

Property News

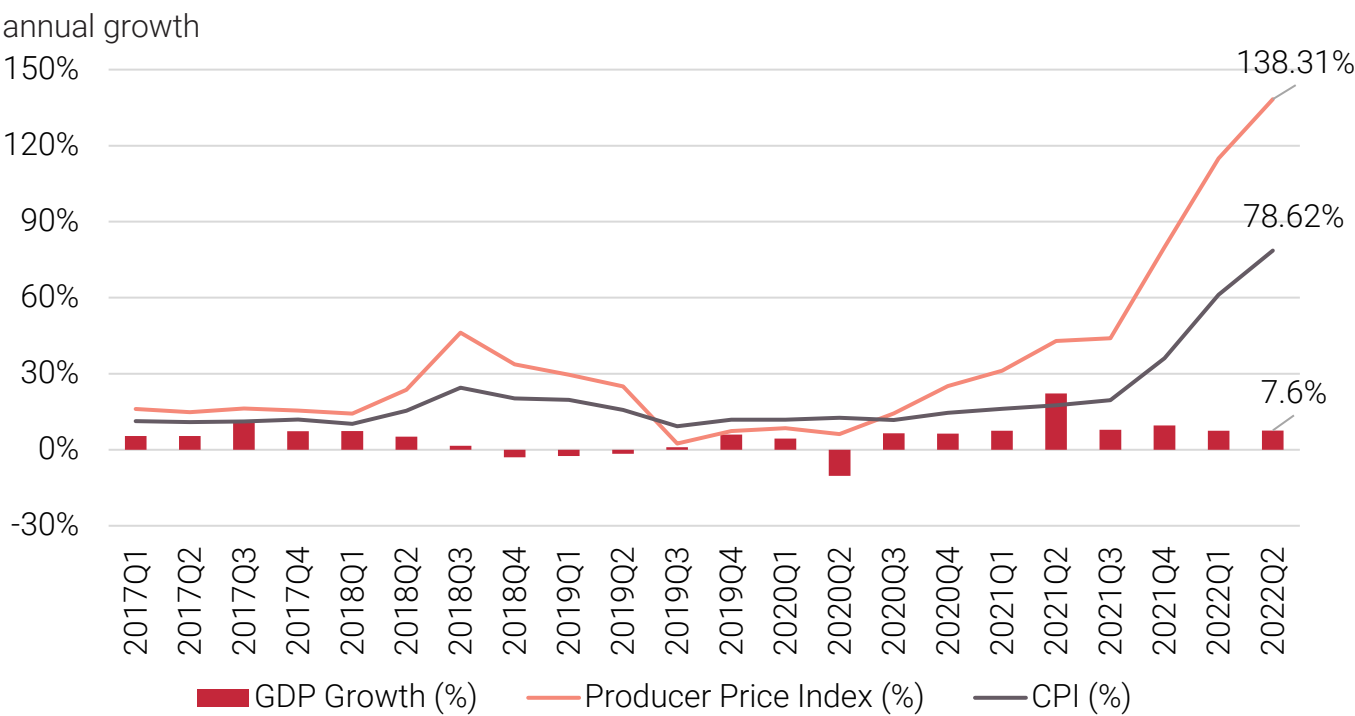
Q2 2022 Turkish Property Market Overview

