



Property News

Q3 2021 Turkish Property Market Overview

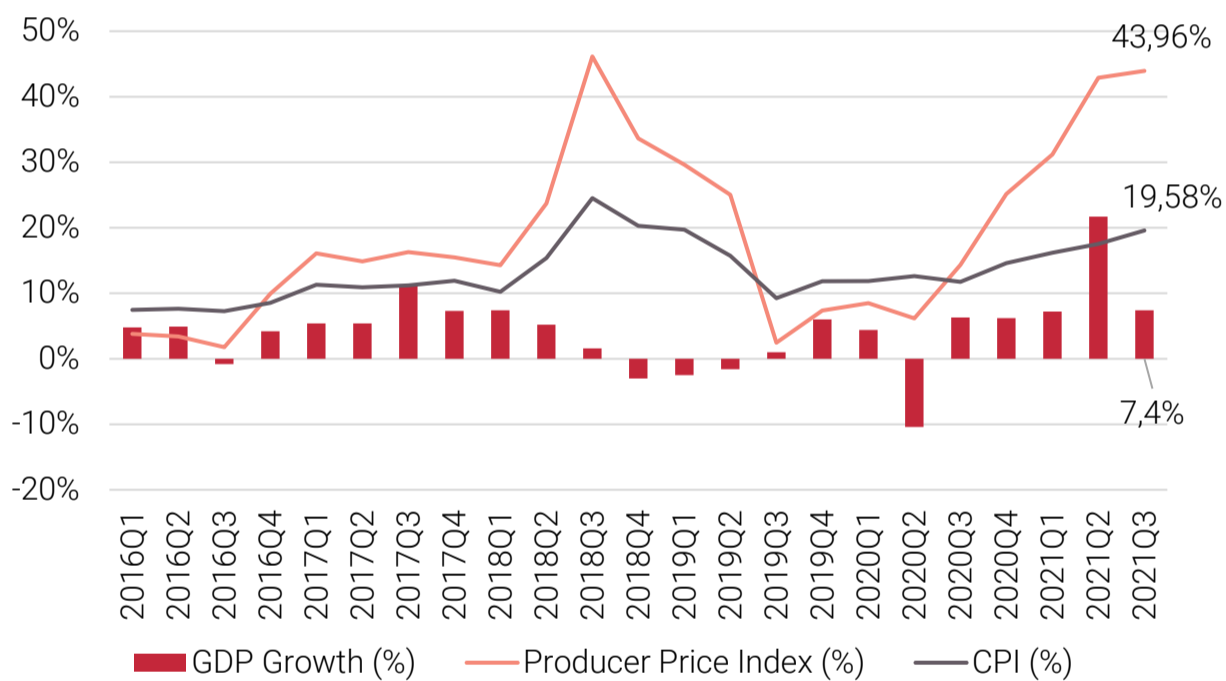
Economic Overview

GDP

During the 3rd quarter of 2021, GDP grew by 7.4 % compared to the same period in 2020. When the activities constituting GDP were analyzed; total value added increased by 20.7% in services, 10% in industry compared with the last year, as a chained volume index.

Figure 1. Turkish Economy: selected indicators

annual growth



Source: TURKSTAT

Building Construction Cost Index, September 2021

	Total	Labour	Material
Monthly Change	0.19%	-0.27%	0.37%
Annual Change	40.17%	22.27%	48.58%

House Sales Statistics, 2021 Q3

8.3 % ↑ Total House Sales

Month	2020	2021
July	98,636	87,232
August	94,389	114,025
September	101,168	117,384

