



Property News

Q1 2021 Turkish Property Market Overview

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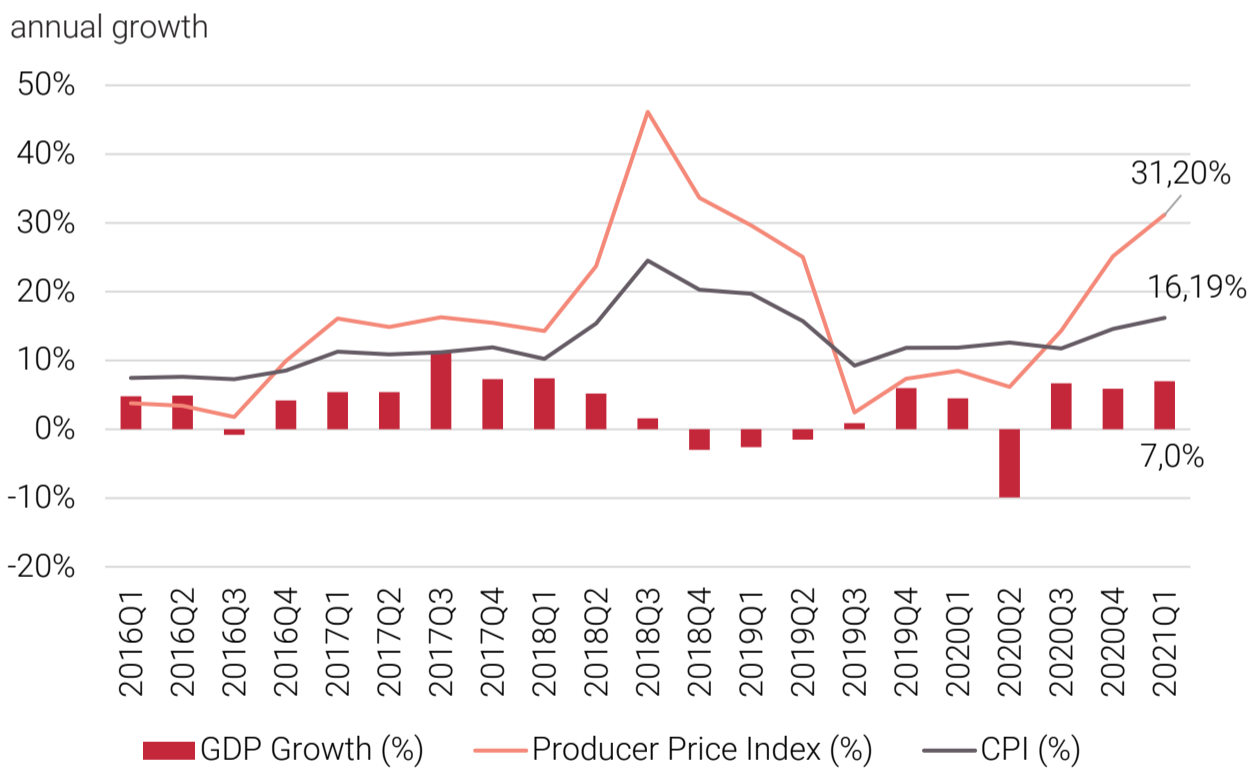
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Economic Overview

GDP

During the 1st quarter of 2021, GDP grew by 7.0 % compared to the same period in 2020. When the activities constituting GDP were analysed; total value added increased by 18.1% in information and communication, 14.4% in other service activities, 11.7% in industry, 7.5% in agriculture, 5.9% in services, 5.3% in professional, administrative and support service activities, 3.7% in public administration, education, human health and social work activities, 2.9% in financial and insurance activities, 2.8% in construction sector and 2.4% in real estate activities compared with the last year, as a chained volume index.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Building Construction Cost Index, March 2021

	Total	Labour	Material
Monthly Change	3.18%	0.24%	4.60%
Annual Change	31.67%	20.63%	37.42%

House Sales Statistics, 2021 Q1

Category	January	February	March
First Sales	113 615	118 753	111 241
Second Hand	70 587	81 222	108 670

-22.9% ↓ Total House Sales
 -25.2% ↓ First Sales
 -21.8% ↓ Second Hand

Legend: 2020 (Red), 2021 (White)

