



# Property News

Q1 2020 Turkish Property Market Overview



# Contents

---

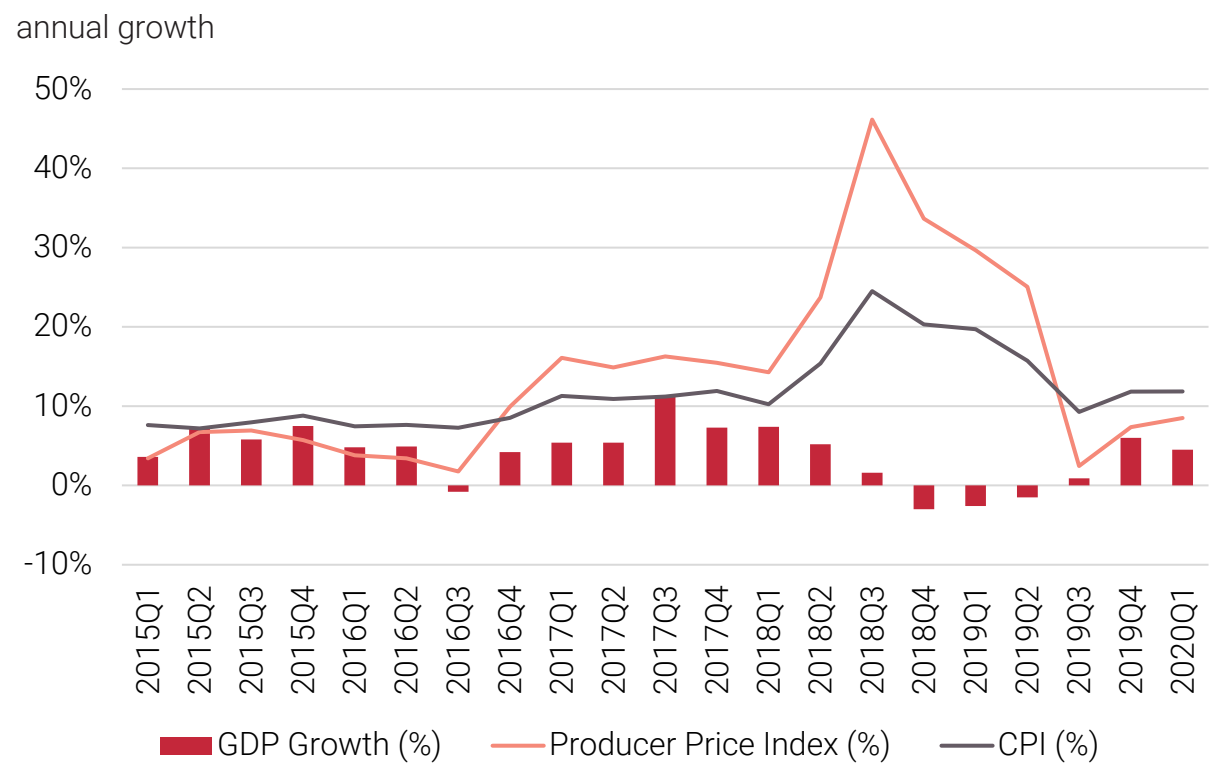
Economic Overview	3
Istanbul Office Market	5
Turkish Retail Market	6
Net-Zero Energy Buildings	7
Definitions	11

# Economic Overview

## GDP

During the 1<sup>st</sup> quarter of 2020, GDP grew by 4.5 % compared to the same period in 2019. When the activities constituting GDP were analysed; total value added increased by 10.7% in information and communication activities, 6.2% in manufacturing activities and decreased by 1.5% in construction sector compared with the last year, as a chained volume index.

