



Property News

Q4 2018 Turkish Property Market Overview

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Economic Overview

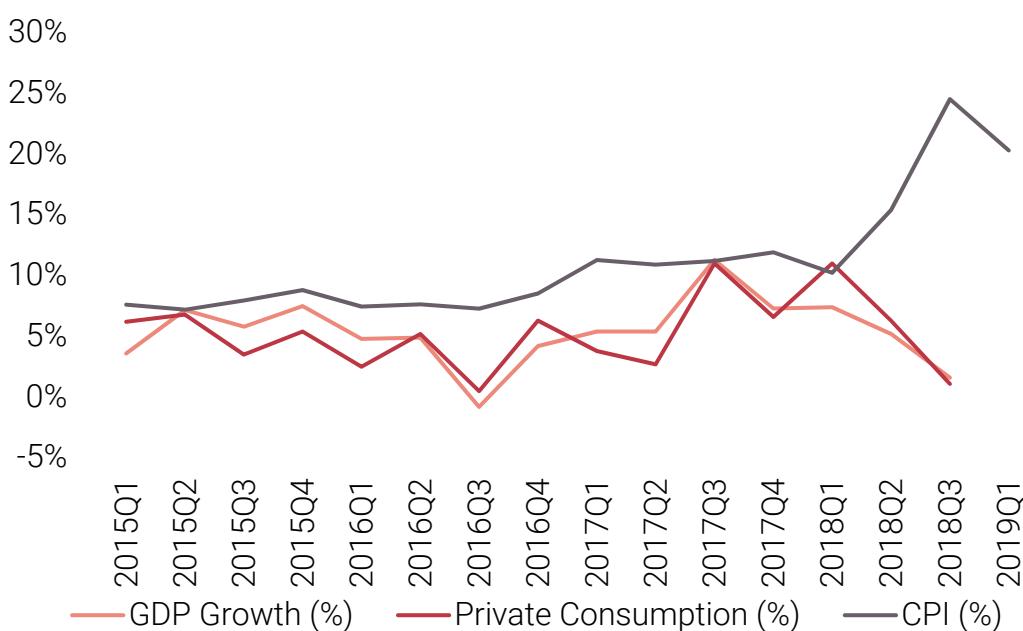
GDP

During the 3rd quarter of 2018, GDP grew by 1.6% compared to the same period in 2017. When the activities constituting GDP were analysed; the total value added increased by 4.5% in the service sector, 0.3% in the industry sector and decreased by 5.3% in the construction 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

annual growth



Source: TURKSTAT

Building Construction Cost Index, December 2018

	Total	Labour	Material
Monthly Change	-0.85%	0.62%	-2.81%
Annual Change	25.65%	17.45%	29.21%

House Sales Statistics, October - December 2018

Total House Sales	373,007 houses
First Sales	185,497 houses
Second Hand Sales	187,510 houses
Sales to Foreigners	15,508 houses

Source: TURKSTAT

Economic Overview

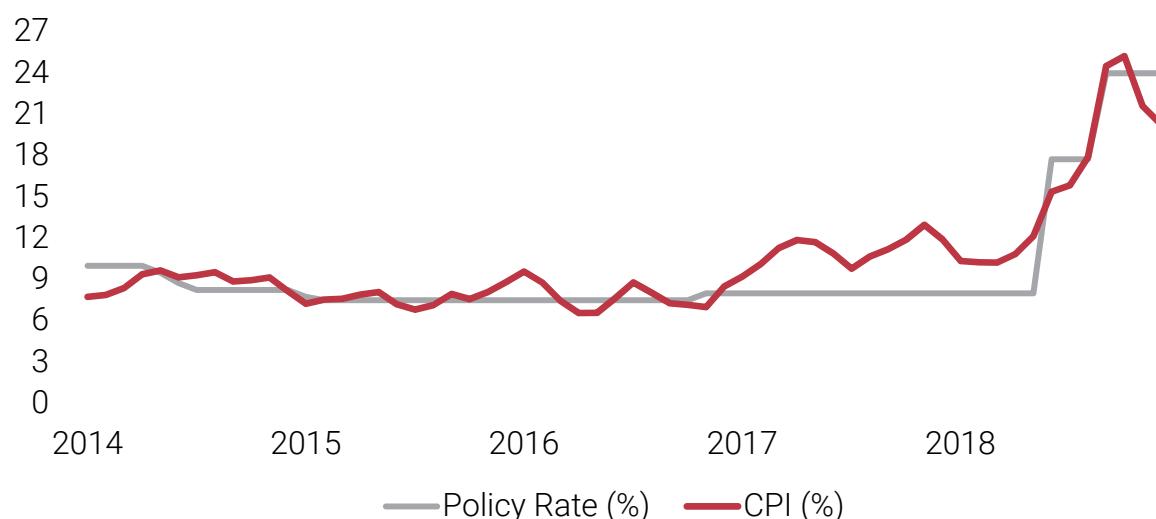
Inflation

CPI in Turkey during December 2018 decreased by 0.4% and increased by 20.30% compared to November 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 1.08% between November and December 2018 and, on an annual basis, cost of furnishing and household equipment increased by 31.36%.

