

TURKEY

Office Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

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

Prime Office Rents – September 2019

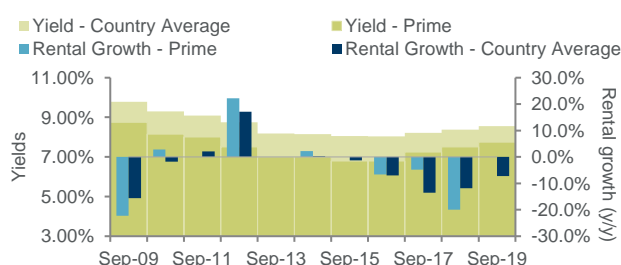
LOCATION	TRY	US\$	€	US\$	GROWTH %	
	SQ.M	SQ. M	SQ. M	SQ. FT	1YR	5YR
	MTH	MTH	YR	YR	CAGR	
Istanbul (Levent)	170	32.0	340	35.7	0.0	-6.6
Istanbul (Esentepe-Gayrettepe)	105	19.0	202	21.2	-5.0	-11.0
Istanbul (Maslak)	105	19.0	202	21.2	-9.5	-8.7
Istanbul (Asian side)	120	22.0	234	24.5	-8.3	-2.5
Izmir	65	12.0	128	13.4	-7.7	-6.7
Ankara	70	13.0	138	14.5	-7.1	-10.8

Prime Office Yields – September 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul (Levent)	7.75	7.75	7.50	8.75	6.80
Istanbul (Esentepe-Gayrettepe)	8.25	8.25	8.00	9.00	7.25
Istanbul (Maslak)	8.00	8.00	7.75	9.25	7.25
Istanbul (Asian side)	7.75	7.75	7.50	9.50	7.25
Izmir	9.50	9.50	9.50	10.50	9.25
Ankara	9.25	9.25	9.25	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 moderate recovery in economy, GDP shrank less severely compared to the previous quarter by 1.5% y-o-y in the second quarter of 2019, meanwhile the real sector confidence and consumer confidence index recorded 98.8 and 55.8 in September respectively, both at similar levels compared to the last quarter. Meanwhile, the seasonally adjusted unemployment rate increased to 14.3% in July 2019, on the other hand headline inflation rate sharply fell to its lowest rate in almost three years and recorded at single digit level, 9.26% in September. Yet, the exchange rate fluctuation continues to be an inhibitor for transaction activities in the office market.

Occupier focus

100,910 sq. m of new office space has entered the market, taking the overall supply to 6.46 million sq. m. Take-up in the third quarter reached approx. 78,382 sq. m, recording a significant increase compared to last quarter by 62.05% and only a slight decrease by 4.84% y-o-y.

In Q3, on a sq. m basis, 60.21% of the deals occurred in the CBD, with almost a twofold increase compared to last quarter, 33.56% outside the CBD on the Asian side and the remainder outside the CBD on the European side at similar level recorded previously. Major new lease transactions include, Trendyol (12,500 sq. m, Spine Tower), TurkNet (4,632 sq. m, Torun Center), Competence Call Center (3,600 sq. m, Sinpas Kagithane), Volvo Trucks (2,858 sq. m, Casper Plaza), United Nations International (2,215 sq. m, Esentepe Business Center) and Plaza Cubes (2,150 sq. m, Nidakule Levent). In general, the vacancy rate slightly increased to 25.4% in the third quarter.

Investment focus

Investment activity is set to gain momentum in the third quarter; including, Turkey Wealth Fund being the initial financial investor in Istanbul Finance Center project that is set to accelerate in order to be completed by the end of 2021 and will directly boost the demand for the office market.

Outlook

Overall, given a stronger start of the second half of the year with disinflation on track, investment demand in the office market is expected to be positively affected with more distressed assets on the market notwithstanding the still challenging currency volatility background while the price expectations drawing closer to investors' expectation in the short to mid-term. Therefore, leasing activities have gained momentum as anticipated and to be accelerated further in line with the recorded improvements in the general economic indications, where tenant friendly conditions are expected to remain for the medium term.

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