Economic Overview

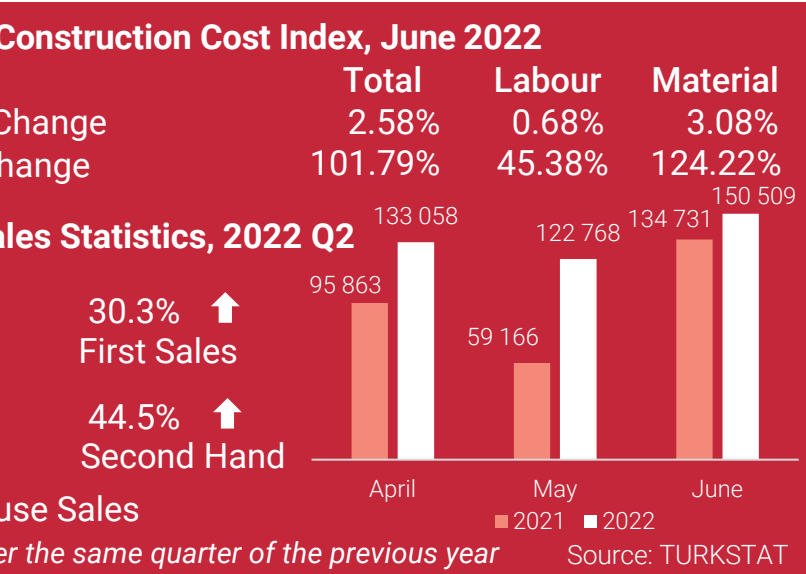
GDP

During the 2nd quarter of 2022, GDP grew by 7.6 % compared to the same period in 2020. When the activities constituting GDP were analyzed; total value added increased by 26.6% in finance & insurance, 18.1% in services, 11.0% in professional administrative and support service compared with the last year, as a chained volume index.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT



