

# Property News

Q2 2018 | Turkish Property Market Overview



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## Property News Q2 2018, Turkish Property Market Overview

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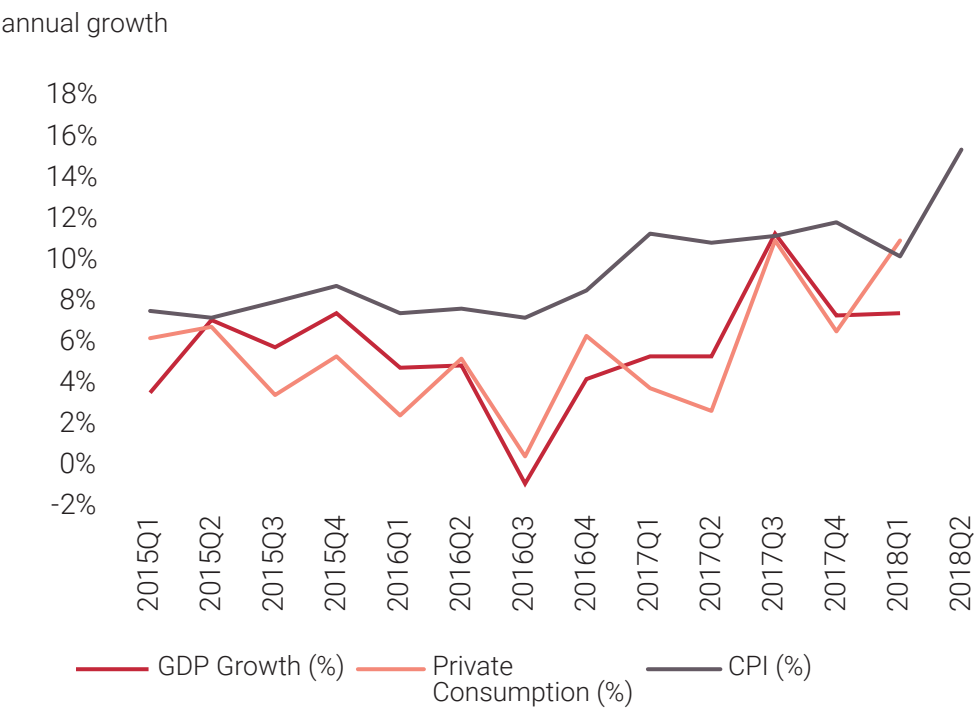
# Economic Overview

## GDP

During the 1<sup>st</sup> quarter of 2018, GDP grew by 7.4% compared to the same period in 2017. When the activities constituting GDP were analysed; the total value added increased by 10% in the service sector, 8.8% in the industry sector, 6.9% in the construction sector and 4.6% in the agricultural sector compared with the same quarter last year.

Please note that according to OECD Economic Survey of Turkey 2018 GDP growth is projected to slow but to stay around 5% in 2018 and 2019.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

