

Property News

Q3 2017 / Turkish Property Market Overview

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Economic Overview

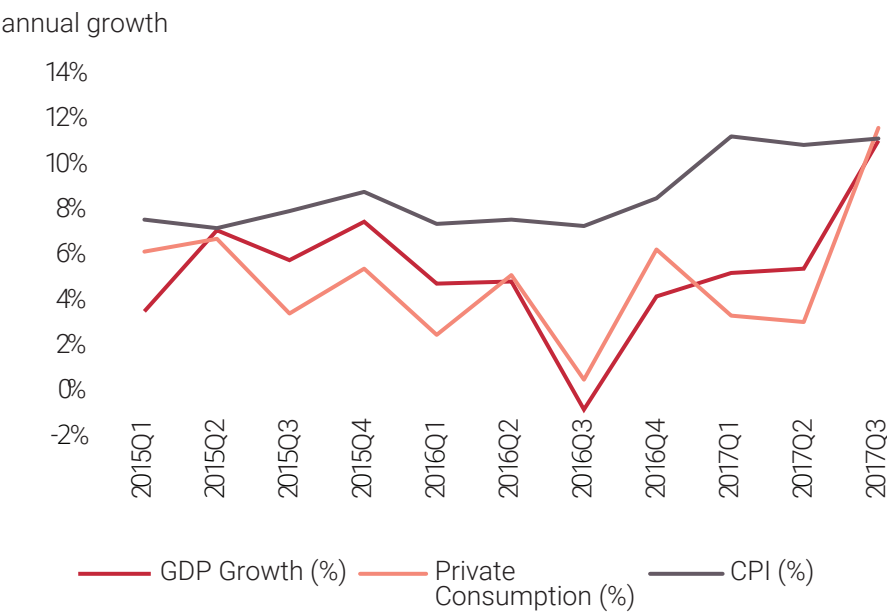
GDP

During the 3rd quarter of 2017, GDP grew was estimated as 11.1% compared to the same period in 2016. Compared to the 2nd quarter GDP grew an estimated 1.2% during third quarter of 2017.

Based on data released by TURKSTAT, realised GDP growth rate for the 1st and 2nd quarter of 2017 was revised upwards from 5.2% and 5.1% to 5.3% and 5.4%, respectively.

Please note that according to OECD’s Economic Outlook on Turkey 2017 Report, Turkey’s GDP growth for 2017 is estimated as 6.1%. OECD estimates that Turkey’s GDP will grow by 4.5% in 2018 and 5% in 2019.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Economic Overview

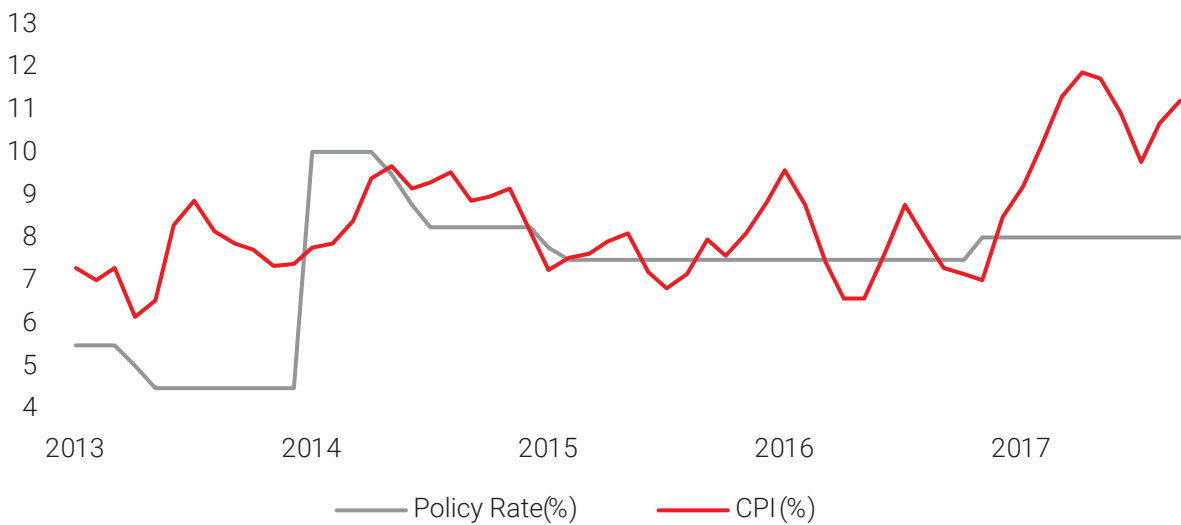
Inflation

CPI in Turkey during September 2017 increased by .65% and 11.20% compared to August 2017 and previous 12 month period. Leading contributors to CPI on a monthly and annual basis were education and transportation, respectively. Cost of education increased by 2.08% between August and September 2017 and, on an annual basis, cost of transportation increased by 16.10%.

