

Property News

Q4 2023 Turkish Property Market Overview

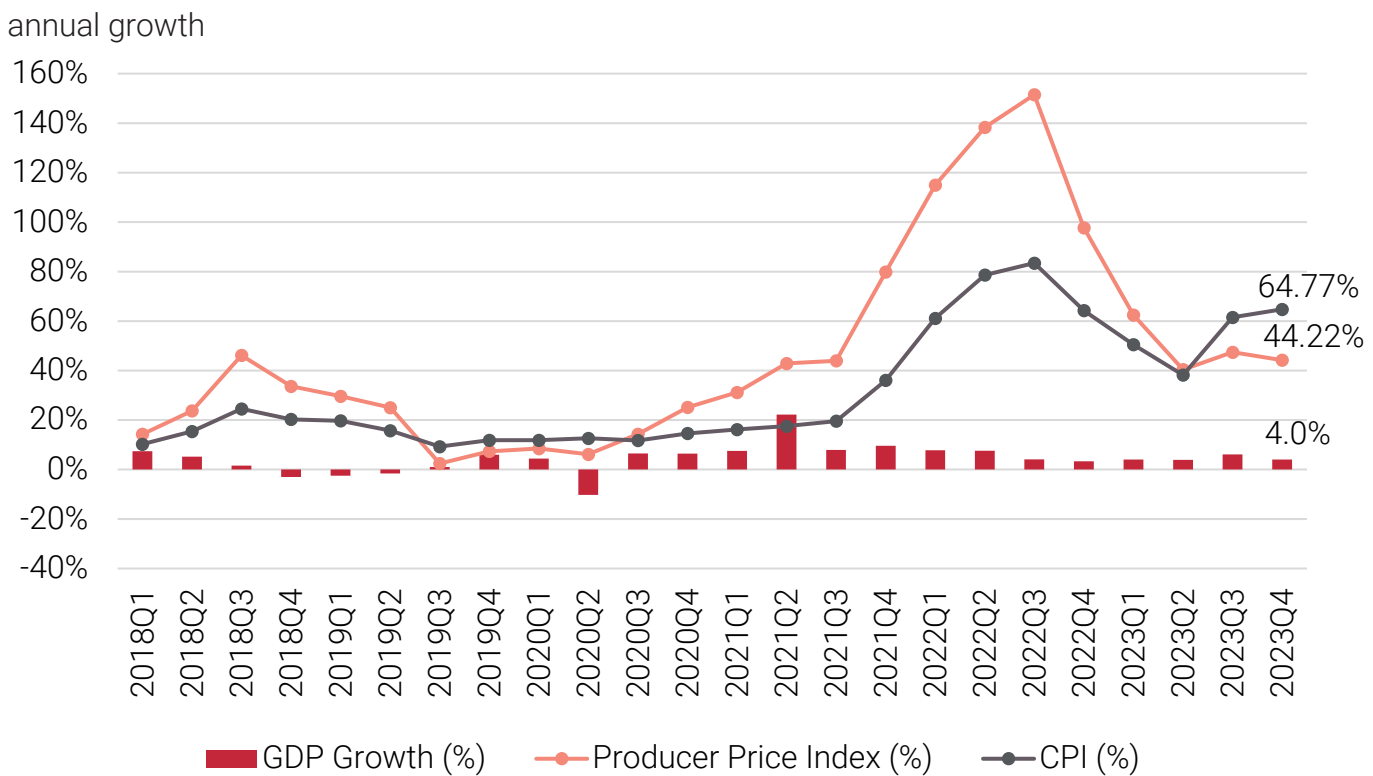
Lee Ufan Museum, Naoshima, Japan

Economic Overview

GDP

During the 4th quarter of 2023, GDP grew by 4.0 % compared to the same period in 2022. When examining the activities that constitute GDP, in the last quarter of 2023 compared to the previous year as a chained volume index, the total value added increased by 9.0% in financial and insurance activities, 7.8% in construction, 6.4% in services, 4.6% in other service activities, 3.8% in public administration, education, human health and social work activities, 2.7% in real estate activities, 1.3% in information and communication activities, 1.2% in professional, administrative and support service activities and 0.8% in industry respectively.