Figure 1. Turkish Economy: selected indicators




Source: TURKSTAT

### Building Construction Cost Index, March 2020

	Total	Labour	Material
Monthly Change	0.53%	0.24%	0.94%
Annual Change	7.88%	15.59%	4.21%

### House Sales Statistics, 2020 Q1



33.0 %  
↑

- 0.4 % ↓  
First Sales

57.2 % ↑  
Second Hand Sales

Total House Sales

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

# Economic Overview

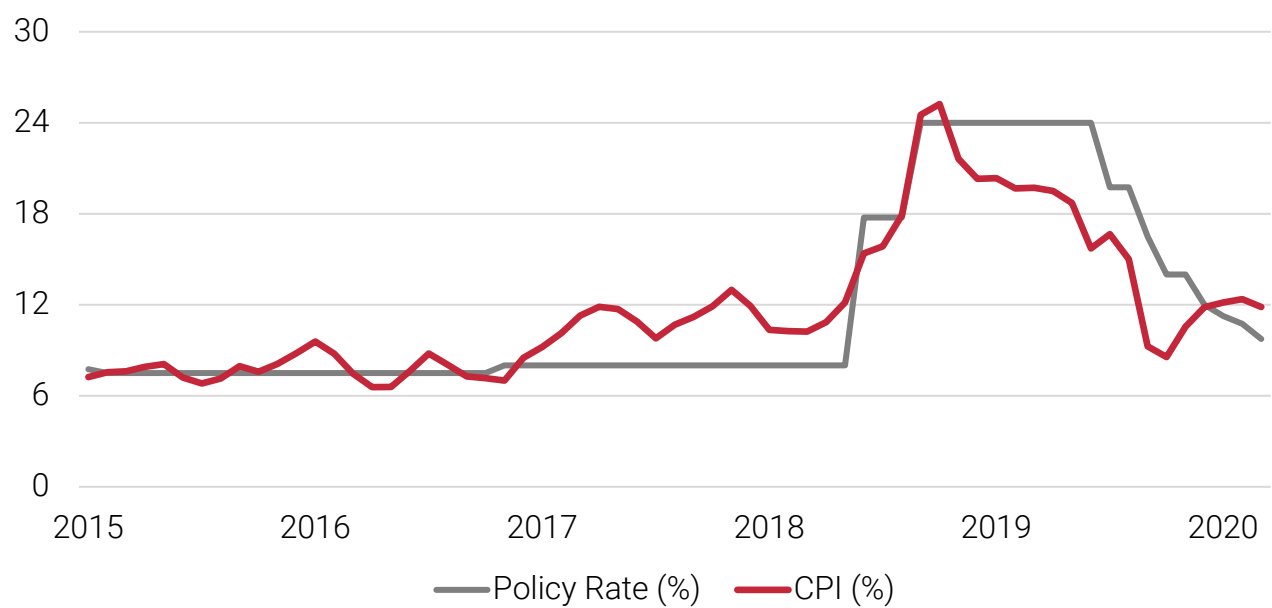
## Inflation

CPI in Turkey during March 2020 increased by 0.57%, and 11.86% compared to February 2020, and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were health and alcoholic beverages & tobacco. Cost of health increased by 2.78% between February and March 2020 on an annual basis cost of alcoholic beverages and tobacco increased by 40.19%.

## Policy Rate

CBRT decreased the rate by 75 basis points in January, 50 basis points in February and 100 basis points in March MPC meetings respectively, so decided to reduce the one-week repo auction interest rate, which is Turkey's Policy Rate, to 9.75%. CBRT is expected that net exports will continue to contribute to growth in the upcoming period and the gradual recovery in the economy will continue with the downward trend in inflation and the improvement in financial conditions.

