

TURKEY

Cushman & Wakefield
Global Cities Retail Guide



Turkey, the bridge between East and West, is a country of significant geostrategic importance. As a key emerging market, Turkey has experienced strong economic expansion over the past decade.

A well balanced macroeconomic strategy in combination with tight fiscal policies and major reforms has integrated Turkey into the globalised economy and made it a key recipient of foreign direct investment into the region. Turkey is now the 18th largest economy in the world. One half of Turkey's population is under 30 years of age.

The slowdown of the Turkish economy surged due to the exchange rate hike and spiking inflation recorded in H2 2018 and and the first quarter of 2019. Despite the tight financial conditions which are a clear headwind for the economy, it is expected that the retail investment demand is set to gain momentum, particularly following the recent elections in the H1 2019, with more assets coming on the market.

As announced recently, all rental agreements will have to be converted to ₺ at the currency exchange rate dated 2nd of January 2018 and adjusted by inflation to the current date if the agreements were signed prior to this date. This will require the market to adapt to new realities putting pressure on landlords due to a much higher current exchange rate and on tenants due to currently very high inflationary indexation. Asset values on a USD basis are expected to decrease significantly which draws the attention of opportunistic foreign buyers who are searching for distressed situations.



TURKEY OVERVIEW

TURKEY

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

| ECONOMIC INDICATORS* | 2018 | 2019F | 2020F | 2021F | 2022F |
|-----------------------------|-------------|--------------|--------------|--------------|--------------|
| GDP growth | 2.6 | -1.6 | 3.4 | 4.0 | 4.0 |
| Consumer spending | 1.1 | -1.6 | 5.8 | 3.9 | 3.7 |
| Industrial production | 1.1 | -2.5 | 3.2 | 2.6 | 2.8 |
| Investment | -1.7 | -8.0 | 5.1 | 4.1 | 4.1 |
| Unemployment rate (%) | 10.9 | 12.2 | 11.8 | 11.1 | 10.6 |
| Inflation | 16.3 | 17.0 | 13.0 | 12.1 | 11.0 |
| TL/€ (average) | 5.7 | 6.3 | 6.4 | 6.6 | 6.8 |
| TL/US\$ (average) | 4.8 | 5.5 | 5.4 | 5.4 | 5.4 |
| Interest rates 3-month (%) | 17.7 | 22.9 | 18.4 | 15.6 | 13.5 |
| Interest rates 10-year (%) | 15.9 | 15.3 | 14.4 | 13.3 | 12.4 |

ECONOMIC BREAKDOWN

| | |
|-------------------------|---|
| Population | 82 Million (2018) |
| GDP (nominal) | US\$ 774.0 Billion (2018) |
| Public Sector Balance | -2.0% of GDP (2018) |
| Current Account Balance | -3.3% of GDP (2018) |
| Parliament | The Justice and Development Party (AKP) |
| President | Recep Tayyip Erdogan |
| Election Date | June 2018 |

NOTE: *annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

| CITY | POPULATION (2018) MILLIONS |
|------------|-------------------------------|
| Istanbul | 15.07 |
| Ankara | 5.50 |
| Izmir | 4.32 |
| Bursa | 2.99 |
| Antalya | 2.43 |
| Adana | 2.22 |
| Konya | 2.21 |
| Gaziantep | 2.03 |
| Sanliurfa | 2.04 |
| Kocaeli | 1.91 |
| Mersin | 1.81 |
| Diyarbakir | 1.73 |
| Hatay | 1.61 |

SOURCE: TURKSTAT



TURKEY LARGEST CITIES

TURKEY

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Migros, BIM, Sok, A101

MAJOR INTERNATIONAL FOOD RETAILERS

Carrefour, Metro

MAJOR DOMESTIC NON-FOOD RETAILERS

Koctas, Teknosa, Vakko, Boyner, Beymen, Mudo, Koton, Ipekyol, Kigili, Damat Tween, Network, Mavi Jeans, LC Waikiki, Desa, Fabrika, Colins/Loft, Adil Isik, DeFacto, Altinyildiz Classics, English Home, Gratis, Penti, Madame Coco, Pasabahce, Karaca, Flo, DNR, Inci, Derimod, Simit Sarayi