13.9 % ↑ First Sales
6.0 % ↑ Second Hand

Change over the same quarter of the previous year

Source: TURKSTAT

Economic Overview

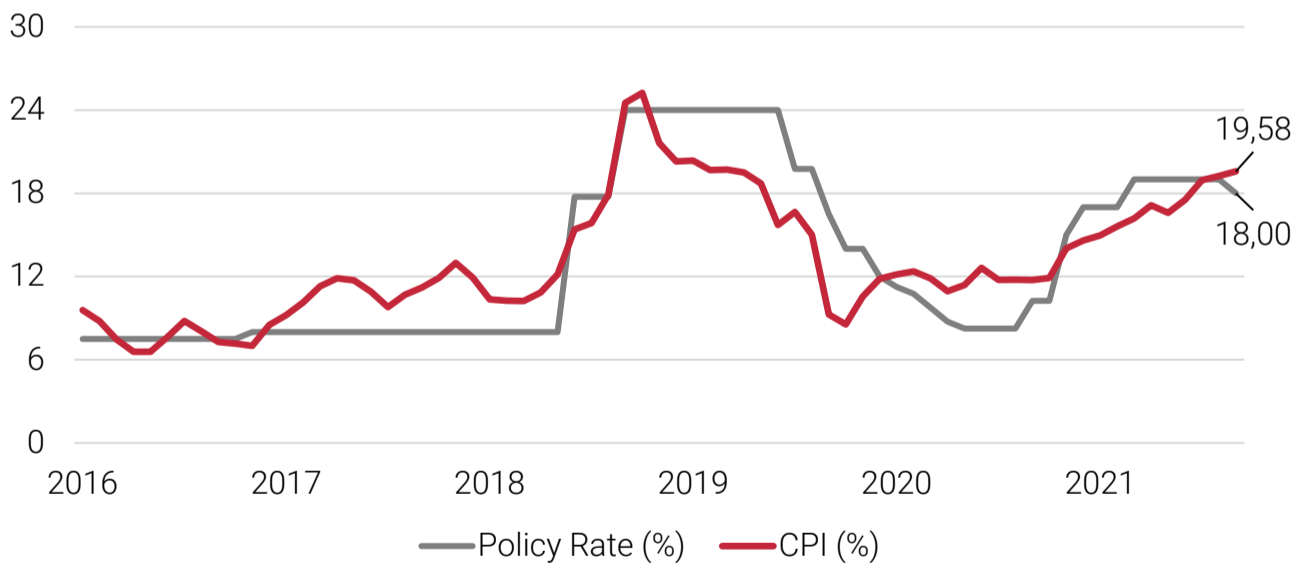
Inflation

CPI in Turkey during September 2021 increased by **1.25% monthly**, and **19.58% annually** compared September 2020. Leading contributors to CPI on a monthly and annual basis were education and food & non-alcoholic beverages. Cost of education increased by 5.15% between July and September 2021, on an annual basis cost of education increased by 28.79%.

Policy Rate

CBRT decreased the rate by **100 basis points** in September MPC meetings, so decided to decrease the one-week repo auction interest rate, which is Turkey's Policy Rate, to **18.00%**.

