

# TURKEY

# Office Market Snapshot

Second Quarter | 2019



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Rents are expected to bottom out in the short term.	▲
Prime Yields:	Expected to soften further in the medium term.	▼
Supply:	Increasing in line with the existing pipeline albeit at a slower pace.	▼
Demand:	Expected to increase in line with supply.	▼

### Prime Office Rents – June 2019

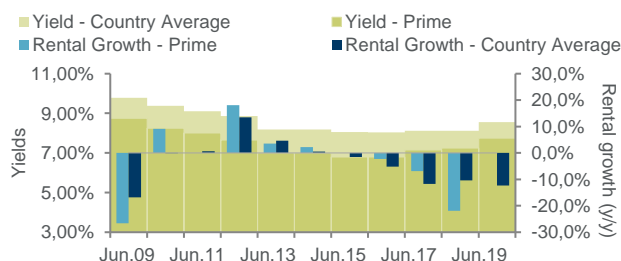
LOCATION	TRY	US\$	€	US\$	GROWTH %	
	SQ.M	SQ. M	SQ. M	SQ.FT	1YR	5YR CAGR
	MTH	MTH	YR	YR		
Istanbul (Levent)	170	32.0	318	35.7	0.0	-6.6
Istanbul (Esentepe-Gayrettepe)	105	19.0	189	21.2	-9.5	-11.0
Istanbul (Maslak)	105	19.0	189	21.2	-17.4	-8.7
Istanbul (Asian side)	120	22.0	219	24.5	-12.0	-2.5
Izmir	65	12.0	119	13.4	-14.3	-6.7
Ankara	70	13.0	129	14.5	-13.3	-10.8

### Prime Office Yields – June 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul (Levent)	7.75	7.50	7.25	8.75	6.80
Istanbul (Esentepe-Gayrettepe)	8.25	8.00	7.75	9.00	7.25
Istanbul (Maslak)	8.00	7.75	7.50	9.25	7.25
Istanbul (Asian side)	7.75	7.50	7.25	9.50	7.25
Izmir	9.50	9.50	9.25	10.50	9.25
Ankara	9.25	9.25	9.00	10.50	9.00

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

Along with the tight financial conditions, GDP shrank by 2.6% y-o-y in the first quarter of 2019. Despite the short-term outlook remaining fragile, the real sector confidence index slightly increased to 99.6 however consumer confidence index recorded a slight decrease and reduced to 57.63 in June 2019, compared to the last quarter. Meanwhile, the seasonally adjusted unemployment rate increased to 13.8% in April 2019, whereas inflation rate recorded 15.72% by the end of June, decrease compared to the end of first quarter following with a slight improvement in the economy, yet the concerns of GDP contraction overall, high inflation and exchange rate volatility continue to have an impact on leasing and investment activities.

## Occupier focus

The overall supply remained at 6.35 million sq. m. 2019 first half total take-up reached approx. 133,700 sq. m while take-up in the second quarter recorded approx. 48,370 sq. m and significantly decreased compared to the last quarter and to the same period of last year by 43.31% and 21.56%, respectively.

In Q2, on a sq. m basis, 63.31% of all deals occurred outside the CBD on the Asian side, 32.30% in the CBD and the remainder outside the CBD on the European side with a significant decrease compared to the last quarter. The largest new lease transactions include, Ceva Logistics (7,140 sq. m, Emaar), Kolektif House (5,096 sq. m, Nidakule Atasehir Bati), Gedik Investment (3,398 sq. m, Esas Maltepe), CicekSepeti (2,300 sq. m, Istanbulbloom) and N11 (2,092 sq. m, Uniq Istanbul). Meanwhile, the vacancy rate slightly decreased to 24.93% by the end of first half of the year.

## Investment focus

There were no major investment deals completed in the second quarter however, investment activity in the office market is anticipated to gain momentum with more distressed asset coming on the market.

## Outlook

Following the repeat of Istanbul mayoral elections and Eid holidays, inflation in decline and the slight increase in GDP growth, demand for office investment is expected to increase. Price expectations will draw closer to investors' expectations due to an increase in distressed assets in the short to medium term. Meanwhile, leasing activities were limited in second quarter mainly for the same reasons, yet it is expected to further boost in the upcoming months with tenant friendly conditions to remain for the foreseeable future.

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