

Property News

Q4 2017 | Turkish Property Market Overview

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Turkish Property Market Overview

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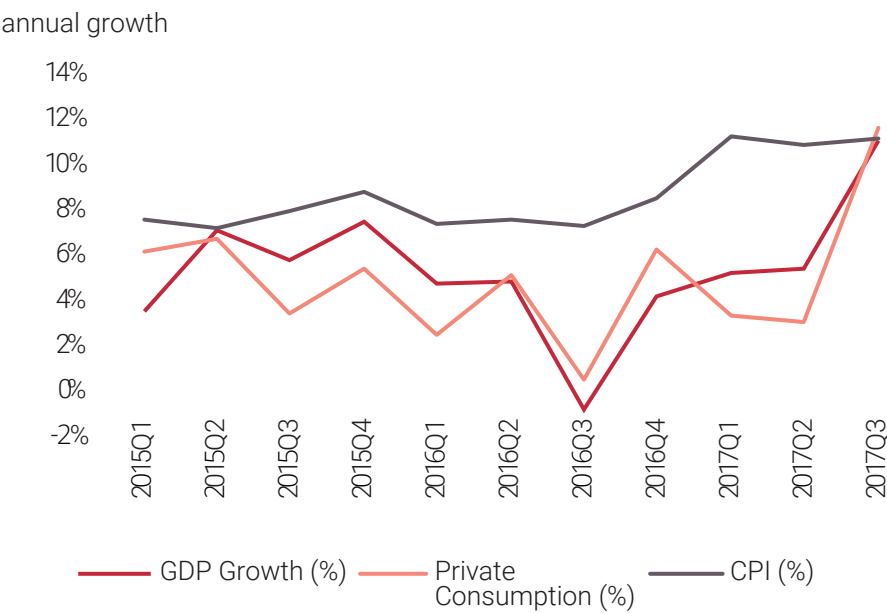
Economic Overview

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 3rd 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

Building Construction Cost Index			
	Total	Labour	Material
Quarterly Change	6.5%	1.8%	7.9%
Annual Change	22.8%	13.7%	25.6%
House Sales Statistics, December 2017			
	Q4 2016	Q4 2017	Annual Change
Total House Sales	405,642	378,586	-20%
First Sales	196,936	183,009	-7%
Second Hand Sales	208,706	195,577	-6%
Sales to Foreigners	4,979	6,993	40%