Figure 2. Policy rate and CPI



Source: TURKSTAT

# Istanbul Office Market

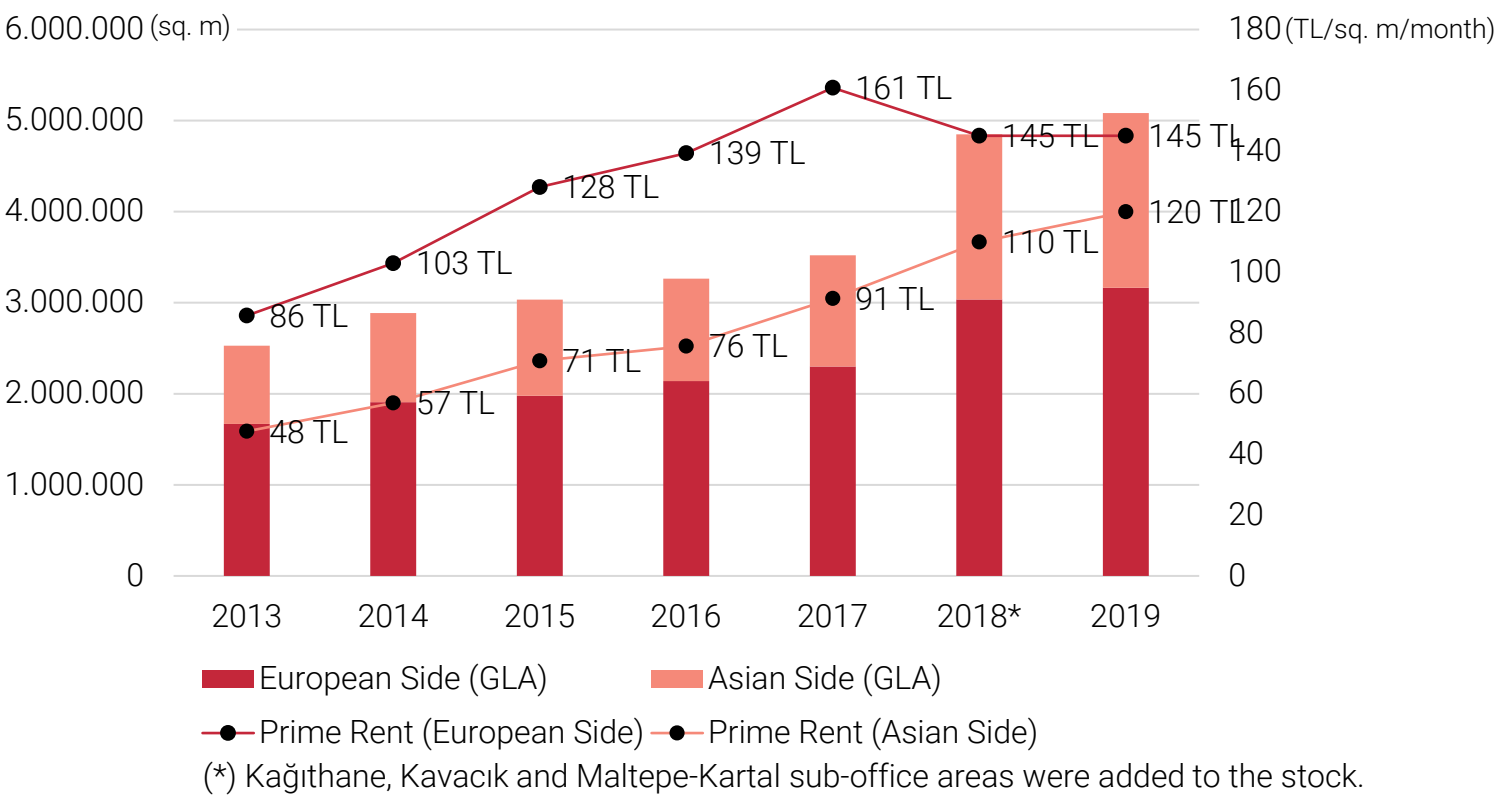
## Demand and Supply

In the 1<sup>st</sup> quarter of 2020, cumulative supply of grade A office space in Istanbul increased to 5.08 million sq m. During the 1<sup>st</sup> quarter of 2020, 28,341 sq. m take-up was recorded, comprising 98% of overall transactions recorded in Istanbul primary office areas. 53% of the transactions were recorded in Maslak, 19% in Levent-Etiler, 15% in Kağıthane, 5% in Ümraniye, 5% in Sisli-Zincirlikuyu-Besiktas and 3% in Kağıthane.

## Vacancy and Rental Level

In the 1<sup>st</sup> quarter of 2020, average rents in Istanbul grade A office market remains stable compared to the previous quarter. Vacancy rate in Istanbul Grade A Office Spaces fall to 27% in total, decreased from 28% to 25% in European Side, and 30% to 29% in Asian Side of İstanbul. Vacancy rates occurred as 31% in Maslak, 29% in Kozyatağı, 29% in Umraniye, 26% in Sisli-Zincirlikuyu-Besiktas and 16% in Levent-Etiler. Prime rent stood at 145 TL/sqm/month in Levent-Etiler region.

