returns – something almost completely unheard-of.

### Retail centers

Growing disposable incomes mean more retail activity, both online and in brick and mortar stores. As popular as online shopping is, many shoppers still want to hang out in a mall with a convenient location and



Source: Colliers International

The gross leasing activity in 2018 – also known as take up – exceeded 130,000 square meters. The informational technology sector is driving new demand, accounting for 44 percent. Kyiv has slightly less than 2 million square meters of office space.

a good food court, said Tymochko. Dragon Capital has four shopping centers in its portfolio, with a total area of about 160,000 square meters.

On March 6, the firm announced that it had acquired the 16,466 square meter Aladdin shopping mall from Meyer Bergman for an undisclosed price. The mall adds to its Kyiv retail portfolio, which already includes the Piramida shopping mall, acquired from U.S. and U.K. investors in 2016. Aladdin and Piramida are close together, near the Pozniaky metro station. Dragon Capital cited their location as a key factor in its purchase decision.

"This part of our portfolio (retail) is the best performing in terms of growth," said Tymochko. "The growth of disposable income outpaces the growth of economic activity." He added that footfall in malls had recovered to pre-crisis levels and consumer confidence has grown, along with the number of brands in the country.

The other two retail investments include Vinnytsia's Sky Park, and Dragon Capital's largest retail investment, Victoria Gardens in Lviv, the city of 721,000 people located 469 kilometers west of Kyiv. Victoria

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Before

After

# Major office and retail real estate in central Kyiv



## Major office real estate

1. Milenium
2. Parus
3. Eurasia
4. Leonardo (phases 1, 2)
5. 52 B. Khmelnytskoho Str.
6. Gulliver (m)
7. Kyiv-Dombass
8. Europa Plaza
9. Farenheit
10. Horizon Office Towers
11. Horizon Park (phase 1, 2)
12. Karat
13. Panorama
14. 28 Fitzkultury Str.
15. Prime
16. Renaissance
17. Khreshchatyk Plaza
18. Baroque
19. Dominant
20. Fabula Placet
21. Capital Hall
22. Renome
23. 7 Mykhailivska Str.
24. Ukrainian Pharmaceutical Centre
25. FIM Centre (phase 2<sup>nd</sup>)
26. Rialto
27. Kyaniivskiy
28. 33/34 I. Franka Str.
29. New Technology (NTBC)
30. Topaz<sup>\*\*\*</sup>
31. 52b B. Khmelnytskoho Str.
32. Bynskiy
33. Trio Office Complex
34. 72 Verkhniy Val Str.
35. 68 Verkhniy Val Str.
36. Podil Plaza
37. 13/5 Inorivska Str.
38. Canyon
39. Capital
40. 33 Sahaidachnoho Str.
41. Artam
42. Forum
43. 23 Bahovutivska Str.

44. Toronto-Kyiv (m)
45. Vector
46. 19b Turivska Str.
47. Horizon Podil (phase 2<sup>nd</sup>)<sup>\*\*\*</sup>
48. Protasov Business Park
49. 13a Kostylyna Str.
50. Tsarskiy
51. Alliance Plaza<sup>\*\*\*</sup>
52. 7a Kloviskiy Uzviz Str.
53. Kremona
54. Vnemenska Goida
55. 70 Saksahanskoho Str./16b Pankivska Str.
56. Shchekavyskiy
57. Eleven
58. Alliance Service
59. 55b Olesya Honchara Str. <sup>\*\*\*</sup>
60. 50 Haydara Str.
61. Vasyliera
62. 1a Dniprovskiy Uzviz
63. 26/14 Spaska Str.<sup>\*\*\*</sup>
64. 101 Tower
65. Diplomat Hall
66. Dnipro Plaza
67. Volodymyrskiy
68. Senator
69. IQ
70. 28 Ssmirnova-Laistochkina Str.\*
71. Patriarch Hall \*
72. 12 Chornovola Ave.
73. 40/85 Saksahanskoho Str.
74. 2 Novovokzalna Str.
75. 98 Chervonocarnyiska Str.\*
76. Maxim
77. 36 Shchora Str.
78. 15 Leptshiska Str.
79. 19 Druzhby Narodiv Blvd.
80. Podil Prestige<sup>\*\*\*</sup>
81. 37 Sahaidachnoho Str.
82. 69 Frunze Str.\*
83. Kilmas<sup>\*\*\*</sup>
84. 8 Dorozhzhyska Str.
85. Forum B7
86. Vozdvizhenskiy
87. Troitskiy
88. Domino

89. Advance
90. Smart Office House
91. 3 T. Shevchenka Lane
92. Residence
93. Kuznetskiy
94. Dynasty
95. 32-36 Zhylyarska Str.
96. ASTARTA Organic Business Centre (phase 3<sup>rd</sup>)
97. 22 Panassa Myrnoho Str.
98. 3 Novovokzalna Str.
99. UNIT City\*
100. Paladit
101. 101 Volodymyrskaya Str. (phase 2<sup>nd</sup>)
102. 1v Sahaidachnoho Str.\*
103. Business Park Europassage\*
104. 6 Panassa Myrnoho Str.
105. M8<sup>\*\*\*</sup>

## Major retail real estate

1. Ukraina
2. Metrograd
3. Arena City
4. Mandarin Plaza
5. Globus
6. Gulliver (m)
7. Good Life\*
8. Victoria
9. Hartz<sup>\*\*</sup> (m)
10. TeUM
11. Lukyanivka Mall\*

- \* buildings under construction
- \*\* buildings planned for construction
- \*\*\* construction suspended

- m – mixed-use development
- Central Business District
- M Metro station

Source: Cushman & Wakefield

Gardens is the only “destination” shopping mall in the portfolio. Dragon Capital said that it wants to add more office space to Victoria Gardens to raise property values.

When asked how close Kyiv is to shopping mall market saturation, Tymochko said that there is still room to grow, however “this sector may change very radically in the next few years, if Mr. Vagif Aliyev completes his promised projects.”

Aliyev, the owner of Mandarin Plaza and SEC Lavina in Kyiv, plans to build more shopping malls in the capital, adding up to 500,000 square meters of retail, according to his announcements.

## Warehouses

Logistics space comprises 48 percent of Dragon Capital’s real estate portfolio, about 300,000 square meters across nine properties.

The firm’s largest acquisitions consisted of the Westgate Logistic and Eastgate Logistic class-A warehouse properties in Kyiv’s suburbs, bought in 2016. According to Tymochko, the properties were acquired as loan packages on a tender, then converted into equity. More recently, the firm consolidated its ownership in Westgate to 100 percent, up from 60 percent.

Tymochko said that e-commerce is a major driver of the firm’s warehouse interest, something he’s started noticing in the past two or three years.

“This is what we see, that e-commerce retailers and brick and mortar retailers are all expanding their operations,” he said.

The firm most recently acquired the Arctica cold storage complex from Oschadbank in the Kyiv suburb of Soffivska Borschahivka in February. The sale was Oschadbank’s largest non-core asset disposal after the bank got it as collateral through a loan settlement procedure. It is Dragon Capital’s second cold storage complex.

Tymochko also noticed a trend of some companies using warehouses for manufacturing. For example, their logistics complex in Gostomel, a city of 14,000 people located 36 kilometers northwest of Kyiv, is leased by Unilever, which operates a tea packaging plant there.

“This is tiny, but it wasn’t there a few years ago,” said Tymochko. ■

## TOTAL SHOPPING CENTER STOCK IN KYIV, ths. m<sup>2</sup>



Retail remains the most vibrant segment of the commercial property segment. An unprecedented volume of new supply is scheduled for completion in 2019-2020, says Colliers International, with 650,000 square meters of gross leasable area under construction. The Kyiv retail segment counted 1.3 million square meters in 2019.

