



# Property News

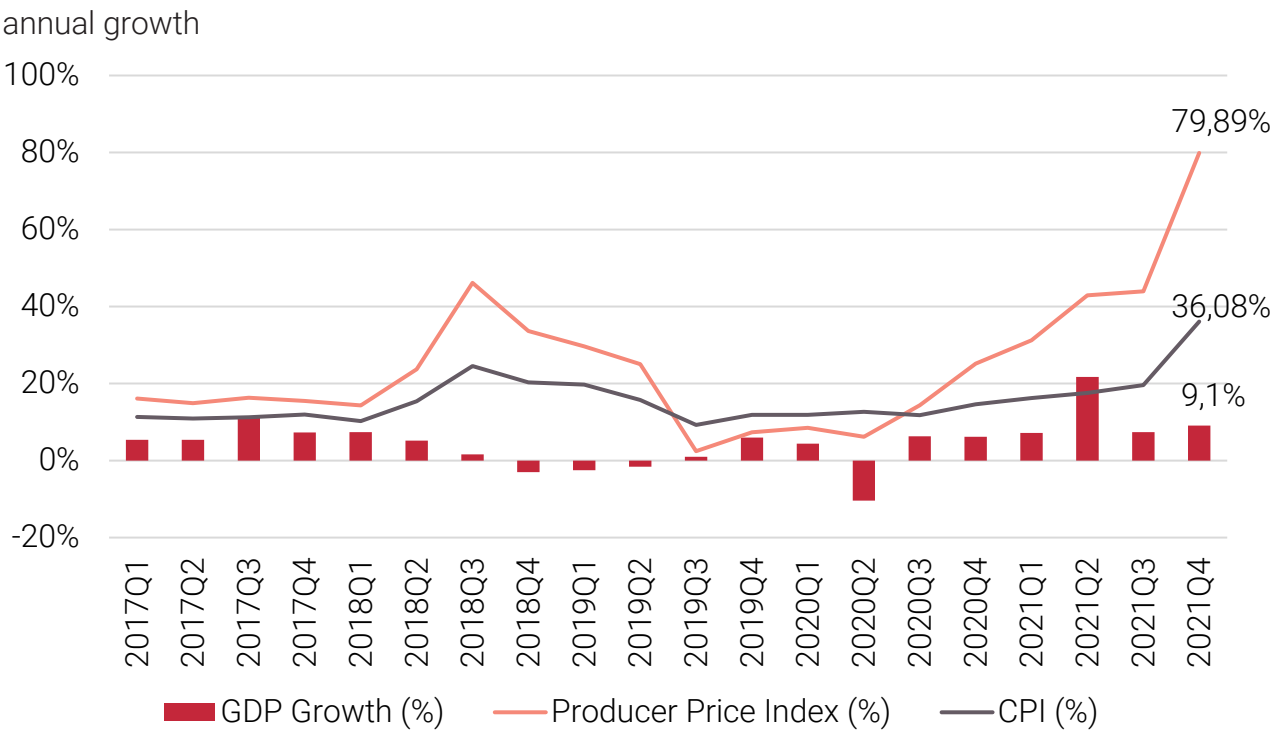
Q4 2021 Turkish Property Market Overview

# Economic Overview

## GDP

During the 4<sup>th</sup> quarter of 2021, GDP grew by 9.1 % compared to the same period in 2020. When the activities constituting GDP were analyzed; total value added increased by 11.7% in services, 10.7% in industry, 3.3% in agriculture compared with the last year, as a chained volume index.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Building Construction Cost Index, December 2021			
	Total	Labour	Material
Monthly Change	15.23%	1.35%	19.88%
Annual Change	66.88%	23.99%	85.01%



