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Sergiy Kobzan · Olena Pomortseva

# Real Estate Market of Ukraine

Practical Aspects  
and Trends

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# Introduction

A very important task at present is to conduct in-depth research of the real estate market. The real estate market reflects how the economy of the region or the country as a whole works. All changes in the economy affect the dynamics of the real estate market and, conversely, the dynamic development of the real estate market affects the rapid growth of certain sectors of the economy.

2021 showed that, despite the pandemic and economic crisis, the demand for housing increased by 30–35% in the primary and 30% in the secondary real estate markets.

Real estate market research is a complex process. The real estate market consists not only of buildings and land—but it is also a complex powerful mechanism that depends on many factors. Real estate market research is related to modern technologies, such as geographic information systems (GIS)—technology, research of modern databases, development, and construction of necessary models, solving infrastructure optimization and more.

# Contents

<b>1</b>	<b>General State of the Real Estate Market in Ukraine</b>	<b>1</b>
	References	6
<b>2</b>	<b>Real Estate Market: Trends and Developments</b>	<b>7</b>
2.1	Distribution of Real Estate by Types	9
2.2	Research of Peculiarities of Rent Market Development	13
2.3	Research of the Market of Small-Sized Housing	22
2.4	Research of the Primary Real Estate Market	30
2.5	Research of the Land Market	42
	References	47
<b>3</b>	<b>Practical Aspects: Development of a Method of Modeling the Most Attractive Location of a Real Estate Object</b>	<b>49</b>
3.1	Research of Modern Trends in the Location of Shopping and Entertainment Centers and Art Spaces	50
3.2	Methods of Calculating the Attractive Location of Real Estate	63
	References	75
<b>4</b>	<b>Determinations of the Optimal Location of the Real Estate Object</b>	<b>77</b>
4.1	Analysis of the Population Density of the City of Kharkiv	78
4.2	Analysis of the Location of Shopping Centers in the City	80
4.3	Analysis of the Socio-economic Condition of the Administrative Districts of the City	82
4.4	Provision of Infrastructure to the Population	84
4.5	Analysis of Transport Accessibility in the City	85
4.6	Creation of Visual Models in the Design of Geodatabases	87
4.7	Examples of Building Visual Models	88
	References	91

<b>5</b>	<b>Factors of Influence on the Real Estate Market</b>	93
5.1	Construction and Real Estate Market	93
5.2	Research of Dynamics of Change of Cost in the Real Estate Market	99
	References	109
<b>6</b>	<b>Prospects for the Development of the Real Estate Market in Ukraine</b>	111
	References	117
<b>7</b>	<b>The Situation on the Real Estate Market Because of Russia's War Against Ukraine</b>	119
7.1	The Situation on the Real Estate Market as of Spring 2022	121
7.2	The Situation on the Real Estate Market as of Summer-Autumn 2022	127
7.3	Results of 2022	141
	References	144
	<b>Index</b>	145



# Abbreviations

1-room	One-room apartment
2-bedroom	Two-room apartment
3-bedroom	Three-room apartment
article	Article
BGD	Geodatabase
CPT model	Central Place Theory model
DB	Database
GIS	Geographic information systems
m.	City
m <sup>2</sup>	Square meter
max	Maximum
MCI model	Multiplicative Interactive Choice model
min	Minimum
MLS	Multi-listing system
RI	Research Institute
ser	Average
Shopping center	Shopping center
Shopping mall	Shopping and entertainment center
UAH	Ukraine hryvnia

# Chapter 1

## General State of the Real Estate Market in Ukraine



**Abstract** The purpose of this chapter is to define real estate as land and land improvements, namely buildings, structures, infrastructure facilities, etc., located on a plot of land. The fact that the land is inextricably linked with the objects located on it is determined. To substantiate this statement, the authors reviewed the relevant laws of Ukraine and highlighted the main characteristics of real estate. The authors set the task of studying land as the most important element of real estate. The task set by the authors was carried out with the help of a detailed analysis of normative acts and relevant laws of Ukraine. As a result, discrepancies were identified in the definitions of the terms “real estate” and “immovable property”, as well as the main components of real estate. Such definitions as “immovable property” and “immovable property” are reflected in the relevant schemes. It has been proven that land is the most important element of real estate, which is why the description of any real estate object must necessarily be related to land. In this chapter, the authors considered the real estate object, which includes not only land but also improvements, as a product of the interaction of all factors of production. Each of these factors contributes to the value of the property. The acquisition of rights to any real estate must consider the acquisition of the right to land. This is one of the important circumstances that determine the value of the land. And this problem does not have an appropriate legal solution in Ukraine today.