## BUSINESS ADVISER

### “CITY IN THE CITY” CONCEPT: AN UPCOMING TREND IN KYIV REAL ESTATE MARKET DEVELOPMENT



**Yuliia Shchaslyva**  
TEK “Energoinvest”  
LLC, CEO

#### What defines the concept of “city in the city”? Is it a common phenomenon on the Ukrainian real estate market?

The “city in the city” concept has been generally known since the 1960s, and stems from the reconstruction of post-war Berlin and rebuilding its residential property. Overall, this is the construction and development of a certain district of a city with rich infrastructure, thus creating a full-fledged complex instead of just a single building. The trend of complex city development is widely implemented in Ukraine, mostly in its capital.

I would say that this tendency for developing “cities in the city” is a rebirth of Ukrainian real estate. If we take a close look at the residential real estate in Kyiv, there are some big “city in the city” projects. However, the segment of office real estate is just starting to appreciate this tendency in urban planning. “City in the city” is a modern and comprehensive approach to organizing space in the city, aiming at expanding the business district of Kyiv. Moreover, it is a rethinking of the city community concept, which resonates with ideas of effective planning, efficiency, and sustainability, and the use of innovative technologies and diversity of infrastructure.

#### What does the infrastructure of a “city in the city” look like?

Usually, we are guided by the formula “office + community + relaxation” space. For instance, Astarta Organic Business Centre was created as a comprehensive renovation of outdated territories, giving the opportunity to work and relax in one place, and at the same time to have access to all the services demanded by a modern city resident.

Full infrastructure is a key prerequisite for the efficient functioning of a “city in the city,” and as a result, satisfying the needs of residents: they are provided with the opportunity to conduct routine activities within the walls of one building or one quarter.

F&B, commercial premises, sports complexes, conference halls, co-working, dry cleaner’s, pharmacy, banks and ATMs, beauty salon and other services are essential components of the “city in the city.” Moreover, it is definitely an advantage to provide relax&recreation zones for residents. In collaboration with our partner Podolskiy Fitness Club we organize free yoga classes twice a week during the warm season. “City in the city” concept is not only about dynamics, but also about the chance to recharge and get inspiration.

Due to urban sprawl and new fast-emerging businesses in the suburbs, developers of these or similar schemes should pay close attention to the issue of transport accessibility. Speaking of transport, you can barely imagine the “city in the city” without a parking lot, and guest parking for visitors is a strong advantage. A property management company must be able to provide unique facilities and service in order to stand out on the market (for example, having an EV charging point). Nowadays, this matter expands into having an alternative – a bike parking lot – for those who care for sustainability and eco-friendliness (and their health and well-being, which is no less important). At Astarta Organic Business Centre, the bike parking area has a fully equipped shower room and a locker-room in one place.

#### Taking into account such a developed infrastructure, it seems to be highly important that this “city in the city” functions 24/7. How is this process organized?

Indeed, another key responsibility of a property management company is to provide proper facility management and operating services. A technical team is 24/7 available for any matter, and cleaning services are provided on a regular basis. As far as business centers are concerned, 24/7 access to the building should be provided, with security guaranteed (video surveillance + access control system).

**There is certainly still space for implementing new ideas and expanding them. At the moment, the “city in the city” concept is still considered to be an innovation, but in the foreseeable future it will become common practice.**



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# How Kyiv's appearance is changing

**A** dilapidated housing stock in the center is a problem for many capital cities, not just in Europe, but also all over the world. Every country manages the problem in its own way. In some places, a megalopolis manages to preserve the historical appearance of its center. In other places, complete upgrading and the creation of new architectural landscape are carried out.

There are many buildings in the center of Kyiv that really do not enhance the appearance of a modern European city. But the appropriate modern solutions can improve the situation. Moreover, the central part of Kyiv is rather attractive for developers and investors — once they have obtained the rights to build elite “square meters,” they have the means to create new residential and commercial premises and improve their adjacent territories. In addition, big companies have the professional resources at hand to produce quality work with due regard to the existing historical and cultural background of any particular location.

For example, there are the companies that manage to realize projects using not only modern European technology but also by implementing their unique experiences in the construction market. One such company has decided to take on audacious projects in the center of the capital, as a result of which the territory nearby a new residential complex will be improved in its entirety. City Consults Capitals has provided investors with a brand new example of quality residential building in the center of Kyiv — the Montreal residential complex. The project involves fundamental changes to the quarters nearby the Olympiiska and Palats Ukrayina metro stations. Until recently, this part of the city has been interesting to developers only in terms of commercial property (offices and trading space).

*“Our company is ready to offer and realize projects that will enrich the central part of Kyiv and emphasize its dynamic modern European business style, but at the same time preserve the historical architectural charm of these quarters, their unique atmosphere,”* says City Consults Capitals Press Office.

The company expects that the joint efforts of the developers of the Montreal residential complex and the city authorities will be valued both by local residents and future property owners. The buyers of the residential housing plan are not just buying flats in the center of Kyiv, but will also gain the relevant quality of life. The Gulliver and Ocean Plaza Shopping and Business Centers are located not far from the new Montreal residential complex; as are the main theatres of the capital, leading universities and colleges, sports complexes, shops, museums and concert halls, quiet garden squares and the best restaurants in walking or several minutes' driving distance.

This approach to implementing new property developments makes it possible to fit new modern structures harmoniously into the historical architecture of the city. It also entails improving the quality of local infrastructure, and the beautification of the city's central districts of course benefits the capital of Ukraine and its citizens.



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A protester against illegal construction in Kyiv holds a poster that reads "Stop spoiling my city! #Save Kyiv" as she and other activists try to block traffic on Khreshchatyk Street in front of the Kyiv City State Administration on March 3, 2019. (Volodymyr Petrov)

# Lawless development, corruption, fraud cast big shadows on Kyiv's real estate industry

By Jack Laurenson  
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Despite a rebounding real estate sector, lawless land development, corrupt schemes and property scams continue to stifle growth and create victims as Ukrainian authorities face accusations of manipulating laws to ensure that, one way or another, new developments are illegal, creating rich opportunities for blackmail and corruption.

## Leveraging land

In Kyiv's land development market, a vicious circle exists in which developers defraud the Ukrainian public by shadily

leasing municipal land at rock-bottom prices, while the authorities capitalize on those illegalities to engage in corruption and blackmail.

Oleksii Boiko, a lawyer and legal expert on real estate with the Kyiv-based Anti-Corruption Action Center, or ANTAC, had just come from court proceedings when he met the Kyiv Post for a recent interview. The litigator is frequently in court these days, advocating for alleged victims of real estate scams or land-related corruption.

Boiko says that the face of criminality and corruption has morphed — now it's all about the land and how it's developed.

“Everything has changed now,” he said. “Until 2013, the state registry of (real estate) assets was the biggest source of corruption and fraud... It was easy to duplicate documents and fraudulently sell real estate assets twice.”

For years, the courts were overflowing with cases like this, with few cases resolved well for the victim. In 2013, state registration of real estate was opened up, with private notaries, lawyers, journalists and civil society activists able to access data and documents more easily. This boost in transparency effectively destroyed many fraudulent schemes.

But new ones quickly popped up instead.

“Now the number one issue is corruption schemes with the land itself,” Boiko said. “In 30 years of independence, we still don’t have regional, local and city authorities that can manage their borders... we need clear demarcation of land boundaries... a proper land register,” he added.

“Everything became worse after the EuroMaidan Revolution,” said Georgiy Mogylnyy, an academic and senior researcher at the Ukrainian National Academy of Science, referring to the popular uprising that drove Kremlin-backed President Viktor Yanukovich from power in 2014. Mogylnyy, who studies corruption related to land and real estate, argues that the situation is worse now than it was under Yanukovich.

Mogylnyy has something of a professional obsession with real estate corruption. He studies the area religiously and often consults with media outlets like Radio Liberty and Nashi Groshi on their investigations.

“Even people who were insiders of the (Yanukovich-led) Party of Regions couldn’t violate zoning with complete impunity like people do now,” he said.

## Lucrative zoning violations

According to Mogylnyy and Boiko, the last half decade or so has seen the emergence of a new kind of “smart corruption” in land development that relies on the leveraging and manipulation of laws and guidelines.

