

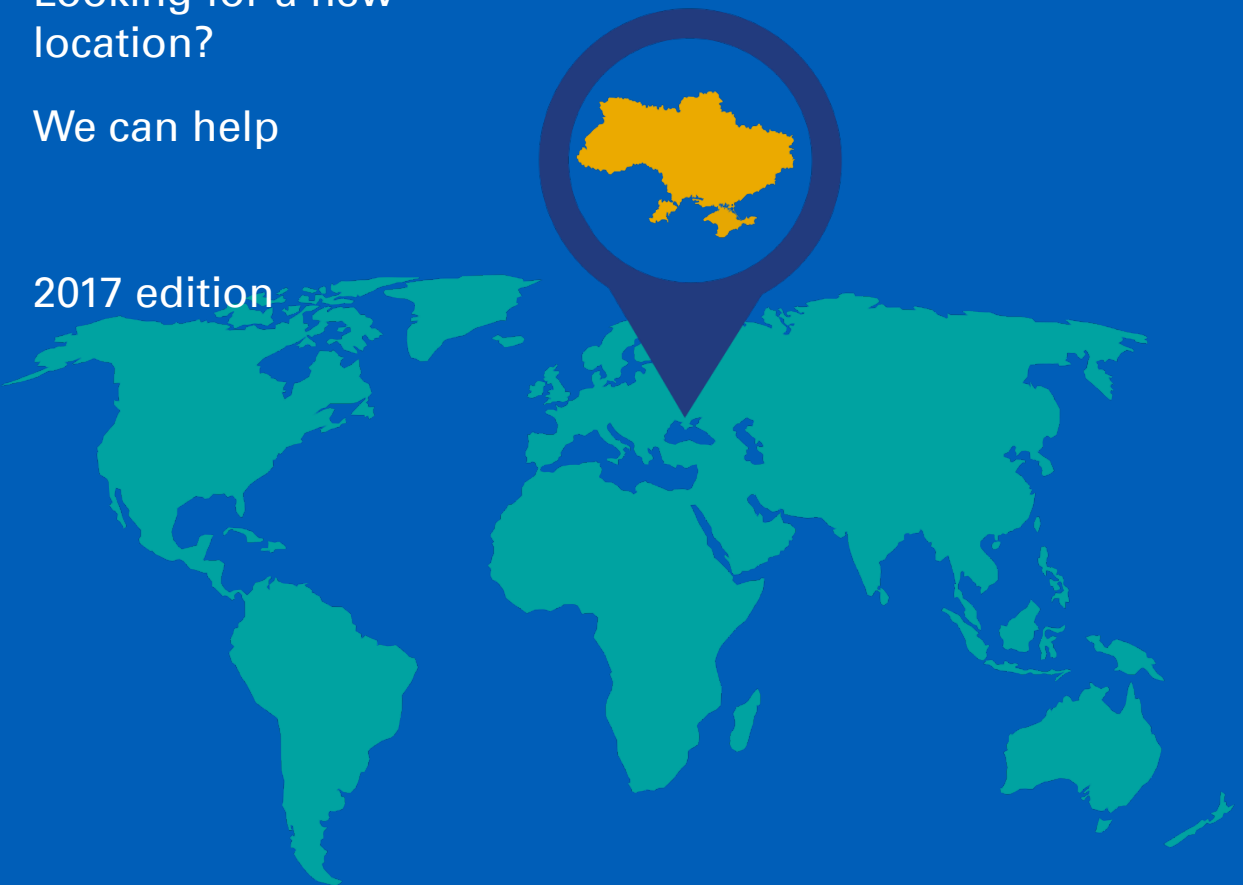


Ukraine: your new Shared Service Centre destination

Looking for a new
location?

We can help

2017 edition



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1. Introduction

1.1 How much does location matter when operating a successful shared services centre (SSC)?

The main idea of a SSC is to take the operations of individual units in a business and centralise them. The same services are then provided at lower cost but at the same or better quality.

This improves productivity as centralisation and standardisation creates additional benefits that increase competitiveness.

The pace of globalisation and the growing momentum behind technological development is pressuring companies to set up SSCs capable of providing 24/7 global service coverage from one place. As such, the SSC model is attracting more attention.

Key to all of this is cost management and the availability of talent. Without these factors in place, a company will not consider setting up a SSC in a particular location.

The right location is of utmost importance for the success of any SSC. Investors look for locations where labour costs are controlled and expected to remain so in the medium term. Additionally, the availability of a young and educated workforce is also crucial, especially given the fierce competition for skilled workers from companies clustering in the same cities as a SSC.

Therefore, management needs to thoroughly evaluate any given situation before committing to launching a SSC project. Costs, labour expenses, the availability of skills, and ongoing training opportunities are all critical factors.

In addition, don't forget the technological drivers of change: how will data analytics, cloud computing and process automation affect your SSC plans?

Ukraine: your new destination for BPO/SSC



The country that invented the world's largest fixed wing aircraft, the An-225 (Mriya), and which sends people into space, can definitely handle shared service operations.



1. Introduction

1.2 Report goals

Central and Eastern Europe has enjoyed dynamic growth and attracted a lot of attention from those seeking to set up SSCs.

Growing numbers of investors recognise the benefits provided by the western-style business culture on offer, while at the same time not being too far from their home headquarters. Eastern Europe is thus considered an optimal location for SSCs primarily focused on the EMEA (Europe, Middle East and Africa) region (UTC+2).

Despite being one of the largest countries in terms of territory and people in the region, along with its abundant resources, Ukraine has often lagged behind more mature markets like Poland or the Czech Republic.

However, these countries are becoming more expensive, and talent has often migrated away from them. Ukraine, on the other hand, retains an excellent mix of highly educated young people at a fraction of the cost of other European and Central European countries.

Already Ukraine has become a prime destination for IT sector outsourcing, as well as the place for many wire harness assembly plants for the automotive industry. And despite political upheaval, many multinational companies maintain significant presence in Ukraine (including operating SSCs), benefitting from lower costs but the same high quality.

The goal of this report is to provide an overview of Ukraine as a potential location for a SSC or business process outsourcing (BPO) centre. In this report, we are providing general information about Ukraine and its benefits for investors. We hope it will assist investors who are considering potential locations for their SSC/BPO. We have provided the essential information for investors planning to set up an accounting or finance, internal audit, IT or R&D SSC.

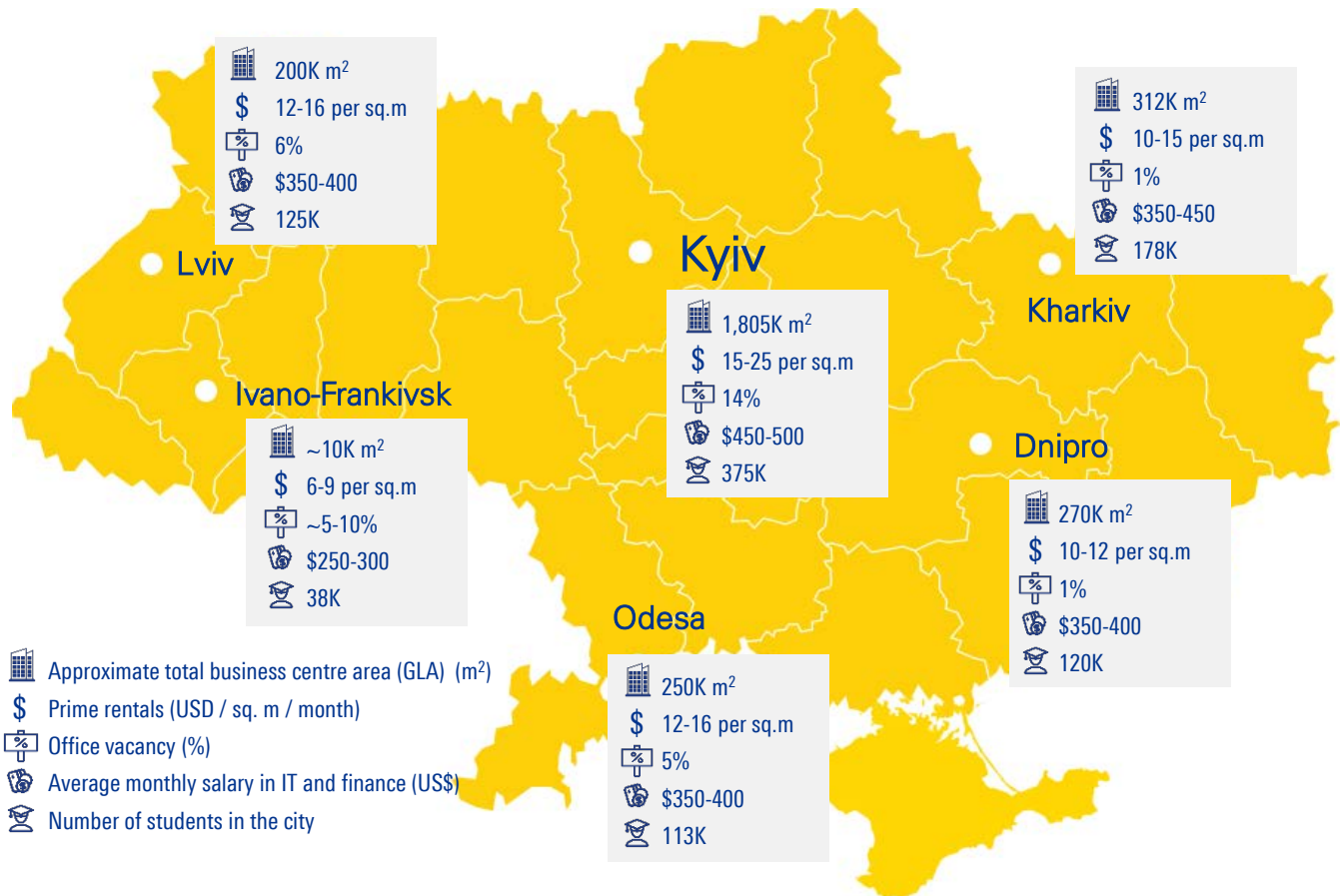
For those already operating in Ukraine, this report should be helpful when it comes to evaluating the options for expanding operations. We have also covered the main information on legal matters relating to doing business in Ukraine.

We urge any company interested in setting up a SSC/BPO operation in Ukraine seeking for additional information to contact us. KPMG would be delighted to provide you with more detailed information.

Our report specifically covers the following areas:

- Why Ukraine is attractive for investors
- Summary of economic data and forecasts
- Overview of major Ukrainian cities regarding the feasibility of establishing a SSC
- Overview of legal matters when doing business in Ukraine

Executive summary



Source: Ukrstat, Cushman & Wakefield, local real estate agencies

- Kyiv, while being the most expensive city in Ukraine, ranks as the [cheapest city](#) in Europe.
- Average salary is **USD 220 per month**, lowest in all Europe.
- **6.2%** of GDP spending is on education, one of the highest rates among OECD countries
- Ukraine ranks **20th** for ease of starting a business in 2017, based on the World Bank's Doing Business Report
- Thousands of Ukrainians already work in shared service centres across Europe. So why pay more? Give the talent a reason to stay or return home!

2. Why Ukraine is attractive to investors

2.1 Introduction: information about Ukraine

Ukraine is in Eastern Europe and borders seven states: Poland and Slovakia to the west; Hungary, Romania, and Moldova to the southwest; Belarus to the northwest; and Russia to the east and northeast. The Black Sea and Sea of Azov are to the south and southeast, respectively. Ukraine has an area of 603,628 km² (233,062 sq miles), making it the largest country entirely located within Europe.

