

INVESTMENT POTENTIAL 2008

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UKRAINIAN PROPERTY MARKET

A World of Opportunities

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Obelisk has a policy of recommending only those projects where they are prepared to invest themselves. This investment by the company is just one of the ways Obelisk demonstrates their commitment to the quality of their selected projects.

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A World of Opportunities

UKRAINE INVESTMENT POTENTIAL 2008

Sitting at the crossroads of east and west, emerging into a new era of true democracy with remarkable economic success, the Ukraine is attracting considerable interest from overseas investors seeking long term rewards. With the added investment and interest that will come with the Euro 2012 football championships, the country looks set to continue along the path of economic growth with a promising future for property investment.

Tourism figures have steadily risen over recent years with Ukraine's official statistical agency, the Ministry of Statistics of Ukraine, reporting 18.9 million tourists in 2006, representing a significant 8% increase from 2005's 17.6 million. The cosmopolitan capital Kiev, the Black Sea resorts of the Crimean coast, and the popular ski resorts of the Carpathian Mountains have proven to be the most popular destinations, with substantial development within the tourism industry attracting visitors from both the affluent west and the former Soviet republics.

British Airways and Ukrainian airlines operate scheduled flights to Kiev and Lviv (via Vienna) from Britain, and with the country's growing popularity, budget airlines may not be far behind, further increasing tourism numbers and demand for holiday rentals and second homes.

Ukrainian tourism generated US\$18,632 million in 2007, with this figure predicted to grow to US\$42,930 million over the 10 year period to 2017 (Source: World Travel & Tourism Council).

Ukrainian tourism generated US\$18,632 million in 2007, with this figure predicted to grow to US\$42,930 million over the 10 year period to 2017 (Source: World Travel & Tourism Council). Total demand for the year end 2007 is expected to have grown by 3.1%, with forecasts of an average 3.9% growth per annum between 2008 and 2017.

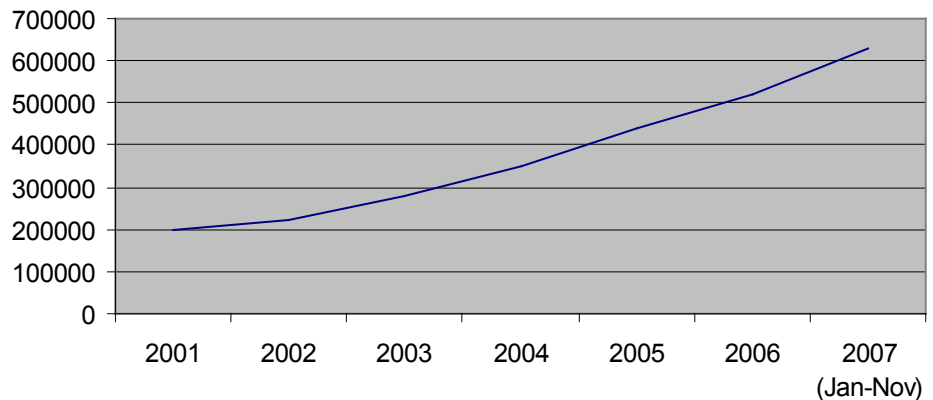
The European Football Championship due to be hosted by the Ukraine in 2012, will inevitably boost the tourism industry as huge improvements are made to the country's infrastructure in preparation for the expected influx of visitors. The Global Investment Bank Merrill Lynch is already investing heavily in the country ahead of the championships, where matches will take place in Kyiv, Donetsk, Dnipropetrovsk, and Lviv. The hosting of the championships provides the country with an opportunity to promote itself throughout Europe, which will serve to stimulate the real estate market both in the short term to service the event, and in the long term through raised awareness of all that Ukraine has to offer.

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Figure 1

GDP (UAH in millions)

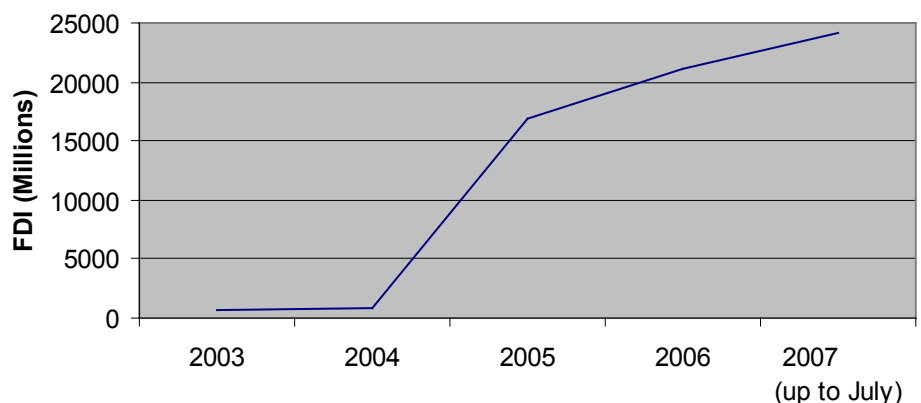


Source: State Statistics Committee of the Ukraine

According to the Ukrainian Bank, the macro economy is stable with the problems of the early post-Soviet period now overcome and Ukraine's currency, the Hryvnia, remaining stable since its introduction in 1996. Consumer confidence has augmented with retail turnover soaring by 26.4% during January and June 2007, compared to the same period in 2006 (Source: Ukraine.com). The economic stability demonstrated by the Ukraine provides solid foundations upon which foreign property speculators are able to base their investment decisions.