Policy Rate

CBRT continued to keep Turkey’s Policy Rate unchanged at 8%, and furthermore did not change the upper and lower limits corresponding respectively to 9.25% and 7.25%. CBRT is expected to continue its tight monetary policy until inflation is improved.

Figure 2. Policy rate and CPI



Source: TURKSTAT



Istanbul Office Market

Demand and Supply

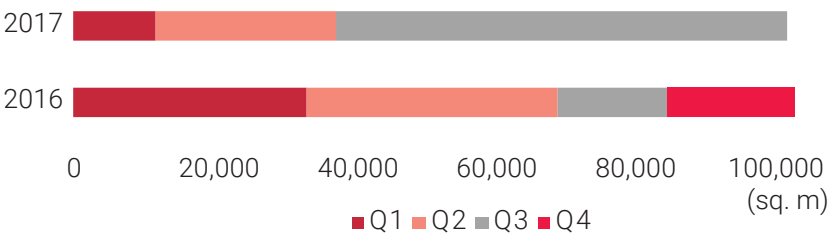
In third quarter of 2017, cumulative supply of grade A office space in Istanbul recorded a strong increase with the openings of Nurollife, Seba Office Boulevard and Vadistanbul started to operate in Kagithane-Cendere Area. As of third quarter of 2017, 65,011 sq. m take-up was recorded, comprising 90.7% of overall transactions in Istanbul primary office areas. 79.8% of the transactions were recorded in Umraniye, 11.6% in Kozyatagi and 5.2% in Maslak office areas. The noticeable deal in third quarter of 2017 was the Vakifbank’s leasing of Akkaya A1 and A2 Blocks (50,960 sq. m).

Pipeline

In the primary office areas of Istanbul, there is around 1.38 million sq. m new office development either under construction or in the planning stages. 43% of new office space supply will be in Asian side, Istanbul Finance Centre where the financial regulatory bodies and headquarters of state banks will be located. It is estimated that total supply of Grade A office space in Istanbul primary office areas will be around 4 million sq. m by 2020.

Figure 3. Istanbul grade A office take-up

Notable take-up activities 2017 Q3		
Building	Akkaya A1&A2 Blocks	Nidakule Atasehir Kuzey
District	Umraniye	Atasehir
Tenant	Vakifbank	BASF
Area (m²)	50,960	5,588



Source: Pamir&Soyuer



Istanbul Office Market

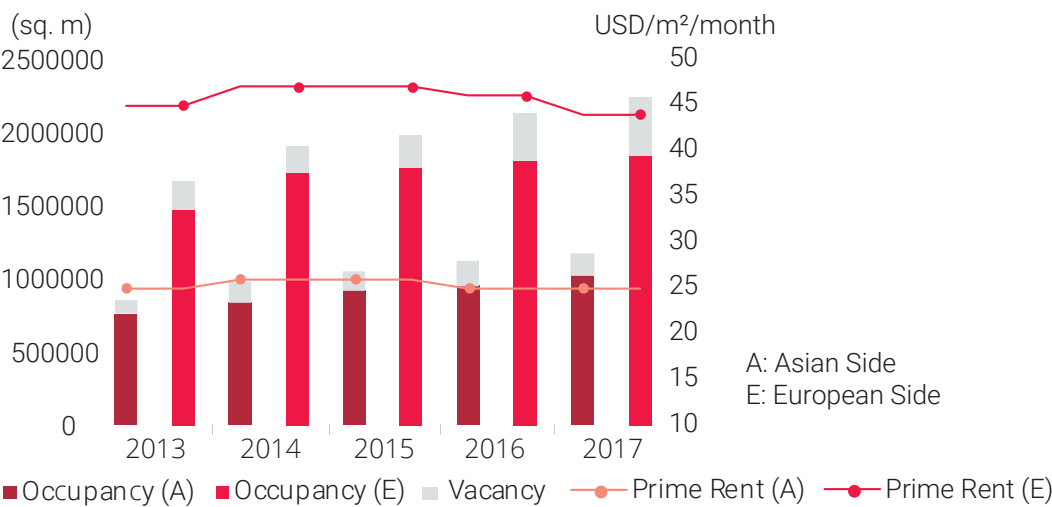
Vacancy and Rental Level

In the third quarter of 2017, grade A office market in Istanbul continued to show solid performance with declining average rents due to exchange rate volatility. Vacancy rate occurred 16.23% in total, 17.95% in European Side and 12.97% in Asian Side decreased from 18.02% with key leases recorded in Umraniye. Because of the offices moved outside of the region, vacancy rate in Levent-Etiler where the prime rent was recorded as USD 44/sq. m/month rose from 18.99% to 19.52%. Vacancy rate in Maslak and Sisli-Zincirlikuyu decreased to 15.22% and 19.15%, respectively. Due to new leases, vacancy rate declined from 19.51% to 18.11% in Kozyatagi and vacancy in Umraniye decreased from 16.76% to 8.61%.