Ukraine's primary foreign policy objective is to deepen ties with and integration in the Euro-Atlantic order. In January 2016, Ukraine joined the Deep and Comprehensive Free Trade Area with the EU as established by the Ukraine-European Union Association Agreement. Ukraine's free and open economy is also buttressed by membership of the WTO (joined in 2008). Additionally, it has International Agreements for the Avoidance of Double Taxation with 63 countries around the world.

Ukraine is on a crossroads of important trade routes. Its location is particularly good for business, as from most European capitals it takes just 2 hours to fly to Ukraine, and citizens of the United States, European Union and some other developed countries enjoy visa-free travel. The country has a highly-educated population of 42.5 million people and thus huge labour market potential.

The largest cities are Kyiv, Lviv, Kharkiv, Dnipro and Odesa.

The A.T. Kearney Global Services Location Index, which tracks offshoring activities in 55 countries across three major categories – financial attractiveness, people skills and availability, and thus assesses the overall business environment – shows that depreciation of Ukraine's currency led to a major gain in its salary cost score. This, accompanied by improvements to tax competitiveness and regulatory costs, moved Ukraine up 17 positions in the [Global Services Location Index](#). The increase in political risk has been partially mitigated by reforms to boost the country's competitiveness.

The World Bank's 2017 Doing Business report placed Ukraine at number 80 out of 190 countries, reflecting improvements to business conditions across all measured indicators. In particular, over recent years Ukraine has made significant progress in improving its investment policies, introducing reforms aimed at easing the business climate and attracting investors.

Notably, business establishment and licensing procedures have become much easier, resulting in Ukraine's rapid rise through the ease of starting a business rankings from 70th in [2015](#) to 20th in 2017. Ukraine also introduced tax reforms in 2015 resulting in better tax transparency (OECD, 2016).



Largest country entirely located in Europe



42.5 million people



2nd highest jump in the A.T. Kearney Global Services Location Index in 2016: up 17 positions



About 500 outsourcing companies and 100 global R&D centres in Ukraine

2. Why Ukraine is attractive to investors

2.2 Human capital

The massive availability of young and highly qualified labour is one of Ukraine's key advantages. Higher education in Ukraine is organised on the same basis as in other OECD countries, with Ukrainian universities being part of the Bologna Process since 2005.

Young Ukrainians are highly educated: **more than half have completed a higher education degree** or are studying at that level, while only 1.7% of the 15-29 population stopped studying with only an elementary education. In 2015, of those aged 18-70, 96.4% had completed secondary education (including vocational training). The education system consists of either 11 years of general study (basic general education plus 2 years of further education) or 9 years of general study plus 2 years of study at a vocational training institution.

Higher education is either state funded or private. State-funded students receive a standard scholarship if their grades are good enough. However, for most students, the government subsidy is not enough to cover living costs, and so they actively **look for job opportunities**.

The country spends on average [6.2%](#) of its GDP (2014-2016) on education, which is higher than the OECD average of [4.8%](#) (in 2013), making tertiary education very affordable for young people. Ukraine has more than 1.6 million students attending more than 500 university-level institutions, producing about [400,000](#) graduates per year. In contrast to other countries in the region, Ukraine has many strong academic centres located in a number of different cities. The biggest ones are Kharkiv, Kyiv, and Lviv, with each one having a student community of over 100,000. This makes Ukraine the 4th largest country in terms of the number of post-secondary education graduates in Europe, being ranked seventh by general population. Ukraine also offers affordable higher education to as many as almost 64,000 foreign students from more than [148 countries](#).

The most popular faculties in Ukraine are social science faculties, such as economics and law, at [39%](#); and technical sciences, at [20%](#).

Ukrainian students are bi-lingual (Ukrainian/Russian) and also have good knowledge of other foreign languages. Over half of them speak **English (mandatory study in school from the age of 7), German, French and Polish**. Most Ukrainian universities provide students with the opportunity to study all European languages.

Multinational companies operating in Ukraine are usually very satisfied with their Ukrainian employees, and increasing numbers of Ukrainians are being promoted within corporations to key management positions in other countries.



6.2% of GDP is spent on education. OECD average is 4.8%



About 400,000 graduates each year



5 cities with >100K student pool. Students from over 140 countries

2. Why Ukraine is attractive to investors

2.3 Labour costs

Investors around the world are very conscious of the risk of constantly increasing labour costs in an economy. Ukraine's employment costs are among the lowest in Europe. The average monthly salary in 2016 was about [USD 220](#), although salaries in IT and finance were 2 times higher. In January 2017, the minimum wage was set at [USD 125](#). Social security charges are only 22%, paid by employers.

	2014	2015	2016
Average monthly salary (USD)	250	190	220
Annual changes in unit labour costs (%)	-24	-24	+16
Labour costs per hour (USD)	1,56	1,18	1,38

Source: Ukrstat

Due to tensions in the east of Ukraine and as a result of the economic recession, Ukraine is an "employer's market". Following a more than 75% devaluation of the local currency, the value of salaries measured against foreign currencies plummeted in 2014-2015, only gradually recovering in 2016.

Although the sum paid in remuneration is still decisive, most young people are also interested in career development and opportunities within international companies. The company's brand, along with additional incentives such as medical insurance or the supporting of sporting and recreational activities, are also important factors.



Average monthly salary is USD 220, lowest in all Europe

Social security charges are 22% of gross salary and paid by the employer

2. Why Ukraine is attractive to investors

2.4 Economy

Following conflict in the Donetsk and Luhansk regions, the economy contracted 9.8% in 2015. The situation in the east has since de-escalated, and bold reforms carried out in 2014–first 6 months of 2015 have begun to stabilise confidence and produce tangible results.

The economy recovered 2.3% in 2016, with economic growth continuing at a robust pace, boosted by 4.8% GDP growth in October-December 2016. In 2014-2016, the National Bank of Ukraine (NBU) adopted a flexible exchange rate, tight monetary policy, and fiscal austerity measures to reduce structural imbalances. The current account deficit fell sharply from over 9% of GDP in 2013 to 3.6% of GDP in 2016. Structural reforms in the energy sector – which among other steps included increasing energy prices to market levels – along with strong spending controls, reduced the overall fiscal deficit from 10% of GDP in 2014 to 2.3% of GDP in 2016 ([IMF](#)).

Table 1 Key economic data for Ukraine (Source: Ukrstat, NBU, IMF)

	2012	2013	2014	2015	2016	2017 est.	2018 est.
Real GDP growth (%)	0,2	0	-6,5	-9,8	2.3%	2.0%	3.2%
Population (mn)	45.6	45.6	45.2	42.9	42.8	42.7	42.7
Inflation rate (%)	-0.2	0.5	24.9	43.3	12.4%	9%	6%
Unemployment rate (%)	7.6%	7.3%	9.3	9,1	9.3	9.0	8.7
Exchange rate UAH/EUR (average)	10.53	10.98	19.23	26.05	27.97	28	29

When the National Bank of Ukraine abandoned its UAH–USD peg (at USD 1: UAH 8) in February 2014, the currency depreciated rapidly. One year later, it hit a record low of 1:30 against the USD in February 2015, as the NBU ceased foreign exchange (FX) interventions due to the fact its FX reserves had dramatically fallen. However, since then, the UAH/USD exchange rate has fluctuated at around 26-28 UAH: 1 USD for most of 2016.



2.3% GDP growth in 2016



One digit inflation expected in 2017-2018



Structural reforms to relax investment climate on the way

2. Why Ukraine is attractive to investors

The local currency's sharp deterioration fed through into consumer price inflation, which surged from 24.9% at the end of 2014 to a peak of 43.3% in 2015. In 2014-2015, the National Bank of Ukraine (NBU) and Ukrainian government took a number of successful measures to curb inflation using monetary and fiscal tools. The NBU expects inflation to be in single digits in 2017 (9% +/-2%) and thereafter (6% +/-2%) ([NBU](#)).

Since May 2014, Ukraine has received financial support from the International Monetary Fund, the EU, and other bilateral and multilateral partners, helping to finance public expenses. In March 2015, the government reached agreement for a new, four-year USD 17.5bln IMF Extended Fund Facility (EFF) program, bringing the Fund's total commitment, along with other resources from the international community, to about USD 32bln. Moreover, in November 2015, Ukraine achieved debt restructuring of around USD 15bln with 13 private creditors.

In 2017, the NBU anticipates only slight fluctuation in the exchange rate, which is estimated to be around UAH/USD 28 by the end of the year, assuming that the IMF maintains its programme in Ukraine.

The sharp decline in the exchange rate in 2014-2015 led to a significant drop in the cost of doing business in Ukraine. Salaries for highly qualified workers in Ukraine became much cheaper when compared to those in other countries in the CE region. This has propelled growth in export-oriented industries, in particular in agriculture, IT, and manufacturing, boosted by foreign and local investments. Over the last 2 years, many international companies have opened new manufacturing plants or expanded their business in Ukraine.

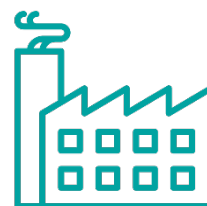
It worth mentioning that the Ukrainian Government is playing an active role to counteract the effects of the economic crisis. During 2014-2016 it adopted many "anti-crisis" reform laws aimed at ensuring economic growth (including simplification of tax accounting and the repeal of much bureaucratic regulation), and intervened to stabilise the banking sector.



Successful cooperation with the IMF for an Extended Fund Facility



75% devaluation in the local currency led to a significant drop in salary for Ukraine's well educated and intelligent young people



Ukraine attracts FDI to labour intensive industries with educated workforces, IT/BPO outsourcing, etc.

2. Why Ukraine is attractive to investors

2.5 FDI and key investors in Ukraine

Since gaining independence in 1991, Ukraine has attracted numerous international investors. In the last 3 years, some of the world's largest companies have invested in Ukraine, including Sumitomo Corporation, Bunge, Cargill, Electrolux, Leoni, Kromberg and Schubert, Bader, Pepsi-Cola, and Coca-Cola, to name but a few. Ukrstat estimates the value of foreign direct investment (FDI) in Ukraine at more than USD 37bln on at the end of [2016](#). Although the figures show that the conflict in the east of Ukraine reduced the total FDI inflow in 2014-2015, globally, **Ukraine is an attractive business location due to its proximity to the EU market and the availability of a low cost highly qualified labour force.**

According to a survey prepared by A.T. Kearney for [2016](#) (positioned Ukraine as the world's 26th most attractive location for IT/BPO), Ukraine "following years of uncertainty, managed to improve its profile by 17 places on last year. The country has moved up these 17 positions in the GSLI (**second highest upward move in the ranking**) because currency depreciation led to a major gain in terms of compensation costs. Along with this, there have been improvements in the competitiveness of its tax and regulatory costs. The increase in political risk is partly offset by the government's implementation of reforms to boost the country's competitiveness. The Ukrainian IT industry comprises more than 500 outsourcing companies and 100 global R&D centres, and employing more than 50,000 engineers".

Source: [Ministry of Finance](#)

Table 3 Foreign direct investment inflows to Ukraine (billion USD)

	2011	2012	2013	2014	2015	2016
Amount of FDI inflow	7,2	8,4	4,5	0,41	2,9	3,2

Ukraine balances relatively higher risk when compared with levels in the West with the chances of achieving significantly higher returns. Companies investing in Ukraine benefit from the Ukrainian Government's current policies, which promote foreign investment, particularly in the manufacturing (including high-tech), transportation, communications, banking and environmental protection industries. In recent years, many Western corporations have invested in production facilities and R&D centres.

