



Property News

Q2 2019 Turkish Property Market Overview

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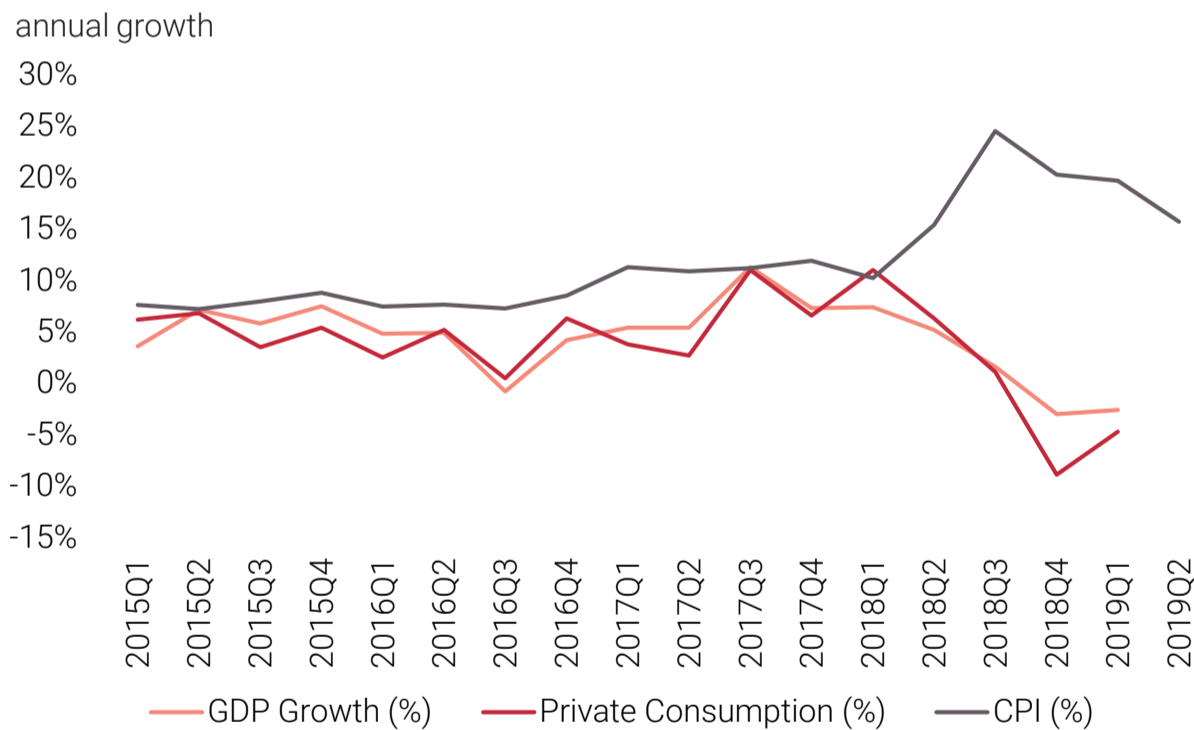
Economic Overview

GDP

During the 1st quarter of 2019, GDP shrank by 2.6 % compared to the same period in 2018. When the activities constituting GDP were analyzed; total value added increased by 2.5% in agriculture, and decreased by 4.3% in industry, 10.9% 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 projected to grow 1.6% in 2020.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Building Construction Cost Index, June 2019

	Total	Labour	Material
Monthly Change	-0.44%	0.17%	- 0.72%
Annual Change	21.99%	26.44%	20.03%

House Sales Statistics, 2019 Q1

		Change (*)
Total House Sales	249,363 houses	- 27.1 % ↓
First Sales	98,295 houses	- 38.6 % ↓
Second Hand Sales	151,068 houses	- 17.0 % ↓
Sales to Foreigners	10,334 houses	58.5 % ↑

