

Property News

Q1 2019 Turkish Property Market Overview

Contents

Economic Overview	3
Residential Market	5
Istanbul Office Market	6
Turkish Retail Market	7
Definitions	8

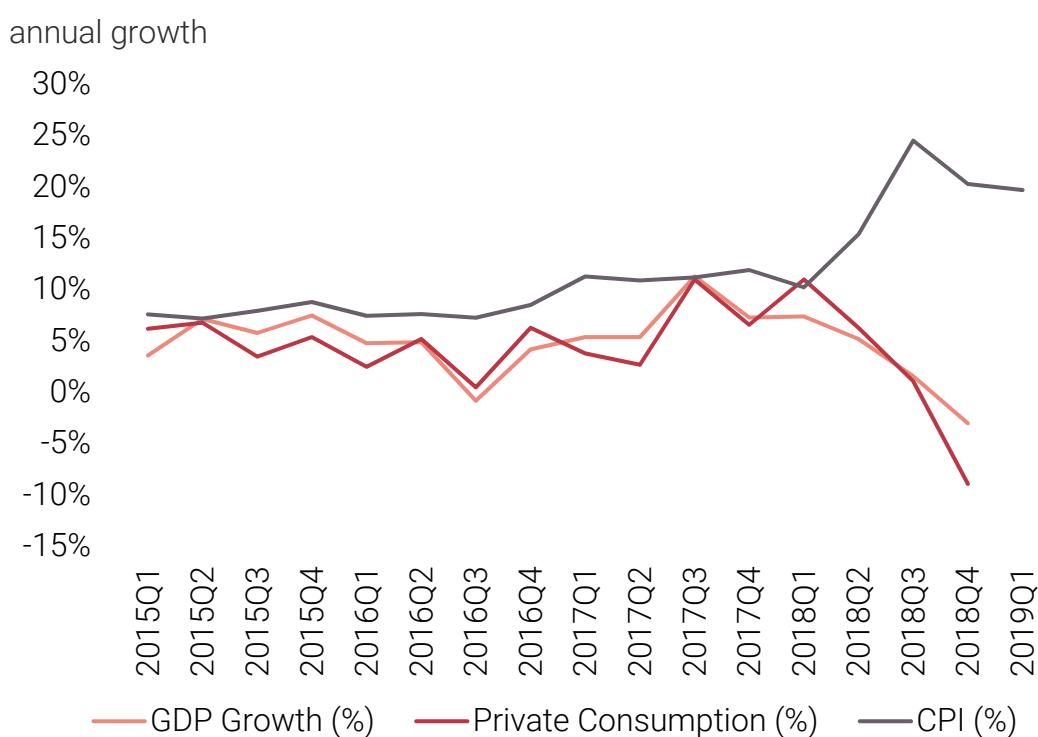
Economic Overview

GDP

During the 4th quarter of 2018, GDP shrank by 3 % compared to the same period in 2017. On an annual basis GDP grew 2.6% in 2018. When the activities constituting GDP were analyzed; total value added increased by 1.3% in agriculture, 1.1% in industry sector and decreased by 1.9% in construction sector compared with the same quarter of last year (quarter-on-quarter).

Please note that according to OECD Economic Survey of Turkey GDP growth is projected to decline 2.6% in 2019, and to increase 1.6% in 2020.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Building Construction Cost Index, March 2019

	Total	Labour	Material
Monthly Change	1.47%	0.27%	2.02%
Annual Change	26.95%	26.48%	27.16%

House Sales Statistics, 2019 Q1

		Change (*)
Total House Sales	256,433 houses	- 15.6 %
First Sales	107,859 houses	- 22.3 %
Second Hand Sales	148,574 houses	- 10.0 %
Sales to Foreigners	9,618 houses	81.5 %