“The authorities can now so easily deny building permission — but no laws specifically point out what they should be looking for,” said Mogylnyy. “They check for violations, and then calculate the size of the bribe. If the development is still illegal after they gave the permission,

**“Everything became worse after the EuroMaidan Revolution. Even people who were insiders of the Party of Regions couldn’t violate zoning with complete impunity like people do now.”**

— Georgiy Mogylnyy

the same officials can then return to the site and demand more bribes. If a developer comes in and wants to do everything in accordance with the law, he’s not going to be competitive.”

There are, according to an independent study by Domik.ua, at least 67 apartment developments in Kyiv alone that the authorities regard as illegal, having violated zoning laws and guidelines. They lack the correct permissions, are built on the wrong land, are too big or too high, the authorities say. The Security Service of Ukraine, or SBU, has 30 developments in Kyiv that it is “interested in” for supposed violations.

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**Activists try to break the fence surrounding an allegedly illegal construction site on the territory of a market at Revutskoho Street in Kyiv on March 1, 2017. (Kostyantyn Chernichkin)**

According to most lawyers, 99 percent of new developments in Ukraine are violating a law or guideline, creating a lucrative opportunity for blackmail.

“You will never find a development that is 100 percent legal and proper, or land that is properly registered,” said Vasya Cherednichenko, managing partner of the ExpatPro law firm in Kyiv. “There can easily be a criminal case associated with each building in Ukraine. I believe it’s possible right now to buy an apartment in each of these illegal developments... and this means that the law enforcement in this area is weak.”

Added Mogylnyy: “It’s easy for them to build whatever they want, as long as they pay all the bribes that are needed.”

### **Fraudulent schemes**

The Ukrainian public that loses out to corruption. In one type of fraudulent scheme, buyers are encouraged to invest into empty plots of land or half-built apartments.

“Ukrainian legislation doesn’t allow someone to buy something that doesn’t exist, so you can’t buy an apartment that isn’t completed yet,” said Cherednichenko. “But there are several schemes where you can be a shareholder in a so-called cooperative, where you buy shares, and according to the agreement the developer is to exchange those securities into real estate, like an apartment.”

According to legal experts, however, such schemes are extremely risky and require deep due diligence, but even that doesn’t guarantee a buyer their apartment in the future. Some investors have found this out the hard way.

“Ten years ago, Ukraine faced a huge fraud case with the Elita Center (a proposed apartment complex), where customers put their money in and the developer just declared bankruptcy and they never got their property,” said Cherednichenko. “In other cases, buyers invest into a development and 15 years later it’s still not finished.”

Behind the Elita Center scandal mentioned as an

example by lawyers like Cherednichenko, is the well-connected former lawmaker and prolific real estate developer Vadim Stolar. In 2006, an estimated 1,760 people invested their savings into a scheme allegedly headed by Stolar, under the agreement that they would receive an apartment in a completed complex.

Instead, the Elita Center Group mysteriously filed for bankruptcy, and at least \$75 million (by today’s value) invested by Ukrainians went up in smoke. During the subsequent fraud trial, Stolar was only called as a witness and his business partner Alexander Shakhov Volkonsky, a Russian citizen, seemed to take the fall, was prosecuted and sentenced to nine years in prison.

These days, Stolar, who many say has escaped justice in relation to his connection with the Elita Center scandal, still seems to be tightly-connected with developers and influential lawmakers, including Kyiv Mayor Vitali Klitschko.

According to anti-corruption campaigners, Stolar — who is often referred to as the “grey cardinal” or “shadow mayor” of Kyiv — is the real authority when it comes to real estate in the country’s capital, operating in the shadows behind lawmakers like Klitschko.

“It is ridiculous,” said Oksana Zinovieva, Klitschko’s spokesperson, in a brief comment to Kyiv Post regarding allegations that Stolar pulls strings at the City Council. She did not elaborate on the Stolar-Klitschko relationship.

A December 2018 investigation by Schemes, an investigative project of Radio Free Liberty, reported that Stolar had also been photographed while making multiple visits to the office of the Ukrainian Presidential Administration. The car that delivered Stolar was allegedly using fake number plates.

The previous summer, another Schemes investigation revealed that Stolar was joined on a chartered flight from Milan to Kyiv by Klitschko and Maxim Mykytas, a prominent property developer and member of parliament.

As reported in a Feb. 7 Mind.ua news article, Stolar is still an active developer and planning to break ground on another high-rise apartment complex in the capital’s city center, recently approved by city planning authorities.

The Kyiv Post could not reach Stolar by phone. The former lawmaker is known for keeping a low profile and not giving statements. His personal website is no longer online and a private message to his Facebook profile, requesting an interview or comment, went unanswered.

### **Rampant corruption**

While the media and public would like to cast the role of a real estate supervillain, lawyers and anti-corruption experts say that the market is saturated with scams, corruption and fraud, with no individual companies or persons having a monopoly.

“Unfortunately there are lots of examples in recent years of how customers have lost their money or investment because of fraud,” said Cherednichenko.

Added Mogylnyy: “Some people don’t steal as much (as in the Eilta Center scandal), but they do it in a smarter way and on a smaller scale to not catch attention. In this context, Stolar is only a drop in the bucket. In Yanukovych times, you could point to one or two people who stole huge amounts — now the violations are more, they are bigger, and you don’t need to be in the government inner circle to cash in.”

Oleksiy Feliv, a managing partner at the Integrates law firm, is bullish on the commercial real estate sector making a comeback, but he also points to failings in Ukraine’s judicial system that allow fraud and corruption to run rampant.

“Law has been improving over the last four years — there is a transparent registry... that’s open to notaries and lawyers, that was very important,” he said. “Where we see challenges is with the Ministry of Justice.”

According to Feliv, the Justice Ministry’s commission that considers real estate and development arbitration claims is unfairly playing the role of a judge, often making decisions that seem arbitrary. Feliv says that this commission, the courts and prosecutor’s office sometimes act with their own agenda that can be tied to vested interests.

“The court system in Ukraine is a problem in itself,” said Boiko of ANTAC. “The civil courts are overflowing with cases like this ... but judges themselves are often under investigation too. Too often, the Ministry of Justice does nothing. They don’t even properly register claims. They can just return them without having even done anything.”

Said Mogylnyy: “Politicians don’t want to solve the problem, although an “extremely important” proposed decentralization law would help. “But that law has so far been blocked by the Ukrainian parliament’s Committee on Construction, Urban Development, Housing and Communal Services,” he said. ■

## Retail space rent rates in major European cities

City	Dollars, per square meter per year (triple net lease)	City	Vacancy, Q4 2018
Prague	294.9	Helsinki	11.8%
St. Petersburg	295.4	Madrid	10.4%
Lisbon	301.8	Moscow	10.3%
Warsaw	322.4	Warsaw	7.9%
Budapest	343.0	Brussels	7.8%
Kyiv	360.0	Kyiv	7.6%
Brussels	360.1	Budapest	7.3%
Berlin	466.4	Lisbon	6.5%
Helsinki	466.4	Stockholm	6.2%
Madrid	473.3	Rome	6.2%
Amsterdam	485.9	St. Petersburg	5.8%
Rome	503.0	Oslo	5.5%
Oslo	519.7	Paris	5.4%
Moscow	750.0	Prague	5.1%
Zurich	836.9	Zurich	4.5%
Stockholm	845.9	Amsterdam	4.4%
Paris	926.0	London	4.3%
London	1576.5	Berlin	2.0%

Source: JLL

**Kyiv’s retail market vacancy rates are on the higher end compared to other major European cities, while its rent prices are on the cheaper end.**

## BUSINESS ADVISER

### How a Ukrainian company organized facility management by combining artificial intelligence with the knowledge and experience of a person



**Sergiy Shulga,**  
CEO of Shen Company

The company SHEN was established in 2006, and since then it has grown both in the volume of services and in its understanding of customer needs. Employees of the company work every day to improve the quality and range of their services, and to better understand the problems and “pains” of their clients.