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

Economic Overview

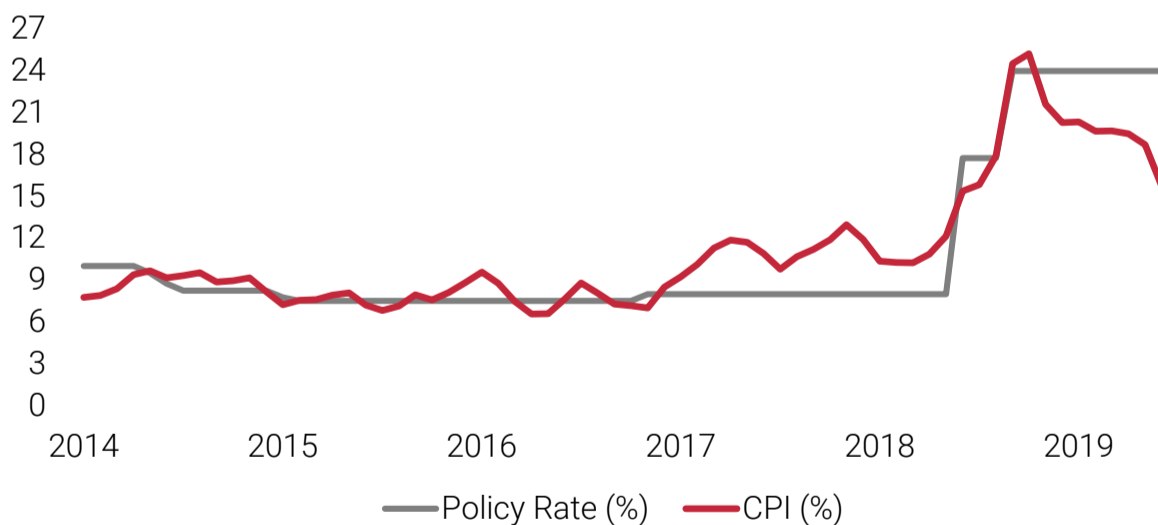
Inflation

CPI in Turkey during June 2019 increased by 0.03%, and 15.72% compared to May 2019, and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were respectively hotel, cafes and restaurants, and miscellaneous goods and services. Cost of hotel, cafes and restaurants increased by 2.65% between May and June 2019 on an annual basis, and cost of miscellaneous goods and services increased by 26.88%.

Policy Rate

In the June 2019 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%. Furthermore the upper and lower limits, which are respectively 25.50% and 22.50%, have not been changed. 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 2nd quarter of 2019, cumulative supply of grade A office space in Istanbul increased to 5.01 million sq. m. During the 2nd quarter of 2019, 25,167 sq. m take-up was recorded, comprising 71% of overall transactions recorded in Istanbul primary office areas. 60% of the transactions were recorded in Kozyatağı, 24% in Maslak, 6% in Sisli-Zincirlikuyu-Besiktas Levent-Etiler, 6% in Maltepe - Kartal, and 3% in Kağıthane.

Vacancy and Rental Level

In the 2nd 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 29% in total, remained unchanged at 31% in Asian Side, and increased from %23 to %25 in European Side of İstanbul with new supply entering the market. Vacancy rates realized as 31% in Kozyatağı, 29.4% in Sisli-Zincirlikuyu-Besiktas, 30% in Umraniye, 33.5% in Maslak, and 18.1% in Levent Etiler. Prime rent stood at 145 TL/sqm/month in Levent – Etiler region.

Figure 5. Istanbul grade A office GLA, prime rent



(*) Kağıthane, Kavacık and Maltepe-Kartal sub-office areas were added to the stock.