Investments

The noticeable deal in third quarter of 2017 was the acquisition of Nida Kule Atasehir Bati (25,000 sq. m) from Tahincioglu by Is Asset Management’s “First Real Estate Investment Fund”.

Figure 4. Istanbul grade A office occupancy, vacancy, prime rent



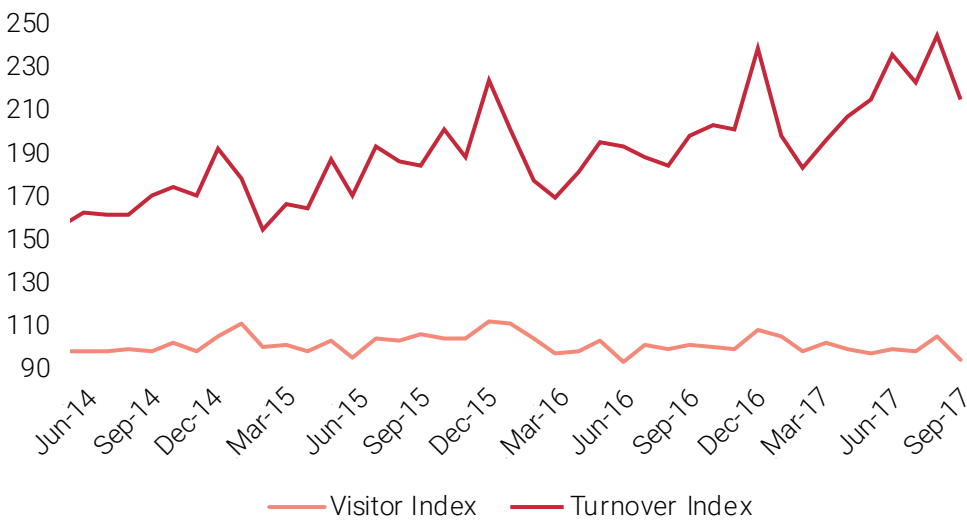
Source: Pamir&Soyuer

Turkish Retail Market

Demand

According to the Turkish Council of Shopping Centers (AYD) and Akademetre Research, the sales index set a record with 32.4% increase in August compared to the same period of last year due to the Eid al-Adha and season-end discounts. While the visitor index decreased by 1.9% compared to the same quarter of last year; turnover index rose by 19.4% to 228 points. In September 2017, shopping centers' sales per leasable area (sq. m.) has occurred as 822 TL/m² in Turkey and 958 TL/m² in Istanbul. Moreover, productivity in the third quarter of 2017 recorded as 870 TL, increasing by 19.3% compared to the same period of last year.

Figure 5. Shopping centers turnover and visitor index



Source: AYD and Akademetre Research

Turkish Retail Market

Supply

As of third quarter of 2017, Turkey’s shopping center supply reached to 11.64 million sq. m with the opening of 6 shopping centers. GLA/1,000 inhabitants increased to 145.95 sq. m in Turkey; moreover, Ankara has the highest rate of GLA/1,000 inhabitants as 299.60 sq. m and followed by Istanbul and Bolu with 292.99 sq. m and 292.33 sq. m per 1,000 inhabitants, respectively.