# Economic Overview

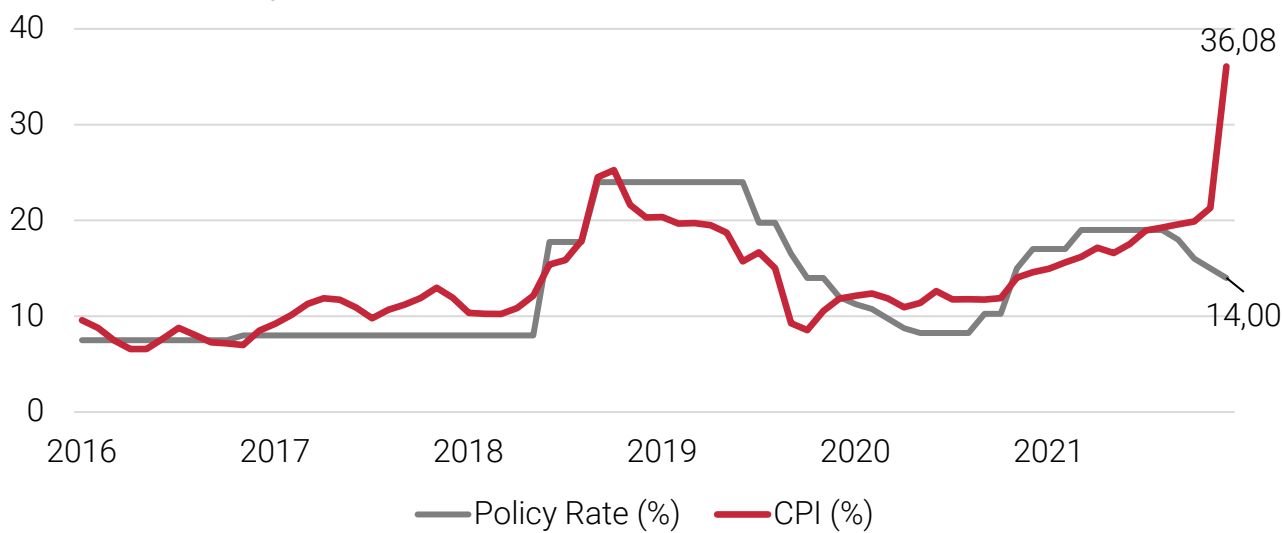
## Inflation

CPI in Turkey during December 2021 increased by 13.58% monthly, and 36.08% annually compared December 2020. Leading contributors to CPI on a monthly and annual basis were transportation. Cost of transportation increased by 28.49% between November and December 2021, on an annual basis cost increased by 53.66%.

## Policy Rate

CBRT decreased the rate by 200 basis points in October, 100 basis points in November and 100 basis points in December MPC meetings, so decided to decrease the one-week repo auction interest rate, which is Turkey's Policy Rate, to 14.00%.