Istanbul Office Market

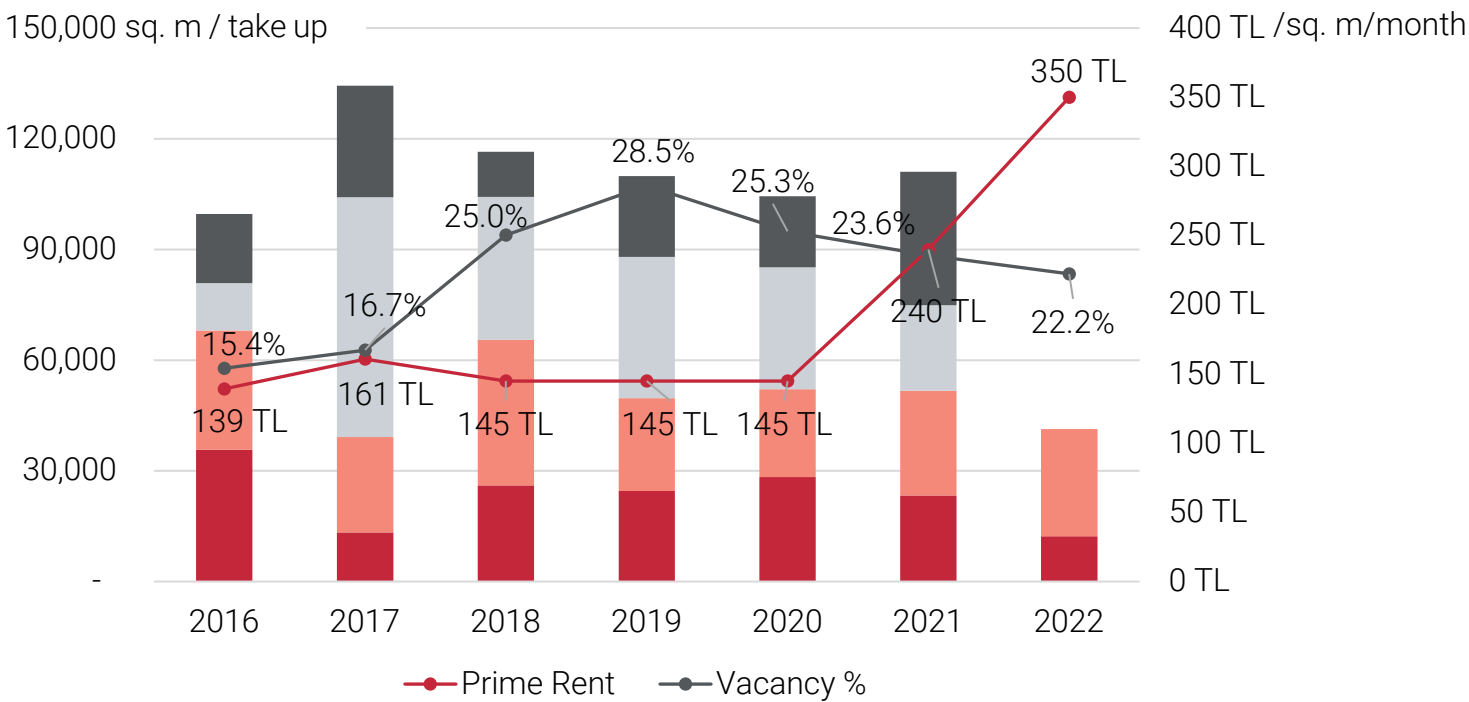
Demand and Supply

In the 2nd quarter of 2022, cumulative supply of grade A office space in Istanbul is unchanged at 5.27 million sq m. During the 2nd quarter of 2022, 28,394 sq m take-up was recorded, comprising 64% of overall transactions recorded in Istanbul primary office areas. 54% of the transactions were recorded in Maslak, 23% in Levent-Etiler and 14% in Kozyatağı-Ataşehir.

Vacancy and Rental Level

In the 2nd quarter of 2022, average rents in Istanbul grade A office market continued to increase compared to the previous quarter. Vacancy rate in Istanbul Grade A Office Spaces fell to 22.2% in total, decreasing from 22.4% to 20.8% in European Side, and 25.2% to 25.0% in Asian Side of Istanbul. Vacancy rates occurred as 28.3% in Umraniye, 24.7% in Maslak, 22.9% in Sisli-Zincirlikuyu-Besiktas, 22.3% in Kozyatağı, and 13.7% in Levent-Etiler. Prime rent recorded in Levent-Etiler increased from 320 TL/sqm/month to 350 TL/sqm/month.

Figure 2. Istanbul grade A office take up, prime rent & vacancy



Source: Pamir & Soyuer

Turkish Retail Market

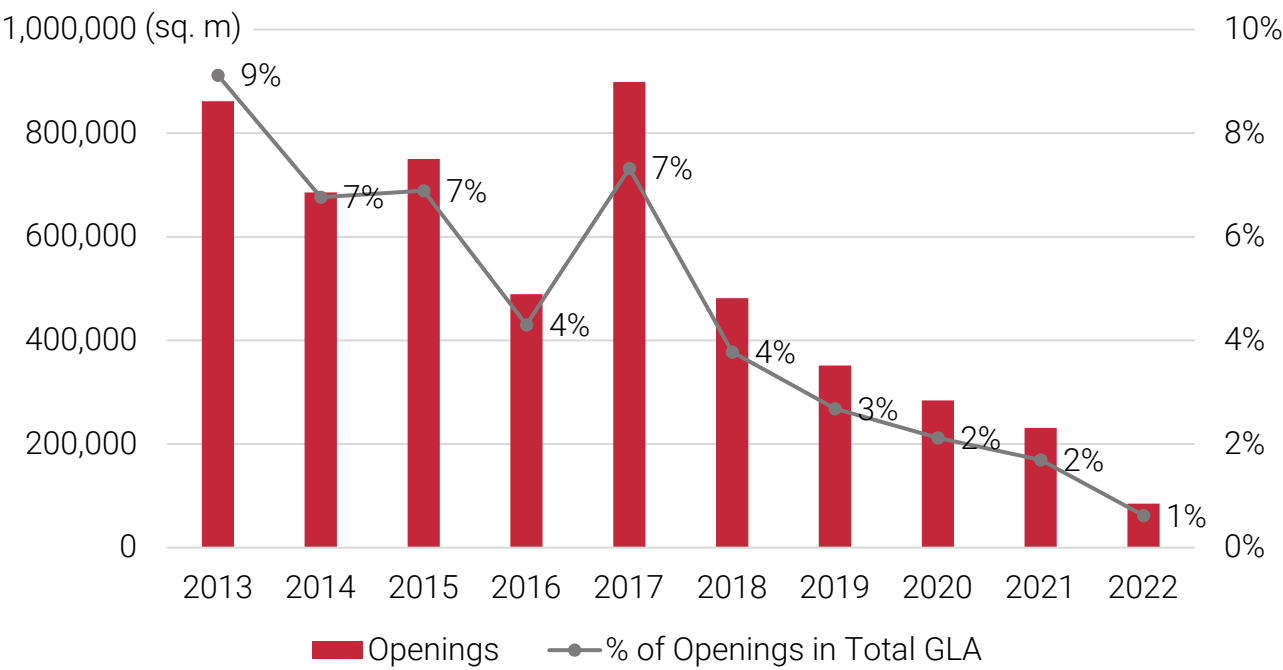
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to June 2021 the shopping centers **sales index increased by 102.8 %** to 927 points. During the 2nd quarter of 2022, **footfall index in June, increased by 34 %** compared to the same period of last year. In June 2022, shopping centers' sales per leasable area (sq. m.) occurred as 4,857 TL in Istanbul, 2,649 TL in Anatolia, and 3,532 TL in Turkey.