**Keywords** Geographical information system • Commercial real estate • Land plot • Location • Real estate • Real estate market • Real estate • Real property visual model

The rapid development of the real estate market is necessary for the functioning of market relations, both in certain areas of the economy and in the economy of Ukraine as a whole. The real estate market does not exist as a separate component but exists in an economic environment where all the physical properties of the market and its main characteristics are revealed. Let us focus on the definition of real estate, because real estate together with monetary resources is the basis of any real estate market.

“Real estate is the earth as a physical object and everything that is closely connected with it (located on it)” [1]. Real estate, tied to a certain place on earth, always has the impact of the environment—neighboring buildings, structures, transport routes, the environmental situation in the area, etc. The location of real estate is one of its main characteristics, which significantly affects such economic parameters as price, liquidity, and profitability of real estate. Location is an important economic characteristic of real estate.

### *Real Estate*

Real estate is land and land improvements related to changes in the quality characteristics of land, in particular the placement of houses, buildings, and infrastructure.

Land is a specific means of production that operates in all sectors of the economy. As a means of production, land is characterized by certain features that directly affect the assessment of its value:

- is not the result of previous work;
- spatially limited;
- is not replaced by other means of production;
- has a fixed location;
- not prone to wear when used properly;
- territorially diverse;
- each specific land plot is characterized by a specific, only for its possible usefulness;
- in all spheres of human activity (except agriculture and forestry) land acts mainly as a spatial operational basis.

The earth is inextricably linked with the objects that are located on it: houses, buildings, roads, reclamation systems, and other material elements created by human labor (improvements). The peculiarities of the land as an object of evaluation determine the dependence of its value on the qualitative characteristics and properties, legal regime, location, as well as market conditions.

Buildings and structures as real estate are characterized by several features:

- are connected to the ground and cannot be moved to another place without causing irreparable physical damage;
- wear out;
- in the process of estimating their value, it is advisable to use generalizing technical characteristics, for example, 1 m<sup>2</sup> area, 1 m running length, 1 m<sup>3</sup> volume, etc.;
- the real estate market is developing quite dynamically, and the law of supply and demand is the strongest, which promotes the use of average prices for the evaluation of similar objects.

Because land is one of the main wealth of society, ownership of which determines the property and social status of various groups, an effective mechanism for legal regulation of various socio-economic relations between legal entities and individuals regarding possession, disposal, and use land (lease, sale, distribution, organization of use, protection, etc.).

Currently, the real estate market of Ukraine has reached the stage of civilized relations. Realtors from different regions approve and develop joint plans for cooperation in the real estate market. The All-Ukrainian Multilingual System (MLS) of the Association of Real Estate Specialists of Ukraine (ASNU) is functioning, developing, and improving. In regions, independent interaction of realtors in local real estate markets. Professionals in the real estate market and just its participants are interested in the existence of market and civilized relations in the real estate market. These are realtors, notaries, appraisers, buyers, sellers, and other participants in the real estate market.

Realtors are concerned about:

- (1) multifactor analysis of the real estate market;
- (2) real estate market monitoring;
- (3) real estate market forecasting;
- (4) high-quality and professional real estate appraisal;
- (5) legislative support of a full-fledged real estate register;
- (6) financing of real estate transactions and ensuring legal settlements in real estate transactions;
- (7) modern technologies in real estate activities.

According to the Civil Code of Ukraine (Article 181. Immovable and movable property), “Immovable property (immovable property, real estate) includes land plots, as well as objects located on a land plot, the movement of which is impossible without their depreciation and change of their purpose”.

The real estate regime may be extended by law to aircraft and ships, inland waterway vessels, space objects, as well as other things, the rights to which are subject to state registration.

Movable things are things that can move freely in space:

- law of Ukraine “On Mortgage”—“Real estate (real estate)—it is land, as well as objects located on the land and inextricably linked to it, the movement of which is impossible without their depreciation and change of their purpose” (Article 1).
- law of Ukraine “On the fee for mandatory state pension insurance”—“Immovable property is a house or part thereof, apartment, garden house, cottage, garage, other permanent building, as well as other objects that falls under the definition the first group of fixed assets in accordance with the Law of Ukraine “On corporate income tax”.
- law of Ukraine “On Personal Income Tax”—“Immovable property (real estate)—are objects of property that are located on land and cannot be moved to another place without losing their quality or functional characteristics (properties)”.

Thus, we highlight the following features of real estate:

- (1) objects are located on land and are inextricably linked to the land (i.e., they do not exist separately from the land);
- (2) relocation of such objects is impossible without damaging them or changing the muddy purpose.