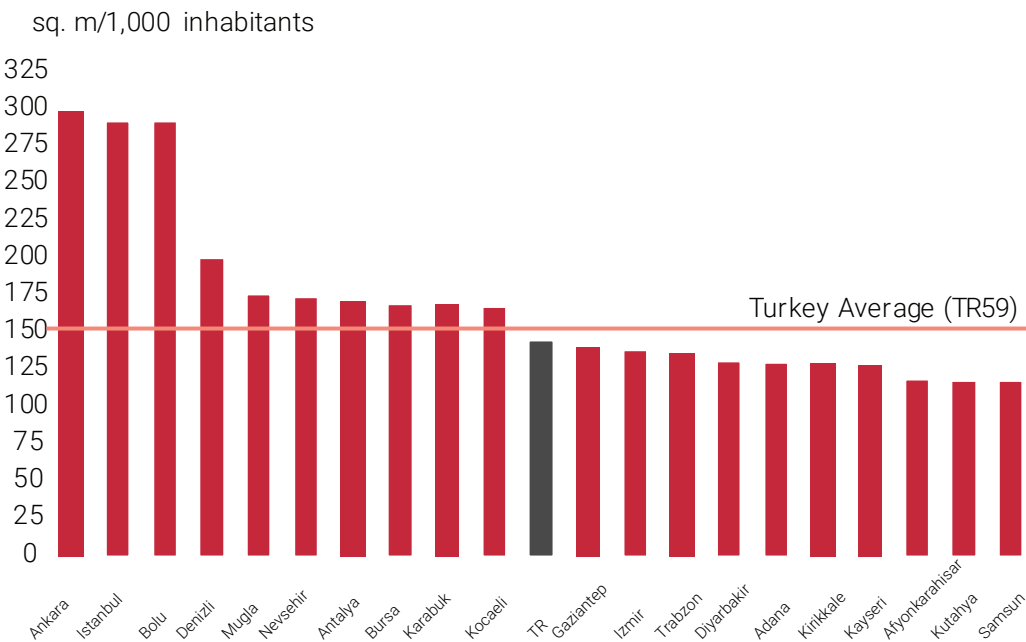
New Supply

In the third quarter of 2017, 262,737 m² new supply entered to the market, compared with the 428,400 m² new supply in the previous quarter. There were 6 new openings: Vadistanbul (65.000 m²) and Oasis Designer Outlet (21.000 m²) in İstanbul, Metromall (67.270 m²) in Ankara, Ege Perla (26.000 m²) in İzmir, Nissara (26.297 m²) in Nevsehir and MNG Mall (57.170 m²) in Erzurum.

Pipeline and Outlook

Based on forthcoming retail supply, the total retail supply will be around 14 million sq. m by the end of 2020. Shopping centers which are under construction in Istanbul, Ankara and Bursa will hold approximately 80% of the total pipeline.

Figure 6. Retail center supply (GLA per 1,000 inhabitants)-Top 20 markets



Source: Pamir&Soyuer

Definitions

Office

Istanbul Primary Office Regions: Pamir & Soyuer office database covers only Grade A office buildings which have total floor area larger than 3,500 sq m and located in the primary office areas (Maslak, Levent-Etiler, Şişli – Zincirlikuyu - Beşiktaş in the European side and Kozyatağı, Ümraniye and Ataşehir in the Asian side).

Net Absorption: The amount occupied at the end of a period minus the amount occupied at the beginning of a period and takes into consideration space vacated during the period.

New supply: Total level of new office space to be built or under construction, with construction permit.

Average rent: Expressed in USD/sq m/month excluding tax and charges. The average rent represents the average rents of all deals, weighted by their total surface area.

Prime rent: Expressed in USD/sq m/month excluding tax and charges. The prime rent represents the average value in the first quartile of all deals, and excludes extreme values.

Prime yields: Expressed as a percentage, between rents and the capital value of assets. The prime yield represents the lowest yield observed in a given period of time, and excludes extreme values.

Vacancy rate: Represents the immediately available supply over the existing office stock.

Retail

Definition and Classification of Retail Centres: Retail centres are defined as purpose built, shopping developments with over 5,000 sq. m gross leasable area (GLA) excluding supermarket area, and comprising of 30 or more retail units. Database covers all operating retail centres. The additional or expanded space is considered as a new retail centre floor space.

Principal types of retail centres are classified using British Council of Shopping Centre (BCSC) definitions as follows:

Town Centre Malls: are shopping centres located in a town centre or the central business district of a city.

District Shopping Centres: are located outside of the town centre proper but still within the urban area.

Outlet Centres: are defined as centres where the majority of retailers sell branded merchandise at a substantial discount to the recommended retail price.

Retail Parks: are purpose built centres solely comprised of at least three retail warehouses of not less than 1,000 sq. m and have common parking.

Average retail rents: are calculated taking into consideration small to medium-size units' (MSU) rents, excluding anchor tenants.

Disclaimer

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Who We Are

Pamir & Soyuer was established in 1993 by Ali Pamir and Firuz Soyuer to provide real estate advisory services to corporate clients and HNWI.

Mr. Pamir and Mr. Soyuer both started their careers in investment banking and have been active in Turkish real estate since 1986 primarily through Pamir & Soyuer or related entities. Collectively they have over 50 years of residential and commercial real estate experience, and have transacted over USD 1 billion in real estate investment sales.

Headquarters of Pamir & Soyuer is located in Istanbul with a liason office in Bodrum.

What We Do

Pamir & Soyuer is active in both residential and commercial real estate, and provides the following services:

- Investment Advisory & Sales
- Development Advisory & Management
- Project Marketing
- Tenant Representation
- Agency/Owner Representation
- Marketing & Feasibility Studies
- Valuation

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