Figure 2

Ukraine FDI Inflows



Source: State Statistics Committee of the Ukraine

According to Knight Frank, the Ukraine is one of the most promising property markets in the world, with some property values rising by a remarkable 600% over the past three years.

Foreign direct investment (FDI) has increased significantly over recent years from \$0.6 billion in 2003 to \$24.2 billion by July 2007, according to the State Statistics Committee of Ukraine. This impressive growth represents an increase of 350% in less than 4 years.

The World Bank's 2004 to 2007 Country Assistance Strategy (CAS) for the Ukraine focuses on supporting the country's aspirations to join the European Union.

According to Knight Frank, the Ukraine is one of the most promising property markets in the world, with some property values rising by a remarkable 600% over the past three years since the 'velvet revolution' brought true democracy to the country (Source: The Independent).

The Ukraine's new apartment market has seen a rise in activity during the last year, with price increases of approximately 5% in Q2 of 2007, as attention has moved away from the secondary property market. Kiev experienced property price rises of 70% during 2006, following a 65% increase in 2005, according to Kiev real estate agents 'In Real'.

While capital growth potential is clear, rental yields also hold impressive records. Average rental yields in the Ukraine are as high as 8.8%, with yields in Kiev ranging from 6.9% to 10.2% (Source: Global Property Guide).

Naturally, the arrival of the Euro 2012 football championships will create a higher demand for property purchase as well as cause rental prices to surge presenting impressive rental yields. Improvements to infrastructure in preparation for the games will leave the country more accessible and further attract both increased visitor numbers and investment.

In summary, the Ukraine has been thriving since the velvet revolution, creating a dynamic economy, an affluent population, and a growing tourist industry - all of which are attracting huge investment from overseas. And with landmark events such as the Euro 2012 football championships and possible EU membership on the horizon, the Ukraine presents a serious proposition for property investment.

PURCHASE PROCESS

Below is the standard purchase process in the Ukraine and issues that may affect that purchase:

- Foreign citizens have the right to buy and own property in the Ukraine according to the Ukrainian Constitution. The law permits purchasers of property (including foreign investors and joint ventures) not only to own property but also to use such property for commercial purposes, lease property, and keep the revenues derived from its use after tax.
- Once you have found your property, a preliminary sale/purchase agreement is signed in the presence of a Notary, setting out the purchase terms and the agreed dates of full contract signing and completion.
- A deposit of 5% or \$3,000 (whichever is the larger) is paid at the preliminary stage.
- You will then sign an agency agreement and a main sale agreement by the agreed date.
- The property purchase must be registered with the state authorities.

Costs of a standard property purchase in the Ukraine include the following:

- The transfer of property is liable for stamp duty at a rate of 1% of the contract value. However, this duty can be paid by either party subject to your purchase agreement.
- Capital gains on the sale of land are calculated as the difference between the sale and purchase prices of the land, increased by the inflation coefficient, if an annual inflation rate for the relevant calendar year exceeds 10% per annum.
- Capital gain by a non-resident from the sale of real estate located in Ukraine is subject to 15% tax.
- Sale during a reporting year of more than one apartment or house is liable for personal income tax at 5%.
- Rental income is subject to personal income tax at 15%. Businesses that rent property from an individual are obliged to withhold this 15% tax from their rent payments.

THE OBELISK ADVANTAGE

As Obelisk approaches its projects purely from an investment perspective, its priority is to deliver each real estate product with an emphasis on simplicity and transparency throughout the purchase process. Therefore, Obelisk has already identified the purchase procedure for its clients as a simple, four step process:

- 1) The client chooses and reserves the unit that best suits their investment requirements, and Obelisk takes the client through a compliance procedure.
- 2) An independent lawyer, sourced and appointed for the client by Obelisk, will have already carried out full due diligence on the real estate product. They will issue all purchase contracts and paperwork to the client.
- 3) On receipt of this contract, the client will sign and make the first payment. The lawyer will notify the client of all further payments when required.
- 4) The appointed lawyer will also represent the client in all aspects legally required within the country of purchase, ensuring that clients of Obelisk enjoy the benefits of simple and hassle-free real estate investment.

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Find out more about how Obelisk's team of trained professionals can help you make the most out of your investments and introduce the most exciting and cutting edge opportunities available in the real estate investment market today.

Simply call from anywhere in the world and a Consultant will be available to discuss your personal investment needs.

Whether you are an individual, smaller investor looking to start creating your real estate portfolio, or a seasoned group of investors looking for a new and cutting edge strategy in real estate investment, Obelisk[®] can help you realise your investment goals.

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