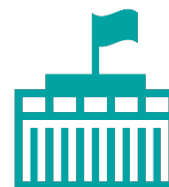
Future FDI inflows will depend largely on what happens regarding the conflict in the east of Ukraine, the privatisation of state-owned companies, and further legislative change.



more than
USD 37 billion in FDI as
at 31 December 2016



High return with
relatively moderate risk



State/local government
and associated agencies
actively encourage and
support FDI

2. Why Ukraine is attractive to investors

2.6 Infrastructure

Ukraine, located at a crossroads between Europe and the wider world, has excellent air, rail, road and sea connections with the countries of different continents.

The Ukrainian civil aviation system consists of the Kyiv Boryspil Airport in Kyiv (by far the largest and most important in Ukraine, servicing more than 8 million passengers in 2016). Boryspil airport is well-located at the intersection of numerous routes connecting Asia with Europe and America. Over 40 national and international carriers operate scheduled passenger and cargo flights to over 80 destinations worldwide. Ukraine also has a number of smaller regional airports, providing domestic, as well as European, connections.

Transport by air is developing quickly, with a visa-free programme for US, Canadian, and EU nationals, as well as citizens of a number of other Western nations. The nation's aviation sector is handling a significantly increased number of travelers. Following 2 years of decline, Ukraine's aviation sector posted 20.8% growth in 2016 compared to 2015. The visa-free regime for Ukrainian nationals to the EU in 2017 is expected to prompt a further increase in the number of direct flights and number of passengers. The Ukrainian government has taken steps to support investment in transport infrastructure, and in particular in airports. In addition to other airlines, in March 2017, Ryanair announced 11 new flights to the UK, Germany, Poland, Hungary and Sweden from Kyiv and Lviv.

Among Ukrainians, travel by rail is the most common and favourite mode of transportation. Ukraine's national railway network ensures fast and safe passenger and goods transportation between all major Ukrainian cities, as well as to both the West and Russia. Ukraine has a developed railway network, its total working mileage amounting to over 22,000 kilometers. Two thirds of Ukrainian railway lines are built for heavy loads, equipped with modern management facilities, and have centralised signaling, dispatch and control systems.

Ukraine's railways link and directly connect with the railways of neighbouring countries, linking 40 international rail connections, and serving 18 Ukrainian seaports on the Black Sea and Sea of Azov.



Accessible to flights from major European and US cities



20% growth of passenger traffic in 2016



4th largest railway system in Europe

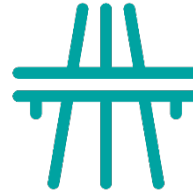
2. Why Ukraine is attractive to investors

Ukraine is also developing its container transport networks, with its main container terminals located in the south, in Odesa, Yuzhne, Kherson and Mykolaiv.

Ukraine's biggest bottleneck is its poor motorway infrastructure. Although the country has major motorways connecting major cities and beltways, allowing cars and trucks to smoothly transit across the country, the quality of roads requires significant improvement. The Government has given the development of motorway infrastructure a top priority, and now many construction projects are under way (often financed by international institutions). Hosting EURO 2012 provided a boost to Ukraine to speed up development in this area.

Office space is available in all large towns and cities in Ukraine. In recent years, despite the conflict in the east of Ukraine, the country has seen a real boom on the construction market, with a great number of residential housing, retail property and office building projects being developed. This significant growth in supply ensures that the real estate market provides reasonable choice of property at affordable prices – prices that are significantly lower than those in other countries. In the office market, resulting from individual negotiations between office developers and tenants, asking prices can often be further lowered another 10-25%, i.e. taking into account the rented floor space, rental duration period, and city's district. In terms of real estate prices, it might be now the best time for investors to set up their activities in Ukraine.

Ukraine has a modern digital telecommunications infrastructure that meets the requirements of all types of investors. Despite the conflict in the east, over 2013-2016, Ukraine moved 17 places up in the [smart phone penetration rate](#) rankings, approaching 27% (2013: 14.4%). There are currently 3 major mobile network operators in Ukraine.



Main motorways are maintained; local roads need improvement



Office space is readily available for setting up a BPO/SSC

2. Why Ukraine is attractive to investors

2.7 Current political situation

Following political and social unrest in March 2014, various events in Crimea led to Russia incorporating the Republic of Crimea into the Russian Federation. This event has not been recognised by Ukraine or by many other countries.

This led to a significant deterioration in the relationship between Ukraine and the Russian Federation. Following the period of instability in Crimea, regional tensions spread to the Eastern regions of Ukraine, primarily to certain parts of Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between Russian-backed supporters of the self-declared republics in certain parts of the Donetsk and Lugansk regions, and Ukrainian forces. This conflict continues as of the date of this report.

As a result of this conflict, parts of the Donetsk and Lugansk regions (less than 5% of Ukraine's total area) remain under the control of the self-proclaimed republics, meaning Ukrainian authorities are not currently able to fully enforce Ukrainian law on these territories.

However, in September 2014, and later in February 2015 at a summit in Minsk, the leaders of Ukraine, Russia, France, and Germany agreed to a package of measures to alleviate the ongoing situation in the Donetsk and Luhansk regions. These talks led to a deal, overseen by the Organization for Security and Co-operation in Europe (OSCE).

The Minsk Agreement significantly reduced fighting in the conflict zone for many months, though minor skirmishes continue. However, the situation in Kyiv and other areas outside the Donetsk and Luhansk regions is generally calm, as reported by the UK's [Foreign and Commonwealth Office](#). The cities covered in this report are, at their closest, more than 250 km away from these territories, and at their most extreme, thousands of kilometers away from the affected territories, and not affected by the conflict.



Cities covered in this report are safe



More than 250 km away from affected region

3. Prime locations for a SSC



This section of the report presents a number of attractive locations for Shared Services Centres and BPO operations in Ukraine. The cities included in our case studies are: Kyiv, Lviv, Ivano-Frankivsk, Odesa, Dnipro, and Kharkiv. We selected these cities because of the availability of well-qualified people in each of one of them.

For each location, we have presented an overview of that particular city and the key issues for setting up an SSC in that location. Our information includes the other main investors located in the city, the city's infrastructure, the availability of and prices for real estate, the labour market, the educational environment, and example tourist attractions.

The information presented in this 'Prime locations for a SSC' section is based on publicly available data published by the authorities of the selected cities on their official websites, on the State Statistics Service of Ukraine (Ukrstat), and on materials provided by regional information agencies for investors in the analysed cities. The overview of the real estate market in Kyiv, Lviv, Odesa, Dnipro and Kharkiv was kindly provided by Cushman & Wakefield, whilst data on the real estate market in Ivano-Frankivsk was obtained from public sources and interviews with local real estate agencies.

Kyiv



Population

2,900,000



Area

839 km²



Main investors

Auchan, Coca-Cola, Bayer, Cargill, Carlsberg, Citigroup, Google, Mars Ukraine, Procter & Gamble, Raiffeisen bank, Shell Ukraine, Vodafone

General information

Kyiv is the capital and largest city of Ukraine, located in the north central part of the country on the Dnipro River. Kyiv is an important industrial, scientific, educational, and cultural centre for Eastern Europe. It is home to many high-tech industries, higher education institutions, and world-famous historical landmarks.

Kyiv is a city of priceless historical and cultural significance, a city of great events and outstanding people. The art and architecture of beautiful Kyiv are considered world treasures, praised the world over by famous artists, poets and writers. The most renowned landmarks include: the Cathedral of St. Sophia, replete with outstanding mosaics and frescoes dating back to the 11th century; Kyivo-Percherska Lavra, featuring several monasteries and cathedrals; the Golden Gate of Kyiv, dating back to 1037; the Ukrainian Baroque Church of St. Andrew; and the magnificent 19th-century Cathedral of St. Vladimir among many other attractions. Kyiv is often referred to as "the mother of all cities" by Russians and Ukrainians, being one of the oldest towns in Europe.

Being the largest city in Ukraine, Kyiv is the country's leading industrial and commercial centre. The city's economy is today dominated by the service sector, with many of the largest Ukrainian and international companies choosing to locate their headquarters in Kyiv. Development of the Ukrainian economy drives business activity in the city, and there are lots of new office centres, banks, trade exhibition centres and other commercial enterprises all around.

Infrastructure

Kyiv is keen to become one of Europe's leading regional business centres by developing its transport and communication links. Kyiv's airports and train stations serve both domestic and international traffic. The city is well connected with cities inside Ukraine as well as in foreign countries. Being one of the biggest cities in Europe, it has all the infrastructure items usually found in a city of the same or larger size, and its infrastructure is among the best in the country.

Kyiv hosts many international trade exhibitions, seminars and conferences, allowing for Kyiv to compete on the international conference and expo markets. In 2017, for the 2nd time in modern history (last time was 2005), Kyiv successfully hosted the pan-European Eurovision song contest, with which the infrastructure coped well.



Roads

International roads: E40 from Calais in France via Belgium, Germany, Wroclaw, and Krakow to Ukraine; then to Russia and Kazakhstan. M06 Kyiv – Budapest



Subway

The Kyiv Metro is the mainstay of Kyiv's public transport. It now has three lines with a total length of 67.65 kilometers and 52 stations. The system daily carries 1.439 million passengers.



Railways

Direct railway connections to all major Ukrainian cities and many international destinations, including Warsaw, Bucharest, Budapest, Bratislava, Kishinev, Minsk, Moscow, Prague, and St. Petersburg.



Airports

Borispil International Airport (12 km from the city); no. of flights in 2016: 75,280; no. of passengers in 2016: 8,650,000; 3rd best airport in "[Best Airports in Eastern Europe](#)" ranking; regular flights to 12 domestic and over 83 international destinations (including Amsterdam, London, New York, Beijing and Bangkok).

Kyiv International Airport (Zhuliany) (8km from the city, no. of flights in 2016: 18,268, no. of passengers in 2016: 1,127,500, regular flights to 4 domestic and over 18 international destinations (including Copenhagen, Hamburg, Warsaw).

Real estate

As the capital of Ukraine, Kyiv obviously dominates the Ukrainian real estate market. Its economic profile – heavily dominated by service industries – creates the fundamentals needed for sustainable long-term development in the office property sector in the city.

According to Cushman & Wakefield, as of Q1 2017, the total office stock in Kyiv was around 1.8 million sq m (GLA) or 617 sq m per 1,000 inhabitants. As of early 2017, only 48,000 sq m of new office space in Kyiv was under construction and scheduled for completion by the year-end.

Some office property developers are ready with projects based on “built-to-suit” arrangements, looking to sign contracts with major corporate (international) tenants.

Following the economic recovery in 2016 and Q1 2017, the demand for office space strengthened, as tenants continue to take advantage of the current market situation and available opportunities to secure (move to) better quality office space on competitive terms.

In 2016–Q1 2017, demand for office property in Kyiv was mainly driven by fast-growing IT companies and companies operating in the FMCG and pharmaceutical sectors.

As of April 2017, prime office rents in Kyiv varied in the range of USD 15-25 per sq m per month (net of VAT and OPEX), whilst B and C class office space command achievable monthly rents of USD 6-16 per sq.m and USD 4-8 per sq.m, respectively. Despite decreasing vacancy levels, landlords in Kyiv are still offering incentive packages, which typically include rent-free periods, fixed exchange rate pegs for up to six months, and/or some fit-out contributions for class A and class B office space.

Prime office rents and vacancy levels in Kyiv in the medium term will remain sensitive to the economic and political environment in Ukraine, as well as to the delivery of new competition from sizeable business centres. Nevertheless, increased availability of office space and the lack of any unified pricing strategy among Kyiv’s landlords means that opportunities for renters to optimise long-term occupation conditions remain.



Total office stock (GLA), sq.m.