Figure 2. Policy rate and CPI



Source: TURKSTAT

# Istanbul Office Market

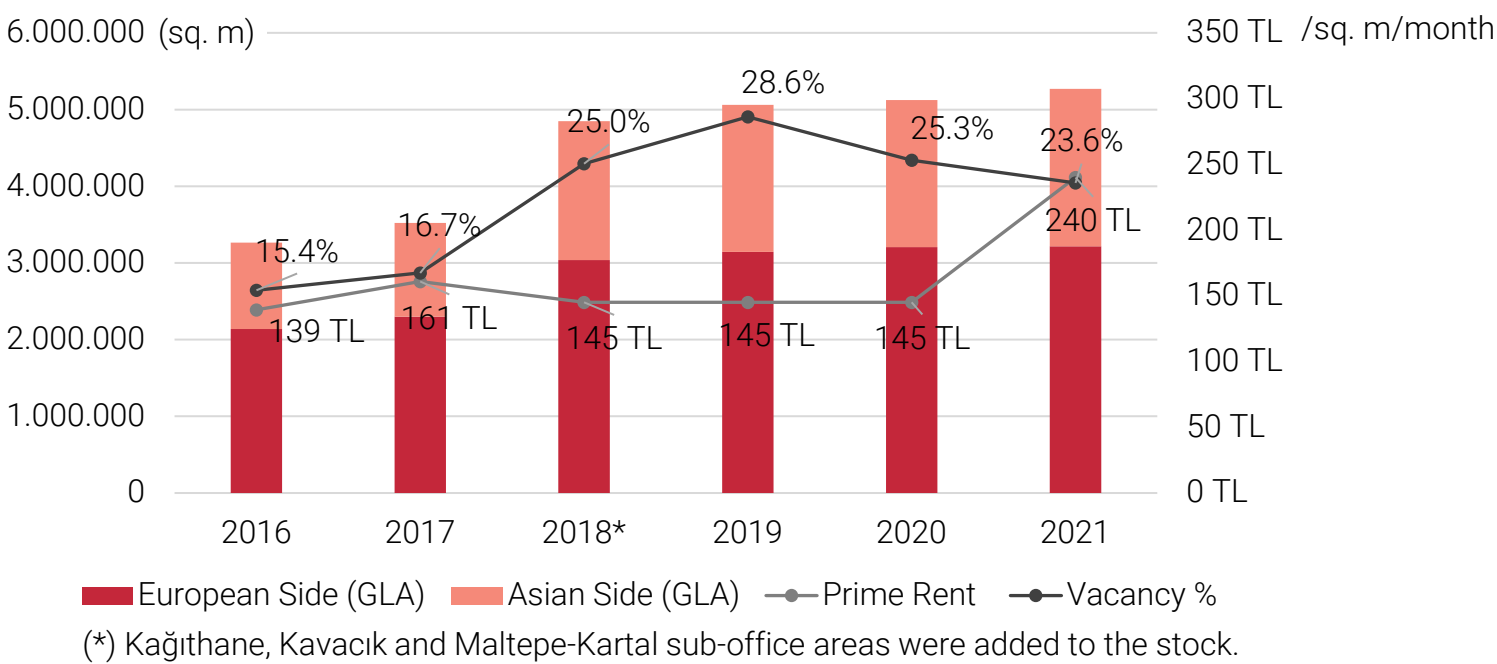
## Demand and Supply

In the 4<sup>th</sup> quarter of 2021, cumulative supply of grade A office space in Istanbul supply increased to 5.27 million sq m. During the 4<sup>th</sup> quarter of 2021, 47,648 sq m take-up was recorded, comprising 75% of overall transactions recorded in Istanbul primary office areas. 39% of the transactions were recorded in Kozyatağı, 37% in Ümraniye, 12% in Sisli-Zincirlikuyu-Besiktas and 7% in Kağıthane.

## Vacancy and Rental Level

In the 4<sup>th</sup> 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 **23.6% in total**, decreased from 23.4% to 22.6% in European Side, and 26.6% to 25.5% in Asian Side of Istanbul. Vacancy rates occurred as 28.4% in Maslak, 28.3% in Umraniye, 23.3% in Kozyatağı, 22.9% in Sisli-Zincirlikuyu-Besiktas and 14.4% in Levent-Etiler. Prime rent recorded in Levent-Etiler increased from 220 TL/sqm/month to 240 TL/sqm/month.