Taking into account the needs of the Ukrainian market and global trends, SHEN has made integrated facility management its main product. Facility management is a concept deeply ingrained in the business environment of developed countries. In such countries as the United States, Britain, and Germany this industry accounts for 1–2 percent of GDP.

The Ukrainian market is much smaller and younger, so one of the key tasks of the company is to promote these types of services on the Ukrainian market and make them more convenient and cost-effective for customers.

Within the framework of this service, SHEN assumes full or partial management of the exploitation of a property, and its main task is to ensure the smooth operation of production and auxiliary equipment, the engineering networks of buildings and structures, creating comfortable and safe conditions in the premises for employees of the client and their guests, as well as increasing the market value of real estate. From this it follows that the most interested in SHEN’s services are the owners of real estate, or business owners who have a significant share of the product value — the cost of servicing equipment and real estate. After all, as you know, money not spent is money earned.

Realizing that the success of the business in providing services is more dependent on understanding the needs of the client, as well as the transparency of the organization of the processes on the client’s territory that can easily be controlled, SHEN began to look for a solution that could make its product easier and more convenient to use for each client. A solution that allows clients to get information about the status of their assets online. And it found this solution. SHEN has combined human skills in making decisions with an organized, uncompromising artificial intelligence, which translates these decisions into actions and monitors their implementation, as well as providing statistics and analytical data for decision making. Together with the European company V&A Solutions, over two years SHEN has been developing a unique product that would satisfy all its requirements. The company used its experience in providing various types of services, the professional knowledge of its employees and expert assessments of specialists in this market, as well as studying the needs of our customers and partners, and created a product that allows the company to provide quality services while also being able to constantly improve. Clients can get a full overview of their business, anywhere in the world, and at any time of the day, they have information about all of key parameters in the operation of production equipment or real estate: the output of the equipment, maintenance schedules, the financial costs of maintenance, as well as the speed of decision making by employees or contractors. But the main thing is that the client is always aware of how well the working conditions for employees are organized, whether guests and tenants are comfortable, and whether production conditions are met, with a minimal risk of mishaps.

This approach helps SHEN to become a full-fledged partner for our customers, creating a solid foundation for productive and mutually beneficial work, which in turn increases trust in the facility management product among customers, and in the Ukrainian market as a whole.



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This empty plot of land was the site of a historic building, home to Jewish writer Sholem Aleichem, who lived here at the beginning of the 20th century. The building, on Velyka Vasylkivska Street, was demolished along with a neighboring house after its facade collapsed 10 years ago, due to botched and illegal interior reconstruction work. (Kostyantyn Chernichkin)

# Modern mixes with dilapidated on one of Kyiv's historic streets

By Natalia Datskevych  
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**K** yiv's city center is an odd combination of modern buildings with dilapidated and abandoned historic architectural jewels.

A good example is one of the busiest streets of the capital — Velyka Vasylkivska Street.

Part of a historical building collapsed on this street 15 years ago. This was the house

where Jewish writer Sholem Aleichem used to live in the beginning of the 20th century. Six years later, the building was unexpectedly demolished along with a neighboring house.

Since then the place stands empty covered with a fence at Velyka Vasylkivska 35–37.

Kyiv Zhytlo Invest Management, the former owner of the plot, planned to build there a



## SALE OF NON-RESIDENTIAL PREMISES Kyiv, Ukraine

**Moskovska Street is in the central area of the city of Kyiv.**

The premises is located near Lesi Ukrainky Boulevard – one of the main arterial streets of the city. The building was constructed in 2006 as a special project. It has from 10 to 24 floors. The building type is cast-in-place concrete frame.

The asking price – ONO.

### General and technical information for the non-residential premises:

The property is based on the 2nd floor of a 24-floor building • the premises have fine both internal and external decorations • the total area is 123.6 sq m • the building area consists of 160.68 sq m • the ceiling height is 3.3 sq m • the material of the walls is brick • the dividing walls are plastered, consisting of brick and gypsum board • the premises have timber doors and metal-plastic windows • the floor is made with paving tiles • the interior decoration includes wallpapered walls, whitewashed ceilings, and oil and water mixture painted areas • utility systems include electric power and water supplies, and autonomous heating and sewerage systems.

*Non-residential premises No 1 - 8, 30% of balcony (group of premises No 144 - in letter A) at 46/2, Moskovska Street*



## SALE OF TWO-ROOM APARTMENT Kyiv, Ukraine

**Ivana Franka Street is in Shevchenkivskyi District of Kyiv (on the right bank of the Dnipro River).**

The building was constructed in 1938. It has six floors. The construction material of the walls is brick. With regard to infrastructure, the following is located nearby the building: • Bohdana Khmelnytskogo Street • Yaroslaviv Val Street • Zolotovoritsky Park • Sofiivska Square and Mykhailivska Square.

The asking price – ONO.

### General and technical information:

The property is based on the 1st floor of a six-floor building • the apartment is in a good technical condition • the total area is 69.1 sq m • the living area consists of 42.9 sq m • the area of the kitchen comprises of 12.4 sq m • the ceiling height is 3.3 sq m • no balcony • the materials of the floor are industrial carpet and tile • the apartment has timber doors and metal-plastic windows • the interior decoration consists of wallpapered walls, whitewashed ceilings, and ceramic tiles in the kitchen and bathroom • utility systems include electric power, gas and water supplies, heating and sewerage systems.

*Two-room apartment No 12 at 9, Ivana Franka Street*

Please for more details contact at +38 (044) 221 04 54



## SALE OF FOUR-ROOM APARTMENT & PARKING SPOT Kyiv, Ukraine

**Lesi Ukrainky Boulevard belongs to Pecherskyi District in Kyiv (the right bank of the Dnipro River).**

The building was constructed in 2010. It has 29 floors. The construction material of the walls is brick. With regard to infrastructure, the following is located nearby the building: Pecherska and Klovska metro stations • Oleksandriivska Clinical Hospital • Main Military Clinical Hospital. The asking price of the apartment – ONO.

The asking price of the parking slot – ONO.

### General and technical information of apartment:

The property is based on the 15th-17th floors of 29-floor building • the apartment does not have decoration and is incomplete • the total area is 335.3 sq m • the living area consists of 149.8 sq m • the area of the kitchen is about 97.7 sq m • the area of the terrace is 3.3 sq m.

### General and technical information of parking lot:

The total area of the parking slot is 15.5 sq m • located in basement No. 1 in the underground parking area • the technical condition is incomplete • the footings are piled and reinforced concrete, the walls are concrete panels, the floors are concrete, and the coverings are also reinforced concrete plates.

*Four-room apartment No. 35 and parking slot No. 65 at 7-B, Lesi Ukrainky Boulevard*



## SALE OF TWO-ROOM APARTMENT Kyiv, Ukraine

**Chervonoarmiyska Street is in Pecherskyi District in Kyiv (on the right bank of the Dnipro River).**

The building was constructed in 1917. It has five floors. The construction material of the walls is brick. With regard to infrastructure, the following is located nearby the building: • Lva Tolstoho Square • Shevchenko Park • Taras Shevchenko Boulevard. The asking price – ONO.

### General and technical information:

The property is based on the 1st floor of a five-floor building • the apartment is in good condition • the total area is 66.4 sq m • the ceiling height is 4.7 sq m • the materials of the floor are laminated flooring and tiles • the apartment has timber doors and metal-plastic windows • the interior decoration consists of wallpapered walls, whitewashed ceilings, and ceramic tiles in the kitchen and bathroom • utility systems include electric power, gas and water supplies, heating and sewerage systems.

*Two-room apartment, No. 34 at 25, Chervonoarmiyska Street*

Velyka Vasylkivska Street is one of Kyiv's busiest streets and yet many of its buildings stand empty and dilapidated. (Pavlo Podufalov)



Rezidor hotel with an underground parking and that was supposed to open right before the UEFA Euro 2012 Football Championship.