1,805K m²



Prime rents (USD / sq.m / month)

15-25



Vacancy rate

14%

Source: Cushman & Wakefield

Labour market

Kyiv clearly has the most dynamic labour market in Ukraine. The concentration in the city of both local and international corporations creates better opportunities for graduates and professionals to find a job than in other parts of the country. Young talent from all over Ukraine comes to Kyiv in the search for new jobs. The city has one of the lowest registered unemployment rates in the country – and given that the state pays very little / no aid to temporarily unemployed people, the number of people nationwide registered as unemployed is low.

Despite this, the gross average salary across various industries is about USD 320 per month, with jobs in finance and IT paying about USD 450-500 per month. With economic growth, salaries are expected to grow moderately, as labour supply in some industries outweighs demand. Salaries for entry level staff are kept low by the lack of work experience opportunities for young talent.



People registered unemployed

12,000



Unemployment rate
(according to the
International Labour
Organization)

7.1%



Average monthly gross
wages in the finance and
IT sectors

~ USD 450-500

Education

Being the biggest city in Ukraine, Kyiv is the largest centre for university education and research, producing a highly-skilled workforce. Young people in search of better opportunities flock to Kyiv to study. Among the various universities and science academies in Kyiv is the famous Kyiv-Mohyla Academy, one of the oldest universities in Europe.



Number of tertiary
education institutions

97



Number of students
(est.)

375 000



Shevchenko Kyiv
National University

25 000



Kyiv National Trade and Economics
University

40 000



Igor Sikorsky Kyiv
Polytechnic Institute

30 000

Main universities (students)



Social & Economic Sciences

27 000



IT & Engineering

18 000

Selected faculties (approximate number of students at Kyiv's main universities)



Main languages

English, German, Russian, French, Italian,
Spanish, Chinese, Arabic and other

Tourist attractions

Kyiv is often called “the mother” of Slavic cities. It is more than 15 centuries old, and during this time, Kyiv has come a long way, from being an ancient settlement of nomadic tribes to becoming one of the largest cities in the world. Kyiv is integrally connected with the development of Slavic culture. Its monuments, architectural ensembles and cathedrals charm with their beauty, harmony and historical meaning. Ukraine’s capital is enthused with the spirit of past glories, boasting a unique UNESCO world heritage site with splendid golden-domed churches.

Kyiv has an abundance of things to see, and as you would expect for a city of 3 million people, it has plenty of entertainment opportunities for visitors to enjoy as well. Religious architecture in the bustling centre of the city will likely claim most of your attention and photos, while the numerous museums will educate you in the finesse of art history. The leafy green parks and tree-lined boulevards offer surprising comfort in a city of this size.

Kyiv is distinguished by its rich cultural life. Theatre lovers will find much on offer, though most performances are in Ukrainian or Russian. The recently renovated Kyiv Opera House presents very good operas as well as a broad repertoire of ballets. Ivan Franko Theatre is the centre of Ukrainian drama, comedy, and musicals. Many other exhibitions take place in the city's numerous museums and art galleries.

The city is also a central shopping destination. The shopping scene in Kyiv has changed dramatically in recent years, and now many of the world’s leading fashion chains, brands and designers are either already in Kyiv or soon to enter the market. Several large shopping malls have been built in recent years, open seven days a week.

Kyiv’s exceptional position as an investment location results from the size of its local market, its convenient location at the heart of Ukraine, and its good transport connections with all Ukraine’s – and the wider region’s – important cities and regions.



Theatres

31



Museums

110



Cinemas

56



Population

Lviv

750,000

Lviv region

2,500,000



Area

182 km²



Main investors

Fujikura, Nestle, CTP,
Bader, Danish textile,
Klingspor, Leoni, Mondi,
Carlsberg

General information

Lviv is the biggest city in Western Ukraine. King Daniel of Galicia established the city in the 13th century, and since then, the city has been one of the leading cultural, political and artistic centres in Eastern Europe.

Lviv is located approximately 70 kilometers from the Polish border and not far from the Carpathian Mountains. After dissolution of the Soviet Union, the city's economy mainly depended on machine construction and metalwork, but today these sectors have given way to the tourism, IT, manufacturing assembly and food processing industries.

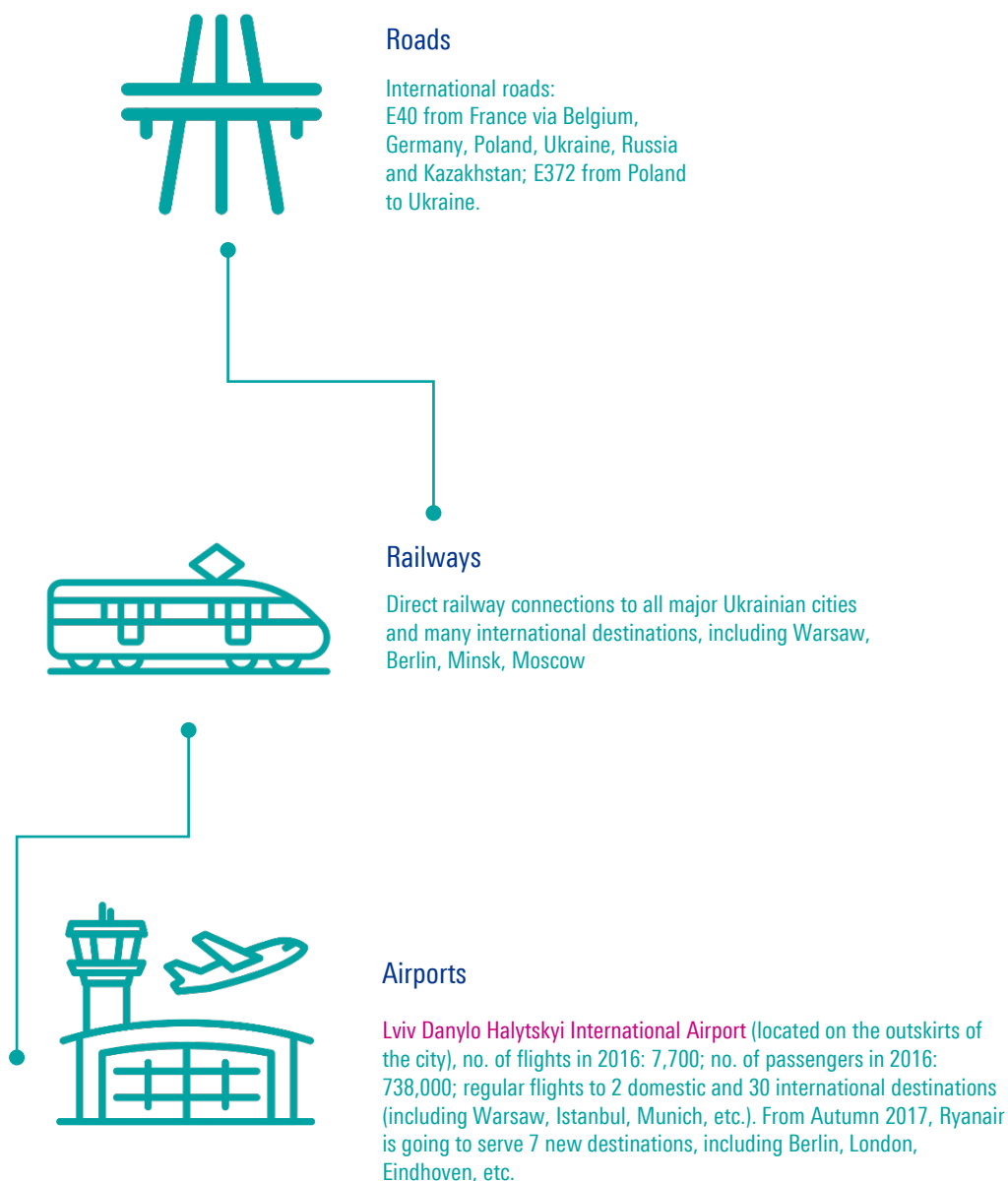
The city leverages its geographic location to position itself as a business centre between Warsaw and Kyiv. Its authorities are working hard to develop tourism and hubs for IT and shared service centres, aiming for these industries to account for the largest part of the city's GDP by 2025. The historic city centre is on UNESCO's World Heritage List.

In 2009, KPMG ranked the city in the top 30 cities with the biggest potential for developing the IT industry, and as of 2016, there are as many as about 200 IT companies operating in the city.

The IT companies located in Lviv are cultivating and enhancing an outsourcing culture among young people. In 2011, one of the world's leading companies set up an SSC in Lviv to serve the European subsidiaries of its Group, and as at the end of 2016, this SSC employs more than 1,300 people. In 2016, another big multinational followed this lead and established a SSC to provide finance, HR and procurement services, covering 8 countries of operation.

Infrastructure

Lviv is a very important transport hub, offering a well-developed network of international and national roads as well as railway and airline connections. Located just 70 km from the EU border (Poland), it is convenient for both business travelers and tourists.



Real estate

According to Cushman & Wakefield, as of Q1 2017, Lviv's total office stock was around 200K sq m (GLA) or 265 sq m per 1,000 inhabitants. Of the city's total office stock, around 73% of available space can be defined as modern office centres located within seven office properties with cumulative areas of around 143,300 sq m (GBA).

Over the past few years, demand for offices in Lviv has improved significantly. This is largely being attributed to the city's positive reputation and the lower risk associated with western Ukraine compared to the eastern and southern parts of the country. Most demand for offices in Lviv comes from companies operating in the information and communication technology sector (particularly from large outsource software development companies), as well as from the BPO segment.

In contrast to the relatively low levels of current activity among builders in Ukraine's other major cities, Lviv has several active modern office projects with a cumulative area of approximately 140,000 sq m due for delivery in the medium term. The Innovation District 'IT Park', and the Innovation Park 'LvivTech.City' are the major office development projects due for phased commissioning by 2021.

As of April 2017, prime office rents in Lviv have varied from USD 12-16 per sq.m per month (net of VAT, OPEX and utility payments).



Total office stock (GLA), sq.m.

200K m²



Prime rents (USD / sq m / month)

12-16



Vacancy rate

6%

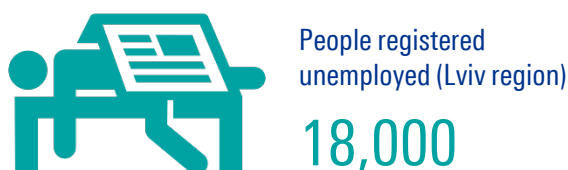
Source: Cushman & Wakefield

Labour market

As the largest labour market in Western Ukraine, Lviv has many opportunities, segregated by industry. Most opportunities for graduates exist in IT, finance and tourism-related sector. Lviv is quite a popular destination for young talent as a place to live and work. The city has a low rate of unemployment – and given that the state pays very little / no aid to temporarily unemployed people, the number of people registered as unemployed is low.

Similar to Kyiv's labour market, the gross average salary across industry sectors is about USD 200 per month, with jobs in finance and IT paying about USD 350-400 per month. Recent investments made by international corporation in R&D and assembly plants for the automotive industry have increased salary expectations, though there is fierce competition from Poland.

The proximity of the border to Poland means that many young people also have a good command of Polish, often seeking employment there. Many of Ukraine's young graduates work in international shared services centres in different locations across Europe, but if they could find similar pay at home, would willingly relocate back to Ukraine. It is expected that, with economic growth, salaries are expected to grow faster in Lviv than on average for Ukraine.



Average monthly gross wages in commercial sector

USD 180-210

Education

Lviv is Western Ukraine's largest academic centre, comparable with Kyiv and Kharkiv in term of size and quality. It offers students a choice between 42 universities and attracts young people mostly from Western Ukraine. The largest universities in Lviv are Ivan Franko National University (founded in 1661, and having more than 20,000 students), and Lviv Polytechnic National University (founded in 1844, having more than 30,000 students).



Number of tertiary
education institutions

42



Number of students
(est.)