Figure 3. Istanbul grade A office GLA, prime rent



Source: Pamir & Soyuer

# Turkish Retail Market

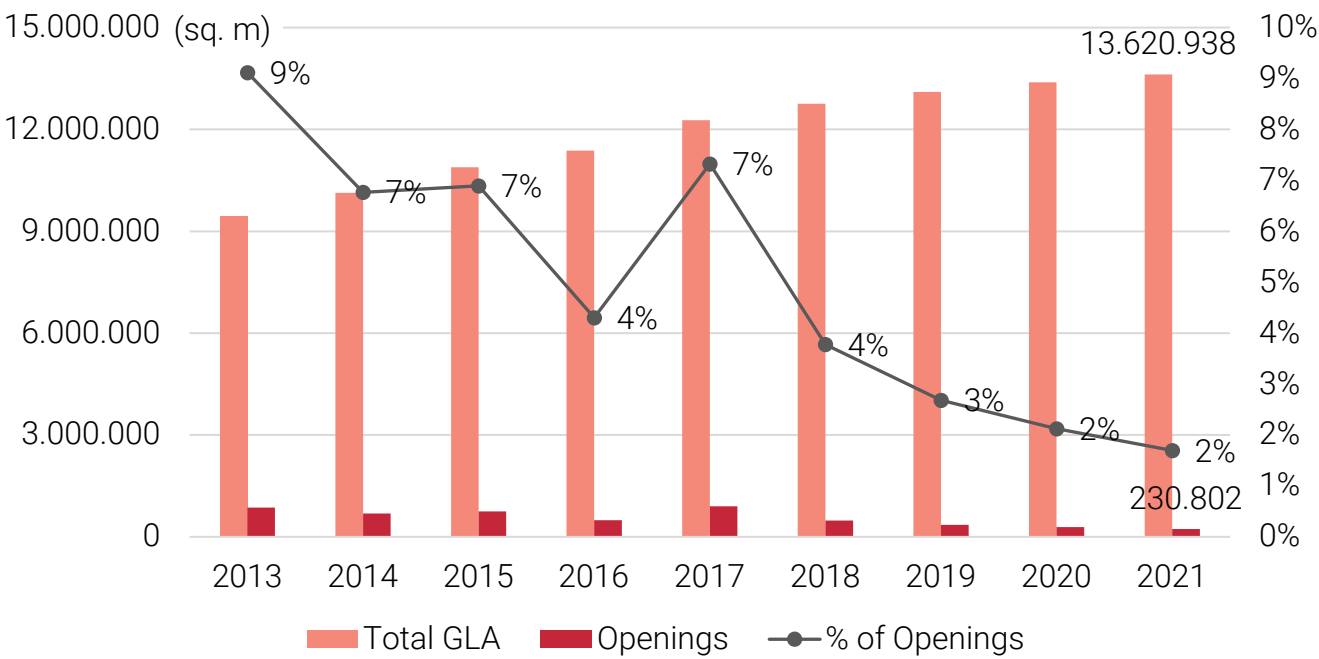
## Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to December 2020 the shopping centers sales index increased by 164% to 655 points. During the 4<sup>th</sup> quarter of 2021, footfall index in December, increased by 142% compared to the same period of last year. In December 2021, shopping centers’ sales per leasable area (sq. m.) occurred as 3,434 TL in Istanbul, 1,873 TL in Anatolia, and 2,497 TL in Turkey.

## Supply

During the 4<sup>th</sup> quarter of 2021, Turkey’s shopping center supply reached at 13.62 million sq. m., and GLA/1,000 inhabitants increased to 162.90 sq. m in Turkey. Total shopping centers supply is unlikely to increase in the next few years due to the repurposing of retail space.

