

# Free Trade Era: Ukraine To Export Apartment Buildings to EU



James Brooke

Given Central Europe's high wages and low unemployment levels, prefabricating construction panels in Ukraine makes economic sense

**KYIV – With free trade between the EU and Ukraine starting Sept. 1, Alexey Belokon has found a novel way to profitably bridge the gap between Central Europe's high wage, low unemployment economy and Ukraine's low wage, high unemployment economy.**

He plans to export apartment buildings.

Bringing Soviet era concrete panel technology into the 21<sup>st</sup> century, Belokon is prefabricating in his Kyiv region factory all the outside walls for a Vienna residential complex – a five story club house and 16 apartments.

"We do beautiful construction, for an attractive price," said Belokon, who is commercial director for Royal House, a construction company based in southern Kyiv. "And there is speed of construction. It lets us make ready made houses three times faster. You can erect a 9-floor building on a ready made foundation in two months."

"We take the construction process from the building site back to the factory -- the future is prefab technology," he said. He spoke in Royal House's headquarters on Moskovskaya 44, an attractive four-story building built with prefabricated slabs made at Royal's factory in Obukhiv, 45 km south of central Kyiv.



**At the Obukhiv plant, prefabricated building panels await shipment to Royal House building sites (supplied)**

### **Central Europe: High Wage, Few Workers**

While prefabricated house may be cutting edge, the financial attraction of offshoring EU labor costs to Ukraine is increasingly clear.

Average monthly salaries in Poland, Slovakia, Czech and Hungary are four times Ukraine's average of EUR 241. Moving further west, monthly wages are 11 times higher in Austria and 15.5 times higher in Germany.

At the same time, Central Europe has become the EU's low unemployment region. In the 28-nation EU, the nine countries with the lowest unemployment rates include six that are near Ukraine. They are: Czech – 2.9 percent unemployment; Germany – 3.8 percent; Hungary – 4.3 percent; Poland – 4.8 percent; Austria – 5.2 percent; and Romania – 5.3 percent.

On Aug. 18, Ukraine's Cabinet of Ministers approved a bill mandating Ukrainian construction companies fulfill EU Regulation No. 305/2011 which sets EU standards for construction products.

But exporting prefabricated housing from Ukraine to the EU is not something that happens over night.



**Alexey Belokon, commercial director of Royal House, has made repeated trips to Vienna and Prague to prepare for shipment of prefabricated apartment panels from Kyiv to Central Europe (supplied)**

### **Three Year Trip to Europe**

Belokon started three years ago.

First, in 2014, Royal House's factory was certified under the ISO 9001 international standard for quality management.

That year, in the midst of the Russia-backed attack on Eastern Ukraine, Belokon and his colleagues traveled to Munich for the annual BAU construction and architecture trade fair.

"We visited a lot of stands of Euro companies, of American companies -- no one made product like ours," Belokon recalled. "The main difference is not just to make prefabricated walls. We make prefabricated walls with detailed architectural design, with clinker tiles. Installing the windows, all the finishing processes are done in the factory."

"These are not like the gray apartment blocks in the former Soviet Union, the 'khrushchovki,'" he said, referring to the 5-story concrete panel buildings launched by Soviet Premier Nikita Krushchev in 1960 to deal with an accute post-war housing shortage. "Modern technology allows us and other developers to build very beautiful, energy efficient products."



**The Royal House warehouse stocks cornices, the kind of architectural details that now are included in prefabricated panel construction (supplied)**

### **EU Certification Marathon**

To win the EU's '305' certification, Royal House started working earlier this year with a Czech consulting firm. Under Czech guidance, Royal House is conforming its production processes to EU standards and testing its construction materials in a Czech lab.

Now, the end of this three year bureaucratic marathon is in sight.

The Czechs predict that Royal House's factory in Obukhiv will win EU certification next month. If so, it will be Ukraine's first construction company to do so.

### **Kyiv Construction**

The core business of Royal House is using its prefabricated technology to build affordable, attractive apartment buildings in southern Kyiv. The panels come from the Royal House factory which employs 300 workers in Obukhiv.

His company recently sold all 1,000 apartments at their newly completed "British Quarter," located near Ipodrom station. Sticking with the British theme, his company now is building "New England" a residential complex with 4,000 apartments. The first 600 apartments open next month.





**In southern Kyiv, Royal House’s “Nova Anglia” or “New England” illustrates showcases how prefabricated construction has come a long way in the half century since the Soviet-era ‘khrushchovki.’ (James Brooke)**

### **Vienna Test Case**

The next phase will be exporting.

Assuming the EU certification comes through, Royal House plans to start sending trucks to Vienna, each specially fitted to carry four upright building panels.

For Belokon, Austria is the showcase – and the test case.

“Austria is one of the EU’s toughest markets, because it has some of the strictest construction laws in the EU,” he said. “First want to finish our Austrian project, and then show European developers.”

He is in talks for a second project in Czech and a third in Slovakia, near the Ukrainian border. If the business catches on, Royal House is thinking of opening a representative office in Britain and building a second factory, closer to the EU border.

Belokon believes that costs will eventually convince conservative EU developers.





**Gone are the days of raw cement. The exterior walls of prefab panels are covered with ‘klinker’ tiles of burned brick (supplied)**

### **Change Coming**

The key, he says, is for Ukraine – and Europe – to adapt to change.

“Prefab walls are not our invention – they have been known since the second half of the 20<sup>th</sup> century,” he said. “Since the time of Henry Ford, prefabrication technology has been seen as the only way to provide good quality and affordable price.”

Reflecting on the change in his own mindset since Europe started opening to Ukraine, he said: “Until two years ago, we did not even think of exporting our production. And now, we have a way to go!”

**Slider photo: At the Obukhiv plant, a Royal House front end loader pours cement into a slab mould. (supplied)**