

TURKEY

Industrial Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are expected to bottom out in the short term.	▲
Prime Yields:	Limited increase is expected in the medium term.	▼
Supply:	With limited development activity, modern warehouses remain in short supply.	▶
Demand:	Predominantly driven by domestic occupiers.	▶

Prime Industrial Rents – September 2019

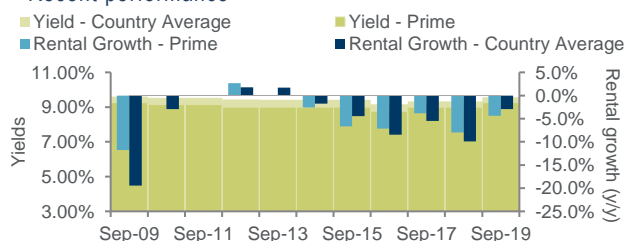
LOGISTICS LOCATIONS	TRY	US\$	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Istanbul	32	5.50	58.5	6.13	-4.3	-6.0
Ankara	19	3.25	34.5	3.62	0.0	-6.3

Prime Industrial Yields – September 2019

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

Following the export trade volume hit its highest figure in January-May 2019 period, export and import trade volumes proceeded to escalate with an increase rates of 1.6% and 1.5% y-o-y in August 2019, respectively. Furthermore, the foreign trade deficit rose slightly by 1.2% to US\$2.5 bn in August 2019 in the corresponding month of the previous year. Meanwhile, annual CPI inflation fell sharply to 9.26% in September, recorded at single digit for the first time since July 2017, therefore the annual rise in D-PPI also decreased to 2.45% y-o-y in September 2019, the lowest level recorded since September 2016.

Occupier focus

According to available data, an estimated leasing activity for warehouse space was limited to only 8,373 sq.m in the third quarter. Recorded major lease transactions include Kompedan (4,373 sq. m, Istanbul/Gungoren) and Center Glass Cam Furniture (4,000 sq. m, Kayseri/Melikgazi).

Investment focus

Investment transactions in industrial and logistics maintained its momentum, mostly recorded in several land acquisitions in the third quarter.

The largest investment transactions in Q3 include, a land disposal by Yayla Energy to Sungen Solar Energy in Ankara, Sincan (144,403 sq. m), Karakaya Kataforez's land acquisition in Kocaeli, Gebze (11,032 sq. m) and a facility with land disposal by Sandvik in Istanbul, Kartal (3,397 sq. m in total).

Outlook

Positive performance in GDP growth with a better expectation of a contraction and a significant reduction in inflation at now single digit level, signal a moderate recovery in the economic activity, whereas PMI still needs to grow out of contraction in order to have an acceleration in export. Meanwhile, German automaker took first step by establishing its Turkey company registered in Manisa regarding to its plan for the new mega factory investment. Furthermore, a Swedish based technology and communication company has moved production lines of some products that have been critical for Turkey and the investments are in completion stage in line with it. In addition, 1.6 million sq.m land area Istanbul, Arnavutkoy, in close proximity to New Airport, is zoned for construction primarily to provide a qualified industrial and logistics warehouse area in the region.

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