Source: TURKSTAT

Economic Overview

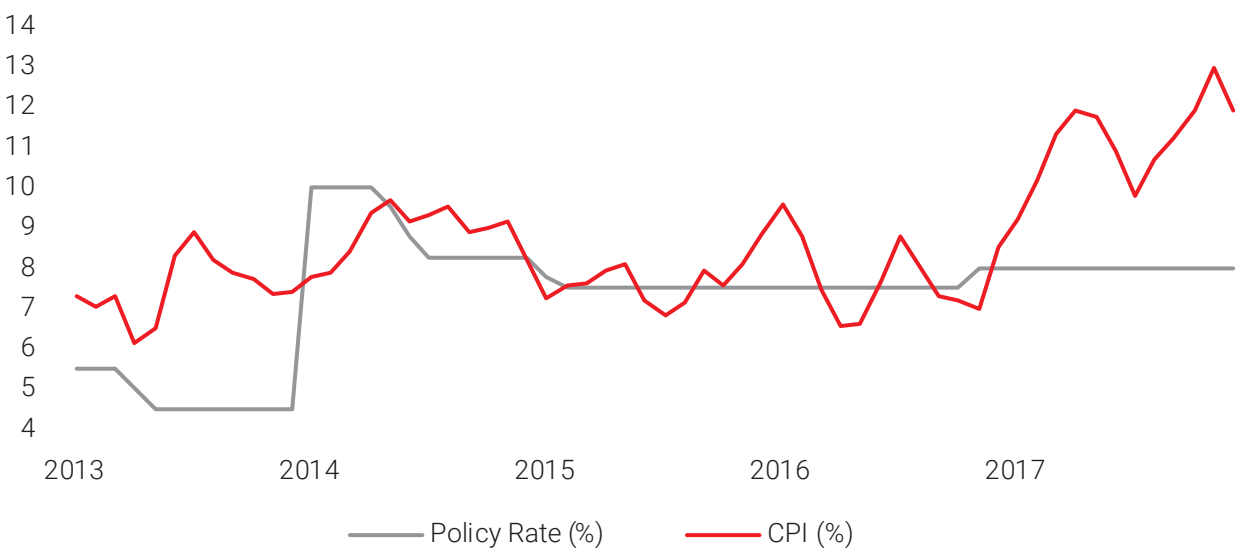
Inflation

CPI in Turkey during December 2017 increased by .69% and 11.92% compared to November 2017 and previous 12-month period. Leading contributors to CPI on a monthly and annual basis was transportation. Cost of transportation increased by 1.69% between November and December 2017 and, on an annual basis, increased by 18.24%.

Policy Rate

The CBRT raised the late liquidity window rate from 12.25% to 12.75%. However, the bank continued to keep Turkey’s Policy Rate unchanged at 8%, and furthermore did not change the upper and lower limits of the interest rates corridor 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

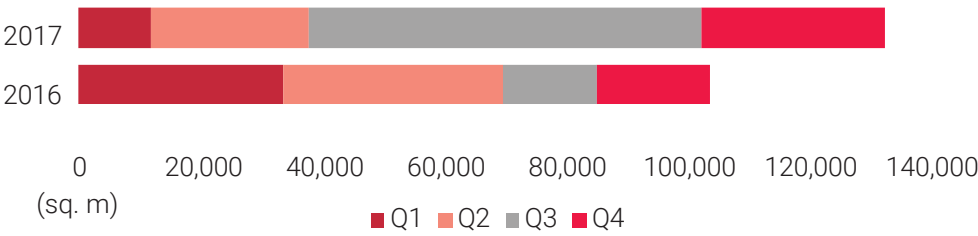
In 4th quarter of 2017, cumulative supply of grade A office space in Istanbul increased to 3.52 million sq m with the new office buildings started to operate in Atasehir, Maslak and Sisli regions. During the 4th quarter of 2017, 30,245 sq. m take-up was recorded, comprising 54.2% of the overall transactions in Istanbul primary office areas. The take-up volume in the quarter increased by 64.2% compared to the same period last year and, 56.3% of the transactions were recorded in Kozyatagi, 24.5% in Umraniye, 7.6% in Sisli-Zincirlikuyu-Besiktas, 6.3% in Maslak and 5.3% in Levent-Etiler office areas. The noticeable deals in 4th quarter of 2017 were the Bahcesehir University’s leasing in Altunizade (10,850 sq. m), Setur’s leasing in Umraniye Bengi Plaza (7,406 sq. m) and Schindler’s leasing in Atasehir My Newwork (3,500 sq. m).

Pipeline

Based on the total future office buildings projected to operate in the primary office areas of Istanbul, 1.38 million sq. m new office development under construction/planned is expected until 2020. 43% of new office space supply will be in Asian side at 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 Q4		
Building	Istanbul Sehir University	Bengi Plaza
District	Altunizade	Umraniye
Tenant	Bahcesehir University	Setur
Area (m²)	10,850	7,406



