

Property News

Q1 2018 | Turkish Property Market Overview

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Research
Hüma Kartal
Research Analyst
+90 (212) 231 55 30 ext.120
kartalh@pamirsoyuer.com.tr

Investment
Firuz Soyuer
Managing Partner
+90 (212) 231 55 30 ext.117
fs@pamirsoyuer.com.tr

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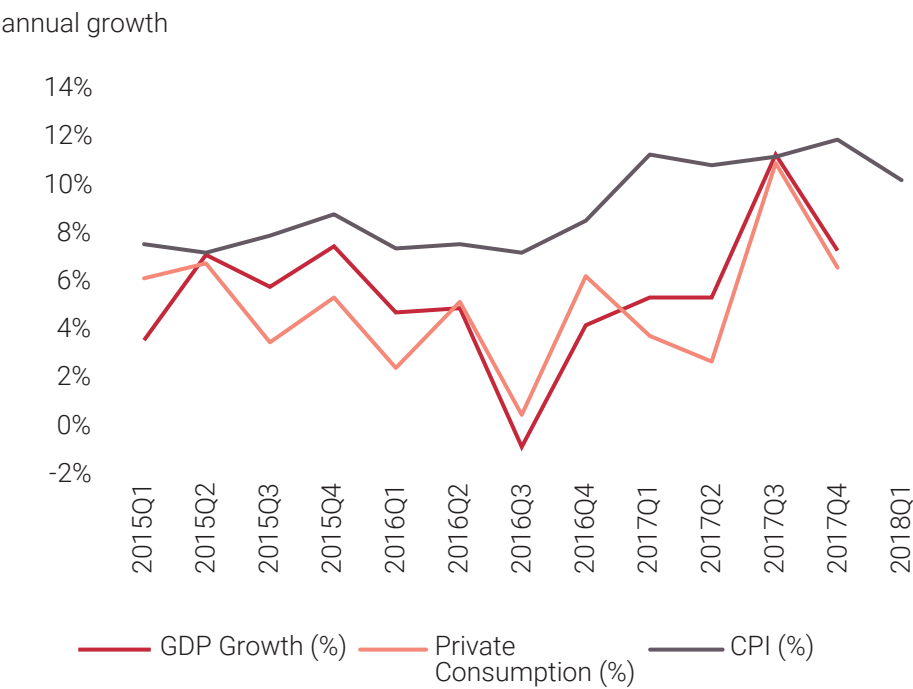
Economic Overview

GDP

During the 4th quarter of 2017, GDP grew by 7.4% compared to the same period in 2016. Compared to the 3rd quarter, GDP grew by 1.8% during 4th quarter of 2017.

Moody’s revised Turkey’s credit rating to “Ba2” from “Ba1”. The key reasons behind the downgrade were listed as: “continued loss of institutional strength; and the increased risk of an external shock given the country’s wide current account deficits, higher external debt and associated large rollover requirements in the context of heightened political risks and rising global interest rates”.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Building Construction Cost Index			
	Total	Labour	Material
Quarterly Change	1.65%	0.34%	2.28%
Annual Change	17.63%	14.63%	19.12%

House Sales Statistics, December 2017	
Total House Sales	303,877 houses
First Sales	138,777 houses
Second Hand Sales	165,100 houses
Sales to Foreigners	5,298 houses