Supply

During the 2nd quarter of 2022, Turkey's shopping center supply increased to **13.70 million sq. m.**, and GLA/1,000 inhabitants were **calculated as 161.86 sq. m** in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 332.20 sq. m, which is followed by Ankara and Bolu with 301.42 sq. m and 273.95 sq. m per 1,000 inhabitants, respectively.

Figure 3. Shopping Centers Openings & Percentage in Total GLA



Source: Pamir & Soyuer

Adaptive Reuse

What is Adaptive Reuse?

Adaptive reuse is a term that refers to the process of taking an existing structure and updating or adapting it for a new use or purpose. This type of construction often occurs when a building’s previous purpose becomes outdated or even obsolete.

In spite of the difficulties the adaptive reuse, avoiding the demolition of old buildings that still have energy embedded in them as demolition is a waste of resources and the cost of reconstructing is very high.

Adaptive reuse helps reduce environmental, social, and economic costs of continued urban development and provide the added benefit of regenerating an area in a sustainable manner.

Benefit of Adaptive Reuse

Environmental

- Less use of resources, energy, and emissions
- Enhancing the demand of preserved existing buildings
- Stimulating vacant neighborhoods
- Recovering energy embodied in buildings over a long period of time.

Economic

- Increasing the cost-effectiveness
- Expanding the life cycle of buildings
- Giving value to resources of the community from properties that are not productive.

Social

- Cultural continuity, identity, and sense of place
- Giving a better aesthetic appearance to the built environment
- Heritage conservation and presentation
- Decreasing consumption of land and urban slump
- Revitalization and upgrading of heritage districts and architectural and technical innovation

