

TURKEY

Retail Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Expected to bottom out on a foreign currency basis with a potential increase depending on exchange rate trend. ▲
- Prime Yields: Softening in line with available product especially with secondary assets. ▼
- Supply: Limited new supply is expected to enter the market. ►
- Demand: Expected to slow down. ▲

Prime Retail Rents – December 2018

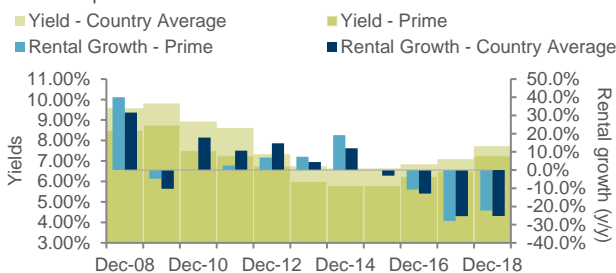
HIGH STREET SHOPS	US\$	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Istanbul	140	1,368	145	-27.8	-11.2
Izmir	70	631	67	-25.0	-16.7
Ankara	90	947	100	-21.7	-11.9

Prime Retail Yields – December 2018

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	7.25	7.25	6.50	8.75	5.80
Izmir	8.25	8.25	7.75	11.25	7.50
Ankara	8.25	8.25	7.50	11.25	7.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
Country prime	7.75	7.75	7.50	9.50	7.00

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

According to shopping center retail data provided by AYD/Akademetre, the shopping center turnover index net of inflation has increased by 21.6% y-o-y in November 2018 parallel to inflation rose by 21.62% on the same period. The highest rise was recorded in the hypermarket category with 31.3% in November 2018, while the technology category has recorded one of the smallest increase compared to the enormous increases in previous quarters. Meanwhile, compared to November of the previous year, footfall index has been recorded on the similar level, however, an increase is anticipated to be recorded in December 2018 mainly due to the new year shopping season.

Occupier focus

While shopping center retail sales index has recorded continued increases, retailer activity remained low in the fourth quarter mainly due to the currency volatility and inflation. Bankruptcy protection filings in the retail sector continued in Q4, such as clothing brand Cift Geyik Karaca and a glassware brand Bernardo. During Q4, MediaMarkt continued increasing its market share by opening new stores. Under Armour, maintained its expansion while Lego opened its third store in Izmir. Meanwhile Koctas Fix continued to open its express concept stores. One of the most active cosmetic retailers, Kiko Milano, continued to increase its store numbers, while another popular fast fashion retailer Miniso is planning to expand further in the upcoming months. A new 'Wagon Store' concept has been opened, converted from a railway carriage in Forum Gaziantep Shopping Center.

136,630 sq.m of new supply entered the market in Q4 taking SC supply entrance to 494,530 sq.m in 2018 therefore overall supply reached to 12,89 million sq.m; namely Skyland Hom Design Center (40,000 sq.m) and Avlu 34 (17,000 sq.m) in Istanbul, Atakule (17,000 sq.m) in Ankara, 10 Burda(45,000 sq.m) in Balikesir, 45 Park SC (13,000 sq.m) in Manisa.

Investment focus

Investment activity is set to gain momentum with more product coming on the market however there were no major investment deals completed in the fourth quarter.

Outlook

In spite of the near-term outlook remaining challenging for the economy and a local currency devaluation, it is expected for retailers to have a relief at least in part after inflation decrease recorded in November and December. As a result of the recent local currency protection decrees rents have been converted to local currency with an indexation in line with Turkish inflation. While this has led to balancing foreign currency shocks and short-term rent reductions the overall upward trend on a local currency basis remains. More product including distressed asset is expected to come on the market. Choice and capital contributions from owners will be important drivers for retail expansion.

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