Source: TURKSTAT

Economic Overview

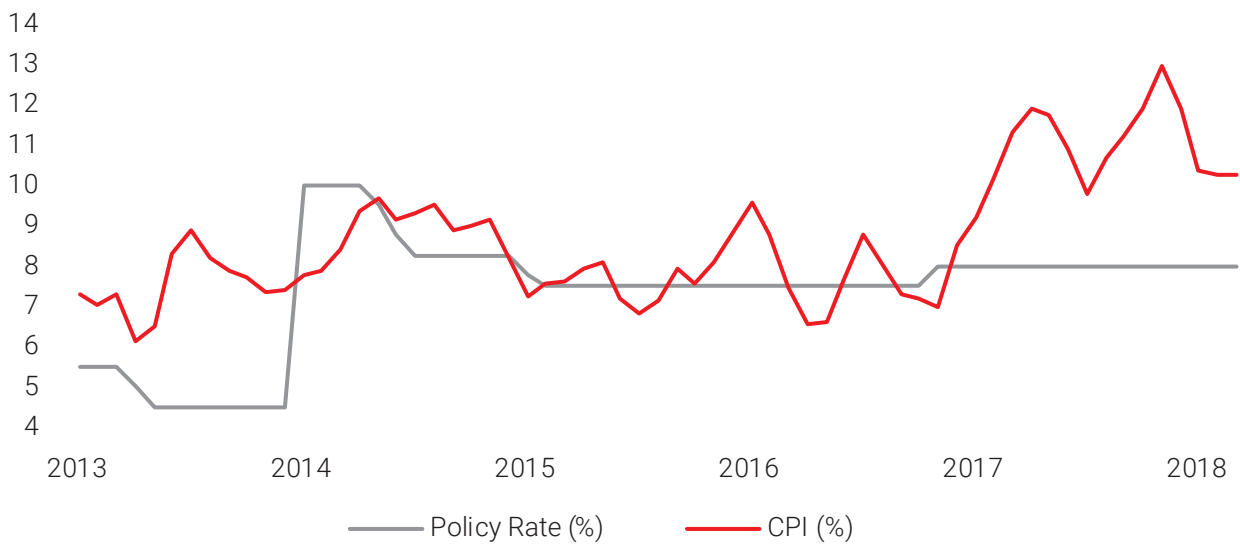
Inflation

CPI in Turkey during March 2018 increased by .99% and 10.23% compared to February 2018 and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were food and non-alcoholic beverages and furnishing and household equipment, respectively. Cost of food and non-alcoholic beverages increased by 2.03% between February and March 2018 and, on an annual basis, cost of furnishing and household equipment increased by 15.41%.

Policy Rate

CBRT increased late liquidity window lending rate to 13.5% from 12.75% on 25 April. 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

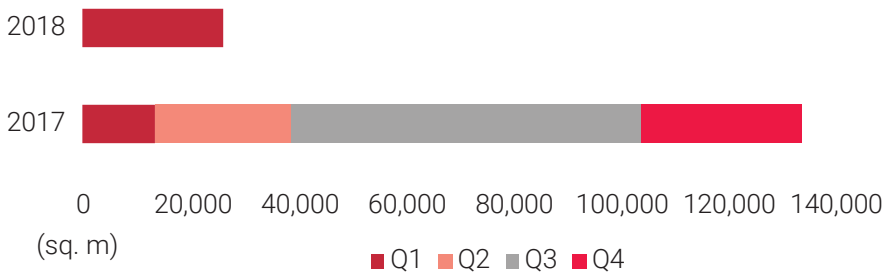
In the 1st quarter of 2018, cumulative supply of grade A office space in Istanbul remained unchanged at 3.52 million sq. m. compared to the previous quarter. During the 1st quarter of 2018, 26,086 sq. m take-up was recorded, comprising 73% of the overall transactions recorded in Istanbul primary office areas. 37.6% of the transactions were recorded in Umraniye, 25.9% in Levent-Etiler, 23.6% in Kozyatagi and 13% in Maslak office areas. The largest deals in newly emerging office districts were Alternatif Bank’s leasing in Vadistanbul (12,000 sq. m) and Tekfen’s leasing in Premier Campus Office (4,400 sq. m). In the primary office regions, Petrol Ofisi’s leasing in Emaar Square (9,400 sq. m) and 3M’s leasing in Nidakule Atasehir Guney (4,109 sq. m) were the most notable deals over the quarter.

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.

Figure 3. Istanbul grade A office take-up

Notable take-up activities 2018 Q1		
Building	Vadistanbul	Emaar Square
District	Kagithane Cendere	Uskudar
Tenant	Alternatif Bank	Petrol Ofisi
Area (m²)	12,000	9,400



