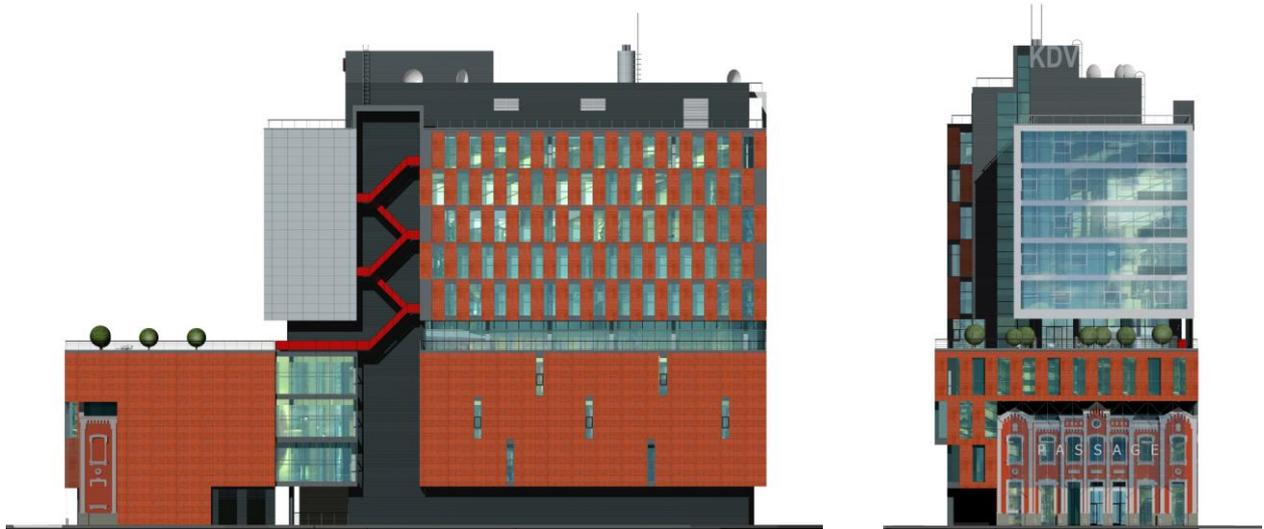


INVESTMENT OPPORTUNITY

Senator Mixed-Use/Hotel, Kharkiv





EXECUTIVE SUMMARY

The Senator mixed-use complex with underground parking occupying the land plot with the total area of 0.28 hectares located in the center of Kharkiv at 29, Pushkinska Street. The gross area of Senator multifunctional scheme equals to 15,350 sqm. The complex is A-class of upper price segment.

Currently the land plot for the Senator development has buildings which are scheduled for demolition occupying about 70% of the area. The subject area and adjacent buildings are in need of landscaping and reconstruction.

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 Investors 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 Senator, ensures that strong demand for this product will continue in the future.

Strong Demand: absence of true professional mixed-use complexes, postpone of commissioning of new projects, great shortage of professional offices 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. Moreover, developer is in the process of negotiations with one of top banks about placing its office.

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 office and retail market is up to 5 years behind of Kiev's, and provide unique opportunity for growth.

Entry into Ukrainian Market: For those investors seeking to enter the Ukrainian Region market, Senator offers the best opportunity to gain Ukrainian exposure in the market today. The Property offers a combination of an attractive 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

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Besides the mixed-use complex Avantazh considers the possibility of the hotel property development (3*** or 4**** category). In the aspect of European football championship "Euro-2012" the development of hotel property is relevant because in segments of these categories deficit number of rooms and a high mid-annual indicator of occupation level will remain.

	Total Area, square metres	Units
Office	3.550	—
Retail	4.780	—
Parking	3.800	94

Location Analysis

Administrative district where the property is situated is in 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 commercial and residential real estate.

The microregion of the property location is bounded by Chernyshevskogo Street, Skrypnika and Pushkinska Streets. The neighboring stock is represented by residential, office and retail buildings. The height of residential development hardly ever exceeds the 5-storey level and includes both aged and new buildings. Puskinska Street is characterized by considerable vehicle and pedestrian flows being one of the main Kharkiv transport arteries. This factor is extremely important due to facade location of the subject property.

The Senator has all necessary infrastructure available within a walking distance from the subject land plot: shopping centers, cafes, prestigious restaurants, several bank branches, boutiques, educational establishments and entertainment institution. The office and retail premises including both shopping centers and specialty stores are concentrated mainly in the eastern part of the microdistrict. The majority of infrastructure objects are located on the first floors of residential buildings forming retail streets.





