

So they are posed with a follow-up question (which I am sure you knew I was going to do): “What if it does not dawn on you that you may have left the burner on?”

Invariably I would receive some variation of the “hmm,” for it is a bit much to ask people what they would do if they did not remember to remember. But that is the whole idea of automation. The “home” becomes the housekeeper. There is no need to remember. The “home” realizes that it is a Monday, and consulting your calendar knows that it is not a holiday. It knows it is after 09:00 and you work in an office. The security/fire system has already noted that everyone has left the home. It also knows that your car is gone, and has locked the doors and set the alarm accordingly – since you failed to remember this morning. The stovetop’s safety system periodically checks with the security system to see if anyone is home. Having been told that everyone is gone, the doors are locked, and the home alarm is set,

the stovetop makes an executive decision to shut itself off. As a courtesy, it reports its action to your home gateway, which compiles a list of the things you forgot this morning and sends you e-mail at work, reminding you why you bought all the advanced products that you did – just in case you don’t remember.

“Is your home automated?” they ask. Aside from a few islands of automation – a siren on that erratic sump pump, a security system, and a few automated lights – things in my home are mostly un-automated. However, it won’t be long before these islands are bridged by a home network of LONMARK Certified devices. The Home and White Goods Task Group within LONMARK is about to embark on an ambitious effort to define functional profiles for a wide assortment of appliances and components within the home under the new leadership of Jim Hunter, of Nearmedia, Inc.

If rather than instilling fear, Messrs. Bradbury, Kubrick, and Orwell

sparked excitement in your visions of automation, come join us in the online newsgroups of the LONMARK Member Forum for making that excitement a reality.

**Jeremy Roberts**  
Technical Director of  
LONMARK International

## Integrator’s Perspective

### Does the Ukraine Need System Integration?

#### The Ukraine is still a new country

You might be surprised by the fact that the Ukraine is Europe’s second largest country with twice the area of Germany and a population of 47 million (comparable to France, Italy or Spain). →



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Technology for Building Automation

It is also the second largest country of the former USSR. But although it gained independence 15 years ago, it is still a relatively unknown country for most of the world.

## Is there a market for LONWORKS solutions in the Ukraine?

After the disintegration of the Soviet Union and subsequent recession between 1991 and 1998, the real estate market has finally begun to develop.

Just like Russia – in particular Moscow – the building market in the Ukraine, particularly in Kiev, the capital of the Ukraine, is truly booming. Visit this beautiful country and you will definitely be impressed by the number of building cranes visible everywhere.

However, as we used to say, Kiev is not the whole of the Ukraine and is, as before, the most developed and developing city in the Ukraine. Although most investment is centered on Kiev, high return on investment is also achieved in other major Ukrainian cities such as Dnipropetrovsk, Kharkiv, Donetsk, Odesa and Lviv. This article, however, will focus primarily on Kiev.

Even last year's revolution did not noticeably influence real estate market prices. Many investors who wanted to enter the Ukrainian real estate market postponed their activities, preferring to wait for a better time to invest. Despite the turbulent political atmosphere, the legal climate was slightly improved and the level of corruption reduced. Now – one year after the revolution – investment in the real estate market has increased significantly.

At a time when commercial building markets in countries of Central Europe are in the saturation phase with accordingly low levels of profitability, the Ukrainian market now provides a quick return on investment for investors. Nowadays, profitability in all segments of commercial property in Kiev exceeds the level of London, Budapest, Warsaw and even Moscow. At the moment, investors in the retail property segment can expect to re-

coup their initial outlay within 3 to 5 years (rest of Europe 10 to 15 years), in office buildings in 5 to 8 years (rest of Europe 12 to 15 years), in the hotel industry in 7 to 12 years (rest of Europe 14 to 16 years), in warehouses in 8 to 15 years (rest of Europe 15 to 17 years). Of course the pay-back period for investment in real estate will expand, but it will take years and will not occur overnight!

## Office buildings are the most attractive market

Although there are a number of attractive markets for using LONWORKS networks in the building industry, let's take a look at the most advanced segment – the office building market.

The demand for office space in Kiev is still much higher than the available supply. Fifty to 100% of office space is already sold or leased at the construction stage. Ukrainian realtors have no problem finding clients for commercial property of any kind and quality. This imbalance will continue for at least the next three years.

The quality of most offices in Kiev is low. This situation will only change when supply meets demand. This in turn will force rental rates down (which are now on average \$372 per square meter per year) and developers will be needed in order to provide better quality, i.e. better comfort, better security and raised prestige.