Policy Rate

In the December MPC meeting, in response to the upside risks posed by the pricing behavior on the inflation outlook, CBRT continued to keep Turkey's Policy Rate unchanged at 24%, and furthermore did not change the upper and lower limits corresponding respectively to 25.50% and 22.50%. CBRT is expected to continue its tight monetary policy until the inflation is improved.

Figure 2. Policy rate and CPI



Source: TURKSTAT

Istanbul Office Market

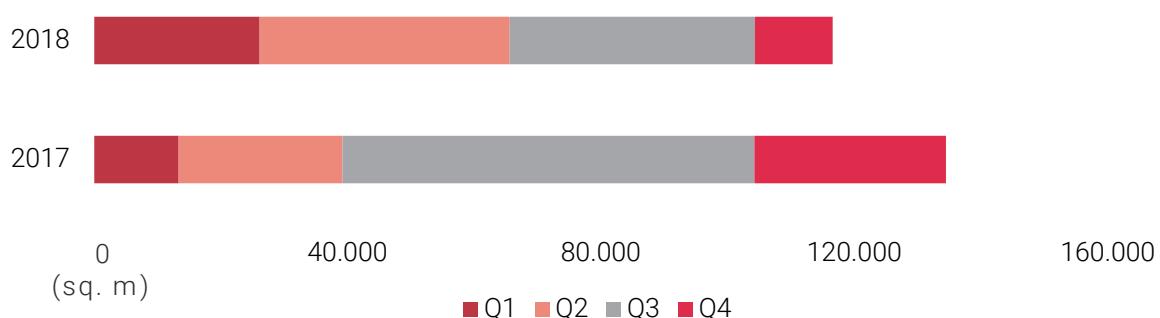
Demand and Supply

In the 4th quarter of 2018, cumulative supply of grade A office space in Istanbul increased to 4.84 million sq m. During the 4th quarter 2018, 12,272 sq. m take-up was recorded, comprising 17.7% of overall transactions recorded in Istanbul primary office areas. 28% of the transactions were recorded in Levent-Etiler, %22 in Maslak, %1 in Sisli-Zincirlikuyu-Besiktas, and %41 in Kozyatagi. The noticeable deals in the 4th quarter of 2018 were Eaton's leasing in Maslak Office Building MOB (1,927 sq. m), Akbank's leasing in Ferko Signature (1,722 sq. m) and Atos's leasing in Business İstanbul (1,369 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.