Figure 1. Turkish Economy: selected indicators



Source: TURKSTAT

Building Construction Cost Index, December 2023

	Total	Labour	Material
Monthly Change	2.20%	1.58%	2.46%
Annual Change	66.22%	111.62%	52.72%

House Sales Statistics, 2023 Q4

Total House Sales

Change over the same quarter of the previous year

- 23.9% (Total)
- 25.0% (First Hand Sale)
- 23.4% (Second Hand)

Month	2022	2023
October	102 660	93 761
November	117 806	93 514
December	207 963	138 577

Source: TURKSTAT

Istanbul Office Market

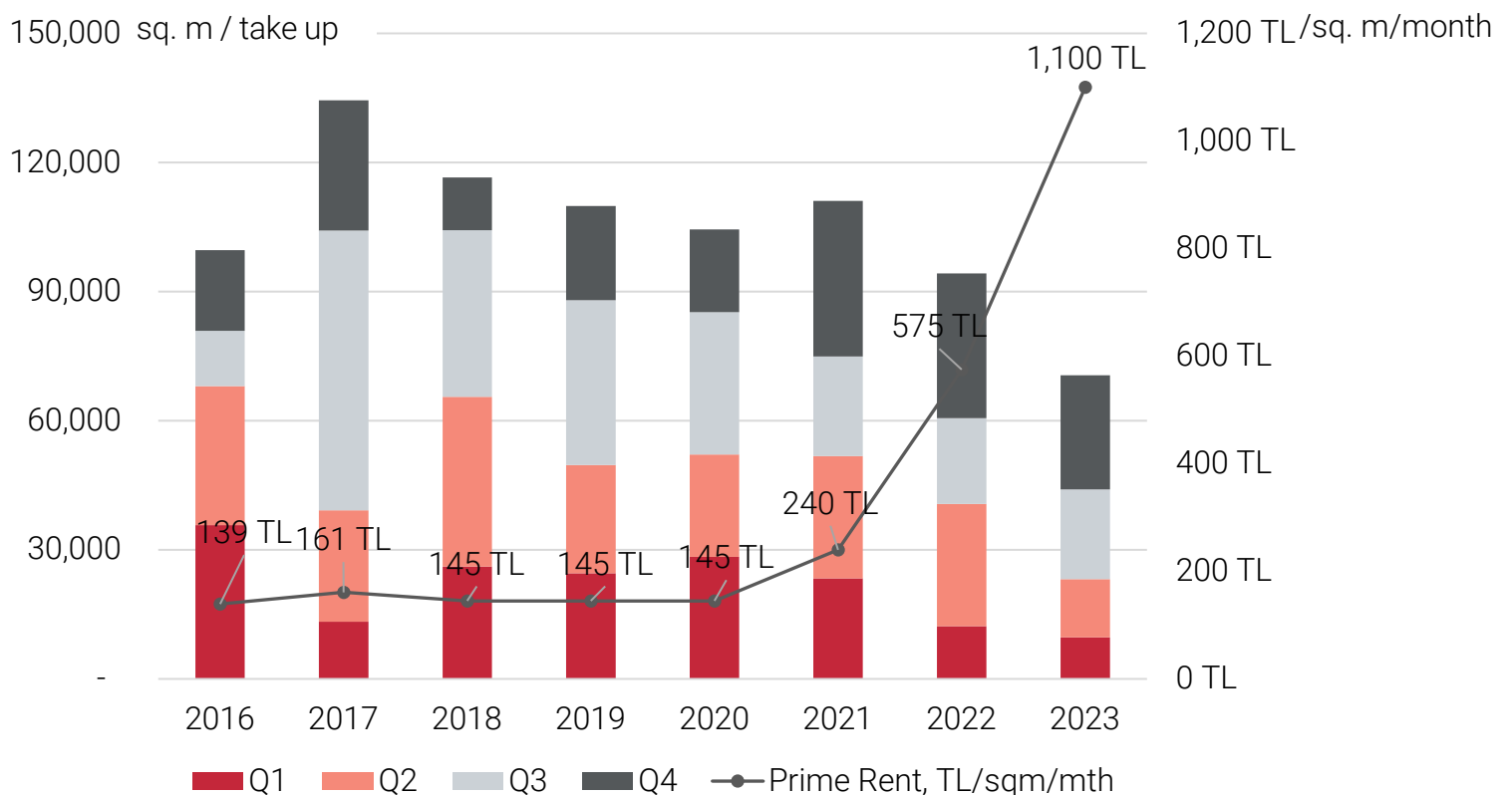
Demand and Supply

In the 4th quarter of 2023, cumulative supply of grade A office space in Istanbul is unchanged at 5.27 million sq m. During the 4th quarter of 2023, 26,541 sq m take-up was recorded in Istanbul primary office areas. 70% of the transactions were recorded in Maslak and 15% in Kozyatağı.

Vacancy and Rental Level

In the 4th 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 14.8% in total, decreasing to 14.5% on the European side and 15.2% on the Asian side of Istanbul. Vacancy rates occurred as 11.7% in Levent-Etiler, 13.6% in Ümraniye, 14.2% in Sisli-Zincirlikuyu-Besiktas, 16.4% in Kozyatağı, and 16.9% in Maslak. Prime rent recorded in Levent-Etiler increased from 950 TL/sqm/month to 1,100 TL/sqm/month.