Source: Pamir&Soyuer

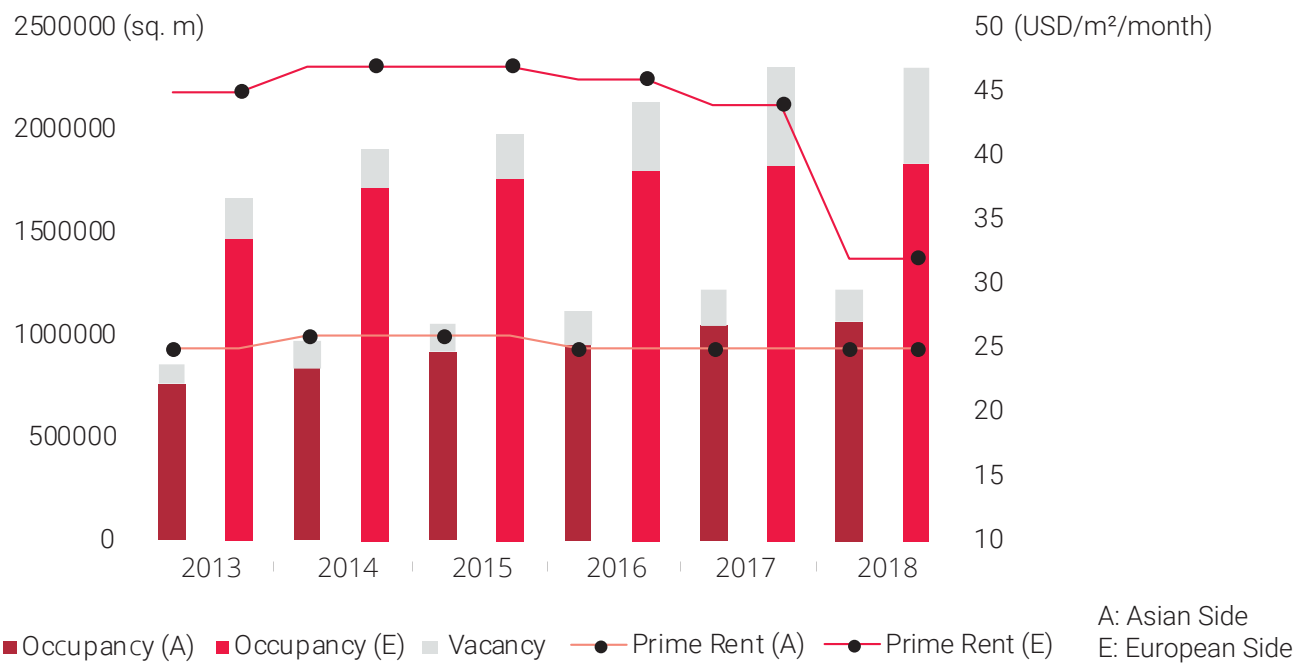


Istanbul Office Market

Vacancy and Rental Level

In the 1st quarter of 2018, average rents in Istanbul grade A office market continued to decline due to high inflation, exchange rate volatility and excess supply. Total vacancy rate in Istanbul Grade A Office Spaces stands at 17.7%, fell both in Asian and European Side from 14.2% and 20.7% to 12.9% and 20.3%, respectively. Vacancy rates occurred 20.5% in Kozyatağı, 5.9% in Umraniye, 20.8% in Maslak, 18.8% in Sisli-Zincirlikuyu-Besiktas and 20.8% in Levent Etiler. Prime rent recorded in Levent-Etiler declined from 44 \$/m2/month to 32 \$/m2/month.

