

Property News

Q2 2021 Turkish Property Market Overview

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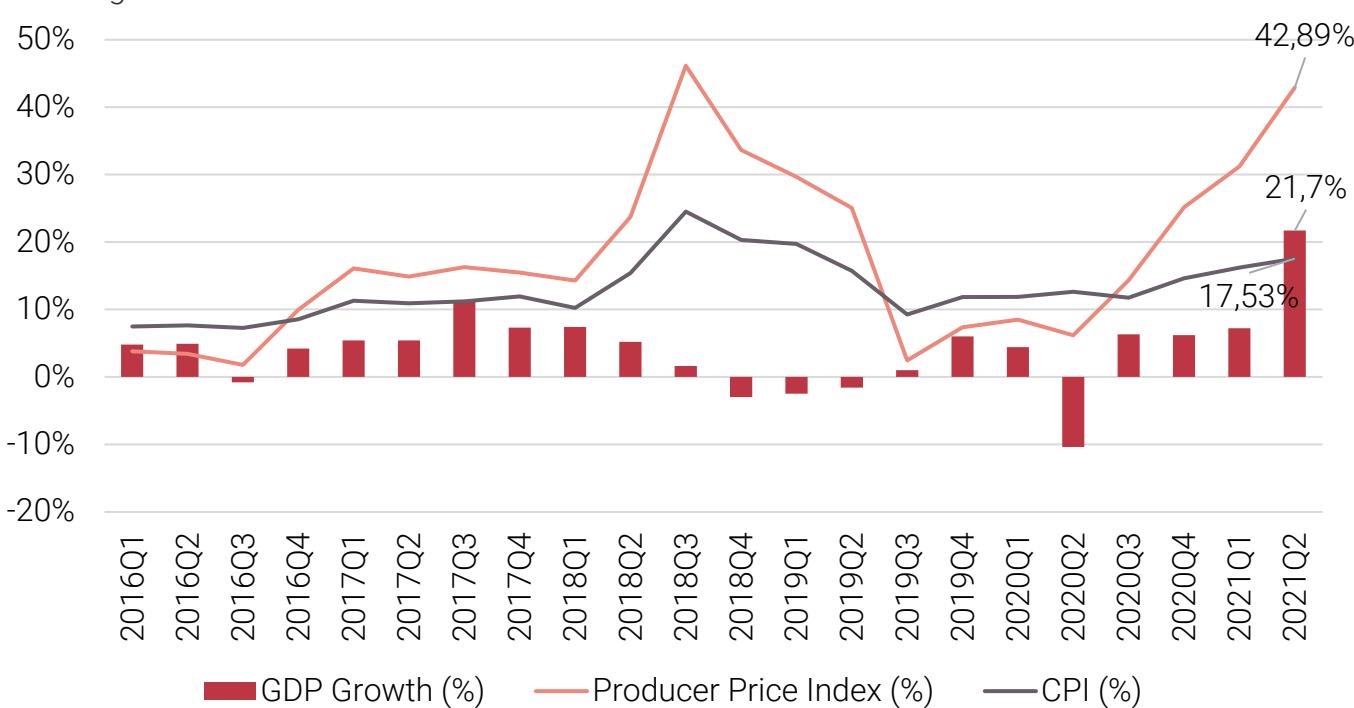
Economic Overview

GDP

During the 2nd quarter of 2021, GDP grew by 21.7 % compared to the same period in 2020. When the activities constituting GDP were analysed; total value added increased by 45.8% in services, 40.5% in industry, 32.4% in professional, administrative and support service activities, 32.3% in other service activities, 25.3% in information and communication, 8.5% in public administration, education, human health and social work activities, 3.7% in real estate activities, 3.1% in construction sector and 2.3% agriculture, forestry and fishing compared with the last year, as a chained volume index.