Source: Pamir&Soyuer



Istanbul Office Market

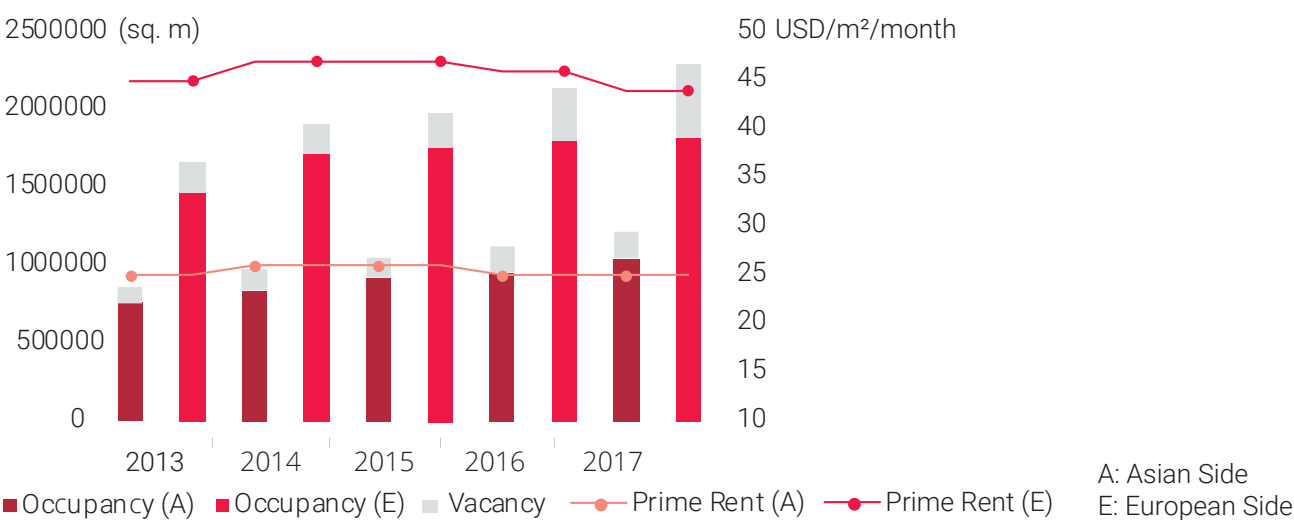
Vacancy and Rental Level

In the 4th quarter of 2017, grade A office market in Istanbul preserved its performance with declining average rents due to exchange rate volatility and increase in new supply. The total vacancy rate in Istanbul Grade A Office Space rose to 18.45% due to the new office supply added in the 4th quarter of 2017. Vacancy rate increased in total both in Asian and European Side Office Regions from 12.97% to 14.17% and 18,82% to 20,72%, respectively. While the vacancy rate in Kozyatagi increased from 18.11% to 21.51% due to the new supply, vacancy rate in Umraniye decreased from 8,61% to 7,44% with new leases. Vacancy rate in Maslak Office Region rose from 15.22% to 21.24% due to the new supply entry, and furthermore in Sisli-Zincirlikuyu-Besiktas decreased from 19.15% to 18.78% with new leases. Vacancy rate in Levent-Etiler where the prime rent was recorded as USD 44/sq. m/month (recorded as USD 35/sq. m/month in 4th quarter) decreased from 21.80% to 21.62%.

Investments

The noticeable deal in 4th quarter of 2017 was the acquisition of 3,737 sq. m office space at AND Plaza by Ak Portfolio.