124 804



Lviv Polytechnic
National University

30 000



Ivan Franko National University
of Lviv

20 000



Lviv Trade and Economics
University

10 000

Main universities (students)

Selected faculties (approximate number of students at Lviv's main universities)



Social & Economic Sciences

17 000



IT & Engineering

11 000



Languages

English, German, Russian, French,
Italian, Spanish, Romanian, Arabic

Tourist attractions

Due to its vast cultural and historic heritage, Lviv is an extremely attractive destination for tourists in Ukraine. It is a city of magnificent architectural landmarks, offering impressive churches and ancient squares, cozy narrow streets, and museums and galleries housing artistic masterpieces from different historical epochs. Lviv's tourism infrastructure is considered to be one of the most developed in Ukraine, and Lviv is Ukraine's second major tourist destination after Kyiv, comparable with Krakow and Prague. For the past 2 years, the number of tourists coming to the city has increased 40%, and now is more than a million people per year.

The most popular tourist attractions include the Old Town, the Market Square (where the City Hall is situated), the Black House, Armenian Cathedral, the complex of the Dormition Church (the main Orthodox church in the city), and the St. Peter and Paul Church of the Jesuit Order (one of the largest churches in Lviv). Other popular places include Lviv Theatre of Opera and Ballet, the Potocki Palace, the Bernardine Church, and the Masoch Cafe in Lviv's centre. The Old Town has a vast network of historical cellars, forming stages for the city's night life, as well as pubs, restaurants, concerts, exhibitions, and theatrical performances, among other events.



Theatres

8



Museums

40



Cinemas

8



Hotel rooms

Over
8 000



Cafes and restaurants

Over
700

Ivano-Frankivsk (IF)



Population

Ivano-Frankivsk

240 000

Ivano-Frankivsk region

2,500,000



Area

83 km²



Main investors

Electrolux, Tyco electronics,
Delfi Tarkett, Danosha,
MPV-Ukraine

General information

Ivano-Frankivsk is a historic city located in western Ukraine and serving as the administrative centre for the Ivano-Frankivsk region. The city is located about 150-300 kilometers from the borders of Poland, Romania, Hungary, and Slovakia.

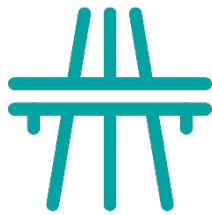
Built in the mid 17th century as a private fortress for the Polish Potocki family, following the partition of Poland in 1772, Stanislav passed into the hands of the Habsburg Empire, after which it became the property of the state authorities of the Austrian Empire. It was during that time that the fortress was transformed into one of the most prominent cities in the foothills of the Carpathian Mountains.

The main sectors of the city's economy today are the food, textiles, machinery and tourism industries.

Ivano-Frankivsk

Infrastructure

The Ivano-Frankivsk region is located in the western part of Ukraine and has good transportation. It is connected via a wide network of roads and railways to many other regions of Ukraine and to its neighbouring European countries.



Roads

International roads:
E40 from France via Belgium, Germany, Poland, Ukraine, Russia and Kazakhstan; E50 from France to Russia; E85 from the Baltic Sea to the Black Sea



Railways

Direct railway connections to all major Ukrainian cities, and transit to international destinations



Airports

Ivano-Frankivsk International Airport (located on the outskirts of the city), no. of flights in 2016: 7,700; no. of passengers in 2016: 35,000; regular flights to Kyiv and 3+ other international destinations (including Istanbul, Alicante, etc.).

Ivano-Frankivsk

Real estate

According to local real estate agencies, as of Q1 2017, the total office stock in Ivano-Frankivsk is about 10K sq m (GLA), scattered among a few relatively small modern office centres.

Many office property developers are looking to resume development operations for “built-to-suit” arrangements with major corporate (international) tenants. While other cities in Ukraine have lower levels of developer activity, Ivano-Frankivsk has modern office development projects in the pipeline scheduled for delivery in the medium term. The city has enjoyed a real housing boom, being in the [top 3 cities](#) with new housing property per head of population in Ukraine in 2016-Q1 2017.

Over the past several years, overall demand for offices in Ivano-Frankivsk has improved significantly. As in Lviv, this is largely driven by the city’s positive reputation and the lower risk perception of Western Ukraine compared to the eastern and southern parts of the country. The most significant source of demand for office space in Ivano-Frankivsk comes from the medium-sized regional companies operating in the FMCG sector, and from IT outsourcing.

As of April 2017, office rents in Ivano-Frankivsk vary between USD 6-9 per sq.m per month (net of VAT, OPEX and utility payments).



Total office stock (GLA), sq.m.

~10K m²



Prime rents (USD / sq m / month)*

6-9



Vacancy rate

5-10%

Source: local real estate agencies

Ivano-Frankivsk

Labour market

Ivano-Frankivsk has more limited employment options for new graduates than other locations in Ukraine. The chances of finding a well-paid job are reduced, though the local authorities are fostering the conditions for IT, manufacturing and tourism related companies to thrive. Although the city has a few large industrial companies, most people are engaged in small and medium-sized business.

The city has a higher level of registered unemployment than in other areas. Given that the state pays limited or no aid to temporarily unemployed persons, the number of people registered unemployed is likely to be underestimated.

However, the low salary expectations from young and highly-skilled people is luring international companies to invest in this region, especially when it comes to opening R&D and assembly plants for the automotive industry. The proximity of the Polish and other Central European labour markets increases the level of competition for fresh graduates, though, similar to Lviv, many young graduates who work in international shared services centres across Europe would, if paid better at home, gladly relocate back to Ukraine.

Despite this, the gross average salary across all industries is about USD 175 per month, with jobs in finance and the IT sectors paying about USD 240 per month.



Registered
unemployment rate
9%



Registered level of
unemployment in the Ivano-
Frankivsk region
12 000



Average monthly gross
wage in the commercial
sector

USD 150-180

Ivano-Frankivsk

Education

Ivano-Frankivsk's higher education institutions are not very old when compared with those in other regions of Ukraine. Vasyl Stefanyk Precarpathian National University was founded in 1940 and is one of the region's oldest. Most of the students major in economics, maths, linguistics or other areas of study of the natural sciences.

Ivano-Frankivsk National Technical University of Oil and Gas prepares a significant number of technical specialists that satisfy employer needs. There are a number of other social science educational institutions in the city.



Number of tertiary
education institutions

16



Number of students
(est.)

38 118



The Vasyl Stefanyk Precarpathian
National University

15 500

Main universities (students)



Ivano-Frankivsk National Technical
University of Oil and Gas

10 000



Ivano-Frankivsk National
Medical University

7 000

Selected faculties (approximate number of students at Ivano-Frankivsk's main universities)



Social & Economic Sciences

9 300



Languages

English, German, Russian,
French, Arabic, Hindi



IT & Engineering

6 300

Ivano-Frankivsk

Tourist attractions

Tourist can easily find entertainment for themselves in Ivano-Frankivsk. Ivano-Frankivsk is famous for its festivals and other entertainment activities that take place at Christmas and in the April–June period. The city is famous for hosting an annual international Festival of Blacksmiths, welcoming guests from more than 23 countries.

Ivano-Frankivsk is also a gateway to Bukovel, the biggest ski resort in Ukraine, located 100 km away. The Bukovel Resort is considered one of the fastest growing mountain resorts in the world and is Ukraine's first European class mountain [resort](#).



Theatres

4



Museums

26



Cinemas (multiplex)

3



BUKOVEL SKI RESORT

Dnipro



Population

980 000



Area

405 km²

General information

Dnipro is Ukraine's fourth largest city, with about one million inhabitants. It is 391 kilometers southeast of the capital Kyiv on the Dnipro River, in the south-central part of Ukraine.

Dnipro is a dynamic and lively city. The city is surprisingly green along the banks of the wide and slow-moving Dnipro river, and has remarkable long, leisurely boulevards and spacious parks. Dnipro is home to probably the most energetic Jewish community in Ukraine, which is centred around the Golden Rose central synagogue. Recently reconstructed, it is the most prominent synagogue in the country and considered the heart of the Dnipro Jewish community.

The city is also a major centre of high-technology industries, education, machine-building, metallurgy and trade. This adds well-known commercial industries to its fame as a place of green hills and deep history.

Dnipro has been a major centre for the steel industry from the beginning of the 20th century right through to the present day. It has also dominated the machine building and aerospace construction industry since the 1950s.



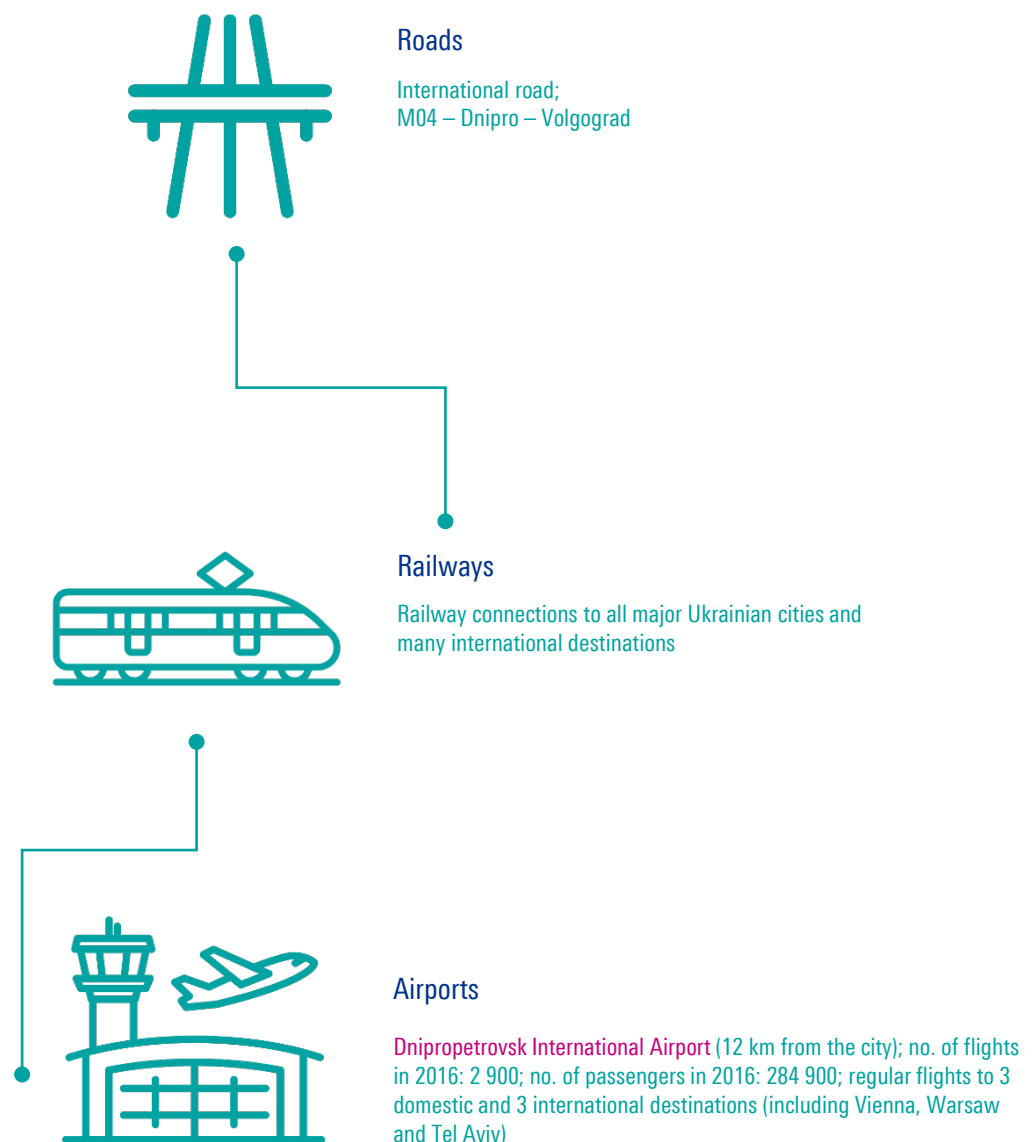
Main investors

ATB, Interpipe, Fozzy Group, Evraz, Bunge

Dnipro

Infrastructure

Dnipro is located in the southeastern part of Ukraine and is well connected in regards to transportation. A broad network of roads and railways connects it with many of Ukraine's regions.