INTERNATIONAL RETAILERS IN TURKEY

Ikea, Media Markt, Decathlon, Harvey Nichols, Ralph Lauren, Galeries Lafayette, Louis Vuitton, Tod's, Armani, Versace, Prada, Swarovski, Dolce & Gabbana, Cartier, Hugo Boss, Bvlgari, Chanel, Max Mara, Miu Miu, Furla, Fendi, Calvin Klein, Longchamp, Zadig & Voltaire, Zegna, Burberry, Guess, Diesel, Tommy Hilfiger, Scotch & Soda, Marks & Spencer, H&M, GAP, Levi's, Banana Republic, Swatch, Zara, Mango, Benetton, Mothercare, Foot Locker, Victoria's Secret, The Body Shop, Watson's, Oleg Cassini, Tchibo, Nike, Yves Rocher, L'Occitane, Lacoste, Adidas, Calzedonia, Intimissimi, MAC, NYX, Kiehl's, Urban Decay, Deichmann, Sephora, Ecco, Kipling, Skechers, Asics, Under Armour, Kiko Milano, Miniso, Huawei, Xiaomi, Apple

FOOD AND BEVERAGE OPERATORS

Paper Moon, Cipriani, Mezzaluna, Cremeria Milano, Carl's Junior, Starbucks, Caribou Coffee, Café Nero, Haagen Dazs, Paul, McDonalds, Burger King, Pizza Hut, Kentucky Fried Chicken, Shake Shack, Cold Stone, Eataly