The construction, however, never happened, and in the fall of 2018, according to Interfax news agency, it was sold to TAS Group, owned by Sergiy Tigipko, a former politician and once an ally of former President Viktor Yanukovich who was ousted during the 2014 EuroMaidan Revolution.

Tas Group did not respond to the Kyiv Post before going to print regarding the future plans of the central 0.44-hectare land plot.

Just one block down at Velyka Vasylkivska 50, another house stands empty. This building has been burnt and is gradually falling apart for more than a decade.

It was built in 1909 and perfectly represented Kyiv's modernism architecture, according to Olena Mokrousova, a

historian and leading specialist on historic buildings in Kyiv and how to properly protect and restore them.

But the owners of such buildings often don't want to take care of the city's historical heritage as they find much more lucrative deals in other options.

"Historical buildings can be restored, but no one cares," Mokrousova said. "All abandoned houses we have in Kyiv stand empty for decades, deliberately brought to such conditions by their owners."

### Kyiv's chronic pain

The empty buildings on Velyka Vasylkivska Street are not an exception in Kyiv, but rather the rule of what goes on with the city's historical buildings: the owners will wait until the building falls apart, will then remove it from having a city protection status, and will then finally demolish it. Afterwards, they will build a new building such as an office building or a hotel.

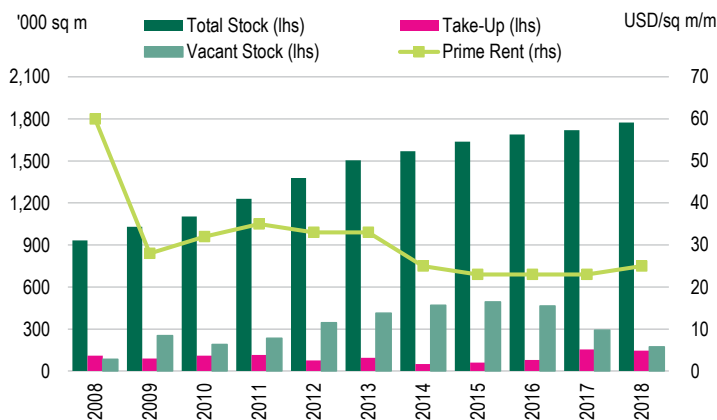
While Kyiv is extremely rich with historical architecture, only 19 percent, or 2,237 objects, are officially registered as historic sites, according to Kyivske Viche, an advocacy group. The group's coordinating board member, Olena Terestchenko, says that many of these buildings will be destroyed in the near future.

"The country's priority is money, enrichment, and businesses lobby in the government both at the national and local levels," Terestchenko said.

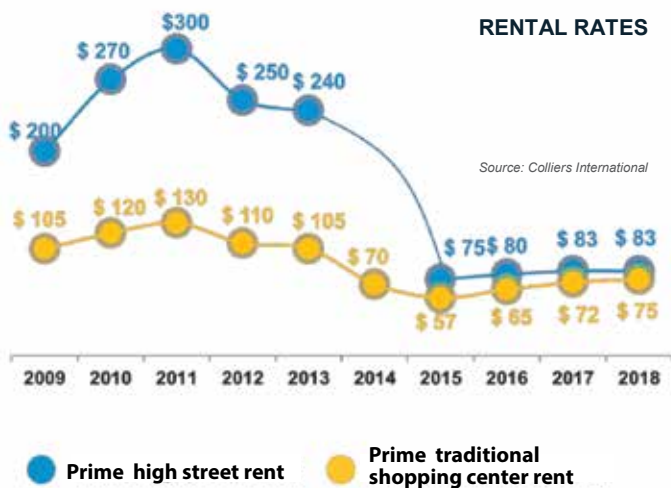
"Owners remove this status using any tools they have — they will set up buildings on fire or just crush them to convince the public that the house lost value," Terestchenko said. "Once the historic status is removed, owners are not responsible for the crime and they demolish the object."

Kyiv's office space has doubled since 2008, to 1.8 million square meters, while rents have recover to \$25 per square meter as demand rises and vacancies fall.

### Office Market Fundamentals



Source: CBRE Ukraine lhs – left hand side rhs – right hand side



At the end of 2018, prime rent for 100-200 square meter units in Kyiv's most popular shopping centers increased and amounted to \$75 per square meter per month. The rate for the main Khreshchatyk Street remained at \$83 per square meter monthly.

Irina Karmanova, an activist at the No Corruption Platform, repeatedly raised the issue of empty historic buildings across Kyiv, but finds it difficult to make a difference.

"Sometimes it is possible to find out who is the owner, but this does not change anything — buildings are destroyed to make room for new buildings," said Karmanova.

But another reason why owners are reluctant to keep historic buildings is the high renovation cost to maintain a historic building, and the government does little in financial assistance.

But it's expensive not only in Ukraine, it's expensive everywhere, Mokrousova said.

"This is the consciousness of society. People will need to realize that this antiquity is worth more than just money... In the U.K., you can't even change an old window locking system."

She says that Kyiv is different simply because owners tend to be greedy.

"Owners that have close ties with the authorities receive historical buildings for nothing and simply have no interest in restoring them," said Terestchenko.

At the same time, Roman Kostenko, a real estate lawyer at Asters, says that there are other reasons of why so many historic buildings are not being taken care of.

Very often, according to Kostenko, there is a legal problem — the building can either be arrested, there can be a conflict between owners, or the object is state-owned. In either case, the city has no mechanism on how to deal with the problem.

At other times, an owner will buy assets and wait for the best market conditions so that the property can be resold at a much higher price.

### Historic street

Built in the beginning of the 19th century, Velyka Vasylykivska Street starts from Khreshchatyk Street and cuts through three districts — Shevchenko, Perchersk and Holosiyiv — making it one of the longest streets in Kyiv.

According to Mokrousova, many famous individuals lived on this street a century ago such as writer Isaac Babel, merchant David Margolin, as well as nobleman Petro Krutikov, the owner of a



Hit by fire in 2003, the century-old building at 50 Velyka Vasylykivska is gradually falling apart. Historian Olena Mokrousova says prominent Kyiv architect Joseph Zekzer designed the house. (Kostyantyn Chernichkin)

world-renowned circus.

During the Soviet era the street was called Chervonoarmiyska, or Red Army. The original name was returned only in 2014, the same year when Russia started its war against Ukraine.

But experts like Mokrousova believe that the history of such streets as Velyka Vasylykivska will fade away very soon.

"(Ukraine) is a country where nothing can be changed. By law, nothing can be destroyed," said Mokrousova. "But does the law work in our country?" ■

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Kyiv's Sahaydachnoho Street is a historic gem for many of its residents and tourists. (Kostyantyn Chernichkin)

# A welcome reconstruction of Sahaydachnoho Street, now pedestrian-friendly

By Vyacheslav Hnatyuk  
hnatyuk@kyivpost.com

One of Kyiv's most historic streets is about to receive a new European look after a massive reconstruction project — one that will make the capital's city center more walkable and attractive to tourists.

Sahaydachnoho Street has been a major leisure area for Kyivans and visitors alike, and Kyiv's city administration is planning to invest Hr 160–170 million (\$5.7–6 million) into its renovation.

Yet complex projects are often never completely finished in Kyiv, let alone being finished on time in Ukraine, and turning one of Kyiv's thoroughfares into a pedestrian street requires smooth cooperation of architects, urban planners, administrators, sponsors and social activists.

Sahaydachnoho Street connects two recreational squares in Kyiv — Poshtova Ploshcha and Kontraktova Ploshcha, and lies in the district of Podil — Kyiv's medieval area of artisans, craftspeople, and traders. The street also serves as a conduit of major technological breakthroughs in Ukraine and Eastern Europe: the first Russian Empire tram ran on this street in 1896, and Kyiv's famous funicular started working in 1905 and still operates to this day. A metro line has been running under the street since 1976.