Figure 5. Istanbul grade A office GLA, prime rent



Source: Pamir&Soyuer

# Turkish Retail Market

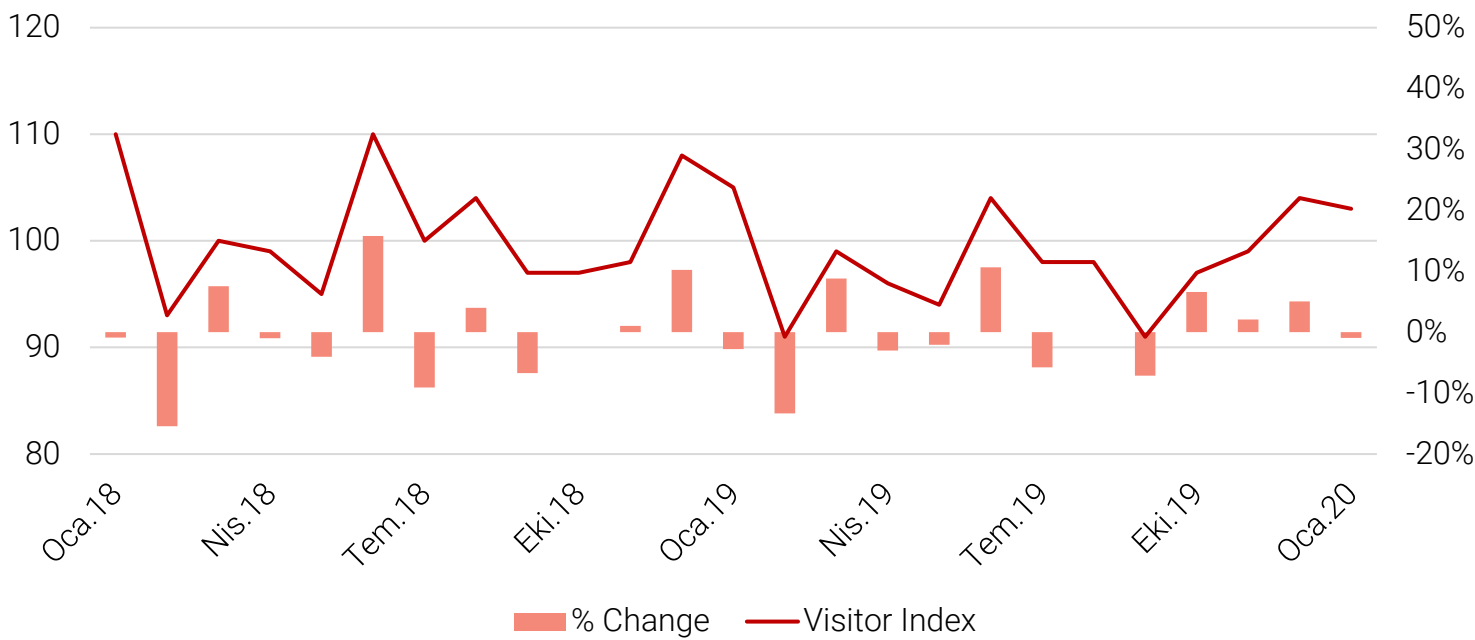
## Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to (\*)January 2019 the shopping centers sales index increased by 27.3% to 340 points. During the 1<sup>st</sup> quarter of 2020, footfall index in January, decreased by 1.9% compared to the same period of last year. In January 2020, shopping centers’ sales per leasable area (sq. m.) occurred as 1,617 TL in Istanbul, 1,083 TL in Anatolia, and 1,297 TL in Turkey.

## Supply

During the 1<sup>st</sup> quarter of 2020, Turkey’s shopping center supply unchanged at 12.72 million sq. m., and GLA/1,000 inhabitants increased to 155.11 sq. m in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 326.79 sq. m, which is followed by Ankara and Bolu with 301.02 sq. m and 281.16 sq. m per 1,000 inhabitants, respectively.

Figure 6. Shopping centers visitor index



Source: AYD and Akademetre Research

(\*) Due to the COVID-19 pandemic AYD did not released February and March Numbers.