Source: Othman and Elsaay, Effectiveness of Adaptive Reuse

Adaptive Reuse

Office to Residential Adaptive Reuse

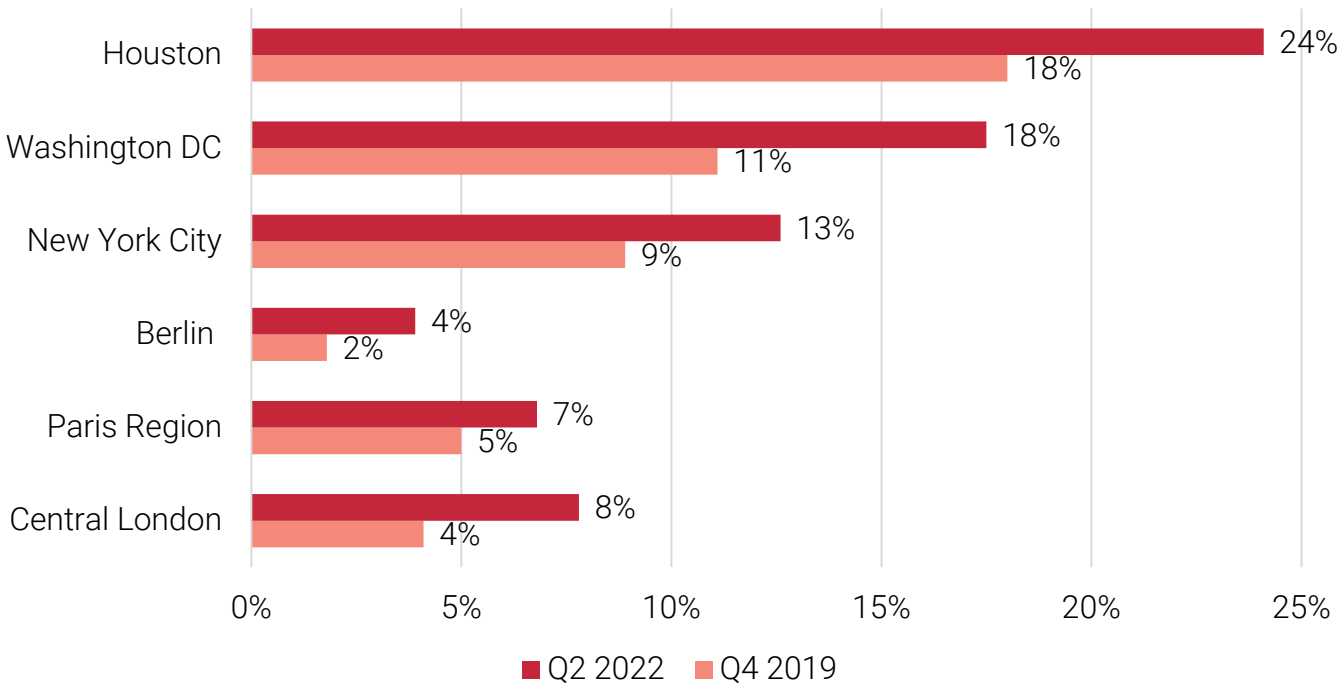
Covid-19 accelerated the trend of workers **needing less office space** as the nature of white-collar work has changed. As companies have used strategies like **desk sharing and installing collaborative workspaces** to use space more **efficiently**, the number of square meter needed per white-collar worker has steadily declined in recent decades.

In the top 10 US cities, downtown **office vacancies are 4% higher on average compared to pre-pandemic levels**. Today, more than two years into the pandemic, roughly a quarter of downtown offices are vacant. Some cities are exploring options to turn downtown offices to residential buildings.

In Europe, various cities and professional entities **support office to housing adaptive reuse** schemes, intending to accelerate housing production. In April 2021, the City of London **announced plans to create at least 1 500 residential units** by 2030 through the conversion of office buildings.

In many cities, full occupancy in business districts **will not return in the foreseeable future**, the more reason to consider alternative uses for existing office spaces.

Figure 4. Office Vacancy Rates



Source: CoStar, JLL and CBRE

Adaptive Reuse

Case Study – Television Centre, West London



Television Centre (TVC) is a building complex in White City, West London, that was the headquarters of BBC Television between 1960 and 2013. The BBC announced in 2010 that it would cease broadcasting from Television Centre in 2013.

In July 2012 it was announced that the complex had been sold to property developers Stanhope plc, who said that the new Television Centre development would "pay homage to the original use of the building".

The new Television Centre was completed in 2018 with new entertainment and leisure facilities and 950 homes. Television Centre's apartments include contemporary conversions and unique architectural designs.

Source: <https://televisioncentre.com/assets/downloads/television-centre-residential-overview.pdf>

Adaptive Reuse

Case Study -180 Water New York



Formerly building was used by New York City Human Resources Administration (NYCHRA) with 2,200 employees. Emmes Asset Management (EAM) acquired the 180 Water Street property from MelohnProperties Inc. in July 2013. The new owners began considering adaptive re-use when determining the property's highest and best use. In January 2016, construction would begin on 180 Water Street property's adaptive re-use development towards what would be a 29-story, 457,238 gross square foot multifamily development known as 180 Water.

Encountered a few obstacles in the redevelopment, but in 2017 the amenity rich office-residential conversion was completed. The developers removed a large atrium in the center and added a roof top amenity fixture with a 24-hour doorman, fitness center, children's playroom, yoga studio, kitchen, dining room, lounge, gaming area, and rooftop terrace with an outdoor pool.

Source: National Association of Realtors, November 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

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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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