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



Source: Pamir&Soyuer

Turkish Retail Market

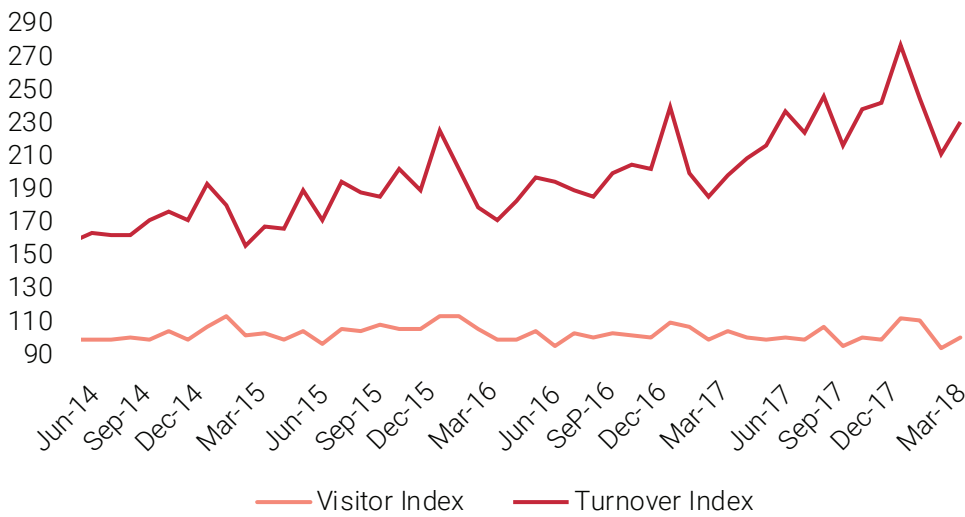
Demand

According to data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to March 2017 the shopping centers sales index increased by 16.8% to 230 points. During the 1st quarter of 2018, footfall index in March, decreased by 2.9% compared to same period last year. In March 2018, shopping centers’ sales per leasable area (sq. m.) occurred as 1022 TL/m² in Istanbul, 779 TL in Anatolia and 876 TL in Turkey

Supply

During the 1st quarter of 2018, Turkey’s shopping center supply increased to 11.97 million sq. m with the opening of 3 new shopping centers. GLA/1,000 inhabitants increased to 148.24 sq. m in Turkey; moreover, İstanbul has the highest rate of GLA/1,000 inhabitants as 303.44 sq. m and followed by Ankara and Bolu with 294.18 sq. m and 289.16 sq. m per 1,000 inhabitants, respectively.

Figure 5. Shopping centers turnover and visitor index



Source: AYD and Akademetre Research

Turkish Retail Market

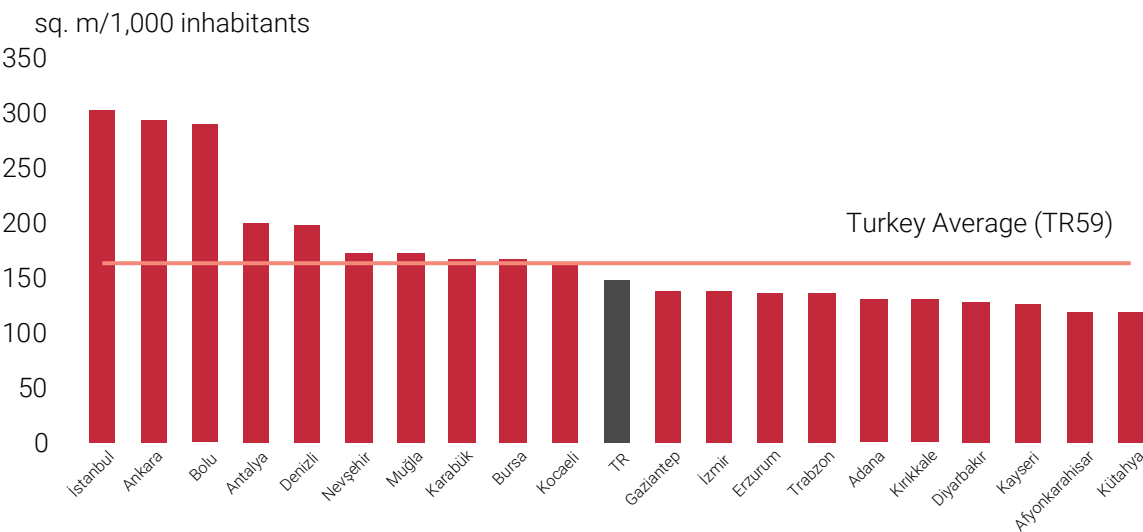
New Supply

In the 1st quarter of 2018, there were 3 new shopping center openings: İst Marina (70.000 m²) and Home City (50.000 m²) in Istanbul and Adıyamanpark Shopping Center (30.000 m²).

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

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



Source: Pamir&Soyuer

Investments, Q1 2018

Asset	Purchaser	Price
Carrefoursa Bayrampasa	Re-pie Gayrimenkul Yatırım Fonu	₺145 million
Cerkezkoy Kipa	Aksistem Elektromekanik San. Ve Tic. Ltd. Sti.	₺44 million
Icerenkoy Carrefour	Gulaylar Group	€269 million
Kocaeli Carrefoursa	Not Gayrimenkul	
Eskisehir Neoplus Outlet Center	Nata Holding	

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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PAMİR VE SOYUER GAYRİMENKUL DANIŞMANLIK A.Ş.
HAKKI YETEN CAD. 15/7 T. +90 212 231 55 30
ŞİŞLİ 34365 İSTANBUL F. +90 212 231 58 20

pamirsoyuer.com.tr

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