

Property News



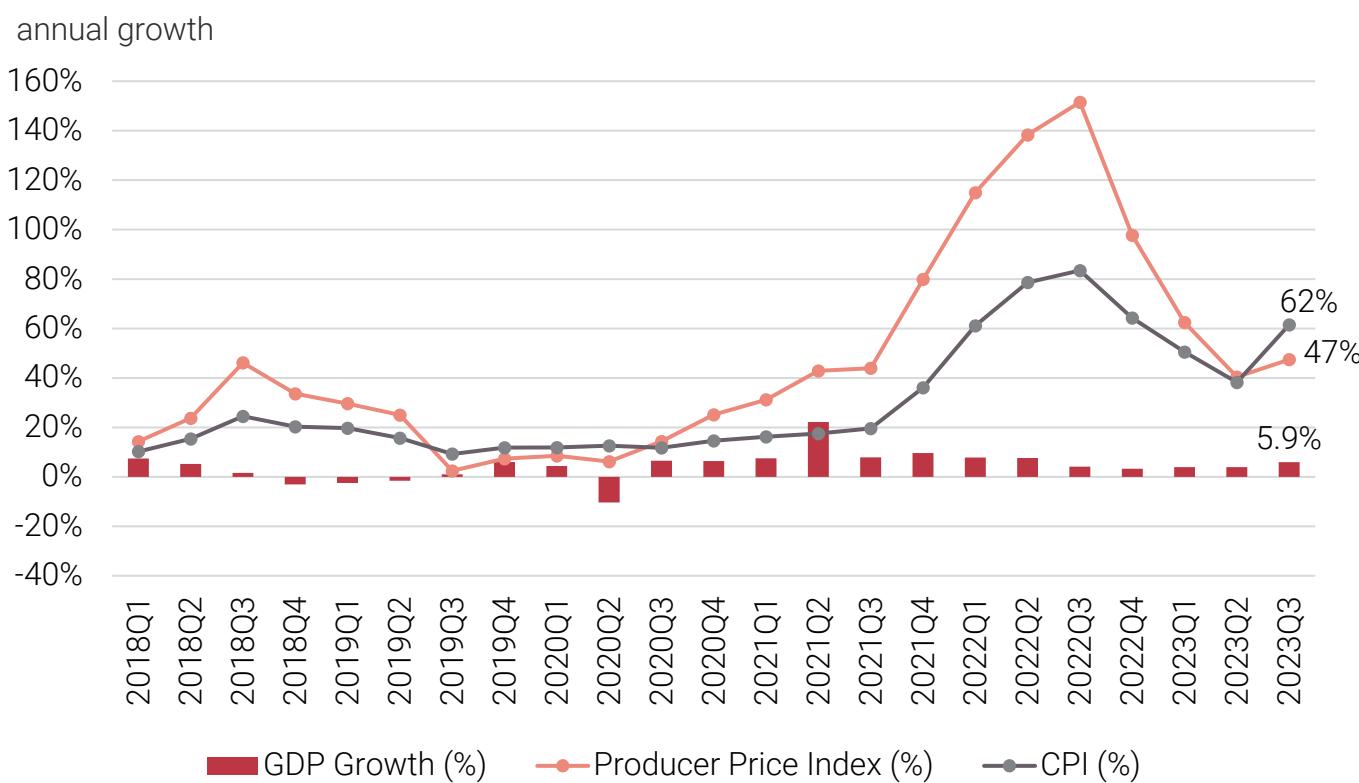
Q3 2023 Turkish Property Market Overview

Economic Overview

GDP

During the 3rd quarter of 2023, GDP grew by 5.9 % compared to the same period in 2022. When examining the activities that constitute GDP, in the third quarter of 2023 compared to the previous year as a chained volume index, the value added increased by 8.1% in construction, 5.7% in industry sector, 5.1% in financial and insurance, 4.3% in services, 3.6% in public administration, education, human health and social work activities, 2.7% in real estate activities, 2.2% in other service activities, 1.7% in information and communication and 0.3% in agriculture, forestry and fishing, respectively.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT



Istanbul Office Market

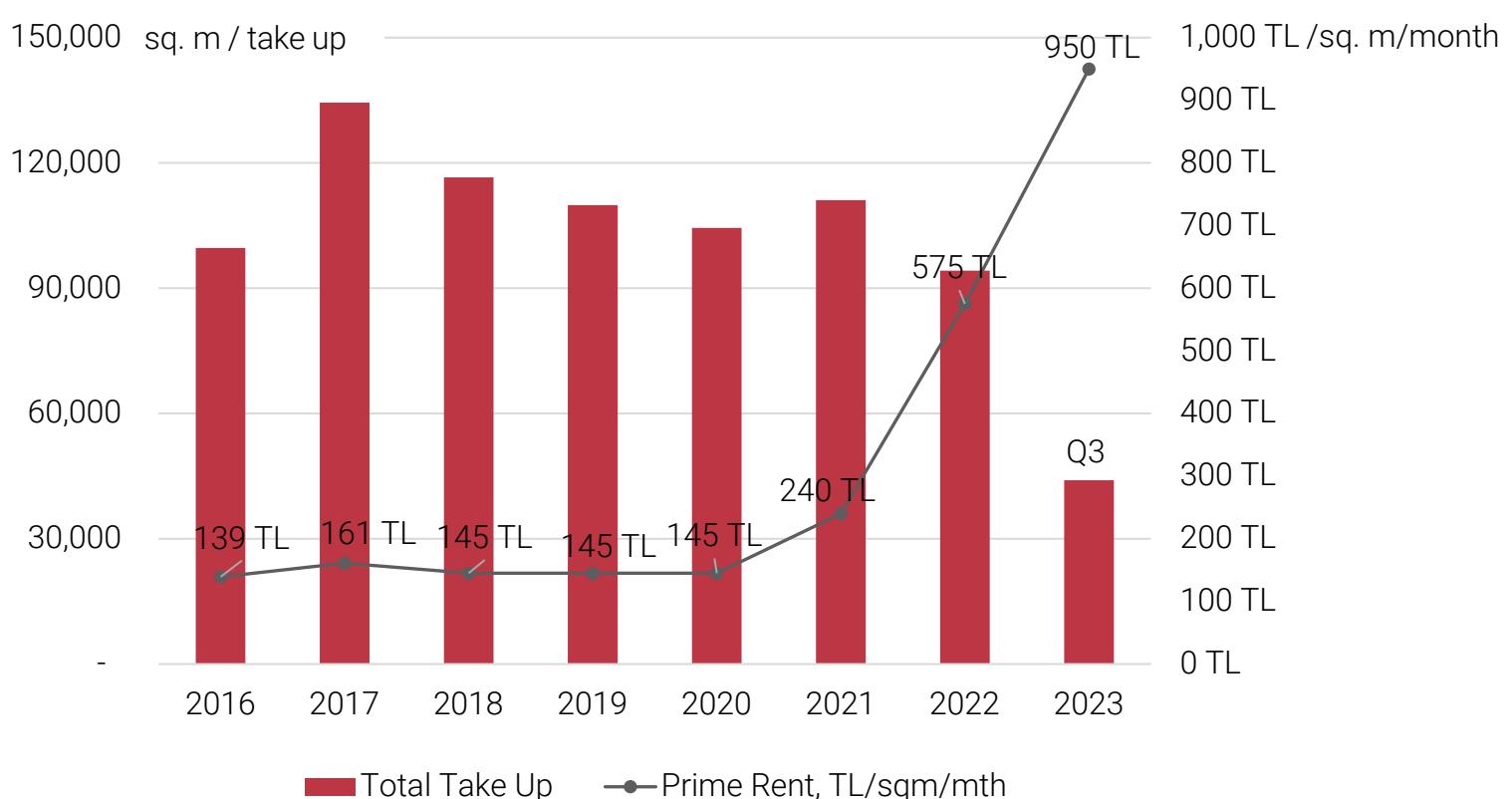
Demand and Supply

In the 3rd quarter of 2023, cumulative supply of grade A office space in Istanbul is unchanged at 5.27 million sq m. During the 3rd quarter of 2023, 20,866 sq m take-up was recorded in Istanbul primary office areas. 31% of the transactions were recorded in Levent-Etiler, 26% in Kozyatağı and 16% in Ümraniye.