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

Economic Overview

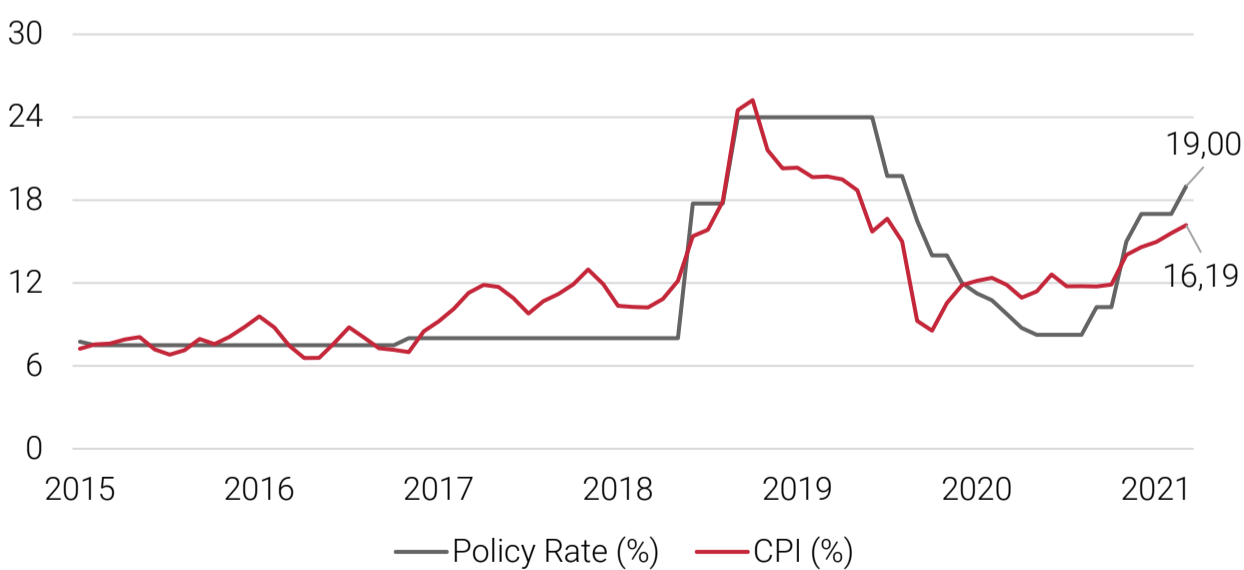
Inflation

CPI in Turkey during March 2021 increased by 1.08%, and 16.19% compared to February 2021, and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were health and transportation. Cost of health increased by 3.70% between February and March 2021, on an annual basis cost of transportation increased by 24.85%.

Policy Rate

CBRT increased the rate by 200 basis points in March MPC meetings, so decided to increase the one-week repo auction interest rate, which is Turkey's Policy Rate, to 19.00%. CBRT assesses that tightness of monetary policy stance will be maintained decisively, taking into account the end-2021 forecast target, for an extended period until strong indicators point to a permanent fall in inflation and price stability.