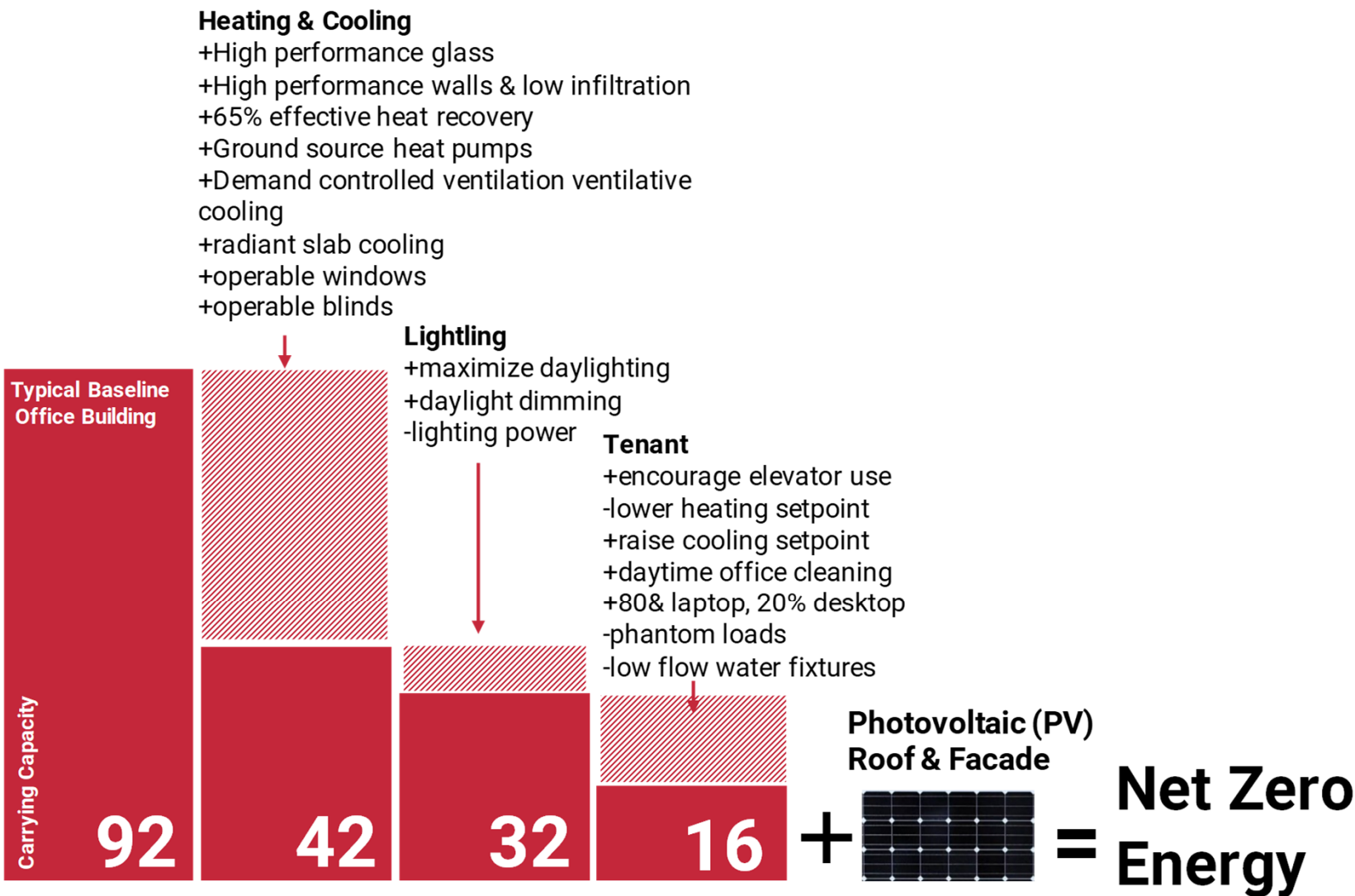
# Net-Zero Energy Buildings

## What is Net-Zero Energy Buildings?

Net-zero energy building is a building with zero net energy consumption, meaning the total amount of energy used by the building on an annual basis is equal to the amount of renewable energy created on the site or in other definitions by renewable energy sources offsite. Net-zero energy buildings provide increased rent rates, faster lease up, increased net operating income, less risk during market downturns, higher resale value, and a differentiated offering for landlords.