Source: Pamir&Soyuer

Turkish Retail Market

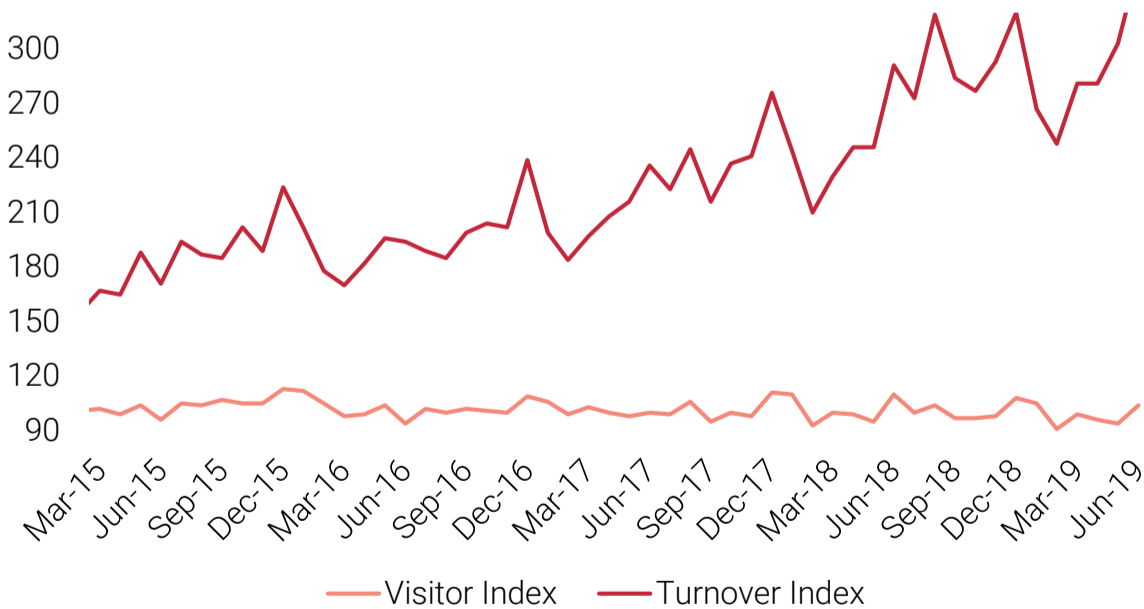
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to June 2018 the shopping centers sales index increased by 19.2% to 347 points. During the 2nd quarter of 2019, footfall index in June, decreased by 5.7% compared to the same period of last year. In June 2019, shopping centers' sales per leasable area (sq. m.) occurred as 1,542 TL in Istanbul, 1,174 TL in Anatolia, and 1,321 TL in Turkey.

Supply

During the 2nd quarter of 2019, Turkey's shopping center supply increased to 12.42 million sq. m with the opening of 1 new shopping center; Cassaba Modern Shopping Mall (15,000 sq. m) in Eskişehir. GLA/1,000 inhabitants increased to 151.53 sq. m in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 318.92 sq. m, which is followed by Ankara and Bolu with 295.57 sq. m and 281.16 sq. m per 1,000 inhabitants, respectively.