Figure 2. Policy rate and CPI



Source: TURKSTAT

Istanbul Office Market

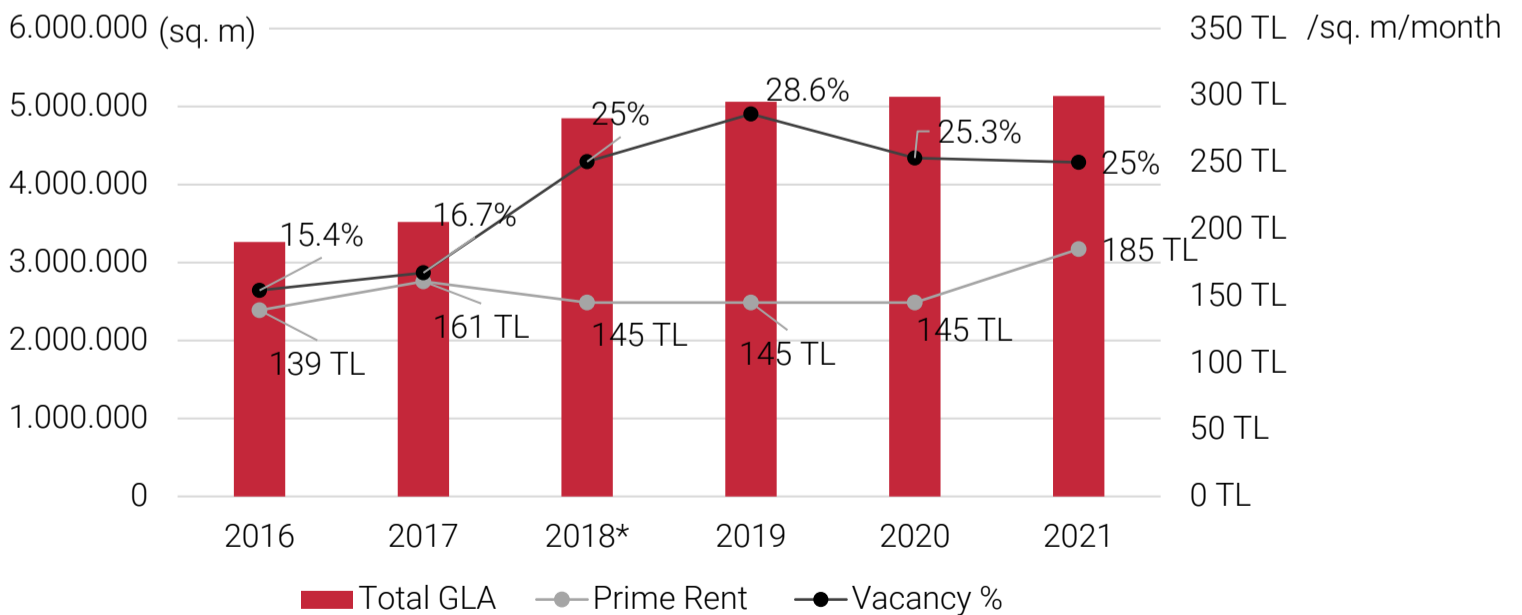
Demand and Supply

In the 1st quarter of 2021, cumulative supply of grade A office space in Istanbul increase to 5.13 million sq m. During the 1st quarter of 2021, 23,342 sq. m take-up was recorded, comprising 67% of overall transactions recorded in Istanbul primary office areas. 36% of the transactions were recorded in Levent-Etiler, 30% in Maslak and 16% in Sisli-Zincirlikuyu-Besiktas.

Vacancy and Rental Level

In the 1st quarter of 2021, average rents in Istanbul grade A office market slightly increased compared to the previous quarter. Vacancy rate in Istanbul Grade A Office Spaces fall to 25% in total, decreased from 24% to 23.7% in European Side, and 27.8% to 27.6% in Asian Side of Istanbul. Vacancy rates occurred as 29.7% in Maslak, 29.2% in Umraniye, 26.3% in Kozyatağı, 23.8% in Sisli-Zincirlikuyu-Besiktas and 15.3% in Levent-Etiler. Prime rent recorded in Levent-Etiler increased from 145TL/sqm/month to 185 TL/sqm/month.