Dnipro

Real estate

According to Cushman & Wakefield, as of Q1 2017, the total office stock in Dnipro was around 268,000 sq m (GBA) or 271 sq m per 1,000 inhabitants. Of the city's total office stock, only four office properties, totaling approximately 39,000 sq m (GBA), can be defined as professional office centres.

Over the last couple of years, no new office projects have been registered in Dnipro, and no office projects are scheduled for delivery in the city in the short to medium term. Nevertheless, developers of office properties would be delighted to resume their development activities based on "built-to-suit" arrangements signed with major corporate (international) tenants.

As with demand in all of Ukraine's other major regional cities, demand for offices in Dnipro is primarily driven by IT companies, as well as companies operating in the FMCG and pharmaceutical sectors.

As of April 2017, prime office rents in Dnipro varied in the range of USD 10-12 per sq m per month (net of VAT, OPEX and utility payments). However, the current availability of good quality office space in the city is quite limited.



Total office stock (GBA), sq.m

270K m²



Prime rents (USD / sq m / month)

10-12



Vacancy rate

1%

Source: Cushman & Wakefield

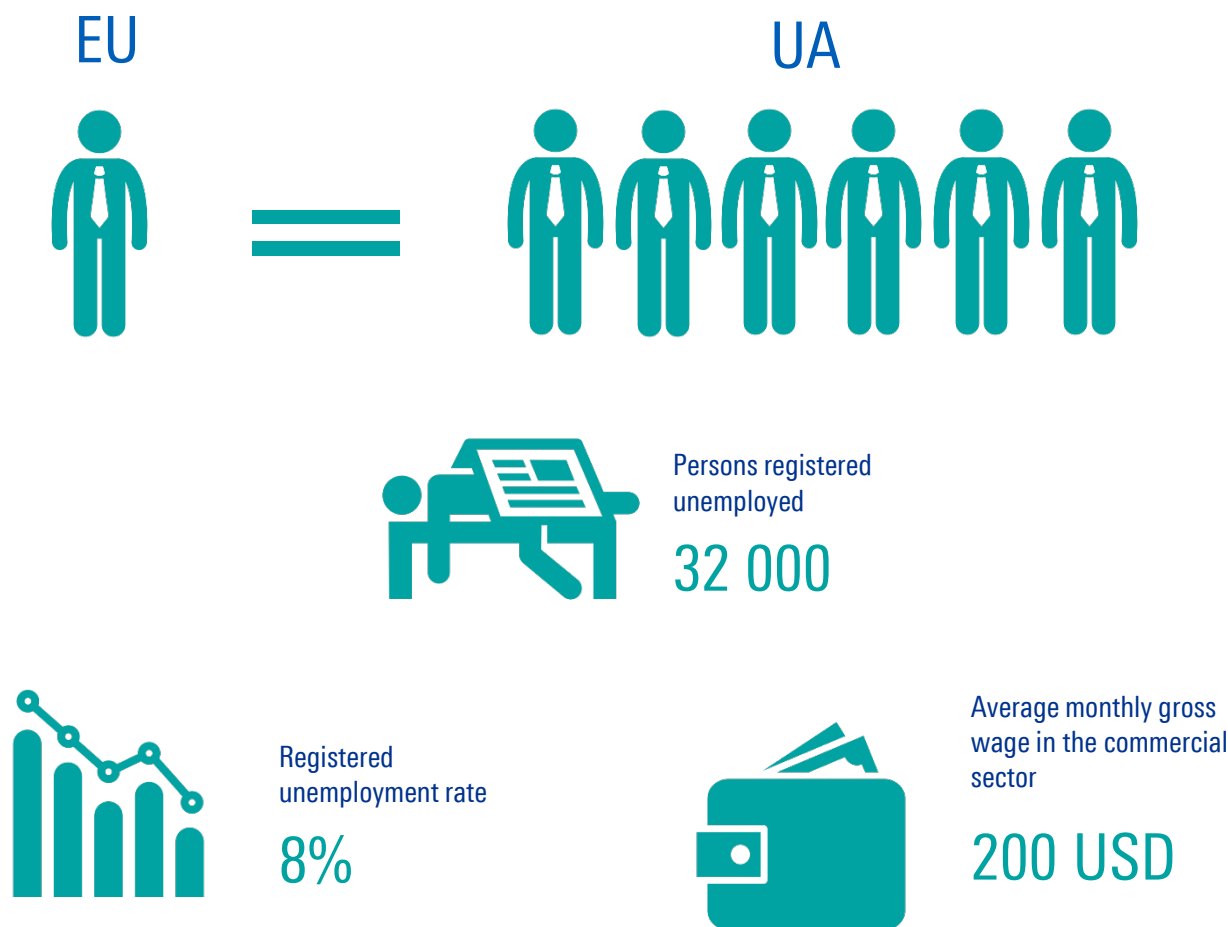
Dnipro

Labour market

Dnipro is the major labour market in southeastern Ukraine, and it is dynamic and growing. Many companies have relocated their offices to Dnipro from the eastern part of Ukraine following the increase in tensions with Russia.

Dnipro is one of the largest industrially developed cities in Ukraine and people usually work in its major plants and factories. Given the steady supply of graduates in technical degree subjects, local industrial companies find it relatively easy to fill entry-level positions. At the same time, the city is focusing on how it can transition away from older industries to a service economy. The city authorities have placed development of the IT sector and SSCs as one of its core strategies. The city has a lower-than-average registered unemployment rate, though given that the state pays low or no aid to temporarily unemployed people, the registered unemployed number is likely to be an underestimate of actual unemployment.

Salary expectations are quite low due to the wide availability of a large number of young and educated people in the region. Gross average salary across industries is about USD 200 per month, with jobs in the finance and IT sectors paying about USD 350-400 per month.



Dnipro

Education

Dnipro's institutions of higher education go back more than 100 years. They were established as a result of the region's economic and industrial development, focusing on mining and metallurgy, in the 19th century. Dnipro's tertiary education centres became central to aerospace corporations as well.

In more recent years, students are majoring in economics and other natural sciences, as the universities focus again on labour market needs.



Number of tertiary
education institutions

53



Number of students
(est.)

119 888



National Mining University of
Ukraine

12 000

Main universities (students)



Oles Honchar Dnipropetrovsk
National University

15 000



National metallurgical
academy of Ukraine

20 000

Selected faculties (approximate number
of students at Dnipro's main universities)



Social & Economic Sciences

13 500



IT & Engineering

9 000



Languages

English, German, Russian,
French, Spanish

Dnipro

Tourist attractions

Dnipropetrovsk's compact "old town" sadly no longer exists. Many historic buildings and churches were destroyed in the Second World War and again in the communist era under Stalin in the 1930s. However, a few streets in the centre did survive, retaining their old architectural heritage dating back 150 years. An evening walk through these parts of the city and along the river embankments is very pleasurable.

The Dnipro river is a major feature of the city. It divides the city into two parts, and forms a playground for water sports. You will find people relaxing as they engage in yachting, canoeing and kayaking.

Dnipro also has a large, active Jewish community, the cultural life of which is boosted by rich philanthropists. Their events include festivals, art exhibitions, famous guest performances, and celebrations of religious holidays, etc.



Theatres

4



Museums

26



Cinemas (multiplex)

12

Odesa



Population

1 016 500



Area

236.9 km²



Main investors

Adecco, Marriott,
Naftogas, Socar, Bunge,
Cargill

General information

Odesa is the third largest city in Ukraine after Kyiv and Kharkiv, and hosts a number of major seaports. It is a transportation hub located on the northwestern shore of the Black Sea. Odesa's oil and chemical processing facilities are connected to Russian and European networks by strategic pipelines, and the city's location on the Black Sea coast makes it one of the most popular resorts in Ukraine.

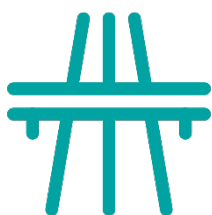
Odesa is also an administrative centre for Odesa region as well as a multiethnic cultural centre. Odesa is sometimes called the "pearl of the Black Sea," and the "Southern Capital" (under the Russian Empire and Soviet Union). During the 19th century, it was the fourth largest city in Imperial Russia, after Moscow, Saint Petersburg and Warsaw.

Its historical architecture has a style more Mediterranean than Russian, having been heavily influenced by French and Italian concepts. Some buildings have a mixture of different styles, including Art Nouveau, Renaissance and Classicist. During the Soviet period, Odesa was the most important trade port in the Soviet Union, and a Soviet naval base.

Odesa

Infrastructure

Odesa is the main sea gate to Ukraine and the largest city in the south of Ukraine. It is unquestionably the leading location in terms of export and transit facilities. The city's infrastructure includes the biggest seaport in Ukraine, which is host to a large number of logistics, shipping and transportation companies. Several major European roads pass through the city, and its location on Black Sea coast has helped to create a booming tourist industry.



Roads

E-58 – Vienna - Uzhhorod - Kishinev (Moldova) - Kuchurgan - Odesa - Melitopol - Novoazovsk (to Taganrog, Russia) - Rostov-on-Don (Russia)
E-87 – Odesa - Reni (to Bucharest, Romania) - Constanta (Romania) - Izmir (Turkey) - Antalya (Turkey)
E-95 – St Petersburg - Kyiv - Odesa - Samsun (Turkey) - Merzifon (Turkey)



Railways

Railway connections to all major Polish cities and a large number of European ones like Baku, Kishinev, Minsk, Moscow, Saint Petersburg.



Airports

Odesa International Airport (7 km from the city centre), no. of flights in 2016: 18 792; no. of passengers in 2016: 1 033 560; regular flights to Kyiv and 11 international destinations



Port

The Port of Odesa is one of the largest sea ports in Ukraine. Its annual capacity is about 21 million tonnes of dry bulk and 25 million tonnes of liquid bulk. It is connected to more than 600 ports in 100 countries around the world. According to common classification norms, the port is classed among the world's largest ports, has an international rating, and has a very active freight turnover. It is a multifunctional trading port. Greater use of containers is being actively developed, with the annual capacity of its container terminal at about 900,000 TEU. Passenger turnover is around 4 million tourists a year

Odesa

Real estate

According to Cushman & Wakefield, as of Q1 2017, Odesa's total office stock is around 250,000 sq m (GBA), or 246 sq m per 1,000 inhabitants. Of the city's total office stock, only six office properties, totaling approximately 82,000 sq m, can be considered professional office centres, with half of this area being the 'Morskoy' business centre.

In 2015, 19,000 sq m. of new office supply was delivered in Odesa. However, since then, and due to the city's increased risk perception among investors and office tenants, there has been no new supply of offices. The medium-term supply pipeline for new office developments in the city remains rather empty.

As with the other major regional cities in Ukraine, demand for office property in Odesa has been driven primarily by IT companies, as well as companies operating in the FMCG, pharmaceutical and agricultural sectors.

As of April 2017, prime office rents in Odesa have varied in the range of USD 12-16 per sq m per month (including OPEX, but net of VAT and utility payments). At present, the availability of good quality office space in the city is low.