Figure 1. Turkish Economy: selected indicators

annual growth

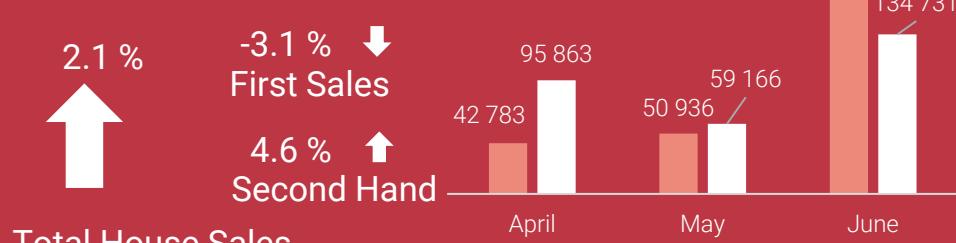


Source: TURKSTAT

Building Construction Cost Index, June 2021

	Total	Labour	Material
Monthly Change	2.85%	0.29%	4.15%
Annual Change	42.49%	20.08%	53.90%

House Sales Statistics, 2021 Q2



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

Economic Overview

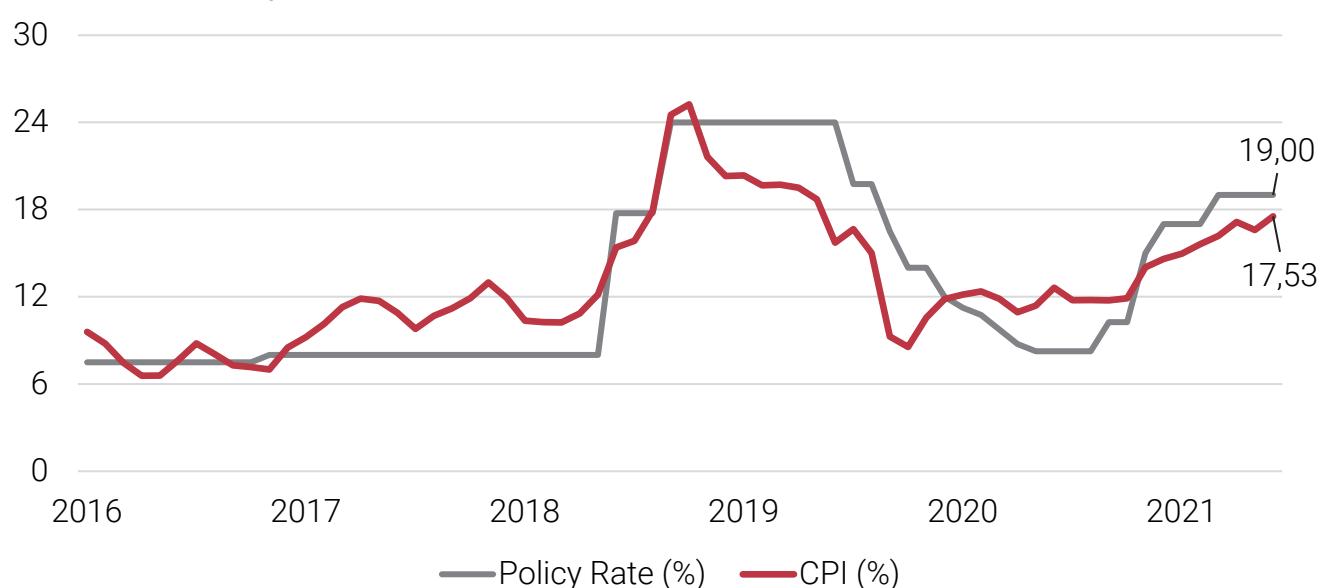
Inflation

CPI in Turkey during June 2021 increased by 1.94%, and 17.53% compared to May 2021, and previous 12-month period. Leading contributors to CPI on a monthly and annual basis were furnishing, household equipment, routine maintenance of house and transportation. Cost of furnishing, household equipment, routine maintenance of house increased by 4.50% between May and June 2021, on an annual basis cost of transportation increased by 26.29%.

Policy Rate

In the June MPC meeting, CBRT decided to keep constant the one-week repo auction interest rate, which is Turkey's Policy Rate, to 19.00%. 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 2021, cumulative supply of grade A office space in Istanbul supply unchanged at 5.13 million sq m. During the 2nd quarter of 2021, 28,430 sq. m take-up was recorded, comprising 78% of overall transactions recorded in Istanbul primary office areas. 40% of the transactions were recorded in Kozyatağı and 6% in Levent-Etiler.