TYPICAL HOURS

MONDAY – FRIDAY

10.00-22.00

SATURDAY

10.00-22.00

SUNDAY

10.00-22.00

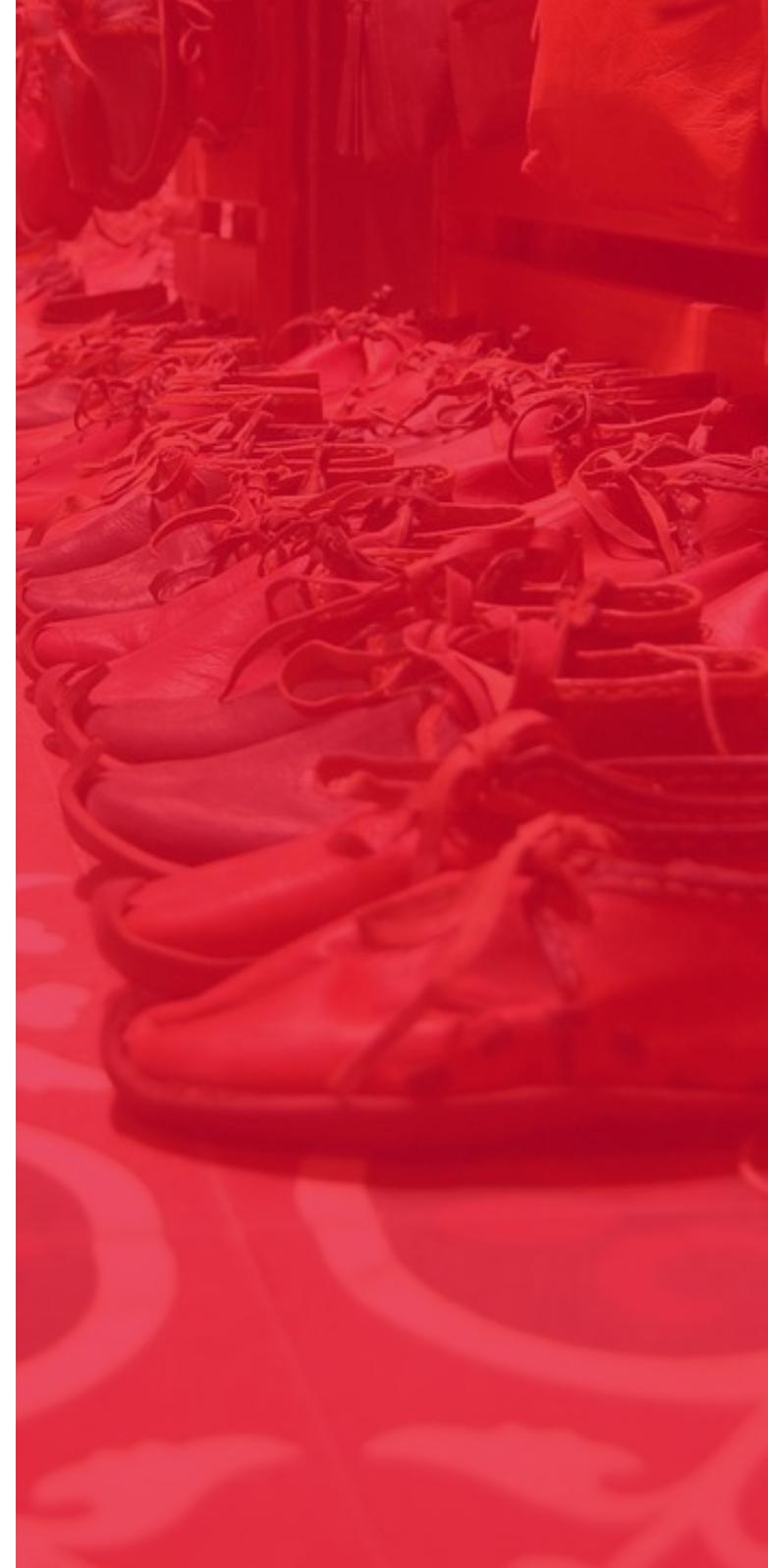
Xiaomi

Frikadell

Dyson

Gold's Gym

John Reed Fitness



TURKEY

RETAIL SCENE

Turkey is one of Europe's and the Middle East's largest growth potential markets. Its geographical location makes it a favoured destination for both business and leisure.

Turkey currently has 417 shopping centres covering a total of 12.9 million sqm of space, with an additional 1.9 million sqm under construction. The increased variety of entertainment and F&B components has helped to transform the shopping centre landscape with sophisticated theme parks and F&B-only retail schemes being the latest in development trends. Shopping centres in Turkey are open 12 hours a day, 7 days a week, whilst most smaller retailers are also open 7 days a week but with shorter hours.

High Street shopping areas can be found across a large number of cities throughout Turkey, with the main high streets being in Istanbul and Ankara. In Istanbul, Nisantasi Street is the top niche retail area followed by Bagdat Street (Asian side) and Istiklal Street (European side). In Ankara, Tunali-Hilmi and Kizilay Boulevard are the most well-known and busiest shopping streets followed by Filistin and Arjantin Streets. All of these locations feature a mix of international and local brands as well as cafes, restaurants, theatres and other entertainment uses.

Outlet centres are present in the Turkish market but are not often perceived as such. This is mainly due to the lack of regulation to clearly define outlet operations. Therefore, most 'outlet centres' offer a mixture of old and new merchandise and regular and outlet stores. However, with a new set of shopping centre regulations in force, the outlet market is expected to become somewhat more sophisticated and regulated in the future. As a first consequence we have seen various 'outlet centres' transforming to regular shopping centres in order to avoid the implementation of changes to comply with the new regulations.

E-commerce is growing rapidly in Turkey due to the high level of internet connectivity, credit and debit card usage and rising confidence in online security. This method of shopping has become successful due to Turkey's advanced delivery system.

Private equity firms have shown interest in fast growing Turkish retail brands. The Turkish retail market experienced an increasing number of private equity transactions with foreign investors over the past few years. As a consequence many retailers were able to expand their store portfolio to the Balkans, Russia, the Middle East and also into Western European countries quite rapidly.



