

TURKEY

Industrial Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are expected to soften on a US\$ basis mainly due to the currency volatility.	▲
Prime Yields:	Limited changes anticipated in the medium term.	▶
Supply:	Modern warehouses are in short supply while the development pipeline is limited.	▶
Demand:	Mainly driven by domestic (owner) occupiers.	▶

Prime Industrial Rents – December 2018

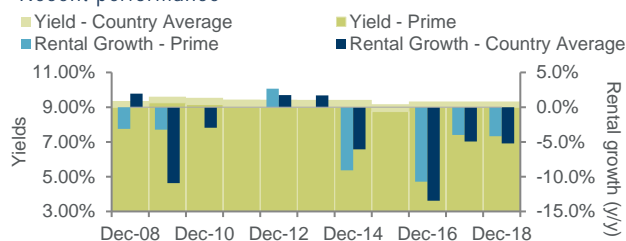
LOGISTICS LOCATIONS	US\$	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Istanbul	5.75	60.5	6.41	-4.2	-5.7
Ankara	3.25	34.2	3.62	-7.1	-6.3

Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	9.00	9.00	9.00	9.25	8.75
Ankara	10.00	10.00	10.00	10.25	10.00

With respect to the yield data provided in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The upward trend in export trade volume gained momentum this quarter, increasing by 9.4%; import volumes on the other hand decreased by 21.3% y-o-y in November 2018. Furthermore, the foreign trade deficit tightened by 89.8% y-o-y in November, reducing to US\$651 million. Meanwhile, annual CPI inflation recorded a 20.30% increase by the end of 2018 and CPI levels are expected to remain in double-digit levels for a longer term. Parallel to CPI, the annual D-PPI inflation is also high at 33.64% in December 2018.

Occupier focus

According to available data, leasing activity for warehouse space reached 65,941 sq. m in the fourth quarter. Key transactions include Toyota (16,150 sq. m, Istanbul/Tuzla), Jan Furniture in three different locations (7,600 sq. m in Ankara/Kahramankazan, 6,574 sq. m in Kocaeli/Cayirova and 6,477 sq. m in Izmir/Menderes), and Reysas Logistics (25,000 sq. m in total, the largest ones are 11,000 sq. m in Adana/Yuregir and 7,000 sq. m in Kocaeli/Cayirova).

Investment focus

Industrial and logistics transactions were limited mainly to land acquisitions in the last quarter of 2018.

Major industrial transaction in Q4 includes, a land acquisition by Maxion Inci from Cimbeton in Manisa, Yunusemre (20,724 sq. m).

Outlook

Following the challenging economy with currency volatility remaining high and double-digit levels of inflation by the end of 2018, land prices are expected to decrease on a foreign currency basis and pressure on rents are set to remain high. Meanwhile, while the route of global trade is shifting East involving infrastructure development One Belt One Road, Turkey is projected to be a logistic hub which will further accelerate new investments including logistic constructions in the Eastern cities and particularly rail transportations that will lead to offer new opportunities. Furthermore, within Amazon entering the Turkish market and Alibaba's strategic investment in leading e-commerce platform Trendyol; growing retail and online sales will further boost demand for both quality warehouses and urban logistics solutions.