Figure 2. Policy rate and CPI



Source: TURKSTAT

Istanbul Office Market

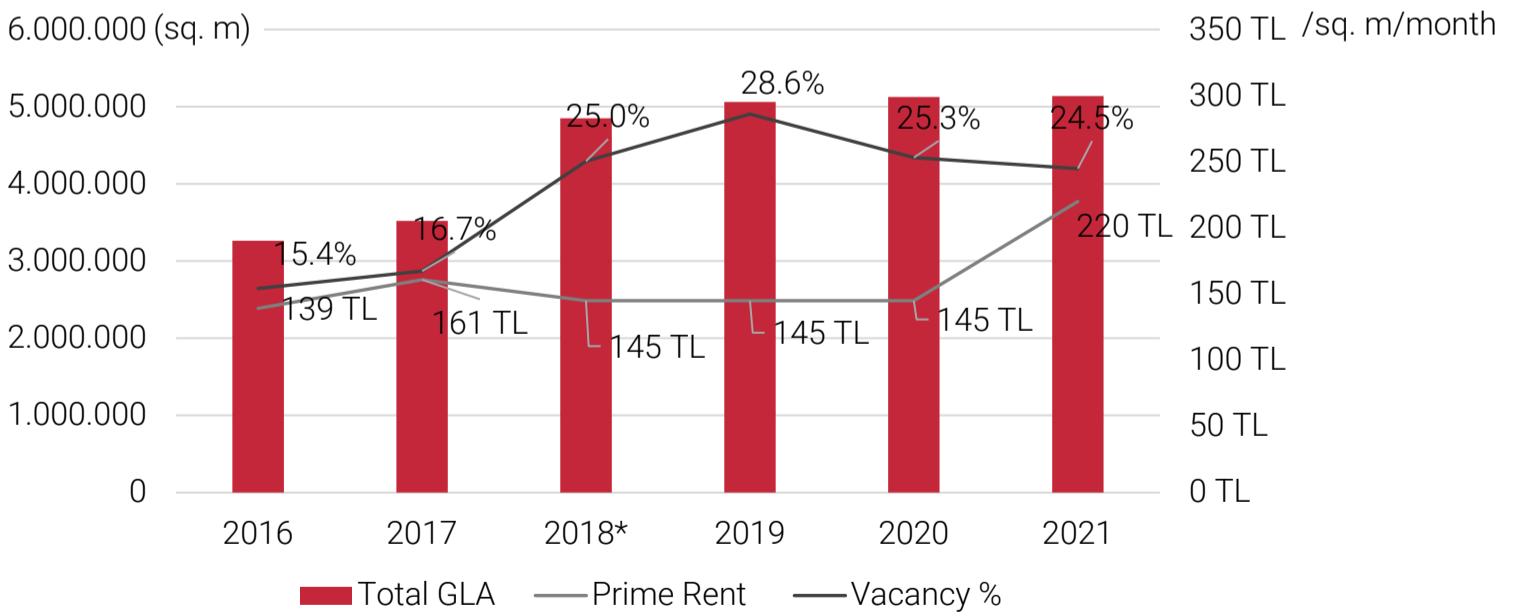
Demand and Supply

In the 3rd quarter of 2021, cumulative supply of **grade A office space in Istanbul supply** unchanged at **5.13 million sq m**. During the 3rd quarter of 2021, **27,591 sq m take-up** was recorded, comprising 84% of overall transactions recorded in Istanbul primary office areas. 24% of the transactions were recorded in Kozyatağı, 18% in Levent-Etiler, 8% in Sisli-Zincirlikuyu-Besiktas and 7% in Ümraniye.

Vacancy and Rental Level

In the 3rd 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 **24.5% in total**, decreased from 23.6% to 23.4% in European Side, and 27.0% to 26.6% in Asian Side of Istanbul. Vacancy rates occurred as 29.7% in Maslak, 29.0% in Umraniye, 24.8% in Kozyatağı, 23.6% in Sisli-Zincirlikuyu-Besiktas and 14.6% in Levent-Etiler. Prime rent recorded in Levent-Etiler increased from 185 TL/sqm/month to **220 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

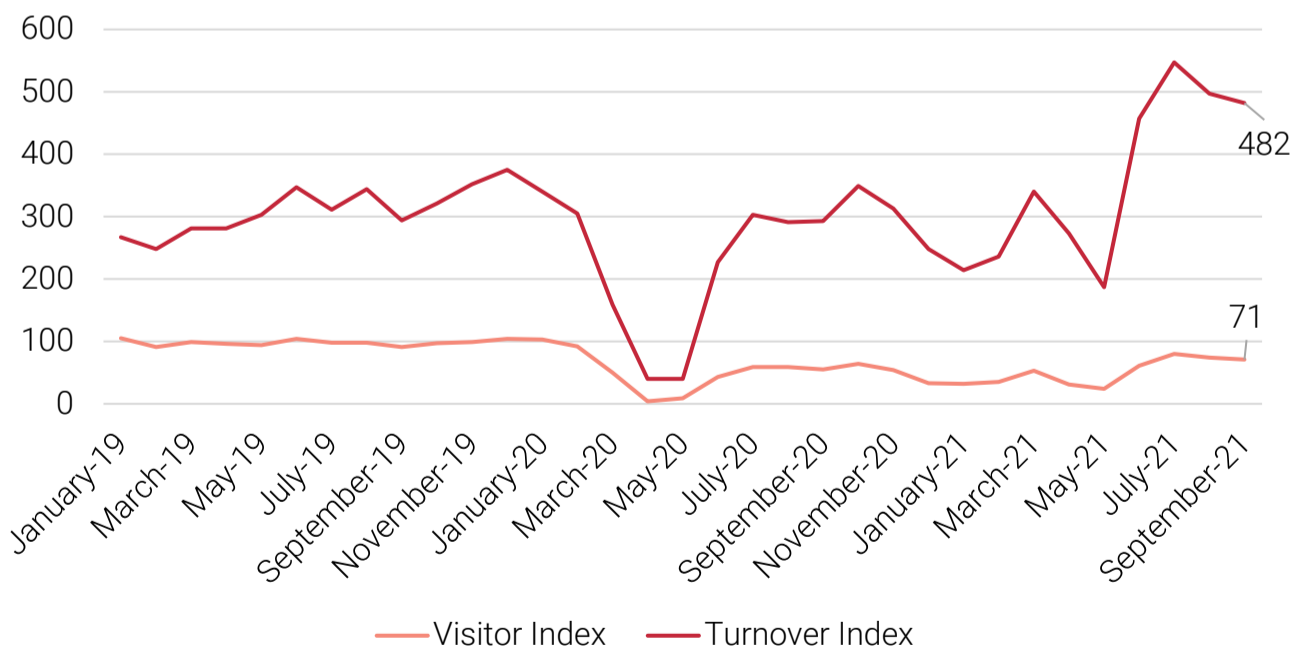
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to September 2021 the shopping centers sales index increased by 64.5% to 482 points. During the 3rd quarter of 2021, footfall index in September, increased by 29% compared to the same period of last year. In September 2021, shopping centers’ sales per leasable area (sq. m.) occurred as 2,290 TL in Istanbul, 1,533 TL in Anatolia, and 1,836 TL in Turkey.

