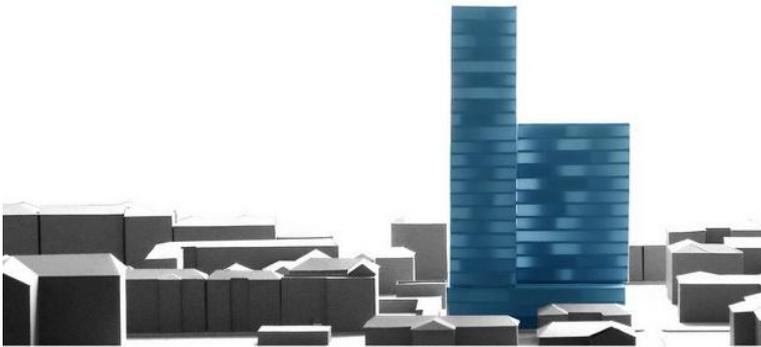




## INVESTMENT OPPORTUNITY

### Parytet Mixed-Use, Kharkiv





## EXECUTIVE SUMMARY

The project is a residential and shopping complex occupying the land plot with the total area of 0.42 hectares located in the center of Kharkiv at the intersection of Trynklera Street and Danylevskogo Street. The Parytet multifunctional scheme with the gross area of 33,440 sqm is a complex of residential premises and areas provided for shopping, sport and recreation purposes and underground parking. The property boasts a modern architectural design and will be built using the latest available technology. It will have a modular system of office premises, a multi-level underground parking, and all necessary engineering infrastructure as well as developed adjacent area.

### **Investment Considerations**

With increasing levels of capital focused on direct real estate investment in Ukraine, there are few opportunities to acquire high-profile assets with 'blue chip' tenants and very low occupancy risk that offer Purchasers opportunistic returns. Important investment considerations include:

**Significant Sustainable Rental Growth:** Continued Ukrainian economic growth, increasing number of international companies, rising prices on the sales market combined with the location and perfect concept of Parytet, ensures that strong demand for this product will continue in the future.

**Strong Demand:** all but one criterion, number of parking spaces, fit Premium apartments. The strong trend commissioning delays of new projects, great shortages of professional retail, as well as, the lack of development land within the CBD of Kharkiv guarantee the quick lease out of Property and stable cash flow in the future.

**Perfect location:** the strategic situation in well-developed area with all needed infrastructure (including hotels, stores, entertainment, cafes and restaurants and sports), prestigious residential, educational institutions and transport roots.

**Yield Compression and Convergence:** Ukraine still attracts investors by offering comparatively higher returns. Spreads between initial yields in Ukraine and in Western and Eastern European countries remain significant. The yield convergence of the recent years will likely continue, as the Ukrainian market matures and expands the supply of investment grade properties. Strong rental growth will offer additional upside to investors.

**Regional Market:** being the second largest city of Ukraine, with a population of around 1.5 million, Kharkiv has developed industrial economy and advance infrastructure (among the three city in Ukraine that have subways). However, Kharkiv's retail market is up to 5 years behind of Kiev's, and provide unique opportunity for grow.

**Entry into Ukrainian Market:** For those investors seeking to enter the Ukrainian Region market, Parytet offers the best opportunity to gain Ukrainian exposure in the market today. The Property offers a combination of an attractive fast initial yield, the opportunity for capital appreciation and low occupancy risk.

### **Owner of the Property**

Avanatazh Group of Companies (the Developer) is the 100% owner of the Property. Avantazh Group the leading real estate development company in Kharkiv and one of the leading developers in Ukraine. The Group develops modern residential and commercial real estate mainly in Kharkiv.

### **The Offer**

We offer to invest with these opportunities:

#### **Participation in JV as strategic partner**

We offer joint participation in projects in the form of a JV, with partners involved on a parity basis as shareholders. The purpose of setting up a JV is for the partners to jointly develop projects, with Avantazh Group as the developer and the partner providing financing. When the development stage of the project is completed, the partners can agree that the partners exit the project, either one or both, or continue to exploit the objects jointly.

#### **Debt financing**

This kind of cooperation involves bank financing for a project without the right to turn over part-ownership in the object to the party providing the financing.

#### **Mezzanine financing**

In this kind of cooperation, the partner has the opportunity to provide project financing by issuing debt papers with the right to convert the debt into shares of a specific, identified project on terms that the parties have pre-agreed.