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



Source: Pamir & Soyuer

Turkish Retail Market

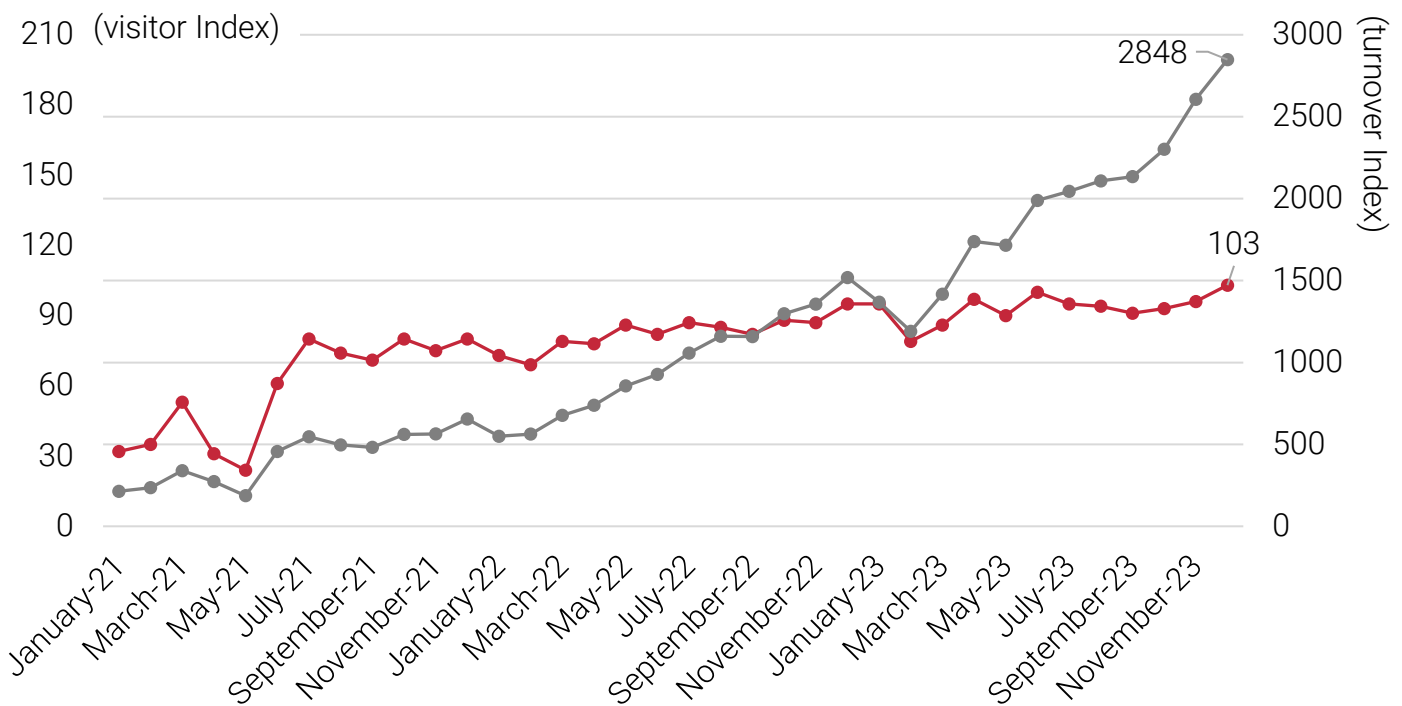
Demand

Based on data released by the Turkish Council of Shopping Centers (AYD) and Akademetre Research, compared to December 2022, the shopping center sales index increased by 87.6% to 2848 points. During the 4th quarter of 2023, the footfall index in December increased by 8 % to 103 points, compared to the same period of last year. In December 2023, shopping centers' sales per leasable area (sq. m.) occurred as 13,280 TL/sqm in Istanbul, 9,240 TL/sqm in Anatolia, and 10,856 TL/sqm in Turkey.

Supply

During the 4th quarter of 2023, Turkey's shopping center supply increased to 13.77 million sq. m., and GLA/1,000 inhabitants were calculated as 161.50 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