(*) Change over the same quarter of the previous year Source: TURKSTAT

Economic Overview

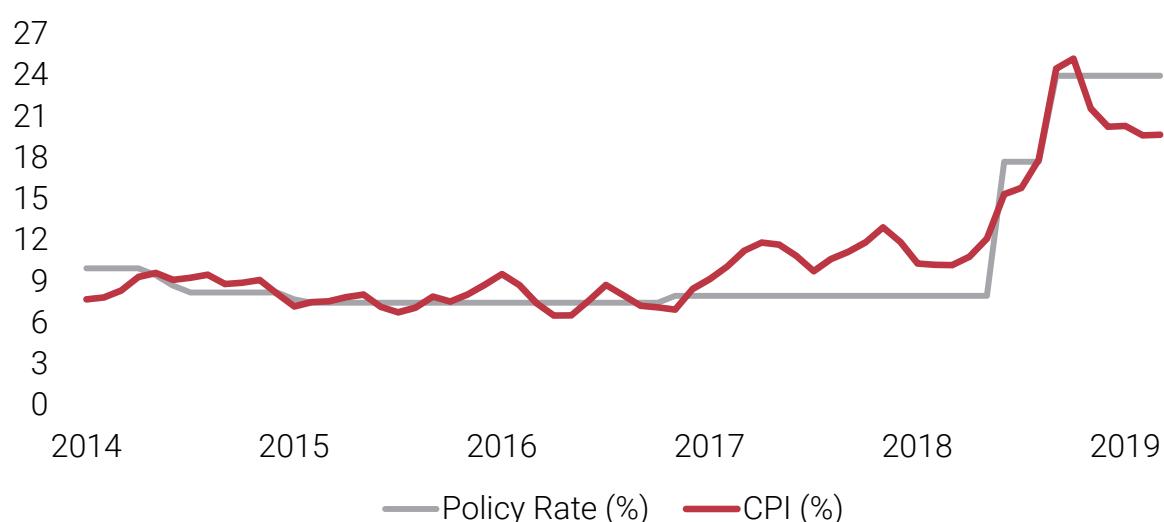
Inflation

CPI in Turkey during March 2019 increased by 1.03% and 19.71% compared to February 2019 and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were medical health and food and non-alcoholic beverages, respectively. Cost of medical health increased by 3.48% between February and March 2019 and, on an annual basis, cost of food and non-alcoholic beverages increased by 29.77%.

Policy Rate

In the December MPC meeting, in response to the upside risks posed by the pricing behaviour 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

Residential Market

House Sales Statistics

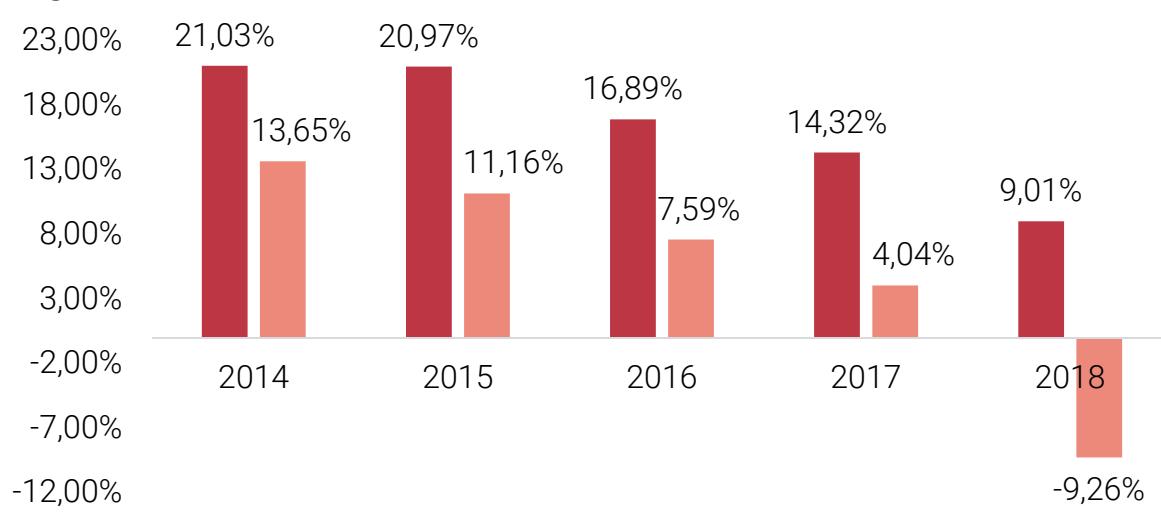
During the 1st quarter of 2019, house sales decreased by 15.6 % compared to the same period in 2018. Compared to the same period of the previous year, first hand and second hand houses sales decreased by 22.3% and 10 % respectively. Mortgage sales decreased by 57.3% on quantity compared to the same period of the previous year (quarter-on-quarter).