Many Kyivans have long wanted to see Kontraktova Ploshcha reconstructed, together with the adjacent Sahaydachnoho Street. The initial discussion of the project was launched in 2012 under the aegis of the German Heinrich Böll Foundation and the CANactions urban

planning initiative. The victory of the EuroMaidan Revolution, that ousted ex-President Viktor Yanukovich from power in 2014, unleashed civic society movements in the country, including those aimed at urban planning and design. This also revved up the reconstruction of the ancient Podil district.

In 2014, the city held a competition among architects and city planners for the reconstruction of Podil's center. A group of architects led by Anton Oliynyk won the competition.

Oliynyk told the Kyiv Post that the project has received "positive expert conclusions by state appointed experts, including architects, construction and financial experts." As the proposed project has been recognized by experts as feasible, it is now up to the city of Kyiv authorities to commission the actual works.

The group of designers — called Nova Kontraktova — wants to achieve cultural revival, people-friendly areas, and a lot of greenery in the area. Landscape architect Maksym Kotsyuba has already implemented one project on Kontraktova Ploshcha. In 2017 he and his team were in charge of bringing back to life Garden Square No.3 as there was almost no greenery left due to kiosks that caused congestion and visual pollution.

The group asked the city to remove "more than 40 fast food kiosks, which had gobbled up the garden square," Kotsyuba said. This was done "to rebuild the public space of the garden square which always used to be there," Kotsyuba explains.

Now Nova Kontraktova wants to revive community life on Sahaydachnoho Street. The street lost almost all of its trees in the years when the metro line was built. The project plans to include trees with benches along the pedestrian part of the street beginning from Kontraktova Square up until its crossing with Andriyivska Street. Cafes will open terraces on the street during the warm season.

The remaining part of the street — from the crossing with Andriyivska Street up to Poshtova Ploshcha — will be



open for traffic. However, the city authorities plan to limit the traffic to two lanes instead of the current four to increase the pedestrian space.

"Traffic circulation will be changed to four iterations in order to develop a new transport system," says Yevhen Petroshchuk, who is working on this project as part of the Podil district administration. As until recently, Sahaydachnoho Street was mostly a transit street. "Pokrovska and Naberezhno Khreshchatytska streets will take over that role," Petroshchuk said.

The Nova Kontraktova group says that their projects are not too costly. "Big money is not always necessary for quality changes," Kotsyuba said.

In addition to the city budget financing the project, Saga Development building company is sponsoring the planning and design works performed by the Nova Kontraktova group.

Petroshchuk believes that it is possible to complete the project in 2019. On the other hand, Kotsyuba prefers not to do the reconstruction in a rush but rather make sure everything is done correctly: "The acceptable timeframe is 2019–2020. Finishing the project in 2019 would be great but there are a lot of engineering networks in the project which are important to reconstruct well." ■

**Kyiv's Sahaydachnoho Street will be reconstructed in 2019-2020 and will have more benefits for pedestrians, such as more walkable space, trees and benches. (Courtesy)**

A promotional poster for an event. The background is a brick wall. On the left, a pair of red boxing gloves is hanging. The text is arranged as follows:

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A man opens the balcony door of a flat offered for sale in the Spassky residential complex in Kyiv's Podil district on Feb. 21, 2019. Ukraine's economic is recovering, but real estate bargains are still to be found even in the city center. (Oleg Petراسиuk)

# What can you buy for \$50,000, for \$500,000 in Kyiv?

By Vyacheslav Hnatyuk  
hnatyuk@kyivpost.com

Ukraine's gross domestic product grew by 3 percent in 2018, and part of that growth was due to a recovery of the real estate market.

Building companies, real estate agents and other market participants have in fact been reaping benefits of the country's emergence from economic turmoil for quite a while, as Ukrainians favor saving value in tangible

assets such as apartments over any other form of savings.

Here's a look at what Ukraine's recovering real estate market has to offer today:

## Booming industry

Most Ukrainian markets harbor some apprehension about 2019, considering presidential elections are to be held in



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**Building restoration workers and designers discuss the progress of the work inside a 100-year-old flat on Reitarska Street on Feb. 14, 2019. (Oleg Petراسиuk)**

March and parliamentary elections are scheduled for the fall. However, real estate is something of an exception.

Oksana Holoborodko of Ukrbud, Kyiv's biggest state-owned developer, is even looking to 2019 with some optimism: "In the last seven years we've survived a revolution and a war. Any election outcome can have an influence, but it won't knock the construction industry back."

Kyiv's residential real estate is generating interest among Ukrainians and foreigners alike. "The economic situation is becoming stable, investments are reliable, and the returns on investments are higher than those in Western bank accounts," Holoborodko says.

The used apartment market has also "gotten really active since last year," confirms Lora Kim from Jones East 8 real estate agency, which specializes in Kyiv's downtown residential market.

### **Half a million to spend**

For those in the market for a classic, quality residence in the center who have a budget of \$500,000 to invest in Kyiv, Tim Louzonis of AIM Realty suggests buying a four-to-five-bedroom flat in a building at least 100 years old. It should be located in a safe, quiet area adjacent to an embassy, and

be well suited for families or for renting out. Renting the apartment out will bring an investor an annual yield of 10–14 percent, Louzonis says.

To buy a new flat for that amount, Ukrbud can offer one of its most expensive properties — a 260-square-meter duplex apartment with a terrace overlooking the Dnipro River. The apartment is in the picturesque Podil neighborhood in close proximity to the river.

Kim says quality real estate in Kyiv comes either in the form of residential houses built before the Soviet era, or in buildings constructed after 2005 — when Soviet building standards were replaced with more modern ones. Such buildings have "good elevators, concierges, high ceilings — which is radically different from Soviet-era accommodation."

For \$500,000, Kyiv also offers a few single-family houses, ideal for comfortable living, according to the director of the Blagovist real estate agency, Olena Biberova.

For example, a 460-square-meter house in the centrally located Zverinetska Street in Pechersk district stands on a small land plot of 0.06 hectares and is ready for new owners to move in right away.

Further away from the center there is a 370-square-meter house on Kvitky Osnovyanenka Street, close to Holosiyivsky park. The house has the same price tag, and

will give you a suburban living feel, while also offering the advantages of city infrastructure.

## \$100,000

For tighter budgets, Kyiv offers a range of options, even within the city center.

Ukrbud is offering 75-square-meter one-bedroom flats in a residential complex on the centrally located Zlatoustivska Street for around \$100,000. These flats will be available to move into by the end of 2019. It is also selling 85-square-meter apartments in the same residential complex for those who can wait until 2020 when construction work is complete.

One can also buy apartments in older buildings in the city center for \$100,000 “but the renovation costs will be high,” Louzonis says. And this will probably be a smaller flat of 50–60 square meters, with renovation costs starting at about \$400 per square meter.

Kim says that if you want a flat for this price in downtown Kyiv “it will probably be in a house without an elevator, on the first or on the top floor, and maybe in a house built in the 1970s.”

But she adds that convenient living in Kyiv is not limited just to the city center: “You can live comfortably in districts with good transport infrastructure (further away from downtown) where there are reasonably priced flats.”

For example, for \$100,000 one could buy a new 120-square-meter two-bedroom apartment with a spacious kitchen and dining area in a district outside the center. Ukrbud, for instance, offers such apartments close to Vasykivska metro station. Alternatively, one could buy a 115-square-meter three-bedroom flat close to Osokorky metro station from Kyivmiskbud, another major state-owned real estate construction enterprise.

There are also houses on sale for \$100,000, such as the 100-square-meter houses on sale in the Osokorky neighborhood close to Slavutych metro station. Their land plots range from 0.1 to 0.2 hectares in area. However, there are no schools in the neighborhood, with the closest ones being a 15-minute bus trip away.

## \$50,000

At present in Kyiv it is also possible to find properties in all three markets — one-family houses, new and older flats — for \$50,000 — but not in the city center, and the quality won't be great.

For example, Ukrbud is offering studios of about 50 square meters close to the city center or a metro station within this price range. The same amount also buys a 70-square-meter one-bedroom flat close to a metro station further away from the city center, for example at Vasykivska metro station.