Net zero energy can provide tenants with healthier, more productive, and more enticing workspace environments, controllable energy costs, and alignment with corporate sustainability goals.

Figure 6. The Path to Net Zero Energy, Energy Consumption Per Floor Area

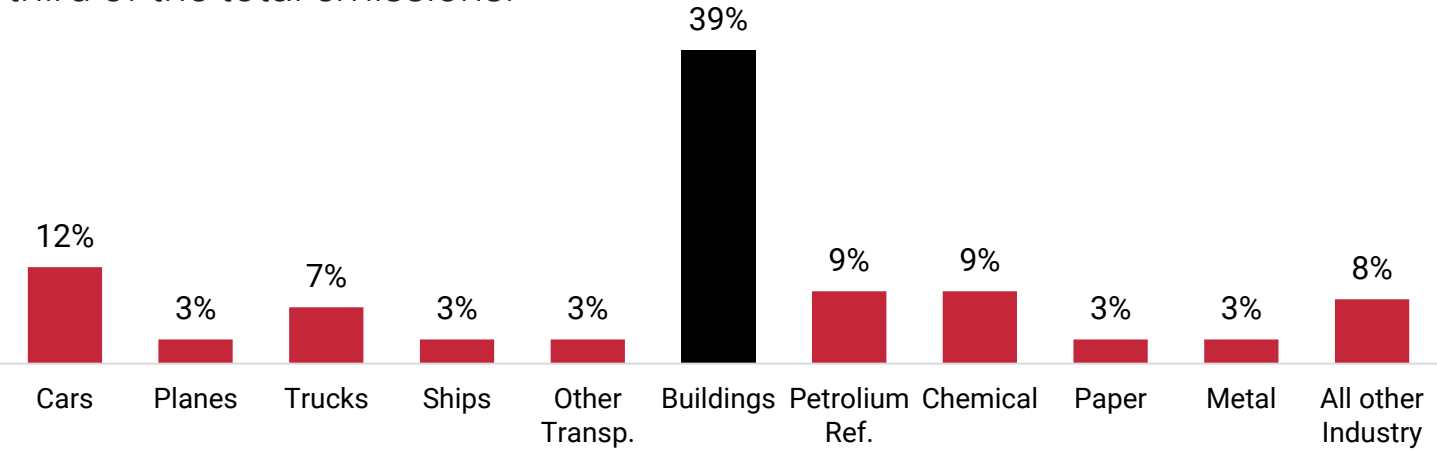


Source: University of Washington Center for Integrated Design

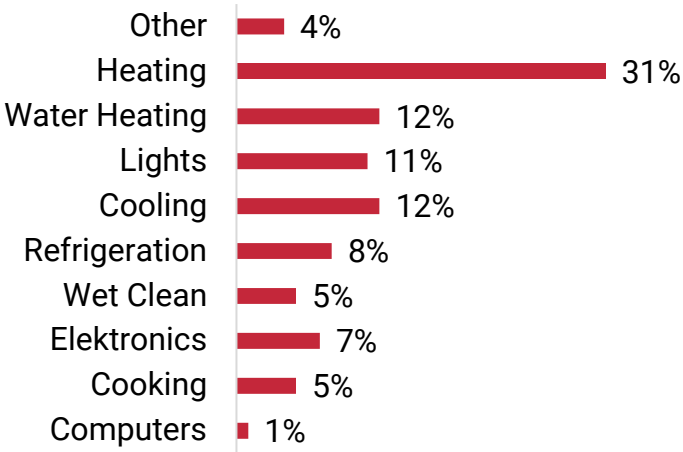
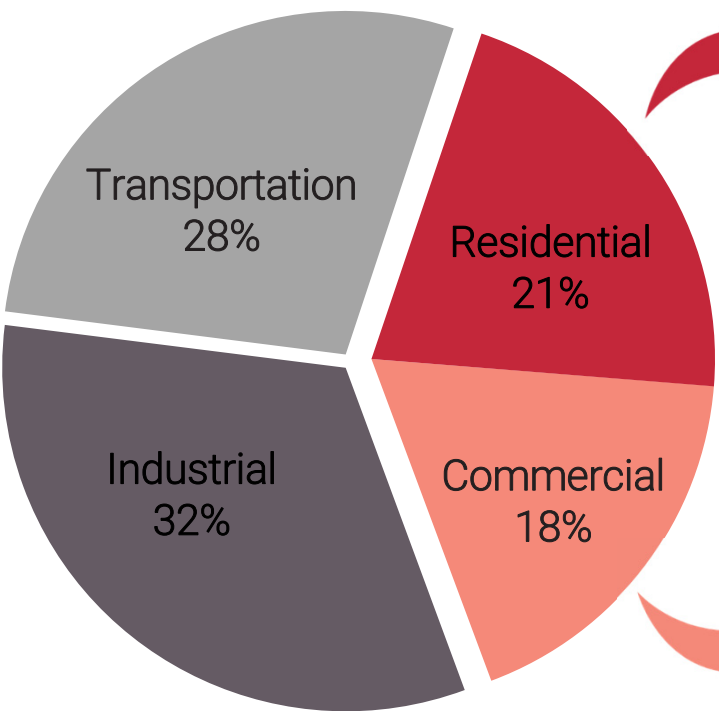
# Net-Zero Energy Buildings