Vacancy and Rental Level

In the 2nd quarter of 2021, 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 24.8% in total, decreased from 23.7% to 23.6% in European Side, and 27.6% to 27.0% in Asian Side of İstanbul. Vacancy rates occurred as 29.7% in Maslak, 29.2% in Umraniye, 25.2% in Kozyatağı, 23.8% in Sisli-Zincirlikuyu-Besiktas and 15.0% in Levent-Etiler. Prime rent stood at 185 TL/sqm/month in Levent-Etiler region

Figure 3. Istanbul grade A office GLA, prime rent



Source: Pamir&Soyer

Turkish Retail Market

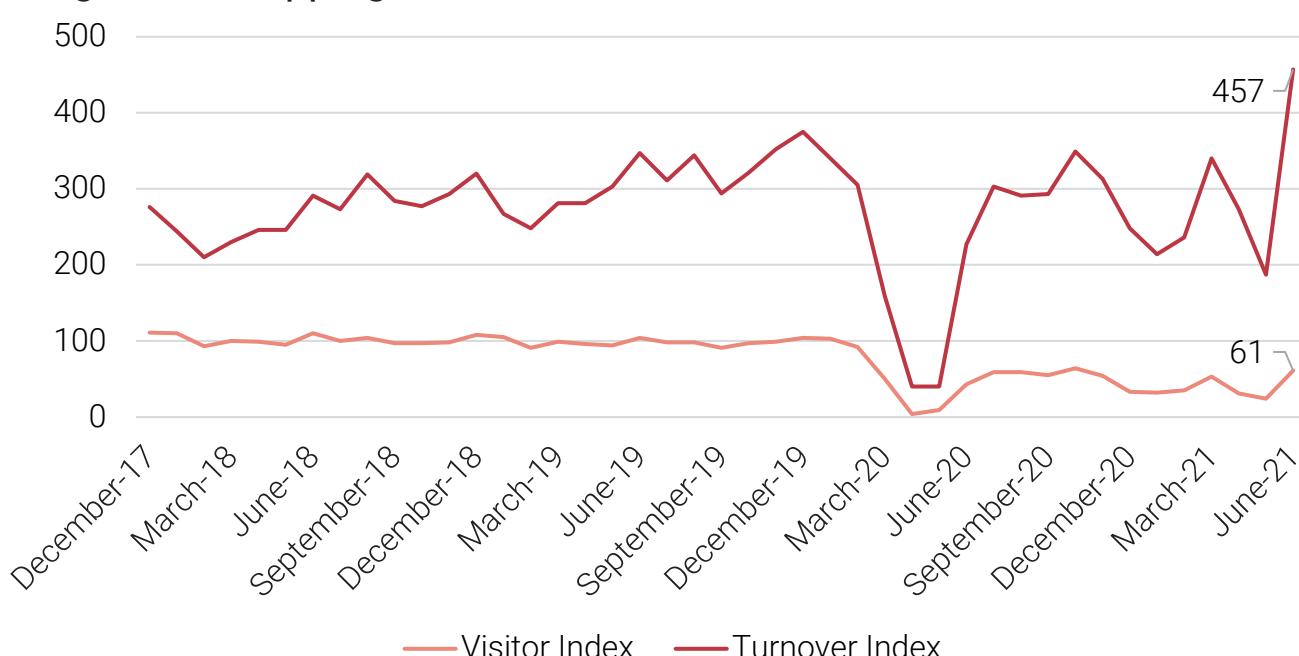
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to June 2020 the shopping centers sales index increased by 101.3% to 457 points. During the 2nd quarter of 2021, footfall index in June, increased by 42% compared to the same period of last year. In June 2021, shopping centers' sales per leasable area (sq. m.) occurred as 2,187 TL in Istanbul, 1,444 TL in Anatolia, and 1,741 TL in Turkey.