Vacancy and Rental Level

In the 3th quarter of 2023, average rents in Istanbul grade A office market continued to increase compared to the previous quarter. The vacancy rate in Istanbul's Grade A office spaces fell to 18.1% in total, decreasing to 17.9% on the European side and 18.6% on the Asian side of Istanbul. Vacancy rates occurred as 20.8% in Maslak, 20.1% in Ümraniye, 19.8% in Sisli-Zincirlikuyu-Besiktas, 17.4% in Kozyatağı, and 12.3% in Levent-Etiler. Prime rent recorded in Levent-Etiler increased from 850 TL/sqm/month to 950 TL/sqm/month.

Figure 2. Istanbul grade A office take up & 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 September 2022, the shopping center sales index increased by 84.3% to 2134 points. During the 3rd quarter of 2023, the footfall index in September increased by 11 % to 91 points, compared to the same period of last year. In September 2023, shopping centers' sales per leasable area (sq. m.) occurred as 9,916 TL/sqm in Istanbul, 6,948 TL/sqm in Anatolia, and 8,135 TL/sqm in Turkey.

Supply

During the 3rd quarter of 2023, Turkey's shopping center supply calculated as 13.64 million sq. m., and GLA/1,000 inhabitants were calculated as 160.03 sq. m in Turkey. Moreover, Istanbul has the highest rate of GLA/1,000 inhabitants as 333.63 sq. m, which is followed by Ankara and Bolu with 299.60 sq. m and 273.26 sq. m per 1,000 inhabitants, respectively.

Figure 3. Turnover Index & Visitor Index



Source: AYD and Akademetre Research

Proptech

What is Proptech ?

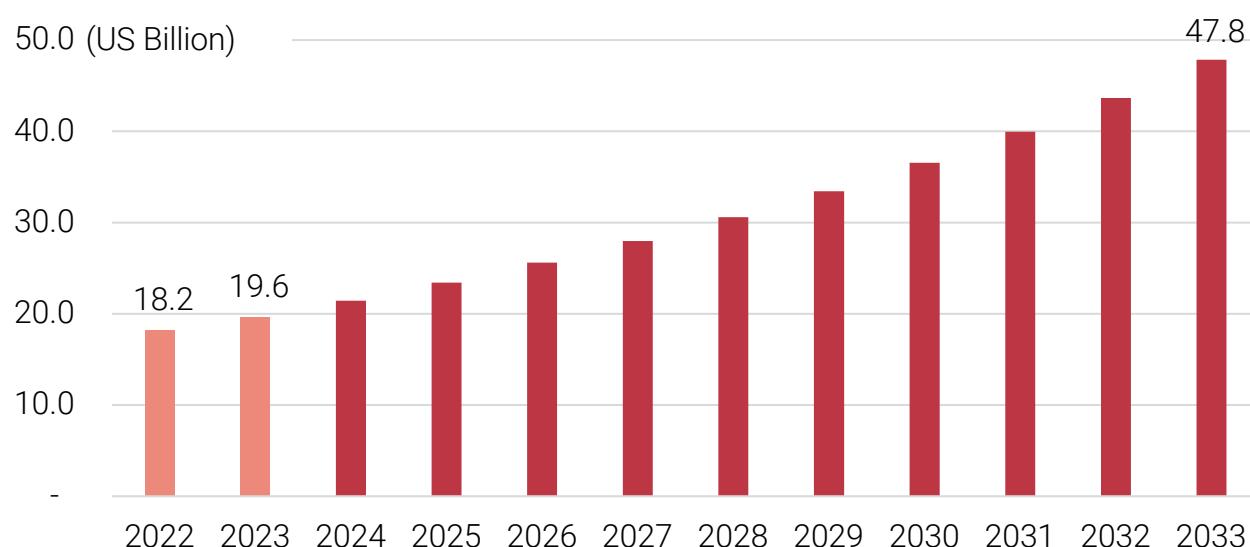
Proptech is an abbreviation of ‘property technology’, which – as the name suggests – is basically any technology that relates in some way to the built environment.