Accessibility

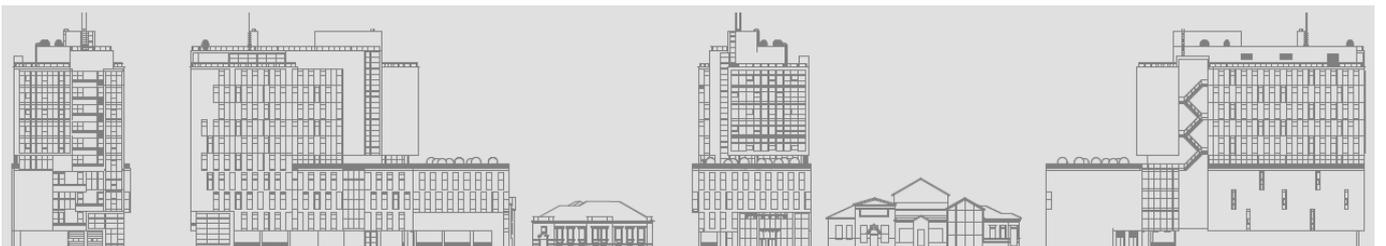
The convenience of the subject property accessibility is assured by a city-forming Pushkinska Street and close proximity of Sumska Street (500 meters), Poltavsky Shlyakh (1,200 meters) and Gagarina Avenue (2,500 meters) providing connection between the center and other city districts.

The location area of the residential complex is highly supplied with means of public transportation. Several metro stations are concentrated here:

- Architect Beketov located a distance of 250 meters;
- Historical Museum – 650 meters;
- Radyanska – 700 meters;
- University – 1,135 meters distant from the subject property.

Moreover the public transportation is also represented by tram routes. 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 2,900 meters distant from the railway station, and 9,000 meters from the Kharkiv airport.





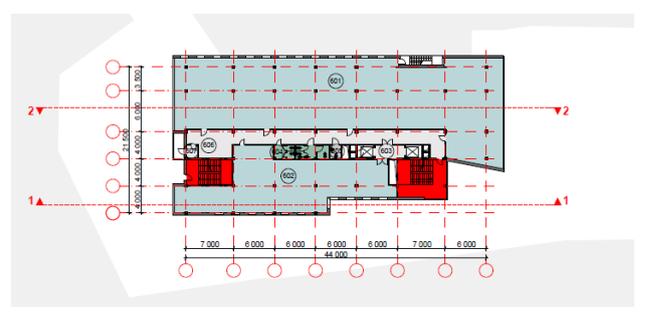
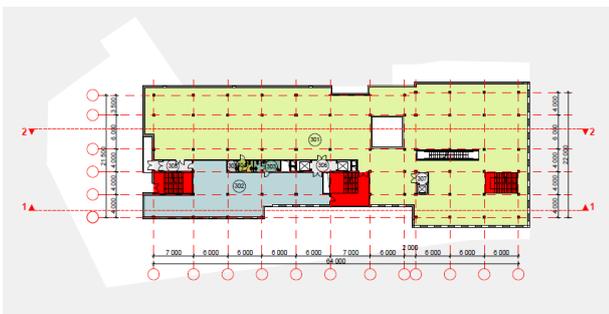
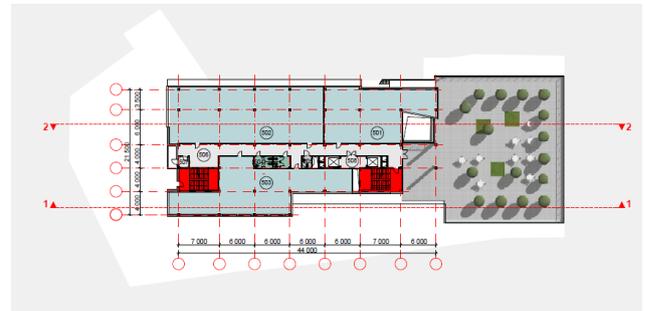
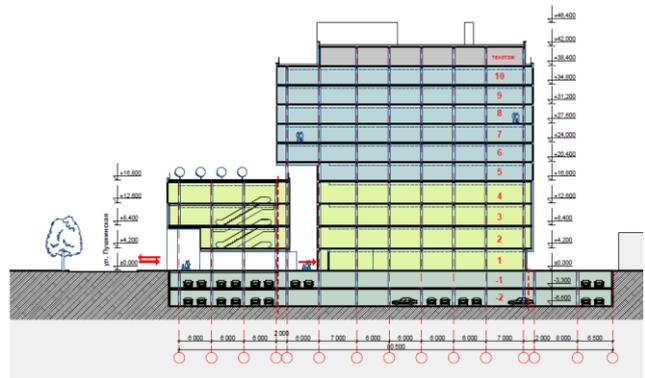
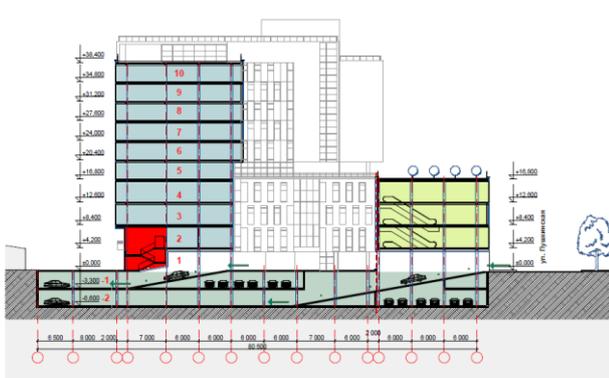
Technical Characteristics of the Project

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

Centrum is developed 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 office premises.