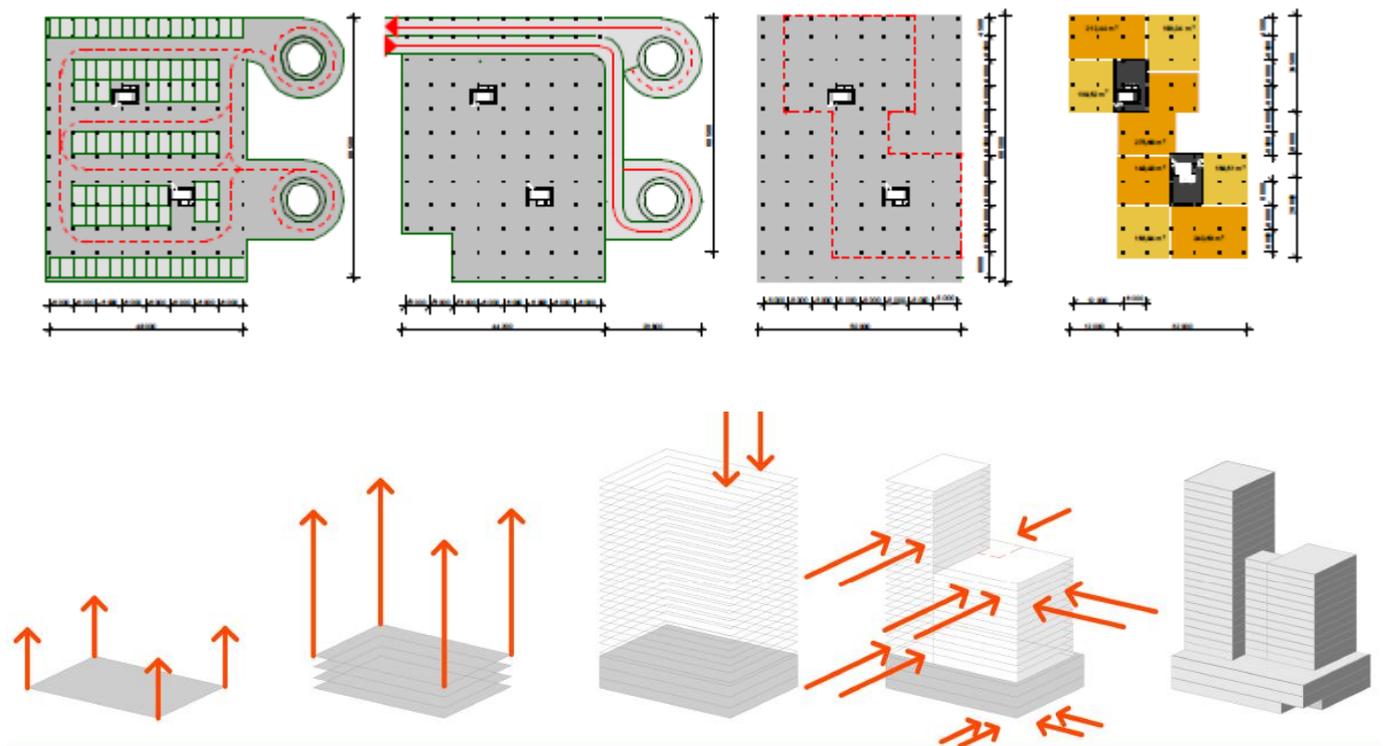
## PROPERTY DESCRIPTION

The project is a residential and shopping complex occupying the land plot with the total area of 0.42 hectares located in the center of Kharkiv at the intersection of Trynklera Street and Danylevskogo Street. The Parytet multifunctional scheme with the gross area of 33,400 sqm is a complex of residential premises and areas provided for shopping, sport and recreation purposes and underground parking. The property boasts a modern architectural design and will be built using the latest available technology. It will have a modular system of office premises, a multi-level underground parking, and all necessary engineering infrastructure as well as developed adjacent area.

The project represents a complicated space-planning complex integrated into the “new” center of the city. Vertically the building is divided into a 3-storeyed stylobate part including a shopping and health-improvement center, and 2 residential blocks having different number of storeys (24 and 12). To solve a problem of car parking of guests and inhabitants of the complex, a 3-level underground parking is to be constructed. Architectural-planning concept is aimed at rational development of the allocated land plot considering existing and potential development of the central part of city. Technical specifications, location and social infrastructure level of the subject residential and shopping complex allow considering it premium class estate.

The designed complex is a synergism of a multi-level underground parking, commercial premises (1, 2 storeys), sport and health-improvement complex (3 storey) and residential apartments. All premises have open-planning and separate entrance lobbies. Foundations – root piles joined into a solid reinforced concrete plate. Structures – solid reinforced concrete jointless ossature without girders and joints. Three-dimensional stiffness and geometrical stability is provided by connection of stiffening cores (stairs-elevator units), columns and diaphragms joined in solid floor decks. Facade systems – combined giving architectural individuality to the object. The complex has water supply (own pump station), power supply, independent heating and hot water supply, communications network and internet.