Figure 4. Shopping centers GLA & openings



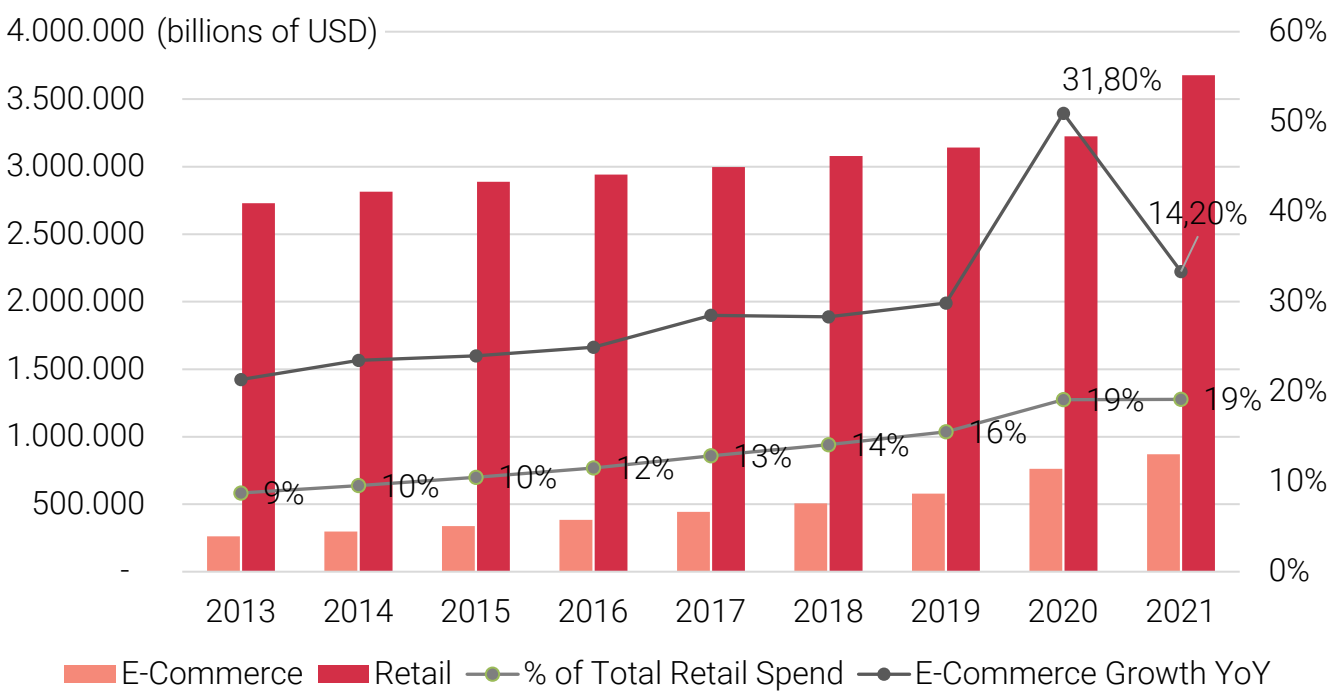
Source: Pamir & Soyuer

# Retail Repurposing

## E-Commerce vs Brick-and-Mortar Retail

Covid-19 has dramatically disrupted the retail sector, with the shock differing massively between brick-and-mortar versus e-commerce. When the Covid 19 is over, retailers will face a difficult reality. E-commerce adoption is likely to accelerate, across a wide range of categories. Covid -19 changes in consumer behavior create unprecedented revenues challenges for the traditional brick and mortal retail.

Figure 5. US E-Commerce Penetration



Source: U.S. Department of Commerce Retail Data

According to the U.S. Department of Commerce retail data online spending in 2020 significantly increased by 31.8% and growth was bound to slow down in 2021. And when online spending in 2021 is compared with 2019, it was increased by 50.5%.

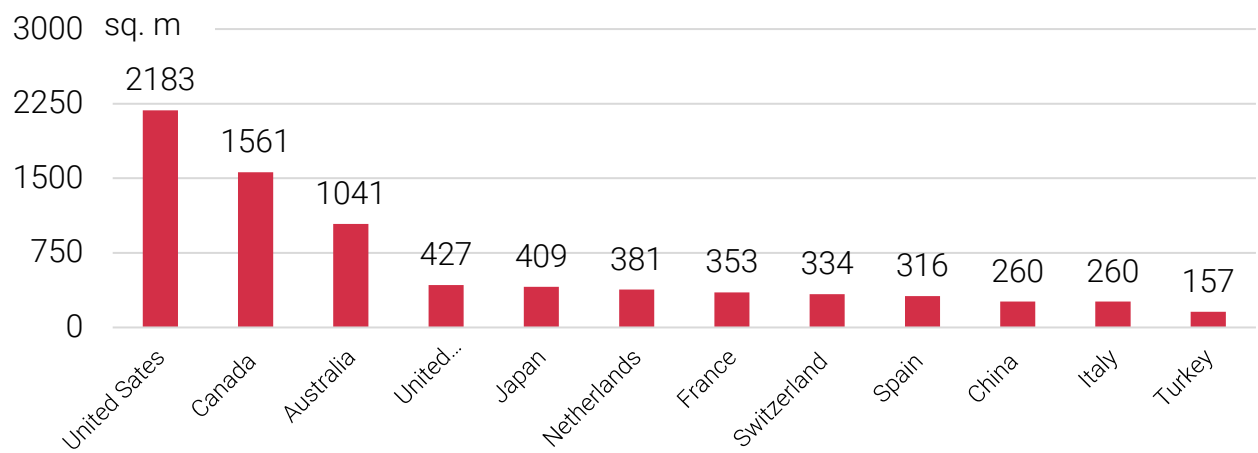
Consumers seem to be devoted to their new online shopping habits; the e-commerce share of total retail sales remained at 19.1% in 2021.