## Buildings Energy Consumption

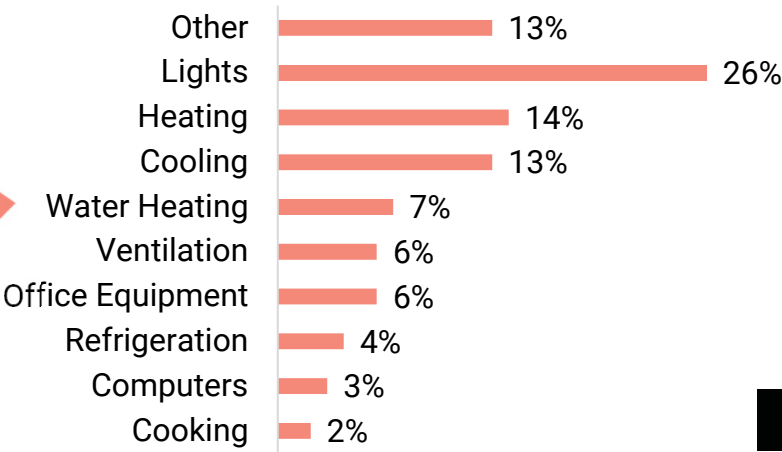
According to the U.S. Energy Information Administration (EIA) 2019 data, existing buildings consume 39 % of all electricity, 21% of this is consumed by residential buildings and 18% by commercial buildings. Buildings claimed to be among the largest sources of greenhouse emissions estimated to be one third of the total emissions.



# Energy Consumption



## Buildings 39 %





# Net-Zero Energy Buildings

## A Solution: Zero Over Time

The market needs an approach to renovate existing buildings that is both economical and strategically planned, blending short term with long term goals. Although achieving net zero energy in new buildings is very attainable, renovating an existing building or a portfolio of existing buildings to achieve net zero energy poses different challenges. Achieving zero over time happens in two parts; **decreasing building energy use** and **adding renewable energy**.

	<b>Set Goals</b>	Making energy and sustainable goals clear, actionable.
	<b>Baseline</b>	Gathered facility conditions information. One of the main challenges of evaluating the energy performance of an existing building(s) is the limited data available.
	<b>Plan Efficiency Projects</b>	To understand the types of energy conservation measures. Adjusting mechanical, lighting, heating, cooling schedules to match current building occupancy.
	<b>Analyze Renewables Storage</b>	Determine what type and quantity of renewable energy is cost-effective.
	<b>Procurement</b>	Start pursuing projects, the next step is to begin implementing projects.
	<b>Track Progress</b>	Track energy consumption against the goal and improve performance.