The amount of office space in Kiev rose by 27.3% to 439,000 square meters in 2005.

Business centers according to categories are as follow: A-category – 12%, B+ – 12%, B – 65%, and C-category – 11%. Under-occupancy is averaging 3-8% and the level of unoccupied office space is predicted to remain at 7-8% until 2008. Analysts say that Kiev's office building market is similar to the markets in Budapest, Prague, and Warsaw seven to nine years ago. Also, at this point of time, offices of large multinational companies in Kiev are on average still five times smaller than those in Budapest, Prague and Warsaw, which on one hand confirms the underdevelopment

of the market, but on the other testifies its perspectives.

Kiev is expected to go the same way as Warsaw, Prague and Budapest, and by 2010 A- and B-class office space is predicted to occupy 1,250,000 square meters. In 2006 and 2007 office space in Kiev will grow by 90,000 and 100,000 square meters respectively.

Despite the fact that the commercial property market is financially very attractive, only local developers are currently taking advantage of it. This is due to the specificity of the market, well-developed bureaucracy in the country and opaque licensing rights for investors, developers and builders.

Experts agree that the standard of quality in the office building market will immediately increase once leading international developers start building modern office buildings in compliance with world standards and best practices.

## The term "Intelligent Building"

In the Ukraine the term "intelligent building" is still only a term and not the usual practice. The reason lies in low awareness of the benefits of intelligent buildings amongst constructors and developers. Often local investors think of intelligent buildings in terms of single system automation, for example, by putting a SCADA system on the HVAC they think they have added intelligence to the building.

Moreover, Ukrainian developers still think of building management systems as being a great way of wasting money and not as an effective tool for saving money in the long-term. Therefore many huge business centers are mostly built using old Soviet technology which is ineffective and consumes enormous amounts of electricity and other resources.

The trend for applying cheap technology is also easy to understand. The mentality of the overwhelming majority of investors is to put money in real estate business today and to get money back tomorrow! And, of course, the easiest way to do this is to build cheap and sell high.

Another hindrance for Ukrainian system integrators when it comes to implementing an intelligent building concept is the absence of appropriate norms and standards for the building industry. Most norms used here today originate from the time of the Soviet Union.

### Prerequisites for investing in intelligent technologies

However, big national companies are now striving to significantly improve their office space and are looking for offers on the market which could provide them with better comfort, security and energy savings for their premises. And, of course, intelligent building technologies are by far a better alternative to the existing old standards of building management.

In addition, constructors who need to maintain the premises they built understand more and more that intelligent technologies are much more effective and profitable than old-fashioned building models.

The paradigm shift is also occurring in the minds of investors who are concerned about energy costs. During the Soviet era energy was available practically for free and nobody ever cared about the amount of energy they used. Energy was just taken for granted. But times have changed and energy prices in the Ukraine are rising year by year. Little by little investors have started to understand that old management building technologies are no longer appropriate.

And last but not least, the recent scandal between Russia and the Ukraine on gas prices sparked off a dynamic turn towards energy-saving technologies. Immediately after the gas scandal, the Ukraine passed an 'Energy Savings' law which will regulate state policies on energy.

### The profession of the system integrator

System integration in the Ukraine is a relatively new concept for Ukrainian builders, developers and investors. Since this profession didn't exist in

the former USSR either, there are no design institutes specializing in this discipline.

All system integrators in the Ukraine are privately run and relatively young companies which still have a lot to learn about Building Automation and Management Systems.

Developers find it difficult to select a competent system integrator who is capable of integrating the systems the customer needs.

Moreover, too many system integrators in the Ukraine are 'semi-integrators' here, i.e. 'integrators' who provide automation for one or a few systems but who are not able to integrate the whole variety of systems present in a building.

### Conclusions

The future of the Ukrainian building market in terms of building automation systems looks very bright. The office building market will probably be the first building segment to broadly apply the intelligent building concept.

The market still has to be informed. Developers, builders and investors should receive complete information and get the full picture on proper building automation systems. This could be achieved through a series of seminars, exhibitions, and the press.

Developing such awareness is the objective of the recently formed LONMARK Ukraine which was launched on the initiative of Inteldome, the system integrator's based in Kiev.

The building automation market in the Ukraine is starting to take off, with a number of system integration companies forming over the last few years.

One of the biggest advantages of the Ukrainian market is that we can take the vast experience of the West and applying it directly – we don't need to redevelop the wheel. As Microsoft says: 'Cut & Paste'!

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