	Total Area, square metres	Units
Apartments	11.680	—
Retail	7.500	—
Fitness Centre	3.100	—
Parking	9.780	270





## Location Analysis

Administrative district where the property is situated is in close proximity to the historical center of Kharkiv and belongs to the city central business district. The surrounding area is considered prestigious with highly developed level of infrastructure and hence the high demand for both residential and commercial real estate.

The subject property is bounded by Trynklera Street from the south-west and Danylevskogo Street from the south-east. The neighbouring residential housing is represented by aged 5-storey buildings, administrative buildings of standard design typical for the middle of XX-th century and new high-rise stock up to 25-storey level.

The Parytet has all necessary infrastructure available within a walking distance from the subject land plot: shopping centers and specialty stores, cafes, restaurants, bank branches, educational establishments and entertainment institutions, swimming pool and sport complexes. The additional advantages of the property location are parks named after Gorkyy and Shevchenko and Independence square located nearby.



## Accessibility

The convenience of the subject property accessibility is assured by city-forming Lenina Avenue and Sumska Street located in the close proximity to the complex. The location area of the land plot is highly supplied by various means of public transportation.

There are three metro stations (Naukova, University and Gosprom) situated within a walking distance from the subject property. Moreover the owners of private vehicles can easily reach the subject property from any part of Kharkiv due to the satisfactory condition of the city roads.

The subject land plot is 3,150 meters distant from the railway station, 3,400 meters from the bus station and 10,250 meters from the Kharkiv airport.



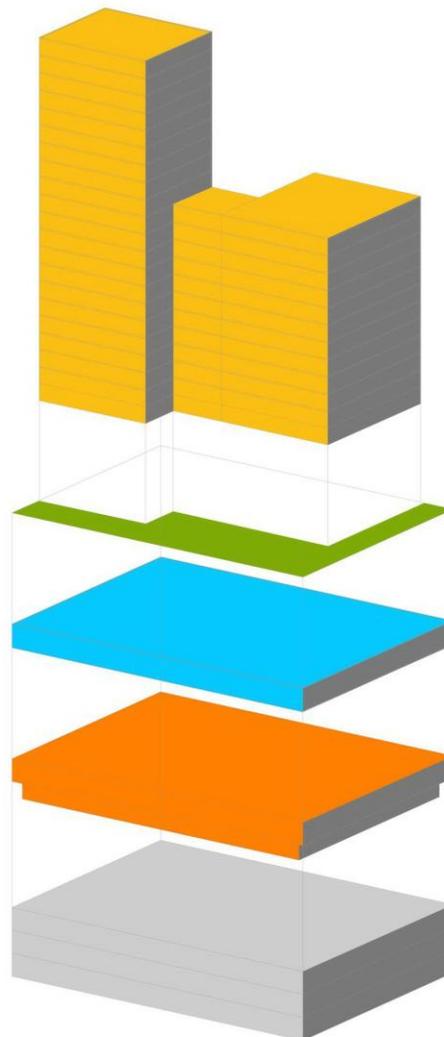
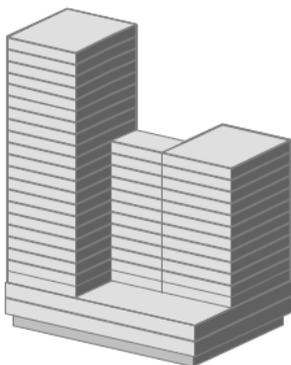
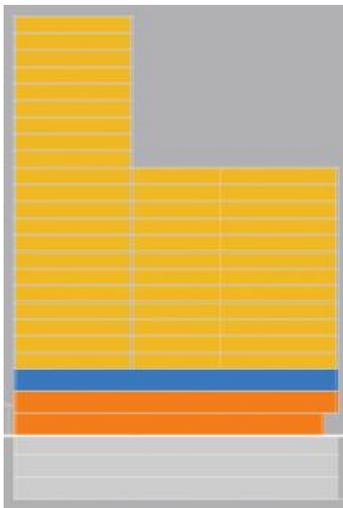
## Technical Characteristics of the Property

The subject land plot is zoned for common residential and public development. The relief of the land plot is flat.

The Patytet is developing with the use of modern technologies and engineering systems. Technical specifications, location and projected social infrastructure level of the subject residential complex allow classifying the project as a modern high-quality complex with A shopping premises.