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



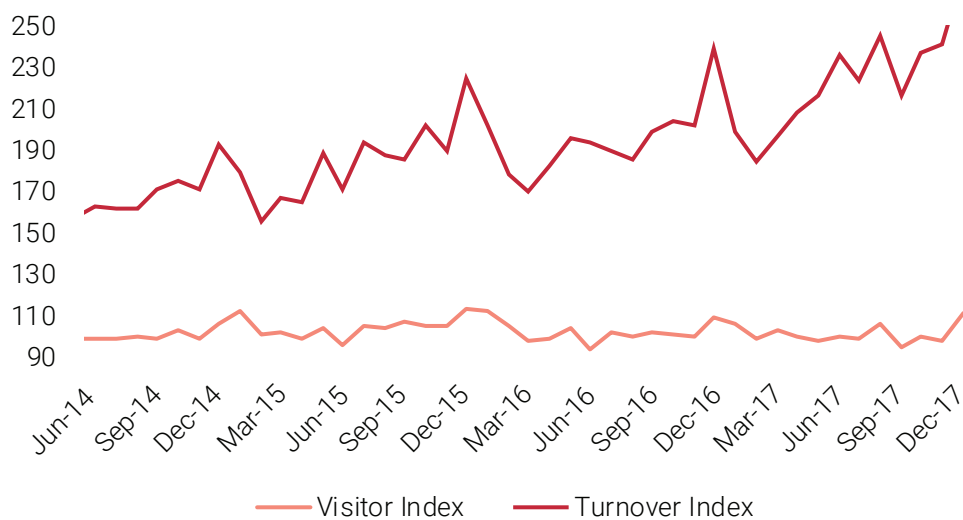
Source: Pamir&Soyuer

Turkish Retail Market

Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to December 2016 the shopping centers sales index increased by 15.5% to 276 points due to the New Year shopping. During the 4th quarter of 2017, visitor index in December, decreased both in October and November, rose by 1.8 compared to same period last year. In December 2017, shopping centers’ sales per leasable area (sq. m.) occurred as 1244 TL/m² in Istanbul, 925 TL in Anatolia and 919 TL in Turkey.

Figure 5. Shopping centers turnover and visitor index



Source: AYD and Akademetre Research

Turkish Retail Market

Supply

During the 4th quarter of 2017, Turkey’s shopping center supply increased to 11.82 million sq. m with the opening of 3 new shopping centers. GLA/1,000 inhabitants increased to 146.38 sq. m in Turkey; moreover, İstanbul has the highest rate of GLA/1,000 inhabitants as 295.45 sq. m and followed by Ankara and Bolu with 294.18 sq. m and 289.16 sq. m per 1,000 inhabitants, respectively.

New Supply

In the 4th quarter of 2017, there were 3 new shopping center openings: Hilltown (63.000 m²) and City Center Esenyurt (40.000 m²) in İstanbul and Agora Shopping Center (75.000 m²) in Antalya.

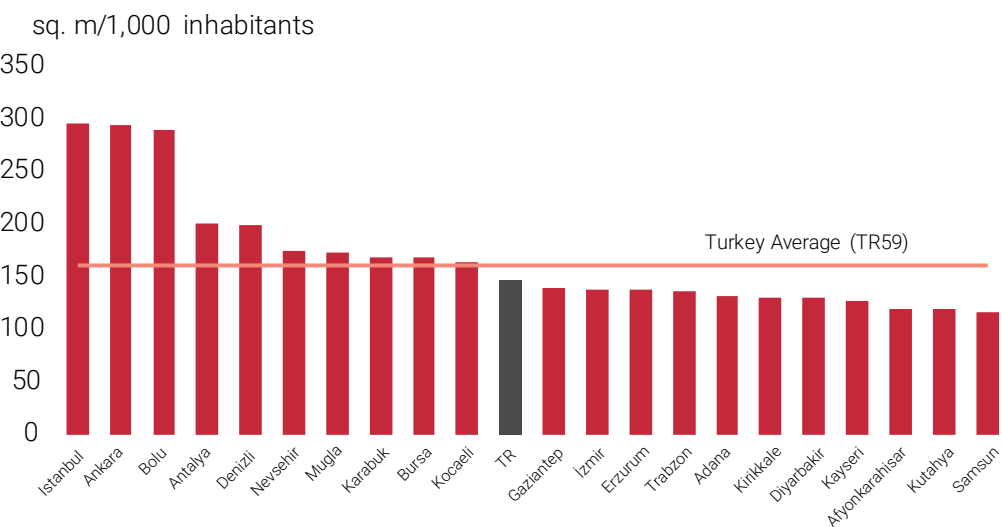
Pipeline and Outlook

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 İstanbul, Ankara and Bursa will hold approximately 80% of the total pipeline.

Investment

The noticeable deals in 4th quarter of 2017 were the acquisition of Kipa’s Mersin Shopping Center by Akdeniz Mall and Metropol Shopping Center by Kefeli-Dekorsel JV.

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.

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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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