# Economic Overview

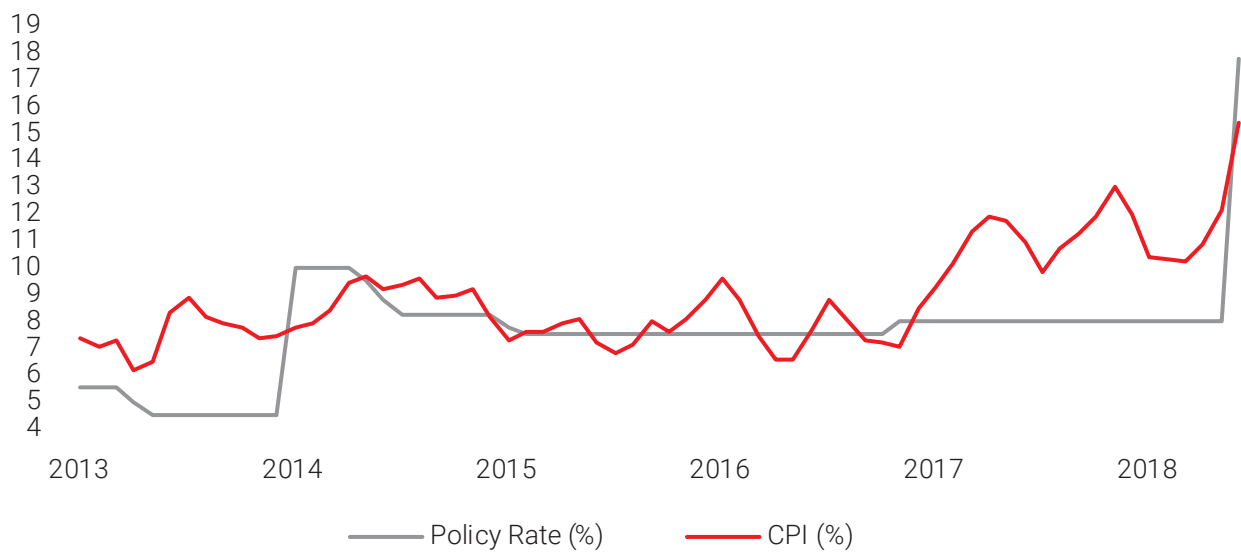
## Inflation

CPI in Turkey during June 2018 increased by 2.61% and 15.39% compared to May 2018 and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were food and non-alcoholic beverages and transportation, respectively. Cost of food and non-alcoholic beverages increased by 5.98% between May and June 2018 and, on an annual basis, cost of transportation increased by 24.26%.

## Policy Rate

CBRT raised the policy rate from 16.5% to 17.75% at monetary policy meeting held on 7 June. CBRT is expected to continue its tight monetary policy until the inflation is improved.

Figure 2. Policy rate and CPI



Source: TURKSTAT

Building Construction Cost Index, June 2018			
	Total	Labour	Material
Monthly Change	2.38%	0.13%	3.41%
Annual Change	24.87%	16.01%	29.23%

House Sales Statistics, April - June 2018	
Total House Sales	342,155 houses
First Sales	160,100 houses
Second Hand Sales	182,055 houses
Sales to Foreigners	6,646 houses





# Istanbul Office Market

## Demand and Supply

In the 2<sup>nd</sup> quarter of 2018, cumulative supply of grade A office space in Istanbul increased to 3.59 million sq m. with the new offices started to operate in Asian Side of Istanbul. During the 2<sup>nd</sup> quarter 2018, 39,474 sq. m take-up was recorded, comprising 82% of overall transactions recorded in Istanbul primary office areas. 38% of the transactions were recorded in Levent-Etiler, %30 in Maslak, %13 in Sisli-Zincirlikuyu-Besiktas, %17 in Kozyatagi and %2 in Umraniye. The noticeable deals in the 2nd quarter of 2018 were McKinsey’s leasing in Ferko Signature (2,287 sq. m) and Multinet’s leasing in Suzer Plaza (2,000 sq. m).

## Investments

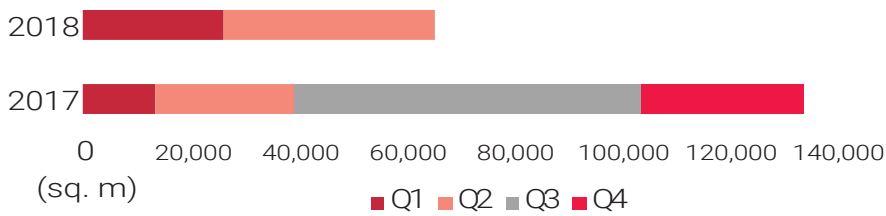
The notable deals recorded in the 2nd quarter of 2018 was the acquisition of 12.000 m² office space from Maslak 1453 by EPIAS.

## 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.

Notable take-up activities 2018 Q2		
Building	Ferko Signature	Suzer Plaza
District	Levent	Sisli
Tenant	McKinsey	Multinet
Area (m²)	2,287	2,000