The mixed-use complex consists of following major areas:

Land Plot Area, sq m	4.200
Gross Building Area, sq m	33.400
Residential Useable Area, sq m	11.680
Retail Useable Area, sq m	7.500
Fitness Center Area, sq m	3.100
Parking Area, sq m	9.780
Number of Parking Places	270





## MARKET INFORMATION

The growth in real GDP in Ukraine, the decrease in unemployment and higher disposable incomes have contributed to greater demand for properties and higher real estate values and rental rates. The real estate market of Ukraine is in an early growth stage and demand remains high across all segments—residential, commercial and retail — while supply is limited. Kyiv, as the capital city, remains the country's most attractive real estate market. However, developers are beginning to recognise opportunities in other regions of Ukraine.

### Property appreciation patterns

Property appreciation began in the early 1990s after Ukraine's economy hit bottom and has been most pronounced in Kiev, Kharkiv, Dnepropetrovsk and other large cities. Soon afterwards prices in resort areas of Crimea began climbing, and now real estate prices in Yalta are often even higher than in Ukraine's capital Kiev. There are very few places in Ukraine where no price action has occurred since the post-Soviet economic collapse, but in general property prices in villages and small towns around Ukraine remain very low.

Property values show no sign of halting their growth, and real estate analysts generally agree that the fundamental causes of the growth in prices in Ukrainian cities will continue to push up prices for several more years at the least.

### Causes of Ukraine's real estate boom

Among the causes of the rise in price of real-estate in Ukraine are the following:

- low levels of housing per capita in Soviet times;
- Soviet system kept people from moving to big cities, but now they are allowed to opportunities and capital concentrated in big cities;
- rising income levels in cities and resort areas;
- lack of investment alternatives;
- mistrust of banks after losing life savings during the inflation and banking crisis of the early 1990s;
- increasing accessibility of bank loans and mortgages.

This boom has occurred in spite of very high interest rates. When these rates finally lower, demand for real estate will likely rise further.

### Kharkiv Residential Market Snapshot

Being one of largest Ukrainian cities Kharkiv steadily maintains among the country's price and construction volumes leaders of the residential real estate market. Profitability of residential estate segment and thus tremendous attractiveness for local investors and developers explains why the city continues its persistent construction in attempts to meet the existing unsatisfied demand. However the city development in 2008 is observed at a slower pace comparing to the previous years.

Currently there is a deficit of residential premises in Kharkiv. According to official statistic data current residential stock amounts to 30,081.3 thousand sqm, and population of Kharkov is about 1,452 thousand people. Thus, the provision of residential space per person is about 20.7 sqm. This index is slightly lower than Ukrainian standards but much lower than those in the developed European countries. We should also consider that such normative is outdated and should be reviewed regarding to the fact that the most of residential stock is decrepit. Moreover, technical state of the city's residential stock is characterized by the high level of both moral and physical deterioration. It should be also mentioned that number of people, living in large cities like Kharkiv may vary from official statistics and constitute larger amount that can also correct real figure of the abovementioned index.



## Kharkiv Retail Market Snapshot

### Demand

The increasing activity of the Kharkiv retail market development is caused by the demand growth provoked, in turn, by scarcity of high quality commercial real estate.

The reason for considerable unsatisfied demand is the lack of shopping centers which meet modern requirements set for professional retail property. The considerable part of retail premises are old reconstructed department stores of Soviet-type or newly built retail premises with significant number of drawbacks which do not allow considering them competitive.

A rough misbalance between demand and supply levels keeps vacancy rates in shopping centers critically low (3-5%). The relevance of retail space is also proved by 90% occupancy of the new schemes as early as of commissioning date. Besides not only the amount but also the quality of tenant mix endures positive changes. The interest in Kharkiv retail market is detected from famous western brands such as: Praktiker, Real, Delta Maxi, Aushan, BauMax and others. O`key and Marks&Spenser are to enter market this year.

### Supply

The volumes of new supply and number of retail projects commissioned make Kharkiv one the leaders on the Ukrainian real estate market. The existing supply of retail space in Kharkiv can be conventionally divided into three types depending on the quality and concept of the building:

- Non-professional low-quality retail schemes (predominately department stores of Soviet era with inefficient architectural concept and tenants of bazaar type; such retail schemes enjoy popularity only due to location in the city center and customer loyalty);
- Semi-professional shopping centers (newly-constructed small in size retail schemes with anchor supermarket and undersized gallery occupied by nonchain retailers);
- High-quality professional retail projects (shopping centers with modern concept, convenient floor plans, quality tenant mix of branded chain operators).

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