Source: Rocky Mountain Institute & Urban Land Institute

# Net-Zero Energy Buildings

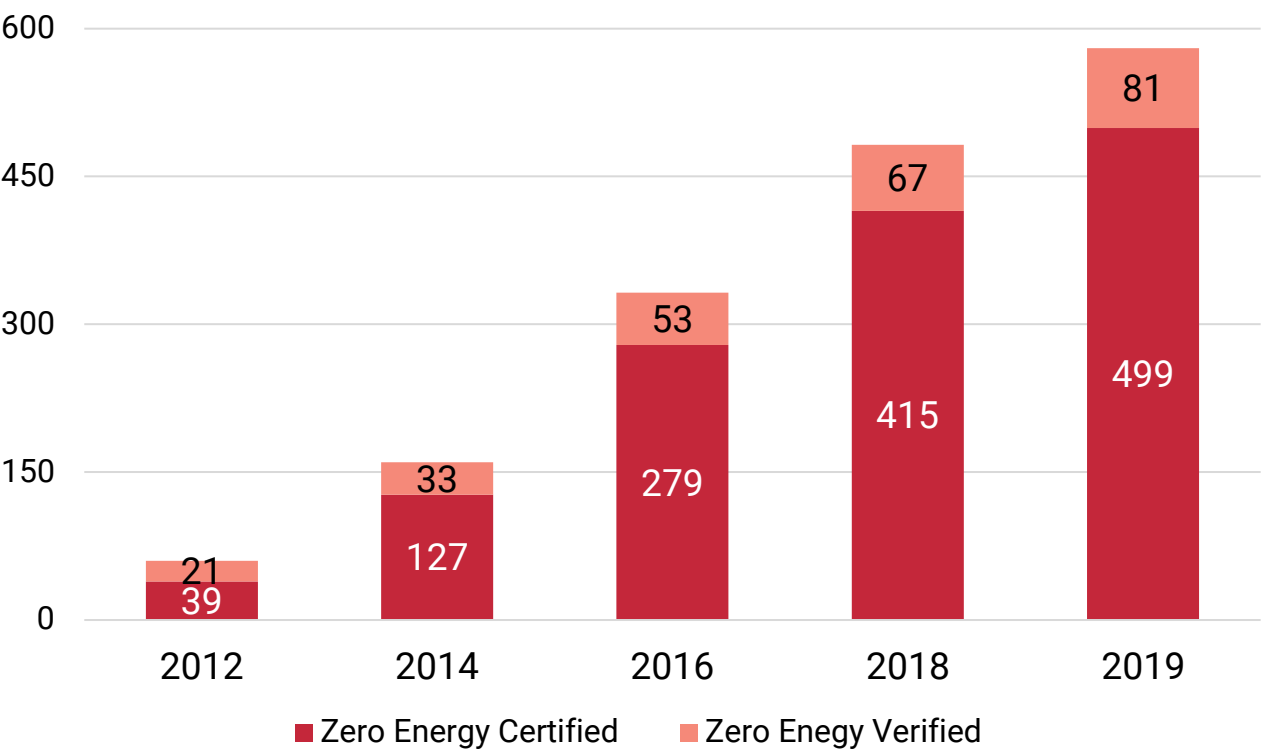
## Zero Project List

According to the New Building Institute (NBI) the total number of listed zero energy projects has grown tenfold in the seven years since NBI produced the first Getting to Zero List in 2012, and new projects are appearing regularly. These trailblazing buildings, portfolios, districts, and campuses have demonstrated that getting to zero energy design and operation is feasible in every climate, market sector, size, and building type across the U.S. and Canada. This momentum is expected to continue as more designers, owners, and occupants gain valuable zero energy experience and expertise. There are hundreds of zero energy projects in the emerging category that are not listed here.

Zero Energy Certified projects have been awarded Net Zero Energy certification by a trusted third party.

Zero Energy Verified projects have achieved zero energy for at least one full year and NBI verified the performance data.

Figure 7. Number of Zero Energy Projects



Source: New Buildings Institute

# 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 2020

# 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](mailto:ozkanh@pamirsoyuer.com.tr)

## Investment

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

Research Reports are available at [pamirsoyuer.com.tr/en/research/](http://pamirsoyuer.com.tr/en/research/)

INVESTMENT | BROKERAGE | ADVISORY | DEVELOPMENT

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

[pamirsoyuer.com.tr](http://pamirsoyuer.com.tr)

**pamir&soyuer**  
REAL ESTATE