Figure 3. Housing Sales on Quarterly Basis



According to the Central Bank Residential Property Price Index and REIDIN residential yield rate data, total nominal return and reel return rate was calculated as 9.01% and -9.26% respectively in 2018. Total return is calculated based on the sum of rental income and value increase.

Figure 4. Total Nominal and Reel Return Rate



Istanbul Office Market

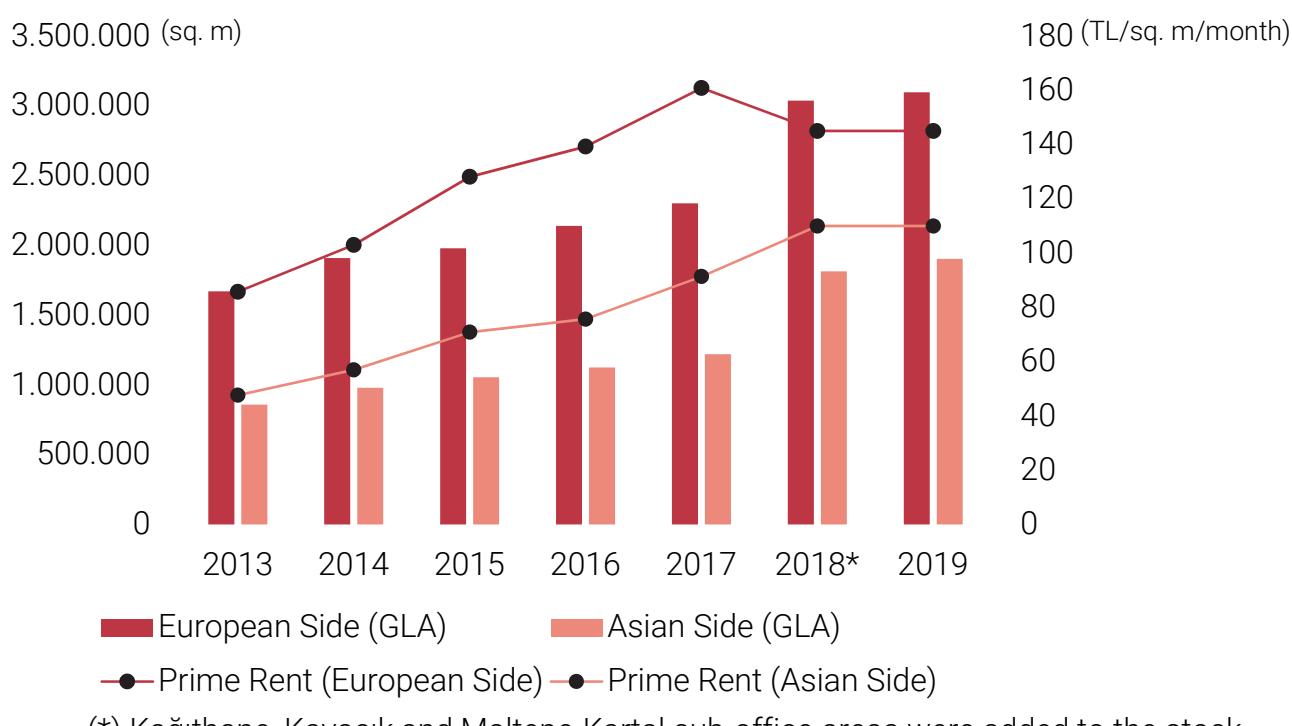
Demand and Supply

In the 1st quarter of 2019, cumulative supply of grade A office space in Istanbul increased to 4.99 million sq m. During the 1st quarter of 2019, 24,534 sq. m take-up was recorded, comprising 49% of overall transactions recorded in Istanbul primary office areas. 60% of the transactions were recorded in Kozyatağı, 16% in Ümraniye, 12% in Sisli-Zincirlikuyu-Besiktas Levent-Etiler, 6% in Maslak, and 6% in Levent-Etiler.

Vacancy and Rental Level

In the 1st quarter of 2019, 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 27% in total, increasing from 28% to 31% in Asian Side, and %23 to %25 in European Side of Istanbul with new supply entering the market. Vacancy rates realized as 32% in Kozyatağı, 30% in Umraniye, 27.9% in Maslak, 29.7% in Sisli-Zincirlikuyu-Besiktas, and 18.1% in Levent Etiler. While rents continued to sustain the downward trend, prime rent stood at 145 TL/sqm/month.