# Retail Repurposing

## Redundant Retail Space

Rates of e-commerce is in a **strong growth trend** which suggests that the **issue of redundant retail space** is likely to get worse and could become an issue in any location where the internet is taking an increasing share of consumer spend.

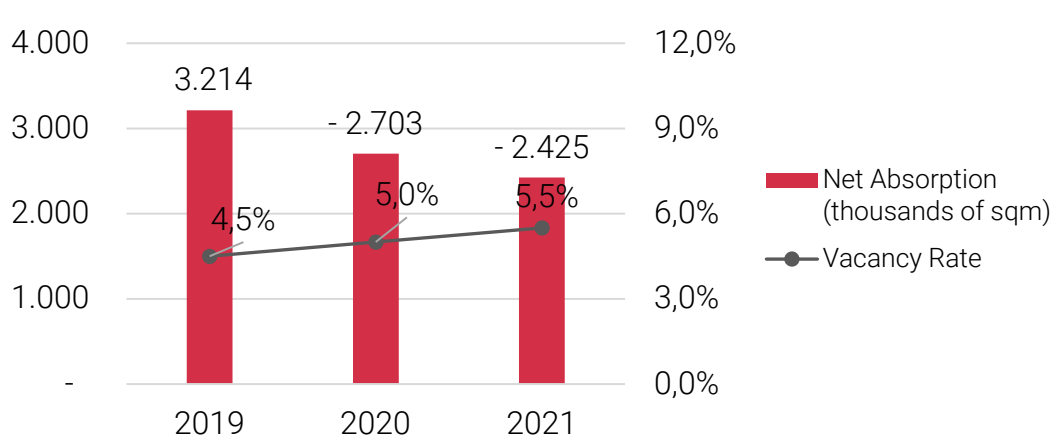
Figure 6. Retail Space Per 1000 Capita in 2018



Source: Statista - Pamir&Soyuer

The United States had the highest square footage of retail space worldwide at 2,183 sqm per 1000 capita. Canada and Australia followed behind with 1,561 and 1,041 sqm, respectively. The USA has twice as much square footage in shopping centers per capita than the rest of the world, and six times as much as countries in Europe. According to the Savills Research, more than a third of malls in the USA are expected to have to close and the UK may be ‘over spaced’ for retail by as much as 40%.