There are also older one-bedroom flats available on Tatarska Street in a nine-story brick building. The building is in good condition and requires no renovation. Blagovist is also offering two-bedroom flats for those who don't

mind living two kilometers outside of the city center. This building is built of concrete slabs and is in good repair.

Within this range one can also buy a summer house on the outskirts of Kyiv. The upside of this purchase will be a 0.06–0.1-hectare land plot into the bargain, and the “possibility to build from scratch,” Biberova says.

## Foreigners are becoming more interested in Kyiv's real estate, as the city is becoming better in terms of culture, the arts and youth activities

### Foreign interest

Lada Hudson, a real estate consultant at Jones East 8, says that Kyiv's real estate is affordable but says that buyers will have better chances if their budget is above \$100,000.

“In the city center prices have fallen to the level of the 1990s,” she says. “You can be lucky, but not with such amounts as \$50,000 or \$100,000.”

Hudson also says that there is sustained and growing interest from foreigners in buying real estate in Kyiv, as the city is becoming better in terms of culture, the arts and youth activities.

“Outgoing diplomats in time buy flats for themselves,” she says. “There is also affordable and high quality infrastructure for children, and schools.”

But Hudson warns that foreigners might face legal problems.

“There is a problem with the protection of property rights in the courts,” she says. “There is corruption in the courts, and illegal actors can capture ownership of a flat. The law enforcement structures and courts can take long time to respond.” ■

**A worker looks out over a construction site of state-owned building enterprise Ukrbud in Kyiv on Feb. 2, 2019. (Volodymyr Petrov)**





The ruined shell of the historic Hostynyi Dvir building in Kyiv's historic Podil district. In 2011, the cabinet under former President Viktor Yanukovich excluded the 19th century building from the list of landmarks protected by the government. The building was allegedly transferred to Yanukovich's inner circle to build an elite shopping mall. After Yanukovich and his cronies were ousted in the 2014 EuroMaidan Revolution, the exclusion of Hostynyi Dvir from the list of protected site was ruled as illegal. (Kostyantyn Chernichkin)

# Yanukovych era haunts Kyiv's historical sites



By **Oleksiy Sorokin**  
sorokin@kyivpost.com

**F**ive years after the EuroMaidan Revolution that ousted the Kremlin-backed Viktor Yanukovych, Kyiv is still battling with real estate corruption schemes created by the ex-president's inner circle.

On Feb. 6, a Kyiv court ruled that the Parkovy Exhibition Center, better known as Yanukovych's heliport because of the helicopter landing pad on its roof, would be transferred back from the city to its former owner, Amadeus Co. — a company previously linked to Yanukovych's inner circle and now controlled by Maxim Efimov, a businessman



**People walk on Poshtova Square on March 5, 2019, in Kyiv. Construction on the site, which may hide important archaeological remains, has been stalled since 2014. (Kostyantyn Chernichkin)**

and lawmaker from the 135-member Petro Poroshenko Bloc.

And just a couple of kilometers from Parkovy, the historic Poshtova Plosha has become a battleground between shell company Hensfort-Ukrayna, which controversially gained the right to build a shopping mall there in 2013, and the public, who want the historic site to be preserved.

At the other end of Sahaydachnoho Street from Poshtova Plosha, the historic building Hostynyi Dvir is stuck in a bureaucratic limbo — control of the crumbling building was retaken by the state as a result of a four-year trial against a company connected to Andriy Kravets, an associate of Yanukovych.

### **Mafia helipad**

The Parkovy Exhibition Center was swamped in scandal from the get-go, when in 2010 control of the land — a site protected by UNESCO as part of the Kyiv Pechersk Lavra — was transferred just months after Yanukovych became president. The plan was to build an exhibition center with a helipad on top.

Long after Yanukovych fled to Russia, control of the business exhibition center is disputed between Amadeus

Co. and the State Agency for Retrieving Stolen Assets, or ARMA.

In May, a court ruled that ARMA be allowed to manage Parkovy, which was then under attachment. The agency signed an agreement with Kyiv’s utility company, allowing the later to exploit the facility. According to Anton Yanchuk, head of ARMA, Parkovy was one of the agency’s most successful ventures, with the state budget receiving Hr 800,000 (\$30,000) profit from managing the facility in late 2018.

However, with the process of confiscating Parkovy from Amadeus Co. and turning it over to the government being stuck in judicial limbo since 2014, the property was taken over by lawmaker Efimov through a number of proxies in December 2017, according to the investigative journalism project Bihus.info.

With the exhibition center now being returned to Amadeus Co., Efimov wrote on Feb. 19, on Facebook that the company is now officially owned by Lubov Efimova, the lawmaker’s 82-year old mother.

“As a member of parliament, I have no right to engage in commercial activities and, of course, I will not do that. The beneficiary of this business is my mother,” wrote Efimov on Facebook.

This is not the first case in which assets controlled by those close to Yanukovich have come into the ownership of the incumbent president's inner circle. Efimov recently bought Donbassenergo, which was previously controlled by Oleksandr Yanukovich, the son of the former president.

## Poshtova Plosha

A slightly different fate awaited Poshtova Square, a historic site in Kyiv's Podil district. While Parkovy was successfully built on a former historic site, the preservationists stood their ground at Poshtova Square.

The initial land-grab process was similar. A land plot at Poshtova Square was successfully transferred in 2013, and given to a shell company allegedly owned through proxies by Maryna Pelykh, the wife of Andriy Kravets, a former member of Yanukovich's Party of Regions and a close ally of Yanukovich himself. The plan was to build a 1,000-square-meter underground shopping mall.

However, since Poshtova Square is within Kyiv's ancient boundaries, the law obligated the company to perform archeological excavations prior to beginning construction.

The digs were successful, with several relics dating back to medieval Kyivan Rus times found at the site. Because of protests by activists and the 2014 EuroMaidan Revolution, the construction of the shopping mall stalled. Five years later, little has changed.

Hensfort-Ukrayna, a company without an office, website or a working phone number, still officially owns the site.

Vyacheslav Baranov, an archeologist and senior expert from Kyiv's Archaeology Institute, told the Kyiv Post that there hasn't been any archaeological activity there in over a year, with the government failing to issue an official decree that would allow an archeological dig to be conducted at the site.

However, that's not the biggest problem, according to Baranov, since archeologists, similar to the public, are being kept in the dark about what's going to happen to any archeological discoveries.

"And because we don't know what's going to be (built on the site), we don't know where to dig," says Baranov.

Iryna Zolotar, spokeswoman at the Kyiv city council, said that the city had petitioned in late 2018 for the state to register the site as one of historical significance, with the final decision yet to be voted on by the government. She added that further construction has been banned by a court order, however this creates additional problems for the protection of the archeological site — since all construction is banned, even construction that is needed to prevent water from damaging relics that remain in the ground cannot be performed.

But the contract with Hensfort-Ukrayna is still in place. In a recent comment to 112 Channel, Valentyn Mondryivskyy, deputy head of the Kyiv city council, said that the city isn't planning on unilaterally canceling the shopping mall construction as it is an "investment project."

## Hostynyi Dvir

A short distance from Poshtova Ploshcha, the historic building of Hostynyi Dvir is an exceptional case, being an example of a successful recovery by the state of a stolen asset.

In 2011, the Cabinet of Ministers excluded the 19th century building in the heart of Kyiv's ancient Podil from the list of historical landmarks protected by the government. The building was later transferred to a company called Ukrayna Restovratsya, which is allegedly controlled by Yanukovich associate Kravets.

## Hostynyi Dvir and Parkovy Exhibition Center are two lingering legacies of real-estate corruption during President Viktor Yanukovich's reign from 2010-2014

It had been planned to redevelop Hostynyi Dvir into an elite shopping mall, but the historic building was collapsing, with little to no preservation efforts being made.