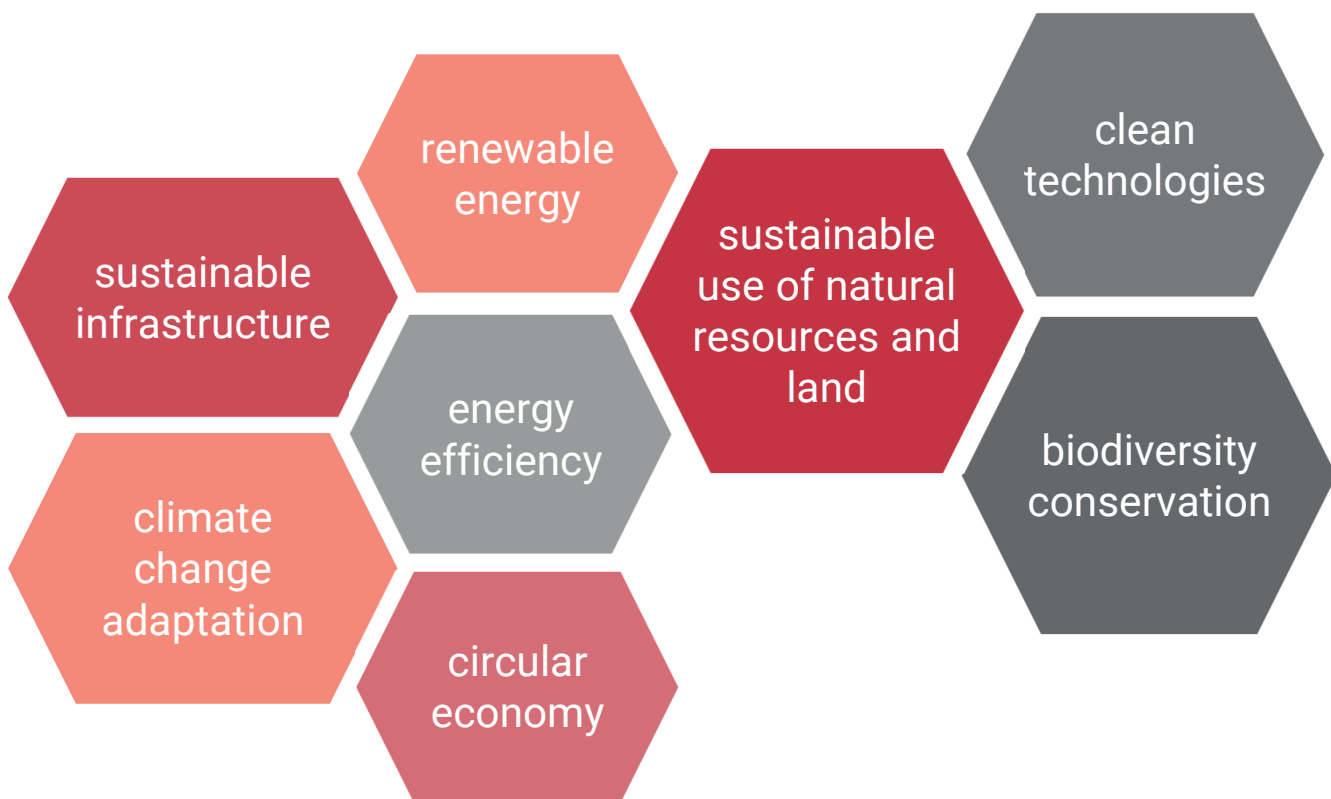
Green Finance

What is Green Finance ?

At its simplest, green finance is any structured financial activity – a product or service – that’s been created to ensure a better environmental outcome. It includes an array of loans, debt mechanisms and investments that are used to encourage the development of green projects or minimize the impact on the climate of more regular projects. Or a combination of both.

Reaching net-zero emissions and other climate-related and environmental goals will require significant investments to enable decarbonization and innovation across all sectors of the economy. Greening the financial system is key to making these investments happen.

Figure 4. Typical Projects Qualifying for Green Finance



Source: Real Estate Finance and Climate Transition 2022, OECD

Green Finance

What is Green Finance Instruments?

There are a number of common green finance instruments that are used to fund environmentally friendly projects.

In particular, green bonds are growing in popularity. They represent an appealing path for private and public companies to access capital for green investments.

Below the common finance instruments are summarized.

Green Bonds: These are debt securities issued by governments, corporations, or other organizations to finance environmental or climate-friendly projects. The proceeds from the sale of green bonds are used to fund a variety of projects, such as renewable energy, energy efficiency, sustainable transportation, and green buildings.

Green Loans: These are loans made by banks or other financial institutions to companies or projects that are focused on environmental sustainability.

Green Equity: This refers to investments in companies that are engaged in environmentally friendly activities.

Green Microfinance: This is a type of microfinance that provides financial services to low-income people and businesses in developing countries for the purpose of environmentally friendly projects.

Sustainability-Linked Loans: These are loans where the interest rate or other terms of the loan are linked to the borrower's sustainability performance. This can incentivize borrowers to improve their environmental performance

Green Insurance: This is a type of insurance that is designed to protect against environmental risks, such as climate change or natural disasters. Green insurance can also be used to provide financial incentives for businesses to adopt sustainable practices.