Figure 3. Istanbul grade A office take-up



Source: Pamir&Soyuer



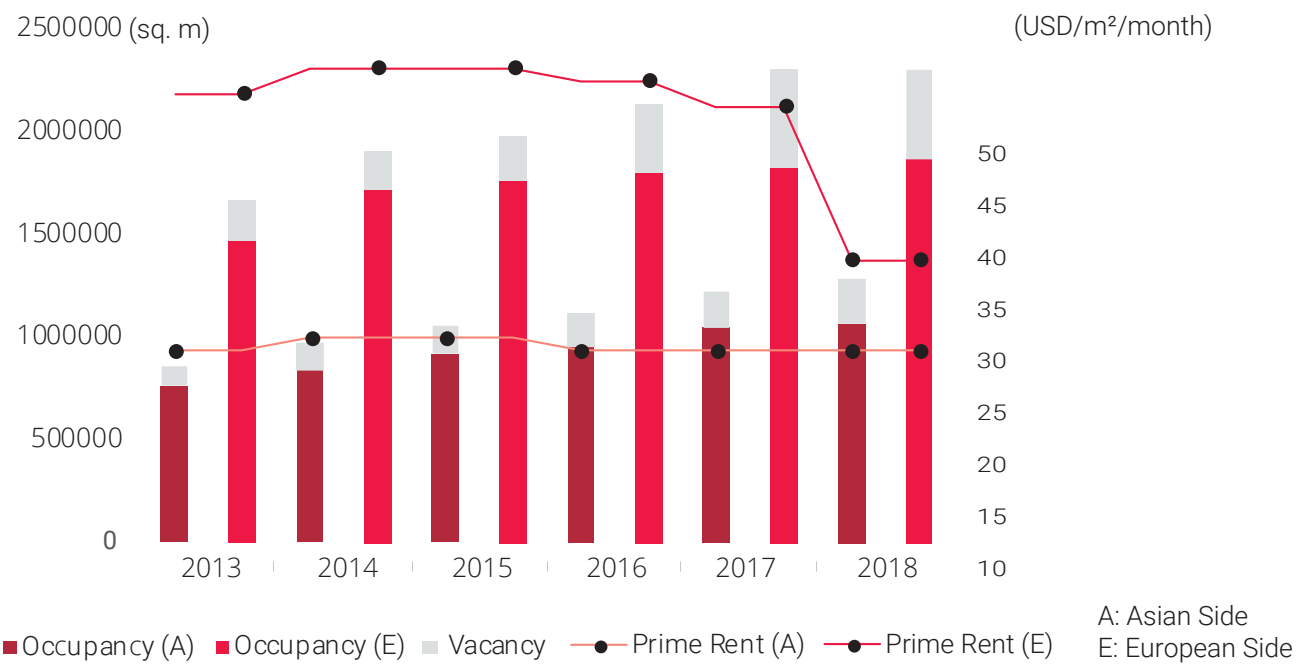


# Istanbul Office Market

## Vacancy and Rental Level

In the 2<sup>nd</sup> quarter of 2018, average rents in Istanbul grade A office market continued to decline due to high inflation, exchange rate volatility and excess supply. Vacancy rate in Istanbul Grade A Office Spaces rose to 18.2% in total, increasing from 12.9% to 17.1% in Asian Side with new supply entering the market and decreasing from %20.3 to %18.9 due to new leases. Vacancy rates occurred 25.2% in Kozyatağı, 9.4% in Umraniye, 19.1% in Levent-Etiler where the prime rent recorded as 32 \$/m2/month, 19.4% in Maslak and 17.9% in Sisli-Zincirlikuyu-Besiktas.

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



Source: Pamir&Soyuer

# Turkish Retail Market

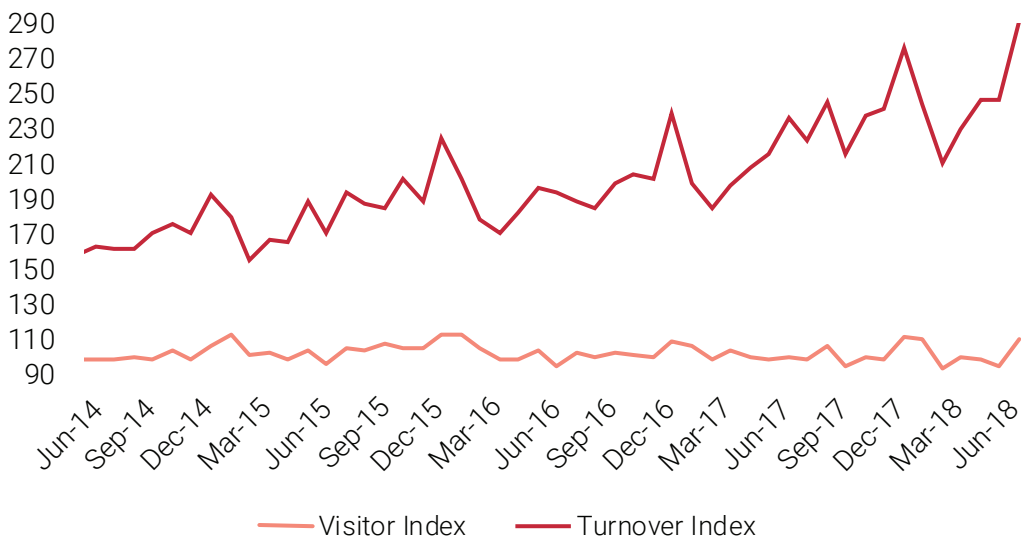
## Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to June 2017 the shopping centers sales index increased by 23.3% to 291 points. During the 2nd quarter of 2018, footfall index in June, increased by 10% compared to same period last year. In June 2018, shopping centers’ sales per leasable area (sq. m.) occurred as 1,252 TL in Istanbul, 1,015 TL in Anatolia and 1,110 TL in Turkey.