These signs are basic and should be considered together. In addition to the Code, other regulations that determine the status of a particular type of real estate should be considered. At the same time, number of regulations do not contain specific references to the ownership of a particular real estate object; however, analyzing the rules governing the relationship to these objects, we can conclude about their legal status.

The Code divides real estate into residential buildings, buildings, structures, etc. Developed real estate includes:

- land (land plot);
- improvement (improvement) of land;
- real estate accessories.

Henry S. Harrison gives the classic definition of real estate—real estate is land as a physical object and all that is firmly connected with it. Real estate includes the land itself, the space above the ground and the space below the ground. Real estate is any property consisting of land, as well as buildings and structures on it [2].

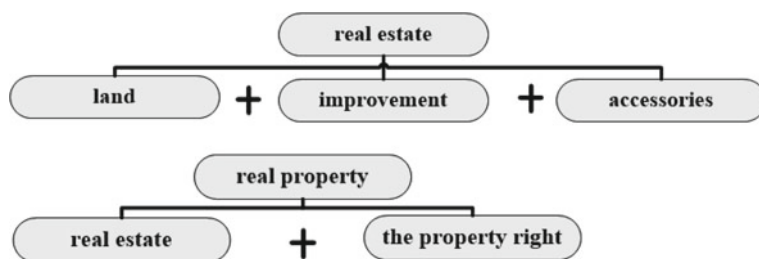
Land—As a description of any real estate object, it must include the connection of this object with the land plot. Acquisition of rights to any real estate must include the acquisition of land rights.

Land improvements. Land improvements are understood as any actions with land changes, which can act as improvements of the land because of work carried out on it (reclamation, drainage, complex engineering preparation of buildings) and buildings and structures built on land.

Real estate accessories (fixtures). Accessories are movable things attached to immovable property (land, buildings) and are an integral part of it (technologically or by law, contract). That is, a thing intended to serve another (main) thing and connected with it by a common purpose is its property. Belonging is always related to the main thing, which can be additionally established by the contract. The main difference in the definitions of immovable property and immovable property is presented in Fig. 1.1.

The land is the natural basis and the first part of any real estate object. It is the commitment to the land that creates the main definition of real estate. The same plot of land can be built differently in the architecture, use, and purpose of the building. But one thing is impossible to change their commitment to a particular place on earth.

Real estate objects can differ significantly from each other, geographically and at the same time be close in economic terms (refers to areas with the same level of business activity, with the same social composition of the population, etc.).



**Fig. 1.1** Differences in the definitions of real estate and real property

The importance of location as a factor that determines the value of the real estate gives the problem of certainty of the rights of real estate users, and land has significant economic meaning.

Theoretically, the right to land means not only the right to the surface of the earth but also what is below and above the ground, although in practice this right is limited. Thus, according to the legislation of most European countries, subsoil rights belong to the state, and airspace rights are limited.

The land is the most principal element of real estate, which is why the description of any real estate must be related to the land. Acquisition of rights to any real estate must include the acquisition of land rights, one of the important circumstances that determine the value.

Making improvements is an extremely principal factor that directly affects the nature of the real estate. Recall that one of the most common approaches to the study of economic processes in economic theory—is the approach in terms of factors of production. There are three of them—labor, land, and capital. Making improvements qualitatively change the nature of real estate—it becomes the product of the interaction of two factors of production.

The legitimate question of the nature of real estate is becoming quite practical here—is it enough, for example, to reimburse the developer for his construction costs when reselling an unfinished object, or is he entitled to claim something more? In conditions of a free circulation of land, the answer to this question is given by the market itself.

It is the permission of free circulation of land plots that will allow realistically assessing the contribution of land and capital to “improved” land plots.

In countries, the availability of a package of design and estimate documentation for a building tied to a plot of land is already an improvement, and land with this improvement, entering the market, has a different price than just land. Ukrainian legislation does not yet have an exact answer as to what is sufficient to consider a plot of land as a site “with improvements”.



**Fig. 1.2** Main components of real estate

By all external signs, the ownership of the property will not be described in the contract as such (for example, details of the decoration of the premises), it gives the seller the full right to separate it and turn it into a completely “movable” property. One of the important conditions when concluding contracts for the alienation (full or partial) of real estate is an accurate description of this property with all its accessories.

The presence (absence) of accessories is a factor that affects the value of the property. The description of the property must indicate its affiliation.

Let us define the main components of real estate in the diagram Fig. 1.2.

Real estate, which includes not only land but also improvement, is the product of the interaction of all factors of production, each of which contributes to the value of this property.

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