Green Finance

Green Finance for Real Estate

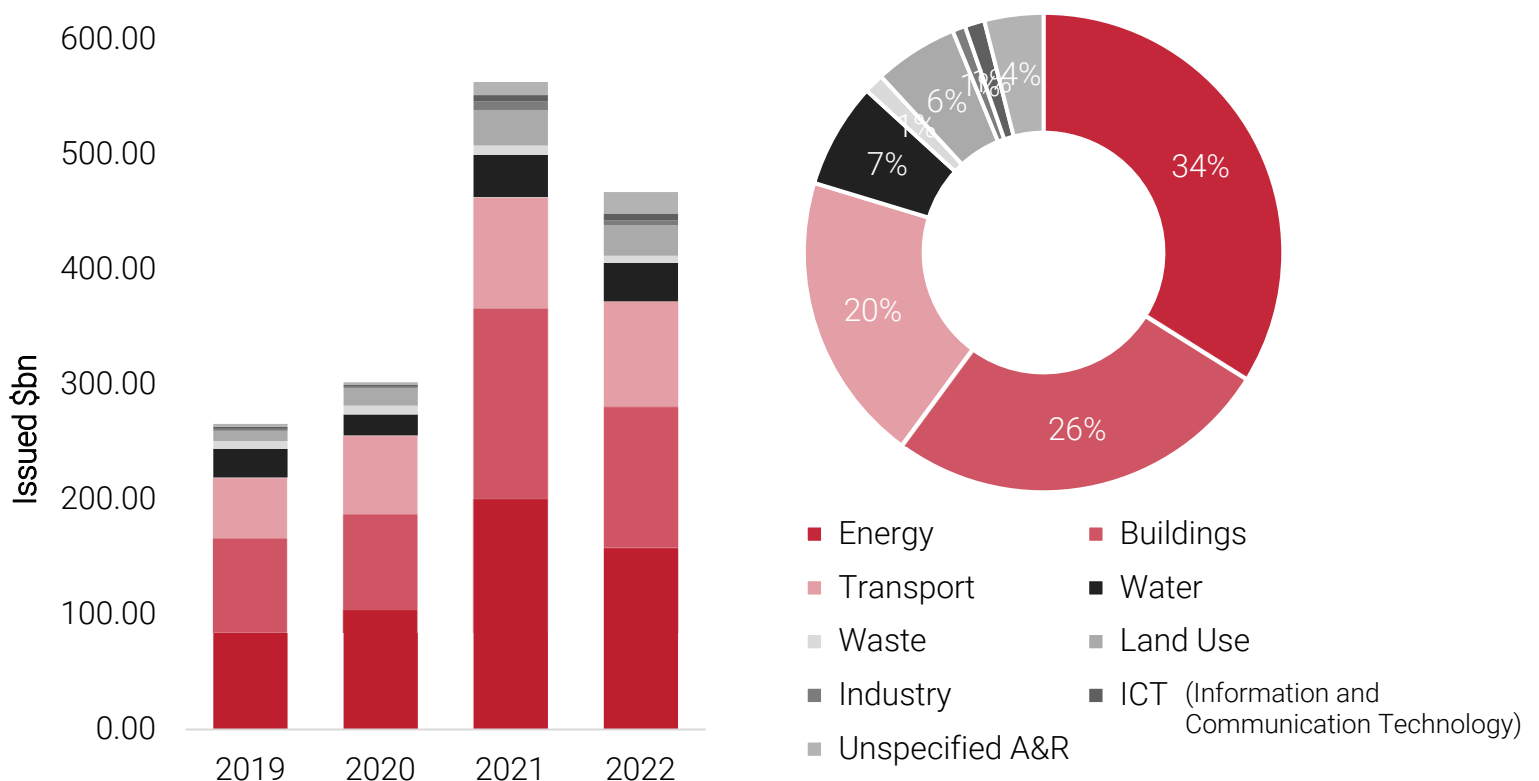
The real estate industry is significantly contributing to the global carbon footprint due to a high production of carbon emissions and the use of non-sustainable materials. The green transition of this sector is, hence, crucial to effectively achieving climate change mitigation.

Clearly the greatest part of investments in Green Finance for real estate will come from the private sector. Private financial players will have a dual function by both investing in solution aimed at compensating for government shortcomings and directly financing at the construction of sustainable buildings.

Common types of green financial instruments in real estate system are Green Bonds, Green Lending and Green Funds and Trusts.

According to the Climate Bonds Initiatives data, energy (34%), buildings (26%), and transport (20%) remained the three largest categories, collectively contributing 80% of the total green debt volume in 2022.

Figure 5. Green Bonds Issuance by Project Area 2019 to 2022



Source: <https://www.climatebonds.net/market/data/>

Green Finance

Penn 2, New York City



Local developer Vornado Realty Trust used a green bond, issued in 2021, to power its transformation of the 1960s-era Penn Station complex in Midtown Manhattan.

Located directly above the station, the Penn 2 tower contains 170,000 sq m of office space and **received \$141.3 million from the green bond**. Local firm MdeAS fitted the building with a new triple-glazed curtain wall, which lets in expansive daylight and reduces total building energy consumption by six percent.

High levels of thermal insulation allowed downsizing of the mechanical, electrical, and plumbing systems, enabling the existing induction units and high-pressure riser to be replaced with a low-profile fan coil unit. In total, **the renovation resulted in a 28 percent increase in energy efficiency**.

Vornado recently completed the entrance to the train station located at the base of its Penn 2 Office Tower, with the total completion planned for the second quarter of 2025.

Source: <https://www.vnopenn2.com/>

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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