The mixed-use complex consists of following major areas:

Land Plot Area, sq m	2.760
Gross Building Area, sq m	15.230
Office Useable Area, sq m	3.550
Retail Useable Area, sq m	4.780
Number of Parking Places	94





MARKET INFORMATION

Kharkiv Office Market Snapshot

Modern office stock (B and B+):	136,000
Completions Q2, 2008:	14,700
Net Absorption Q2, 2008:	13,900
Availability:	3,400
Vacancy Rate:	2.5%
Prime Base Rents (USD/ sq m/ year)	480
Class B base rents (USD/ sq m/ year)	300 – 420
Class C base rents (USD/ sq m/ year)	144 – 360
Operating Expenses (USD/ sq m/ year)	36 - 50

Trends

The Kharkiv office market is now in the state of active development. The main trends of the market are following:

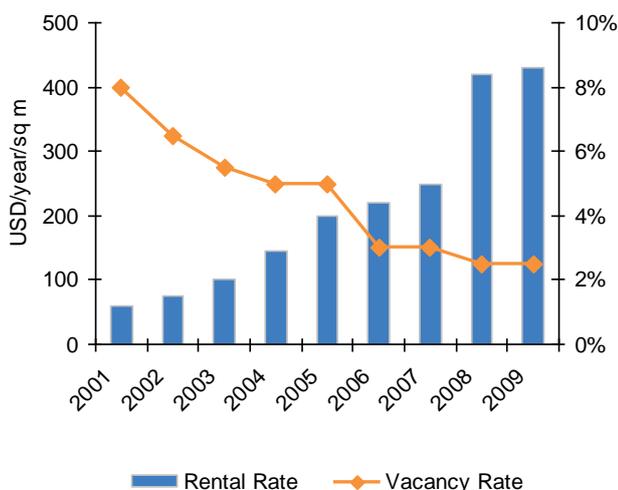
- There are no Class A buildings in the city
- In spite of continued commissioning of modern office premises, the part of poor quality offices is still too high (about 89%)
- As a result of significant undersupply of quality office premises, there are tendencies of intensive absorption of newly delivered office space and decreasing of vacancy rate
- Rental rates continues their upward trend

Supply

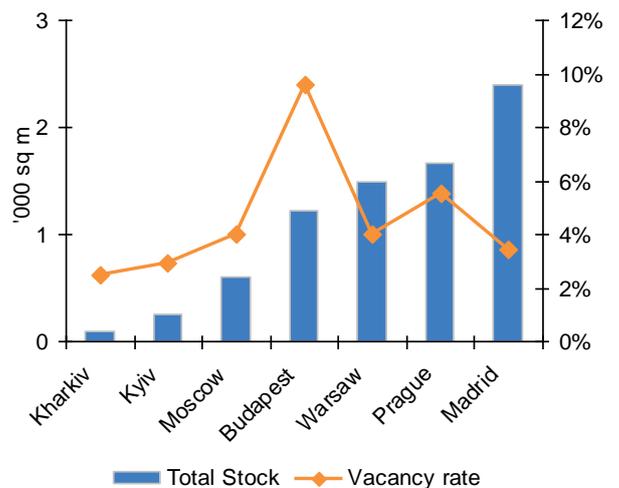
During the current year it was delivered about 15,000 sq m of modern offices, which is equal to the 2007 delivery. All of these premises belong to Class B. There are some Class A business centers under development, but they were postponed, because of lack of project financing.

The existing stock of Kharkiv office commercial market is about 650,000 sq m (according to data, providing by local real estate professionals).

Annual Rental Rates vs Vacancy Rate



Supply of office space in European cities



The average supply of modern offices in Kharkiv 3 times lower, than in Kyiv and 6 times smaller than in Moscow. This fact makes us confident, that Kharkiv office market has strong prospective for development.



Demand

By estimation of experts, the market demand on office premises is about 910,000 sq m. Since the total office stock is about 550,000 sq m, the total current unsatisfied demand for office premises is about 260,000 sq m. All this unsatisfied demand is on modern offices, consequently we can estimate that demand on Class A is fully unsatisfied (about 158,000 sq m) and the shortage of Class B offices is about 100,000 sq m.

Forecast

International Real Estate consultants forecast that persistent price growth will take place over the next few years in the Kharkiv office market notwithstanding the substantial development efforts. However, the rise in prices will be slower, irregular and lie within the narrow range of 0.5-2% per month. Some low-quality buildings of former research institutes may even fall in price as interest from the tenants gradually dies. Yearly rents may increase by 10-15% as well. The volumes of new supply on the market will continue to increase. One of the main bases for this forecast is frequent postponing of projects' commissioning due to numerous hardships with land allocation, obstacle with permitting documents preparation, lack of investments, technological difficulties and poor professional level of some developers.

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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