After the change of government, the Cabinet of Ministers ruled that the exclusion of Hostynyi Dvir from the list of protected sites was illegal. With the landmark building falling into ruin, the state regained possession of the property in late 2018, terminating a contract that had been scheduled to end on March 10, 2019.

But in an ironic end to the story, on Feb. 21, five years after the mass killings in downtown Kyiv, investigative journalists from Schemes, a project run by Radio Free Europe/Radio Liberty, reported that Ukrayna Restovratsya, which is controlled by Yanukovich's associate Kravets, is now linked to the upcoming construction of a memorial honoring those killed during the EuroMaidan Revolution by Yanukovich's security forces. ■

The Parkovy Exhibition Center was transferred from the state to a private company belonging to former President Viktor Yanukovich's inner circle. The exhibition center has a helipad on top. (Kostyantyn Chernichkin)







# Phil Hudson, pioneer of Ukrainian real estate sector, marks 27th year at Jones East 8

By Brian Bonner  
bonner@kyivpost.com

Foreigners who came to Ukraine in the heady days right after independence tended to fall into two camps: Those who succeeded and stayed, and those who failed and left.

Phil Hudson, owner of Jones East 8, is definitely one of the success stories as a pioneer of Western investment in Eastern European real estate.

He came to the region just before the 1991 collapse of the Soviet Union, and started publishing a monthly supplement about real estate in Central and Eastern Europe. He decided to settle in Kyiv in 1992 when the European Bank for Reconstruction and Development commissioned a major study from him on Ukraine's nascent post-Soviet real estate sector. Before that, the United Kingdom citizen worked seven years for an architectural firm in London.

And the rest, as they say, is history.

His early formula for success in Ukraine? Gain knowledge, then contacts and then clients.

He has also shown a willingness to go to court to settle disputes. For instance, he recently lost before the Ukrainian Supreme Court in a lawsuit he filed against Roshen, the confectionery owned by President Petro Poroshenko, for failing to pay for design work he did on a milk-processing plant in Vinnytsia, a provincial capital of 370,000 residents located 270 kilometers southeast of Kyiv. Roshen successfully argued before the court that they didn't owe Hudson anything, contending that Hudson's designs were unusable and delayed. He is considering an appeal to the European Court of Human Rights, alleging that the Supreme Court ruling undermines the sanctity of contracts.

In the early years, when he was short on capital, he'd take an ownership stake in a property in lieu of consultancy or design fees, a form of "sweat equity," as he puts it. He also said that he got ahead because his investments have been cautious, his debts low and his entanglements in joint ventures few.

"We haven't had any disasters," Hudson said. "My disappointments are working for somebody else and not getting paid. I'm my own boss."

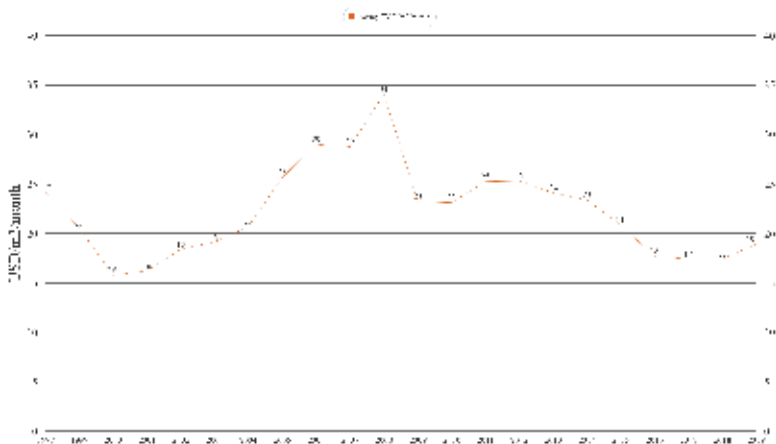
He's an architect by profession. But he and his wife, Lada, run the small (close to 20 employees, down from 50 at peak) Jones East 8 agency. It's a full-service one that designs, develops and manages construction and properties. They also serve as agents in finding offices or apartments for purchase or rent. He has also done valuations.

His roster of projects has included Raiffeisen-Bank Aval, Billa supermarket, Radisson hotel, Roshen, Forman factory, and the Rijk Zwaan agricultural firm. During the 2012 Summer Olympics in London, he also designed a conference center, restaurant and shop 200 meters from the main stadium. Recently, he's helped find office space for the likes of the World Health Organization and Procter & Gamble.

Today, he owns 10 apartments, mainly on Ivana Franka Street, and one office building near the National Circus in central Kyiv, with rental

**Phil Hudson, owner of Jones East 8, is one of few foreigners who have successfully mastered Kyiv's real estate market since the early 1990s. (Oleg Petراسиuk)**

## Asking average rents Kyiv central apartment USD/m2/month



Central Kyiv rental apartment prices are cheaper today than they were in 1998, according to figures by Phil Hudson, the owner of Jones East 8 agency.

income providing most of his company's revenue today.

"That's our bread and butter," Hudson said.

### Enormous changes

Ukraine's real estate sector has improved significantly compared to the wild early days of the 1990s, said Hudson, who can regale listeners with tales of murder, illegal construction, dueling security guards and official corruption from that era.

What's changed since then? It's more civilized, he said. Government permissions are easier to get now. Building standards are higher. A landmark 1996 law allows for apartment buildings to become legal condominiums where the residents exert control.

Although the downsides of the sector are well-known — lack of affordable financing, lack of rule of law, lack of competition in the construction industry — Hudson said that the advantages are too often underestimated.

**"Historically, this could be a great time to buy now."**

— Phil Hudson

"One of the most spectacularly successful privatizations was residential real estate. It's unsung," Hudson said. "It created capital on a family scale."

People became owners of the state-owned places where they were living in Soviet times, and many took advantage of these new market conditions to make money or improve their living conditions.

Additionally, he said, the lack of affordable bank financing has kept housing prices low — still half of their

pre-2008 peak before the global financial crisis hit with full force.

"Historically, this could be a great time to buy now," he said. "It's full of risks, of course. But on the face of it, if you look at the other sectors, look historically, these (low prices have) been bumbling along at this level for 10 years."

Also, he believes there is an oversupply of apartments, with 70,000 available by estimates that he has seen, creating a buyer's market.

Property taxes and other fees are also low, he said, providing yet more advantages.

When buying, Hudson said people should strongly consider newer buildings with strong building management. Buying an older apartment may be cheaper, he said, but it often puts the owner at the mercy of the character of the other tenants.

### Ethics, rule of law matter

On the minus side of the ledger, Hudson said that "in this county there is not the clear sense that something is right and wrong." He said Americans and British "have developed all sorts of sophisticated codes of behavior in consultancy...that are quite difficult for Ukrainians to grasp."

He said "peer pressure" to do the right thing is an underestimated virtue that he finds still lacking in Ukraine despite what he calls an abundance of talented professionals. "In the U.K., if you're caught misbehaving or cheating in some way, then you have problems."

And this lack of morality extends on a national basis to the lack of rule of law, another deterrent for the real estate sector.

"Because he's not addressing rule of law, money will not be piling in here as it could," Hudson said of President Petro Poroshenko, who is seeking re-election on March 31.

While he's more focused on British politics, he has taken notice of presidential candidate Volodymyr Zelenskyy, the front-running comic actor.

"Zelenskyy is interesting. People say he lacks experience. The lack of experience I would regard as a positive thing. Experience in what? This awfully corrupt sort of system? Even if the guy makes mistakes, if he is breaking the oligarchy system, that's got to be a positive. If the international community sees a genuine attack on corruption and the assertion of law, this place could take off."

And that would work just fine for Jones East 8 and the Hudsons, Phil and Lada.

"If you get rule of law, interest rates will drop, there will be more money to invest and buy, and the market will rip."

As for the future of Jones East 8, "we are in a position to be more selective in the work," Hudson said. "It would be nice to get back to the large projects I was involved with in the United Kingdom over a quarter of a century ago. After all, if we have managed to prosper despite two revolutions and a war, we must be doing something right." ■

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