Figure 6. Shopping centers turnover and visitor index



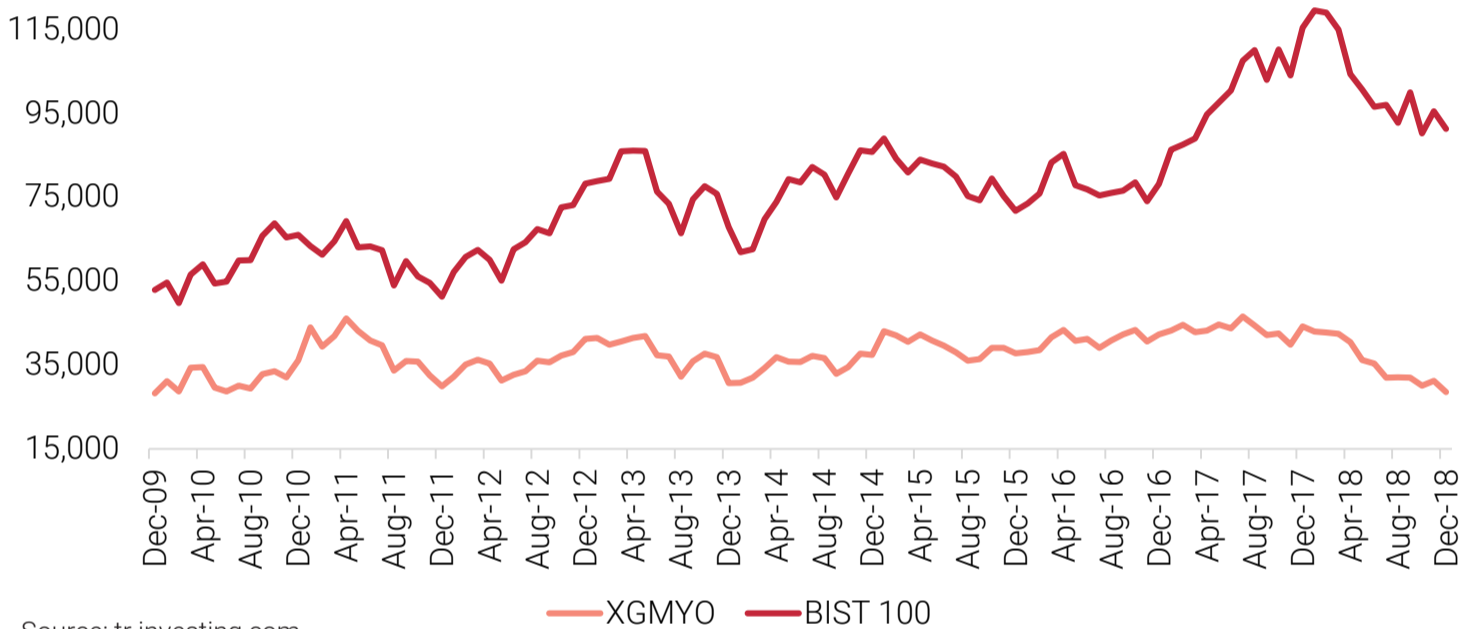
Source: AYD and Akademetre Research

Real Estate Investment Companies (REICs)

Index Performance

Due to the liquidity problem of the assets, foreign currency borrowing, limited housing purchase demand and decreasing rental value of commercial properties, REIC index move separately from BIST 100 index as of 2016.

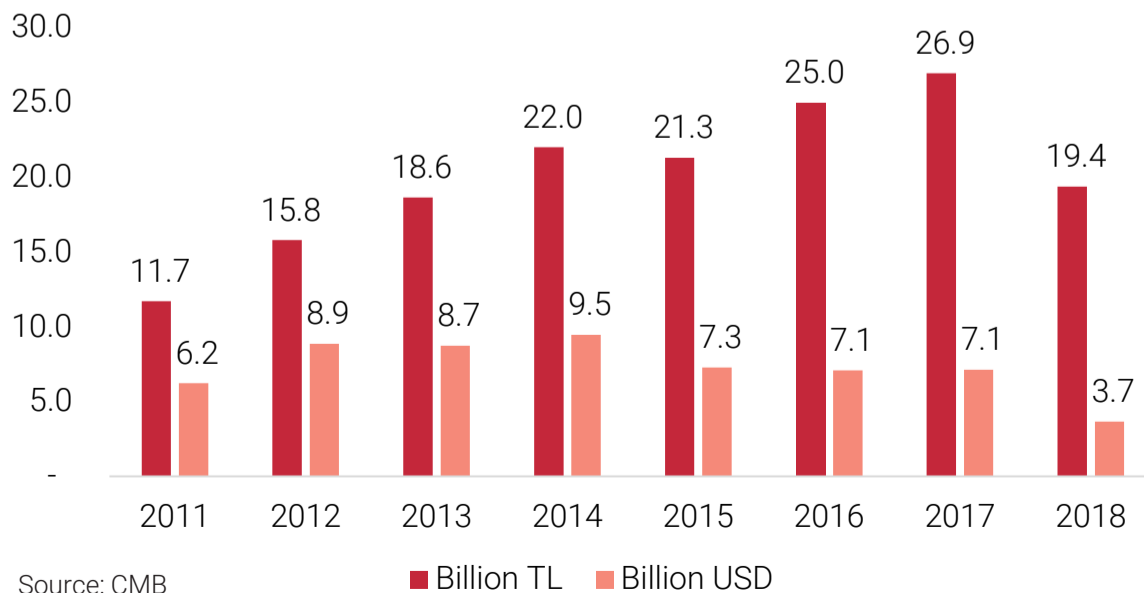
Figure 3. BIST REIC Index Performance



Source: tr.investing.com

REICs have been trading at very high discount rates for many years. They were traded at 62% (*) discount of their net asset value in June 2019. By the end of 2018, market values of REICs decreased by 48% in USD and 28% in Turkish Lira.

Figure 4. Market Value of Real Estate Investment Companies



Source: CMB

(*) GYODER Indicator 2019 2nd Quarter Report

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 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

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/

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

pamirsoyuer.com.tr

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