Figure 3. 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

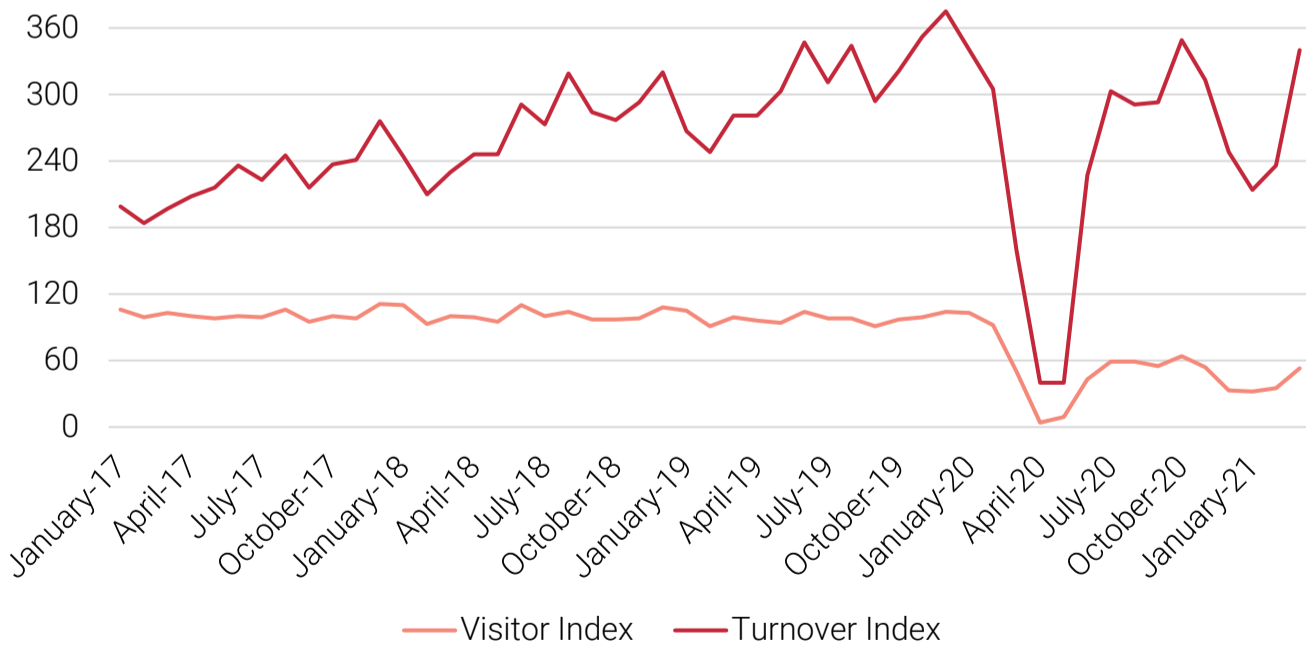
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to March 2020 the shopping centers sales index increased by 113.8% to 340 points. During the 1st quarter of 2021, footfall index in March, increased by 6% compared to the same period of last year. In March 2021, shopping centers' sales per leasable area (sq. m.) occurred as 1,599 TL in Istanbul, 1,095 TL in Anatolia, and 1,297 TL in Turkey.

Supply

During the 1st quarter of 2021, Turkey's shopping center supply unchanged at to 13.02 million sq. m., and GLA/1,000 inhabitants increased to 158.88 sq. m in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 321.02 sq. m, which is followed by Ankara and Bolu with 293.81 sq. m and 278.49 sq. m per 1,000 inhabitants, respectively.

Figure 4. Shopping centers visitor index



Source: AYD and Akademetre Research

Environmental, Social and Governance

What is Environmental, Social and Governance (ESG)?

ESG compliance is Environmental, Social and Governance factors to evaluate companies and countries on how far advanced they are with sustainability. ESG at the corporate level essentially reflects companies' attempts to integrate environmental and social issues into the way they do business, into their business model and into their strategy.

ESG has its origins in a 2004 letter from the former United Nation Secretary General Kofi Annan. He wrote to 55 CEOs of the world's leading financial institutions, inviting them to participate in an initiative that would bridge the gap between investors and important environmental, social and governance issues. The group formed into what is known today as the principles for responsible investments.

Figure 5. Environmental, Social and Governance Issues



Environmental Issues

- Climate Change and Carbon Emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity



Social Issues

- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards



Governance Issues

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower schemes

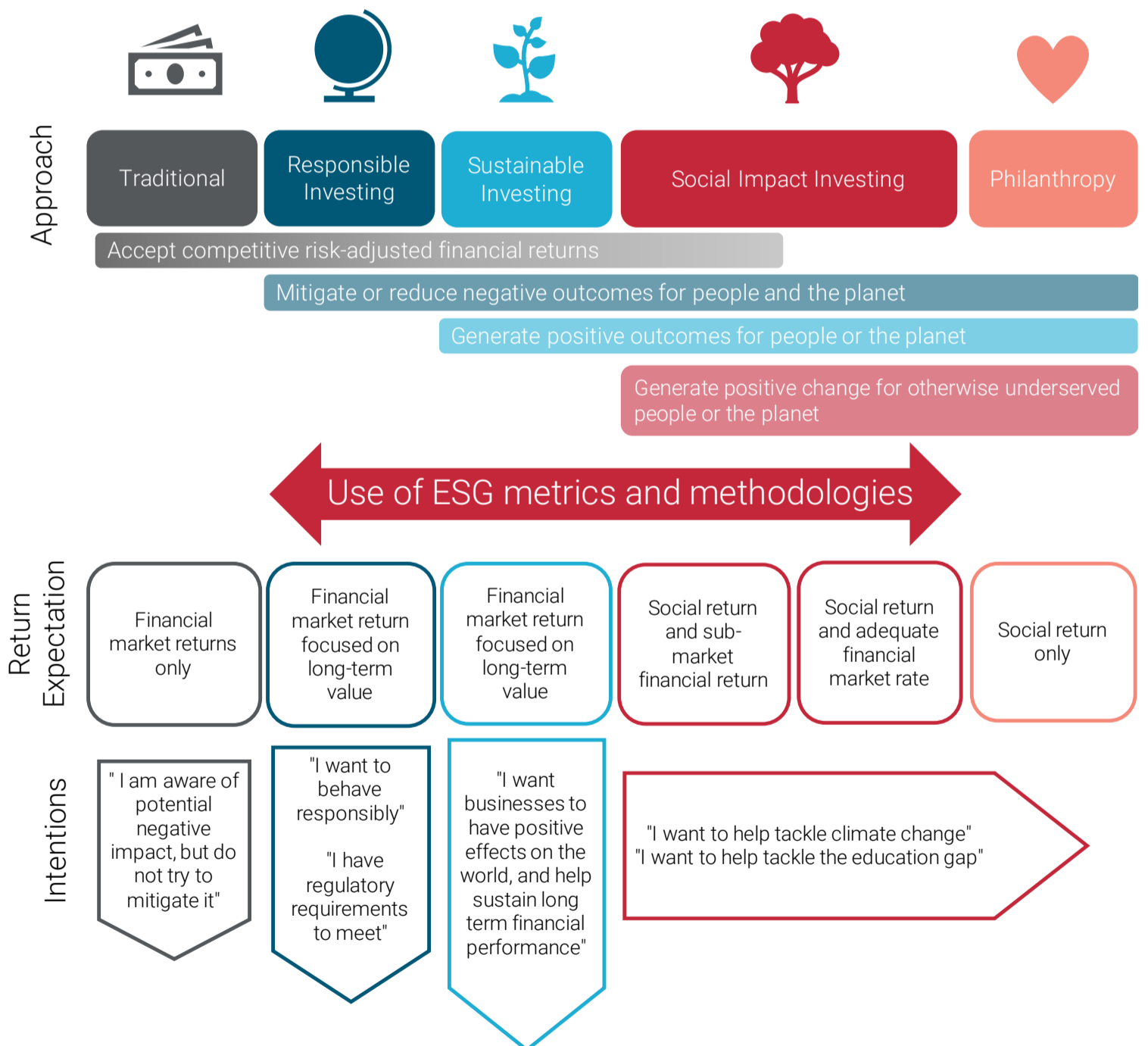
Source: CFA

Environmental, Social and Governance

ESG Within the Investment Spectrum

ESG investing exists within the broader spectrum of investment based on financial and social returns.

Figure 6. The spectrum of social & financial investing



Source: ULI Zooming in on the S in ESG report & ESG Investing @ OECD 2020

Environmental, Social and Governance

EU Regulations Under the EU Action Plan on Sustainable Finance

The European Union (EU) is currently at the pioneer of ESG measures. SFDR, NFRD, and the EU Taxonomy are the three legal instruments, all of which belong to a series of EU regulations under the EU Action Plan on Sustainable Finance. Currently US and the rest of the World does not have the same level of transparency.



NFRD

- NFRD is the EU legal framework for regulating the disclosure of non-financial information by corporations.
- It was adopted in 2014 and states that corporations have to report on ESG information from 2018 onwards.
- NFRD is rather flexible – it applies only to so-called “public interest entities” (basically rather big corporations).

EU Taxonomy

- The EU Taxonomy regulation, which entered into force 12 July 2020, reflects a common European classification system.
- Basically, the Taxonomy tried to answer the question: **What can be considered an environmentally sustainable activity?**
- The taxonomy defines **six environmental objectives**, and it defines an economic activity as sustainable if this activity contributes at least two one of these objectives without, at the same time, doing significant harm to any of the other objectives.

SFDR

- SFDR is the new EU regulation that introduces rules for financial market participants (FMPs) and financial advisers (FAs) to report on how they account for sustainability risks.
- SFDR applies at the “entity level” (i.e. requiring financial firms to report on how the whole organization deals with such risks) and also on the “product level” (i.e. requiring firms to report on how their financial products are affected by such risks).
- SFDR came into force on 10 March 2021.

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.

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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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