Figure 5. Istanbul grade A office GLA, prime rent



Source: Pamir&Soyuer

Turkish Retail Market

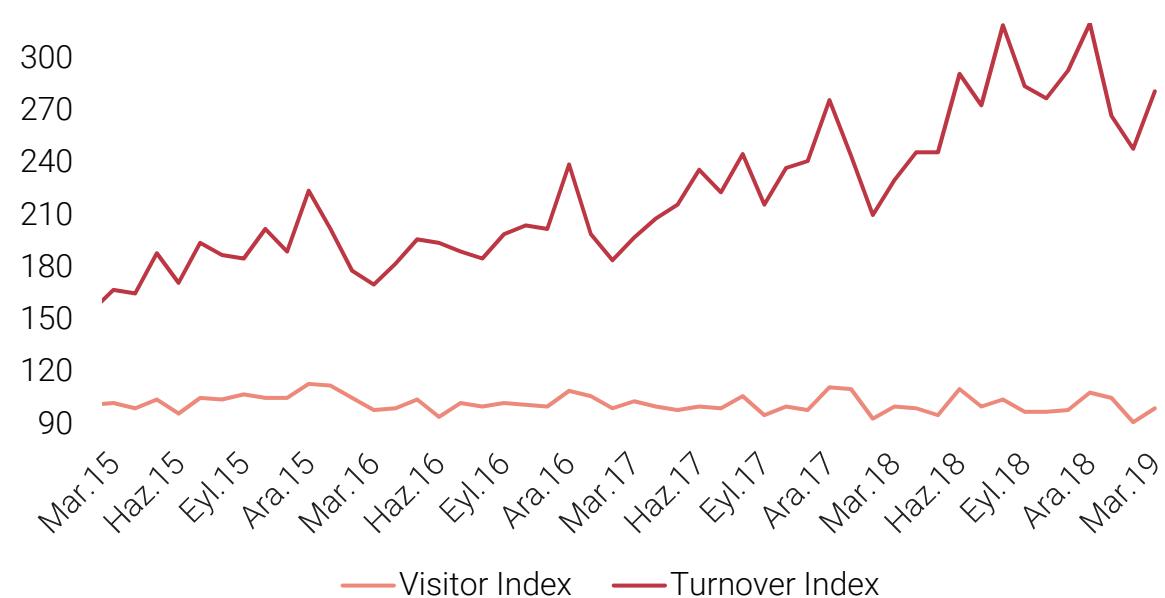
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to March 2018 the shopping centers sales index increased by 22.2% to 281 points. During the 1st quarter of 2019, footfall index in March, decreased by 2.9% compared to the same period of last year. In March 2019, shopping centers' sales per leasable area (sq. m.) occurred as 1,317 TL in Istanbul, 908 TL in Anatolia, and 1,013 TL in Turkey.

Supply

During the 1st quarter of 2019, Turkey's shopping center supply increased to 12.41 million sq. m with the opening of 2 new shopping centers; Kartaltepe Shopping Mall (25,000 sq. m) in Ankara, Park Shopping Mall (15,000 sq. m) in Van. GLA/1,000 inhabitants increased to 153.62 sq. m in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 319.74 sq. m, which is followed by Ankara and Bolu with 298.77 sq. m and 289.16 sq. m per 1,000 inhabitants, respectively.

Figure 6. Shopping centers turnover and visitor index



Source: AYD and Akademetre Research

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.

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Pamir & Soyuer can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to Pamir & Soyuer.

© Pamir & Soyuer May 2019

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

Research

Hazal Bali
Associate
+90 (212) 231 55 30 ext.119
ozkanh@pamirsoyuer.com.tr

Investment

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

Research Reports are available at pamirsoyuer.com.tr/en/research/

INVESTMENT | BROKERAGE | ADVISORY | DEVELOPMENT

Pamir & Soyuer Gayrimenkul Danışmanlık A.Ş.
Hakki Yeten Cad. 15/7 Şişli 34365 İstanbul Turkey

pamirsoyuer.com.tr

pamir&soyuer

REAL ESTATE