Total speculative office stock (GBA)

250K m²



Prime rents (USD / sq m / month)

12-16



Vacancy rate

5%

Source: Cushman & Wakefield

Odesa

Labour market

The largest labour market in southern Ukraine, Odesa is focused on the logistics, trade and shipping industries, which provide the best opportunities for graduates majoring in economics, law and transportation sciences. The city is also popular among young talent for its work-life balance, and has a lower than average registered unemployment rate. Given that the state pays limited or no aid to temporarily unemployed people, the country's average number of registered unemployed is also quite low.

Despite the above, the gross average salary across different industries is around USD 200 per month, with jobs in the finance and IT sectors paying about USD 350-400 per month. Recent investments made by international corporations into export-oriented port and trade facilities have increased salary expectations among potential employees, and thus, with economic growth, salary expectations are also expected to grow faster than on average in Ukraine.



Average monthly gross wages in the commercial sector

USD 200

Odesa

Education

Odesa is home to several universities and other higher education institutions. The city's best-known and most prestigious university is the Odesa 'I.I. Mechnikov' National University. This university is the oldest in the city and was first founded in 1865 as the Imperial Novorossiysk University. Since then the university has developed to become one of modern Ukraine's leading research and teaching centres. In addition to the state-run universities mentioned above, Odesa is also home to a large number of private educational institutions and academies which offer an abundance of different subjects a student can major in.



Number of tertiary
education institutions

40



Number of students
(est.)

113 000

Main universities (students)



Odesa I.I.Mechnikov National
University

14 500



Odesa National Polytechnic
University

15 000



Odesa National Economics
University

10 000

Selected faculties (approximate number of students in Odesa's main universities)



Social & Economic Sciences

11 000



Languages

English, German, Russian,
French, Italian, Spanish,
Chinese, Japanese



IT & Engineering

7 000

Odesa

Tourist attractions

Once an integral part of Ukraine's shipping industry – and during the Soviet era, the most important port in the USSR – Odesa today has become a tourist destination for international cruise passengers and adventurers alike.

The city provides an enchanting look into Ukraine's history. It boasts some imposing and elegant architecture, ranging from grand palaces to Uspensky Cathedral. Odesa Opera House, designed by Viennese architects Fellner & Helmer in the Vienna Baroque style, was re-opened in 1887. The architecture of the luxurious audience hall follows the late French rococo style. The Opera House ceiling is decorated with scenes from Shakespeare's plays.

Odesa, on the shores of the Black Sea, is also famous for its many therapeutic and balneological resorts. The city's famous Arkadia beach has long been a favourite place for relaxation, both for the city's inhabitants and its many visitors. The city provides enormous night life opportunities, with many bars and nightclubs operating all year round.



Theatres

4



Museums

26



Cinemas (multiplex)

15

Kharkiv



Population

1 430 000



Area

350 km²



Main investors

BNP Paribas, Ciklum,
Gameloft, Philip Morris
international, SoftServe

General information

Kharkiv is located in the northeast of Ukraine and is the second largest city in the country. Kharkiv is one of the country's main rail junctions and a major economic and cultural centre.

Historically, its proximity to the iron mines and coal in the Donets Basin has seen major engineering industries settle in Kharkiv, leaving their footprint to this day. The city is a powerhouse in the machine building and aerospace industries, and hosts companies such as Turboatom, Kharkiv Aircraft Plant, Kharkiv Tractor Plant, etc.

Kharkiv's industries also include food and tobacco processing, printing, and chemicals manufacturing. In the Soviet era, Kharkiv was the USSR's 3rd largest industrial centre, lagging only behind Moscow and St. Petersburg.

The city was capital of Ukraine from 1919 to 1934, before power swung again to Kyiv.

Kharkiv's landmarks include the cathedral of the Protectoress (1686), the cathedral of the Assumption (1771), and a bell tower that was built to celebrate Napoleon's defeat in 1812. The universities date from 1805, and there are numerous scientific research institutes.

During WW II, the city was heavily destroyed, and only a few buildings in the old architectural style survived. The city was rebuilt with large avenues and many apartment blocks, and the main square in Kharkiv – Freedom Maidan – is the largest in Europe (at more than 11 ha).

Kharkiv

Infrastructure

Kharkiv is a very important transport hub in eastern Ukraine, offering a well-developed network of national roads as well as railway and airline connections. A few international roads also pass through the city. The city has the 2nd largest metro system in Ukraine after Kyiv. All of this makes the city a convenient location for business travelers as well as tourists.



Roads

International roads E-40, E-50 from Kharkiv to Rostov on Don, E-105 from Kirkenes via St. Petersburg and Moscow.



Subway

The Kharkiv Metro is the subway system serving Kharkiv. The metro consists of three lines which operate on 37.6 kilometers of track and serve 30 stations. The system transports more than 600K passengers daily.



Railways

Railway connections to 6 major Ukrainian cities and many international destinations, including Astana, Baku, Minsk, Moscow, St. Petersburg, Warsaw



Airports

Kharkiv International Airport (12 km from the city); no. of flights in 2016: 6 400; no. of passengers in 2016: 599 700; regular flights to 2 domestic and more than 9 international destinations (including Minsk, Tel-Aviv, Istanbul and Warsaw)

Kharkiv

Real estate

According to Cushman & Wakefield, as of Q1 2017, Kharkiv's total office stock was around 312,000 sq m (GBA), or 216 sq m per 1,000 inhabitants. Of this stock, only seven properties in total, with an area of approximately 62,000 sq m (GBA), can be qualified as relatively modern office space.

A majority of Kharkiv's existing office properties were delivered by renovating old industrial premises. In recent years, as the risk perception of the city has risen among investors and office tenants, there has been no new supply of offices to Kharkiv's market. In the medium term, there are not many speculative office developments in the pipeline. Nevertheless, Kharkiv does have some good built-to-suit options available on its market.

In Kharkiv, demand for office property has mainly been driven by IT companies, as well as companies operating in the FMCG, pharmaceutical and agricultural sectors.

As of April 2017, prime office rents in Kharkiv have ranged between USD 10-15 per sq m per month (including OPEX, but net of VAT and utility payments). However, the current availability of good quality office space in the city is very limited. Office space of secondary quality is available for occupation at a grossed up rent of between USD 4-10 per sq m per month.



Total office stock (GBA)

312K m²



Prime rents (USD / sq m / month)

10-15



Market vacancy

1%

Source: Cushman & Wakefield

Kharkiv

Labour market

As the major labour market in eastern Ukraine, Kharkiv is similar to Dnipro. Many companies have relocated their offices away from the east of Ukraine due to the tensions with Russia.

As one of the largest industrially developed cities in Ukraine, many people work in major plants and factories. Given the steady supply of graduates in technical subjects, local industrial companies find it relatively easy to fill entry level positions.

The city is also focusing on transforming itself away from heavy industry towards services. The city authorities consider fostering the development of IT and SSC firms as a core strategy, and are positioning Kharkiv as an IT hub for IT-outsourcing companies.

The city has a lower than average registered unemployment rate for Ukraine. Given that the state pays very little or no aid to temporarily unemployed people, the number of those registered unemployed is likely to be underestimated.

Having said that, salary expectations remain quite low due to the availability of a large number of young, educated people in the region. Gross average salary across industries is about USD 250 per month, with jobs in the finance and IT sectors paying about USD 350-450 per month.



Kharkiv

Education

Kharkiv is considered the student capital of Ukraine. The first institutions in the city was Imperial University (now the University of Kharkiv), opened in 1805, followed by the 1885 Institute of Technology (now the National Technical University 'Kharkiv Polytechnic Institute'). Many of them, such as HAI (Aviation), KPI (Polytechnic), and Hadi (Road) are educational brands with global reputations. Specialisations on offer vary from technical subjects to agricultural, from military education to IT. The presence of a large number of foreign students in Kharkiv creates vast opportunities for multicultural exchange and cooperation, and add to the unique atmosphere of this student city.



Number of tertiary
education institutions

69



Number of students
(est.)

178 000



V. N. Karazin Kharkiv National
University

16 000

Main universities (students)



National Technical University
"Kharkiv Polytechnic Institute"

22 000



National Aerospace
University

8 000

Selected faculties (approximate number of students in Kharkiv's main universities)



Social & Economic Sciences

13 200



Languages

English, German, Russian,
French, Korean, African and
Middle East languages



IT & Engineering

8 600

Kharkiv

Tourist attractions

Kharkiv is a quaint, beautiful city offering a multitude of attractions and sights to prospective travelers. Each and every visitor to the city will be able to find his or her own place of unique interest.

The magnificent "Freedom square" lies in the city centre. This is the 12th largest city-square in the world, and the largest in Europe. Interesting sights in and around this area include the imposing "Derzhprom building", the "Shevchenko monument", and the war memorial to Polish martyrs.

The square is straddled by the expansive Shevchenko park, which, owing to its greenery and numerous restaurants and clubs, makes it a wonderful recreational and social spot in the summer.

In addition, Gorkhy park and botanic garden, along with a number of other smaller parks and gardens, add to the scenic value of the city. A cable car rides from the botanic garden to Gorkhy park, adding an enjoyable and fairly inexpensive (2 EUR) novelty to a visitor's trip.

For history lovers, the city offers plenty of treats in the form of the Historical museum, the National Art Museum, and the Holocaust museum. The Historical museum hosts a remarkable World War II section, which is famous for its breathtaking war-collection that includes T-34 tanks on permanent display.



Theatres

21



Museums

22



Cinemas (multiplex)

15

4. Overview of legal matters for doing business in Ukraine

Starting a business in Ukraine is easy. There is a “one-stop shop” system to deliver corporate registration via either local councils, local state administrations, or legal notaries. The state administrative fee for registration is about EUR 18.

A Limited Liability Company (LLC) can be registered within 2-3 business days. This involves registering with the fiscal, statistical and social security authorities, as well as opening a bank account). There is no minimum share capital requirement for an LLC. The founders of an LLC should contribute 100% of their declared share capital within one year from the date of incorporation of their firm.

The main taxes and social contributions are: Corporate Income Tax (18%), Value Added Tax (20%), Personal Income Tax (19.5%, including a temporarily-levied military tax), and Unified Social Security Contributions (22%). These contributions come from employers and cover state healthcare support for employees.

The Corporate Income Tax calculation is based on accounting standards that are very similar to international ones. Companies can choose between IFRS or local standards when compiling their accounts.

Transactions with non-resident related parties are deemed controlled from a transfer pricing perspective if the annual income of the taxpayer from its activities exceed UAH 150 million in the reporting year.

Should a firm need to leave the Ukrainian market or undergo a large reorganisation, the laws for releasing employees are fair and allow employers numerous legal possibilities to release workers from employment.

Working weeks should not exceed 40 hours in length, and employees are entitled to annual leave of at least 24 calendar days.

The minimum monthly salary is UAH 3,200 (about EUR 115).



One-stop shop to open a business in 2-3 days



Favourable tax rates for business



Transfer pricing policies similar to developed countries



Low minimum wage of USD 125

4. Overview of legal matters for doing business in Ukraine

Termination of employment

Employment can be terminated by an employer in the following circumstances:

- redundancy;
- liquidation of the employer or reorganisation of the employer's corporate structure;
- the employee is found to be incompatible with the occupied position (e.g. lack of qualifications or poor health);
- the employee systematically fails to perform his/her duties without providing any good reason, after an employer has already applied disciplinary measures to the employee for these failings;
- employee is absent from work and unable to reasonably justify this absence (including absences from work of more than 3 hours during the working day).

If an employee is to be made redundant (or for a similar reason), the employer must give at least two months' notice to the employee. Dismissal of a member of a trade union requires that the preliminary consent of the respective trade union is obtained.