Figure 7. US National Retail Vacancy Rate & Net Absorption

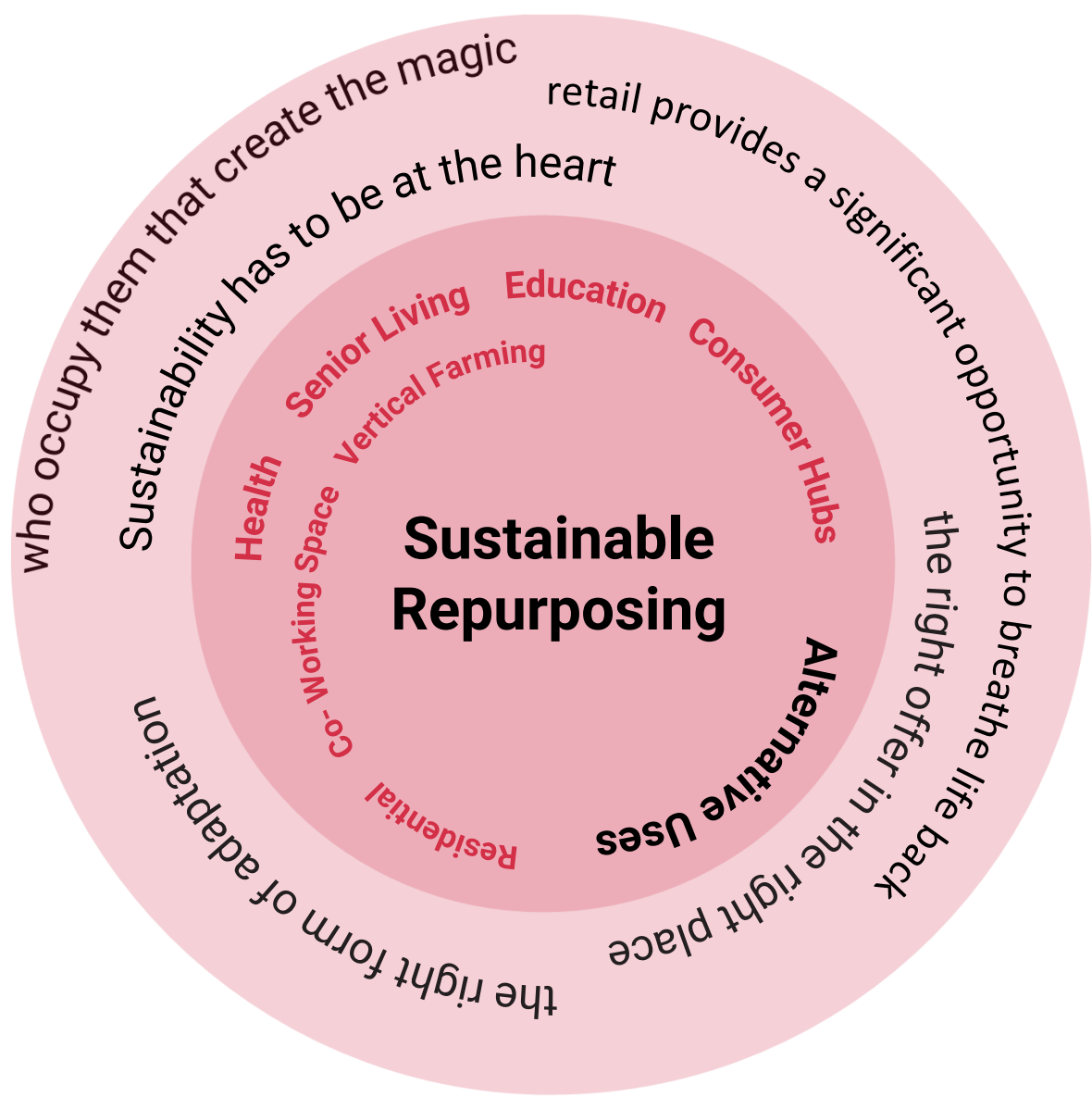


Source: Colliers Retail Outlook

# Retail Repurposing

## What is Retail Repurposing ?

With increasing redundant retail space, retail stakeholders need to consider ways existing buildings can be repurposed to revitalise their shopping centres and deliver a commercial return for owners and tenants. Successfully repositioning a mall often requires that developers introduce new uses to the property. Non-retail uses will play a vital role in the transformation of shopping spaces to a more dynamic, rich and purposeful mix of uses.



Sustainable repurposing, is about making sure that these places are future proof, green, offer solid investment opportunities and provide what communities need. Three key elements of successful retail repurposing are **viability, lettability and sustainability**.

Source: Re-Imagining Retail Issue#2, Savills

# 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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## 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

## Research

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