Figure 3. Istanbul grade A office take-up



Source: Pamir&Soyuer

Notable take-up activities 2018 Q4

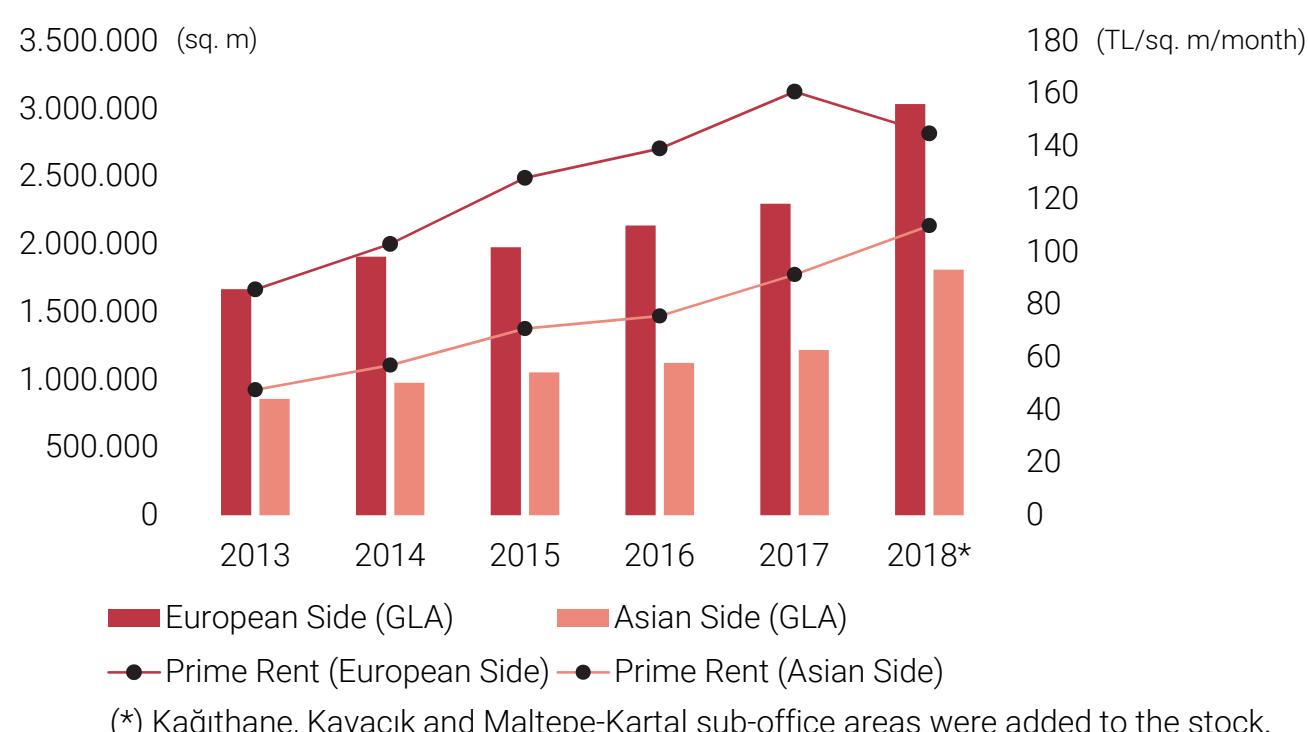
Building	MOB	Ferko Signature	Business İstanbul
District	Maslak	Levent	Ataşehir
Tenant	Eaton	Akbank	Atos
Area (sq. m)	1,927	1,722	1,369

Istanbul Office Market

Vacancy and Rental Level

In the 4th 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 25% in total, increasing from 27% to 28% in Asian Side with new supply entering the market and decreasing from %24 to %23 due to new leases in European Side. Vacancy rates occurred 31.9% in Kozyatağı, 24% in Umraniye, 27.2% in Maslak, 23.1% in Sisli-Zincirlikuyu-Besiktas and 17.9% in Levent Etler. While rents continued to sustain the downward trend, prime rent stood at 145 TL/sqm/month.

Figure 4. Istanbul grade A office GLA, prime rent



Source: Pamir&Soyer

Investments, 2018 Q4

Asset	Area (sq. m)	Purchaser	Price
Alternatif Bank Building	5,530	Karadeniz Örme Sanayi	62 million TL
Manzara Adalar Office Floors	3,500	İş Portföy	25 million TL

Turkish Retail Market

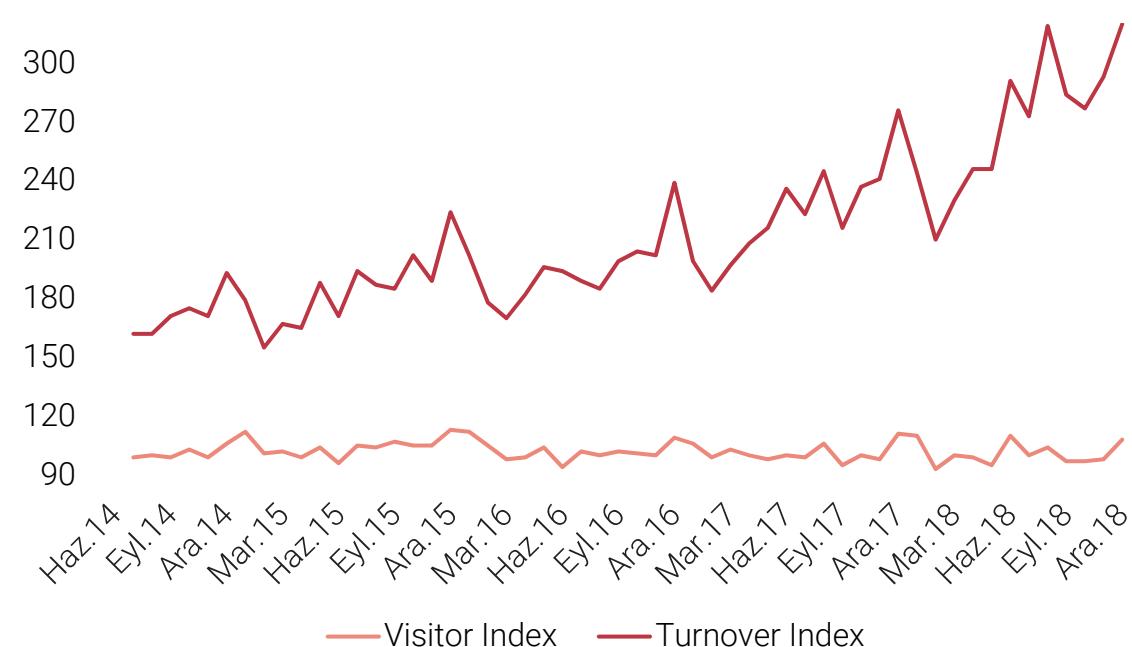
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to December 2017 the shopping centers sales index increased by 15.9% to 320 points. During the 4th quarter of 2018, footfall index in December, decreased by 2.7% compared to same period last year. In December 2018, shopping centers' sales per leasable area (sq. m.) occurred as 1,558 TL in Istanbul, 995 TL in Anatolia and 1,220 TL in Turkey.