Companies face no obligation to create trade unions within themselves, and there are no obligation on employees to join any unions. Trade unions mostly exist in the heavy industry sector, and were inherited from "Soviet" times. IT and similar new sectors of the economy do not have trade unions.

An employee is entitled to severance payment worth an average of one monthly salary when employment is terminated due to:

- the employee's refusal to move with the employer to a different area (if a business relocates to a different town, city, etc);
- the employee's refusal to continue working if significant changes to his / her working conditions take place;
- reorganisation, restructuring, liquidation or bankruptcy of the employer, or redundancy;
- the employee's failure to meet the requirements for his or her position (due to a lack of qualifications or a health condition); and
- the return of the employee who previously occupied the position, for example, from maternity leave.

Should any decision be made to liquidate an SSC, two months' notice is sufficient, along with payment of one month's salary.



"Easy come—easy go"
hiring and termination
policies



Severance payments last
for a maximum of only 3
months

About KPMG

Services

Audit and Assurance

- Financial Statement Audit
- Audit Data & Analytics
- KPMG's Global IFRS Institute
- Better Business Reporting
- Accounting Advisory Services

Tax and Legal

- Transfer Pricing Services
- Tax Diagnostics
- Dispute Resolution & Controversy Services
- Tax Audits
- Deal Advisory, M&A Tax
- International Taxation
- Indirect Tax Compliance
- Tax and Accounting Advisory
- Accounting Outsourcing & Tax Compliance
- Global Mobility Services
- Legal Services

Deal Advisory

- Transaction Services
- Corporate Finance
- Restructuring Services

Risk consulting

- Accounting Advisory Services
- Forensic
- Internal Audit Risk & Compliances Services

Management consulting

- Strategy consulting services
- Corporate strategy
- Business model transformation
- Organisational strategy
- Functional strategy
- Strategy & operations
- Operational consulting services
- Organisational operations
- Sales & Marketing
- Supply Chain
- Sourcing & Procurement
- Business process management
- Research & development
- Outsourcing

Industries

- Automotive
- Banking
- Chemicals
- Banking and Capital Markets
- Energy
- Financial Services
- Food, Drink & Consumer Goods
- Government & Public Sector
- Healthcare
- Industrial Manufacturing
- Infrastructure
- Insurance
- Investment Management
- Life Sciences
- Media
- Mining
- Retail
- Technology
- Telecom
- Transport & Logistics
- Private Equity
- Real Estate
- Agriculture

SSOA (Shared Service and Outsourcing Advisory): KPMG services to set up and run your SSC

Who are we?

- KPMG's Shared Services and Outsourcing Advisory (SSOA) is recognised as one of the world's leading advisory practices
- KPMG helps our clients transform their businesses to improve value, increase agility and create sustainable high performance
- We bring our specialised global team of more than 1 000 professionals to solve your problems. Our blend of insight and operational talent helps our clients design, build and manage business processes that are multifunctional
- We deliver strategies that clients can implement. Ease of execution for you is a key part of the strategies we provide.

What do we do?

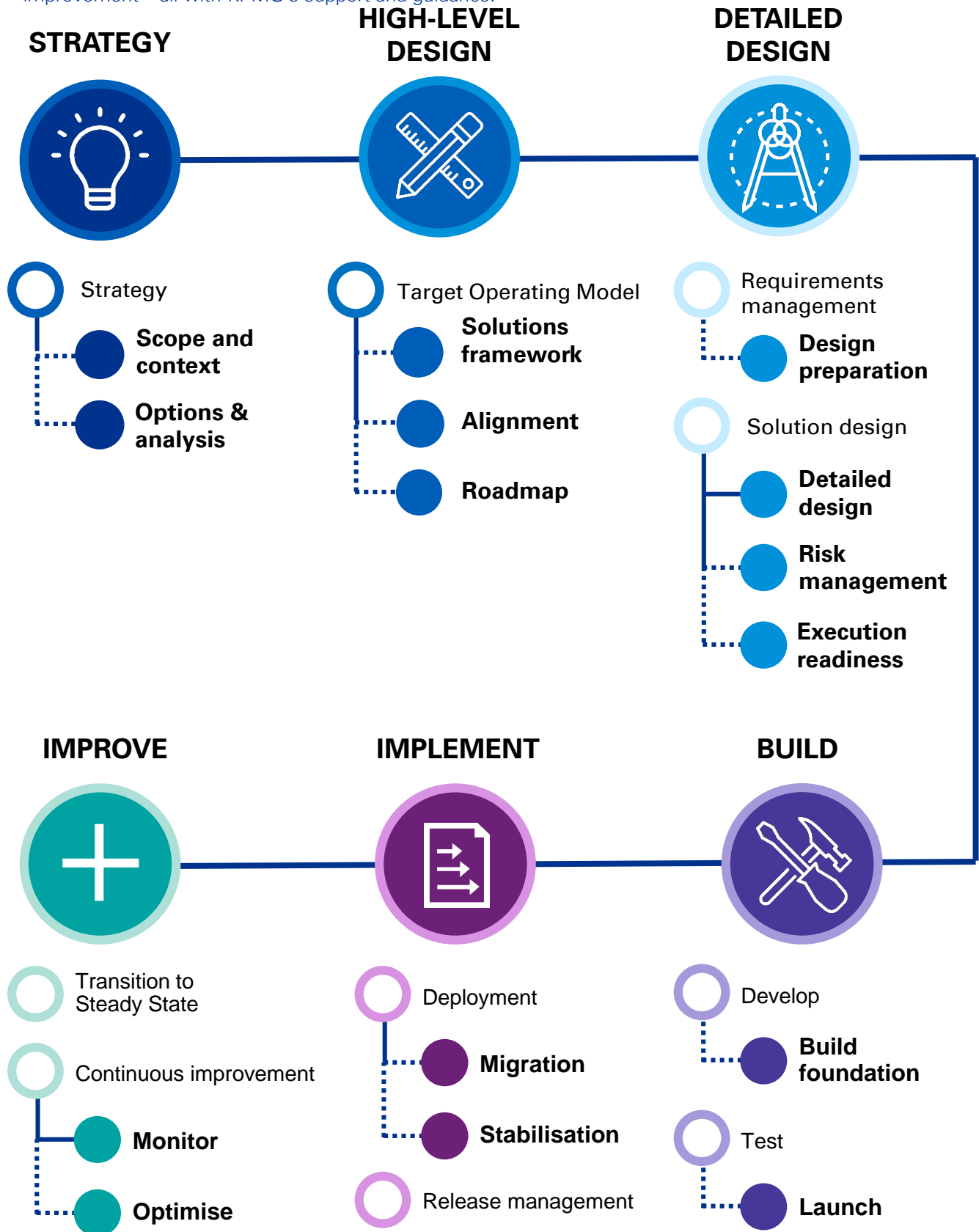
- We help our clients align their business service management models. We help you combine common processes, the latest technology, and quality services
- Our SSC/Outsourcing services are a transformational journey. While there are common design principles, there is no "one size fits all" model, and each project is unique, designed to fit your company and enable the fulfilment of your aims
- What are your goals? We will work with you to provide everything you need from strategy to implementation, and everything in between.

How do we do it?

- We apply a combination of focused research, automated tools, proprietary data, clear business acumen and a mindset to get quickly to what matters. We provide objective, actionable advice and practical answers to our clients
- We understand that our provision of business services is all about delivering you with continuous improvement to achieve specific business outcomes. So we employ a flexible and modular approach that covers all angles of the SSC/Outsourcing life cycle, including change management, IT, governance, risk and compliance
- Our service offering is holistic and end-to-end, comprising:
 - Research and data analytics
 - Service delivery model strategy
 - Solution design
 - Solution implementation
 - Monitoring and optimisation
 - Managed governance services
 - Governance technology

Your transformation journey with KPMG

Your transformation journey with us towards operational excellence begins with development of a strategy. You then select a centralisation / outsourcing approach by targeting the design of an operating model. You then implement, migrate to the new model stabilise, monitor, optimise and, finally, begin the process of continuous improvement – all with KPMG's support and guidance.





Support during every phase of your SSC's growth

Our SSOA supports you on your challenging transformation journey, providing end-to-end services at every stage of your move towards Operational Excellence. We use our proven Service Delivery Lifecycle methodology.

STRATEGY



- Review of solutions for SSC model
- Target Financial and Operating Model
- Location study
- Risk and compliance assessment



DESIGN



- Processes identification and analysis (As-is documentation: description, maps)
- Business case (cost estimation, NPV, ROI)
- Service portfolio (Blueprint)
- Organisation – SSC relationship framework (Service Level Agreement, KPI identification)

IMPLEMENTATION

- Detailed migration plan and transition guide
- Processes migration (interim management)
- Infrastructure and technology design
- HR build-up (recruitment support, knowledge transfers and training)



MONITORING AND OPTIMISATION



- Monitoring and control mechanisms (e.g. Service Performance Dashboards)
- Improvement Opportunity assessment
- Organisational Maturity assessment (Maturity Assessment, Healthcheck – 6P Assessment)
- Processes benchmarking (KPI Analysis)
- Process standardisation and optimisation



KPMG is a leader in the Shared Services and Outsourcing Advisory marketplace

Services of the highest quality

Since 2009, KPMG has been ranked on the International Association of Outsourcing Professionals' (IAOP) list of the World's Best Outsourcing Advisors.

In 2016, KPMG gained 'Superstar' status for Sustained Excellence and for being top of all individual categories.

KPMG achieved all-star ratings – as well as perfect scores in two of the most significant judging categories – for our shared services and outsourcing advisory capabilities.



KPMG was also named 'Advisory of the Year' (2016) for excellence in Pan-European outsourcing at the Global Sourcing Association's (formerly European Outsourcing Association) awards

Our Global SSOA Centre of Excellence (CoE) constantly works to identify and analyse shared service and outsourcing best practice. KPMG's global experts are constantly feeding back improvements into our methods, adapting them to changing trends, and enhancing them to meet client expectations.

More value and greater capability to support our clients



In 2011, EquaTerra Inc. and its subsidiaries were acquired by KPMG, furthering our position as one of the world's foremost shared services and outsourcing advisors. Together, we help our clients transform their business services to improve value, increase agility and create sustainable performance



Industry thought leadership

KPMG shares with our clients our experience and professional knowledge via means of our numerous publications and reports.

Recent publications from KPMG in Ukraine include:

- Ukraine as a destination for Business Service Centres
- Nordic Shared Services and Outsourcing: Pulse Survey
- The state of the outsourcing, shared services and operations industry in 2017



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Roman is a qualified Chartered Accountant (ACCA) with more than 13 years of professional experience working with multinationals and local clients. He has extensive international experience from working in Ukraine and Singapore, and a detailed knowledge of business finance in various industrial and consumer markets. Roman's expertise and interests cover finance and accounting matters, SSC, and the design and implementation of financial reporting models, among other specialisations.



Maksym Voytsekhovsky

Maksym is head of the Tax and Legal Department in KPMG's Lviv Office. He has 18-years of professional experience advising multinational and local companies on tax and legal issues.

Wide spectrum of company's profiles cover almost all sectors, including FMCG, agro industrial, banking, engineering, oil & gas. Such a wide list of the market sectors helps share experience between businesses, find potential risks in business issues, and minimize them.



Volodymyr Pavlishevskyy

Volodymyr is a member of the Association of Chartered Certified Accountants. In his 8+ years with KPMG, he has gained extensive experience developing accounting policies and analysing and providing recommendations on how to improve, design and implement financial reporting models. He also prepares financial projections and valuations for his various clients. Volodymyr's experience providing services to companies in various markets includes assisting clients with IFRS related issues, as well as for other accounting standards. His international experience was gained from working in Ukraine, Azerbaijan and Denmark.

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