## Supply

During the 2nd quarter of 2018, Turkey’s shopping center supply increased to 11.89 million sq. m with the opening of 4 new shopping centers. GLA/1,000 inhabitants increased to 150.82 sq. m in Turkey; moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 311.09 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

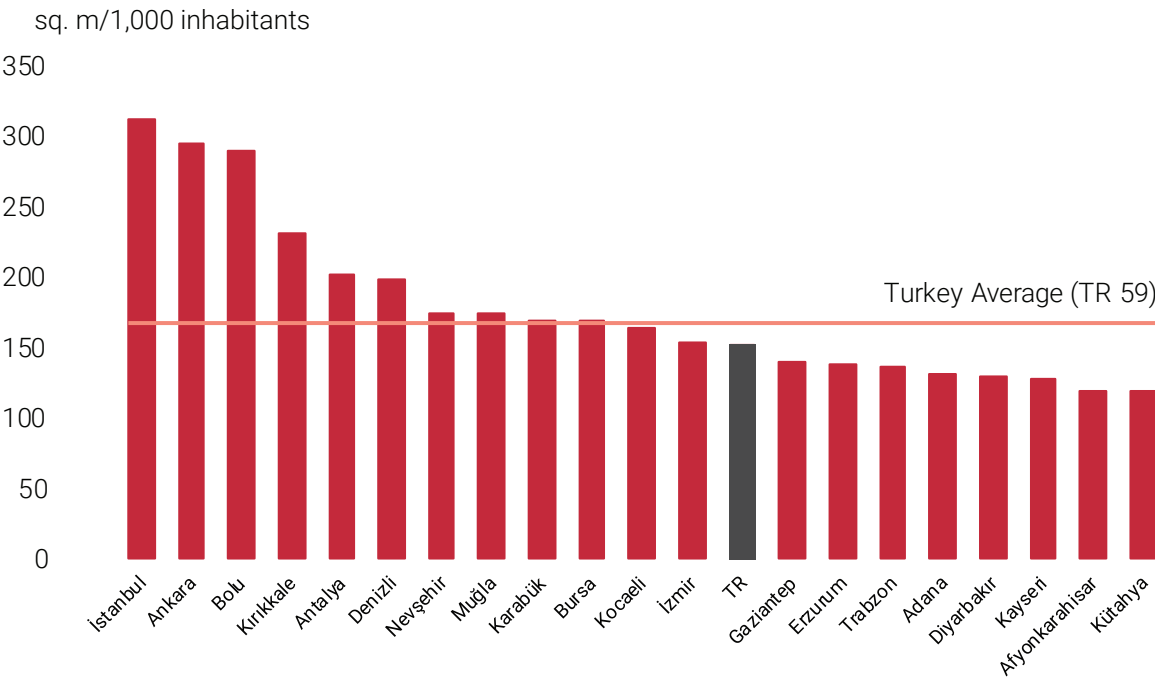
## New Supply

In the 2nd quarter of 2018, there were 4 new shopping center openings: Anatolium Marmara (60,000 m<sup>2</sup>) and Maltepe Piazza (55,000 m<sup>2</sup>) in Istanbul, Westpark Outlet Center (65,000 m<sup>2</sup>) in Izmir and 39 Burda Shopping Center (28,000 m<sup>2</sup>) in Kırklareli.

## 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 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, Q2 2018

Asset	Purchaser	Price
Gebze Center	Seyir Gayrimenkul Yatırım A. Ş	€102.5 million
Maltepe Carrefoursa	Bakırköy Gayrimenkul Yatırım A.Ş	₺835 million

# 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 m<sup>2</sup> 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.

**Prime rent:** Expressed in USD/m<sup>2</sup>/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 m<sup>2</sup> 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 m<sup>2</sup> 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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