Supply

During the 2nd quarter of 2021, Turkey's shopping center supply unchanged at 13.39 million sq. m., and GLA/1,000 inhabitants increased to 160.10 sq. m in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 337.03 sq. m, which is followed by Ankara and Bolu with 305.89 sq. m and 278.49 sq. m per 1,000 inhabitants, respectively.

Figure 4. Shopping centers visitor index



Source: AYD and Akademetre Research

Climate Change, Real Estate and Resilience

Climate Change and Real Estate

Climate change is one of the biggest challenges of our time. The decade from the year 2011 to the year 2020 was the “hottest” in history and the average global temperature by 2020 has risen by 1.2 °C since the start of the industrial era. More than half of the world’s population already live in cities, and on current trends by 2050 two thirds of a global population of more than 9 million people will live in urban areas. Cities are becoming and increasingly consequential force in the global ecosystem.

21 of the world’s 33 megacities are in low lying coastal areas. It is estimated that almost 700 million people live in urban or peri urban areas that are less than 10 meter above sea level. Cities concentrate millions of people into locations that can be highly vulnerable to disaster, pollution, and the impacts of climate change.

Response to climate change can be broadly categorized into climate change mitigation and adaptation, each contributing to resilience. Resilience is the ability to prepare and plan for, absorb, recover from, and more successfully adapt to adverse events.

Figure 5. A Three-Pronged Approach to Resilience



Climate Change, Real Estate and Resilience

Risks for Businesses

Real estate and urban development have a significant challenges ahead in addressing climate change given rising populations, increased rural-urban migration, and the continued growth of cities.

One of the biggest resulting threats to cities around the World is sea level rise, caused by the expansion of water at higher temperatures and melting ice sheets on the North and South poles.

Physical risks due to climate change events can cripple critical infrastructure and services such as transport networks and airports. In addition to physical damages, asset value of unprotected properties may drop, effecting not just the occupants, but also harming finances of the building owners in the long run.

Figure 6. Climate Related Risks for Businesses

Physical Risks Due to climate events and longer-term effects		Transition Risks Associated with the ongoing global transition towards a resilient and low-carbon economy			
Acute	Chronic	Policy and legal	Technology	Supply chain and market	Reputation
Climate disasters such as storms, heatwaves, and wildfires	Long-term shifts in climate patterns, which cause, such as sea-level rise, drought, and heat stress	Policies that limit emissions, promote climate mitigation and adaptation, and restrict land use change Litigation risks tied to claims for climate losses and damages	Technological improvements and innovations that affect business operations, supply chains, competitiveness and costs	Shifts in demand and supply for raw materials, commodities, supplies, and services as climate risks and opportunities are considered	Tied to changing customer/ community perceptions of an organization's response to climate change

Source: Business Climate Resilience in Cities Worldwide, LiveableCities & ULI

Climate Change, Real Estate and Resilience

Significant Risks for Cities

According to the UCCRN Technical Report, cities across the globe will be faced with broad challenges as a result of climate change. More people will be at risk to these impacts as urban populations more than double from 1.4 billion people today to over 3.5 billion people by mid-century.

Key findings from the report show that millions of urban residents will be vulnerable to changing climate conditions and thousands of urban decision makers will need to make their cities more resilient to withstand these challenges.

Six significant risks for people in urban areas in midcentury and present are as below.

Figure 7. Global Numbers For Significant Risks

Vulnerability	Time Period	Population Estimate	City Estimate
Extreme Heat	Present Day	Over 200 million people	Over 350 cities
	2050s	Over 1.6 billion people	Over 970 cities
Extreme Heat and Poverty	Present Day	Over 26 million people	Over 230 cities
	2050s	Nearly 215 million People	Over 490 cities
Water Availability	2050s	Over 650 million people	Over 500 cities
Food Security	2050s	Over 2.5 billion people	Over 1,600 cities
Sea Level Rise	2050s	Over 800 million people	Over 570 cities
Sea Level Rise and Power Plants	2050s	Over 450 million people	Over 230 cities

Source: «The Future We Don't Want» UCCRN Technical 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 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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