Supply

During the 4th quarter of 2018, Turkey's shopping center supply increased to 12.37 million sq. m with the opening of 4 new shopping center. GLA/1,000 inhabitants increased to 153.12 sq. m in Turkey; moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 319.74 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

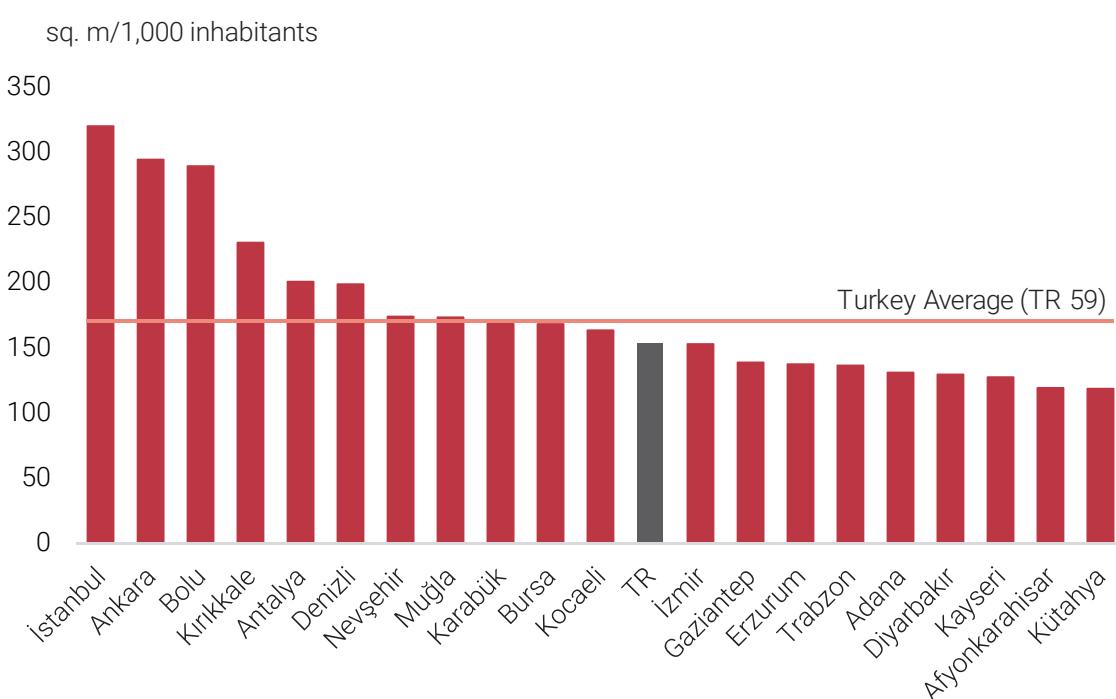
New Supply

In the 4rd quarter of 2018, there was 4 new shopping center openings: Homecity Shopping Mall (90,000 sq. m) and HOM Design Center (40,000 sq. m) in İstanbul, 10 Burda Shopping Center (16,100 sq. m) in Balıkesir, Atakule Shopping Mall (re opening 50,000 sq. m) in Ankara.

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, 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 TL/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 TL/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 liaison 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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