Proptech means property technology and refers to using modern technologies in real estate like the Internet of Things (IoT), artificial intelligence (AI), blockchain technology, and Building Information Modelling (BIM) in the real estate industry to digitize it. All these technologies can significantly encourage resource efficiency, sustainable development, improved operations, and productivity in the industry.

Numerous technological advancements in the real estate industry and related segments have led to the emergence of the proptech industry vertical as the next big thing.

According to a report by Future Market Insights, the proptech market is set to experience explosive growth in the coming years. The proptech market is anticipated to have a significant CAGR of 9.3% during the period of 2023 to 2033. The market is expected to grow from US\$ 19,608.1 million in 2023 to US\$ 47,842.5 million by 2033.

Figure 4. Proptech Market Size, 2022 to 2032 (US Billion)



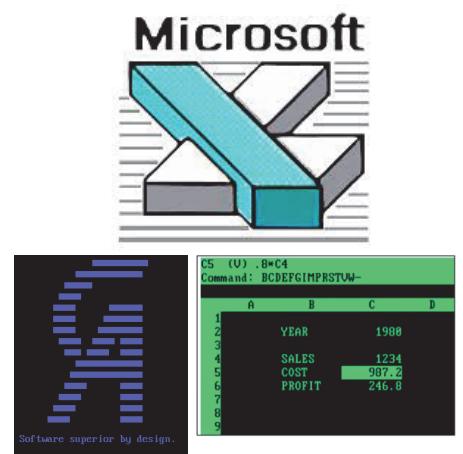
Source: Future Market Insights

Proptech

Evaluation of Proptech

PROPTECH 1.0

The first wave of Proptech, referred to as Proptech 1.0, began in the mid-1980s. Computing was present around that time, but the invention of the personal computer played a significant role in setting up the base for Proptech 1.0. Personal computers, or PCs, allowed real estate agents to organize an extensive database with the help of spreadsheet software like VisiCalc and Supercalc, and Microsoft Excel, which arrived in 1985 soon became the industry standard.



PROPTECH 2.0

The real estate industry was forced to re-evaluate its traditional practices and embrace new technologies to improve efficiency, productivity, and profitability. By 2008 internet speeds worldwide had significantly increased which resulted in more data moving online. These factors encouraged the use of smartphones and application programming interfaces or apps, all in all facilitated the emergence of Proptech 2.0



PROPTECH 3.0

The new Proptech wave, or Proptech 3.0, will implement technologies like AI, IoT and blockchain technology, which has immense potential to transform the industry. The change Proptech 3.0 will bring will be as significant as it was from Proptech 1.0 to Proptech 2.0. The influence of Proptech 3.0 can already be witnessed in the industry, but it will be more substantial over the next decade.



Proptech

Smart Real Estate

Smart Meters
Monitor Control
Analyze
Manage

Property owners and occupiers will need to invest in technologies to adapt the changing world of work and the increased emphasis on sustainability. There are two key elements to a successful Proptech strategy; IoT and AI.

IoT is how devices connect to other devices, which creates a vast network of devices and people and provides much access to data to the people connected to this series.

All the devices using IoT platforms have built-in sensors that collect information from various other devices and then provide analysis based on it. The sensors provide relevant data, which can help the consumer focus on the area with more traffic. For example, IoT sensors can detect where there is more traffic in an office space, where staff and employees spend more time throughout the day.

Though IoT provides data and devices, AI provides the analysis. For example, IoT acts like a human body, which can acquire information by senses and touch; this information is transmitted to the brain and analyzed. Then the brain signals the body to react accordingly. AI acts like a human brain in this correlation.

IoT and AI together form a powerful union that drives the development of Technologies in smart real estate.

Source: The Significance of Proptech and Proptech Companies, Bhavya Oza, 2023

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 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

Research

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