TURKEY

SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

| NAME | CITY | SIZE (GLA SQM) | YEAR OPENED |
|------------------|----------|----------------|-------------|
| Forum Istanbul | Istanbul | 175,000 | 2009 |
| Mall of Istanbul | Istanbul | 154,457 | 2014 |
| Emaar Square | Istanbul | 150,000 | 2017 |
| Forum Marmara | Istanbul | 135,000 | 2011 |
| Anka Mall | Ankara | 120,000 | 2006 |
| Cevahir | Istanbul | 108,003 | 2005 |
| Vialand | Istanbul | 101,723 | 2013 |
| Marmara Park | Istanbul | 100,000 | 2012 |
| Torium | Istanbul | 95,280 | 2010 |
| Meydan Istanbul | Istanbul | 95,000 | 2007 |

TURKEY

KEY FEATURES OF LEASE STRUCTURE

| KEY FEATURES OF LEASE | |
|--|--|
| ITEM | COMMENT |
| Lease Terms | Retail High Street: the lease period is between 5 – 10 years depending on the investment of the lessee. Shopping Centre: the common lease period is 5 years. Rents are quoted in TRY as per the Communiqué Regarding Decree No. 32 on the Protection of the Value of Turkish Currency, which entered into force on 6 October 2018, had introduced restrictions against prices in agreements for the lease and sale of real estate, construction, employment, and services from being denominated in foreign currency. Break options usually are provided after the second year or third year on a 5 year lease. 3 to 6 months' notice should be provided. If the tenant wishes to vacate the premises prior to a break legal proceedings can be extensive. In the event of the sale of a property, the new landlord has the right to break existing leases provided adequate notice is given, unless the lease is registered with the title deeds (which requires landlord consent and incurs a charge to the tenant). |
| Rental Payment | Rents are paid monthly typically. There will be a base rent supplemented by a turnover percentage, which can vary by sector. A deposit averages 3 months' of rent in general. In most circumstances, the deposit can be exchanged for a bank guarantee for the duration of the contract. Key money may be paid for the best high street retail space where there is no fixed market rate or existing fully occupied successful shopping centres. |
| Rent Review | Annual indexation is based on inflation data. Rent review at lease end or by negotiation. |
| Service Charges, Repairs and Insurance | The service charges mainly based on area of leased space floor area, type of shopping center. It is common to provide a cap to these charges for larger scale tenants. Service charges usually include cleaning of the common areas, elevator and other technical infrastructure maintenance, security, car parking operations costs and management fees. In some buildings the service charge includes electricity and water usage. Where this is not the case electricity and water usages are measured and paid separately. According to the law, it is the landlord's responsibility to maintain the external structure. The tenant is responsible for the internal repair and common parts (often via a service charge). External insurance is included in the service charge whilst the tenant has to arrange internal insurance. |

TURKEY

KEY FEATURES OF LEASE STRUCTURE

| KEY FEATURES OF LEASE | |
|--------------------------------|---|
| ITEM | COMMENT |
| Property Taxes and other costs | There are two kinds of taxes. The 'Property Tax' is paid by the landlord, whilst the 'Environment Tax' is paid by the tenant. These taxes are paid to the relevant local municipality. The 'Property Tax' is specific to each case and is calculated on the basis of the value determined by the relevant local municipality. VAT of 18% if the property is commercially owned. Withholding tax (stoppage) of 20% if the property is privately owned. |
| Disposal of a Lease | Assignment/Sub-letting is not permitted if not explicitly mentioned in the lease agreement. Early termination is by break clause only. There are no tenant building reinstatement responsibilities at lease end, provided the building is returned to the occupier in its original condition after allowances for normal wear and tear. |
| Valuation Methods | There are no formal standards however gross built or external area is most common and include common areas, fire staircases, elevators, rest rooms, walls etc. At the same time, location, the length of the façade, depth, ceiling height and ground floor area if it is a multi-storey store, situation of the construction are considered to be important features when valuing the rent potential. |

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE



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