Supply

During the 3rd quarter of 2021, Turkey’s shopping center supply unchanged at to 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

Social Value in Real Estate

What is Social Value in Real Estate?

When we talk about 'social value' in real estate we talk about the impact that properties have on local communities and society as a whole and **how we can create more positive impact.**

For developers, this means ensuring that the development addresses **community needs** (i.e. affordable homes, community space, etc.) as well and **opportunities** during construction (employment opportunities for local people and for people with disadvantages, work experience for young people, etc.).

For asset managers, the focus is more towards **employment**, working with occupiers and the supply chain to maximize opportunities, as well as working with local community groups/charities to address local needs. Occupiers are an essential part of the community, and they can develop a community engagement program and contribute through their procurement and supplier decisions.

Overall, creating social value means taking into consideration **not just economic value**, but also **the benefit that properties bring to the local community** and society when they affect/impact community well-being.



Social Value in Real Estate

Social Value Creation

COVID-19 is a wake-up call for the real estate industry. While the pandemic has brought major risks and challenges for the industry, it also opens opportunities to rethink how to repurpose and connect real estate development and investment to local, place-based needs and priorities and to consider the role of the real estate industry in helping tackle social and spatial inequalities.

According to the ULI report «Road map for the future of real estate in social value creation», ULI provided a road map for better social value creation in real estate. The road map highlights six categories of action.

Social Value Creation

1. Government-led

Local government to co-create inclusive and sustainable development plans with citizens and businesses.

2. Corporate Leadership

Business leaders to make social value creation a strategic priority.

3. Transparency and Data

More effective use of existing social value measurement frameworks and tools

4. Innovation

New business and financial models through cross-sector collaboration, new financial products (*impact investing*)

5. Education and Training

Integrate social value into real estate education and training courses at all levels led by professional bodies.

6. Collaboration

Social change through greater discussion, deliberation, and collaboration.

Source: ULI, Road map for the future of real estate in social value creation

Social Value in Real Estate

Social Value Measurement

Social value measurement (SVM) in its simplest and most basic form is the practice of **assessing** the extent to which an intervention or project **generates value for society** and hence is/was in society's best interests.

Social value and SVM are inherently **ethical issues** because to go beyond these definitions to develop a framework that can be applied to real-world projects, what '**value**' is and what is in society's '**best interests**' need to be defined. These are ethical or moral/normative questions.

In this respect **quality of life** has intrinsic value (it is valuable in and of itself) and all other outcomes have instrumental value (they are valuable in so far as they improve people's quality of life).

Social value is therefore concerned ultimately with:

How a project or intervention impacts on society's wellbeing or quality of life?

What is in society's interests?

What has value for society as anything that improves people's quality of life overall?

Source: RICS, [Measuring Social Value in Infrastructure Projects](#)

Social Value in Real Estate

Methods For Social Value Measurement

Cost-benefit analysis (CBA) and *Social Return on Investment (SROI)* are currently the preferred methods for Social Value Measurement.

Cost Benefit Analysis

CBA assesses all of the **positive and negative outcomes** (benefits and costs) of a project and their impacts on people's quality of life. CBA tells us whether a project will lead/has led to an improvement in social welfare (quality of life).

CBA measures benefits and costs in monetary terms such that social value is estimated as a quantitative monetary amount.

$$\text{Benefit – Cost Ratio} = \frac{\sum \text{PV of all the Expected Benefits}}{\sum \text{PV of all the Associated Cost}}$$

Social Return On Investment

SROI goes one step further than **social cost-benefit analysis** and ensures that undue emphasis is not given to outcomes that are easy to quantify and value in financial terms at the expense of other outcomes that may be more important to stakeholders but do not have such a readily available financial value.

SROI is useful to **corporations** because it can improve program management through **better planning and evaluation**. It can also increase the corporation's understanding of its effect on the community and allow **better communication**.

$$\text{SROI} = \frac{\text{Social Impact Value} - \text{Initial Investment Amount}}{\text{Initial Investment Amount} \times 100\%}$$

Source: [Upmetrics](#)

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

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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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Our Research Reports are available [here](#)

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