



Objective:

To show attractiveness of the Crimean land for potential investors in the turbulent time.

Background:

Crimea is the largest peninsula in the northern part of the Black Sea, with the total area of nearly 27 thousand square kilometres including 72% of plains, 20% of mountains and 8% of lakes and other water intakes. The peninsula is washed in the west and the south by the Black Sea and in the east by the Sea of Azov. The total length of Crimea's land and sea boundary exceeds 2500 km. Crimea has sea border with Russia, Romania, Bulgaria, Turkey, and Georgia. Recreation sector is a major industry on the peninsula. Favourable climate, geographic position and natural landscape, as well as unique culture heritage make this region extremely attractive venue for tourism, recreation and winemaking development.

Large number of unique investment opportunities available to Ukrainian and international companies, excellent growth potential and favourable legal framework in the building sector facilitating implementation of development projects have placed Crimea among top five leading regions not only for property development but also for real estate prices.

Retail projects – high-quality warehouse and logistics centres in particular – as well as mini-hotels and boarding houses continue being the most popular types of commercial estate in Crimea.

Now that the prices are going down there materialises the long-expected opportunity for potential buyers of Crimean real property. After a period of stagnation last summer experts are pointing out a 15 – 30% price reduction seen in the last months of 2008. This is as concerns Euro prices since in hrivnia terms square feet in Crimea have surged substantially in January 2009 versus January 2008.

Crimea today features a clear buyer's market: potential purchasers are in a wait-and-see stance free to choose and dictate their terms whereas the sellers either reduce price or wait until there's no other option than to withdraw the offer.

The forecasts are that the **lease market will be the most dynamic part of the real estate sector in the near-term.**

A similar situation could be observed in the land market.

The most attractive commercially are undeveloped land plots in state or communal ownership that could be used for construction of tall apartment buildings and shopping centres.

Financial crisis has already caused decline in land demand; market prices have dropped approximately 30% compared to mid-2008 when a conventional 0.01 hectare land parcel was worth US\$ 30-50 thousand, occasionally reaching as much as US\$ 70 thousand.

At this backdrop, the number of transactions in the Crimean land market is shrinking persistently. In most cases sales are effected by people who have land in collateral and who don't have enough cash to repay loan, or else by those who are in pressing need for money.

Regulatory Framework:

Pursuant to Ukrainian laws **land ownership right** is the right to own, use and dispose of land plots.

Note that there are certain limitations as to the right to buy land by non-resident legal entities.

Inter alia, non-residents are allowed to acquire titles to non-agricultural land:

a) within populated localities in the event of purchase of associated real estate or if the land is bought for further development of facilities to be commercially used in Ukraine;

b) outside populated localities in the event of purchase of associated real estate.

Sale of land owned by territorial communities to foreign states or non-resident legal entities is subject to approval by the Ukrainian government.

Land lease is contractual limited-term fee-bearing ownership and use of land as required by the tenant to carry out business and other activities.

Land lease in Ukraine may be short-term (for no more than 5 years) and long-term (for no more than 50 years).

Note that tenants have right of first refusal to renew their leases and to buy out the land they lease.

Any development of leased land is strictly subject to approval by the landlord.

