

TURKEY

Country Snapshots

First Quarter | 2021

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Office Q1 2021



MARKET INDICATORS

Prime Rents:	Prime rents are expected remain stable in the short to medium term on a local currency basis.	—
Prime Yields:	Prime yields are expected to be stable in the mid term.	—
Supply:	Although pipeline projects are limited, the biggest future supply consists of Istanbul International Finance Center.	▲
Demand:	Occupier demand is decreased compared to same period of previous year.	▲

General Overview

Turkey economy recorded a partial growth by 1.8% in contrast to expectations despite Covid-19 pandemic throughout 2020. TurkStat's seasonally adjusted unemployment rate recorded as 12.2% and 13.4% respectively in the first two months of 2021. Moreover, the financial sector confidence index recorded at 134.9 by 15% decrease in March 2021 compared to the same period of the previous year while the real sector confidence index increased to 110.2 with an increase of 12%.

Other parameters affecting leasing and investment activities in the office market included the continued exchange rate volatility and the increase in inflation to 16.2% in March on annual basis.

During 2020, significant changes have been experienced in the office market as in many asset classes. In line with the outcomes of this period, companies are reshaping their workplace strategy with the increase in remote working penetration. In this context, the quality, building specification and location have become more important than ever.

Occupier Focus

The overall supply remained at 6.5 million sq. m by the first quarter of 2021. Take-up reached approx. 51,249 sq.m recording a 44% decrease compared the same quarter of last year. Leasing transactions comprised mainly new leases at 73%. On the other hand, 21% of transactions were renewals while 6% are made by owner occupiers in the first quarter of the year.

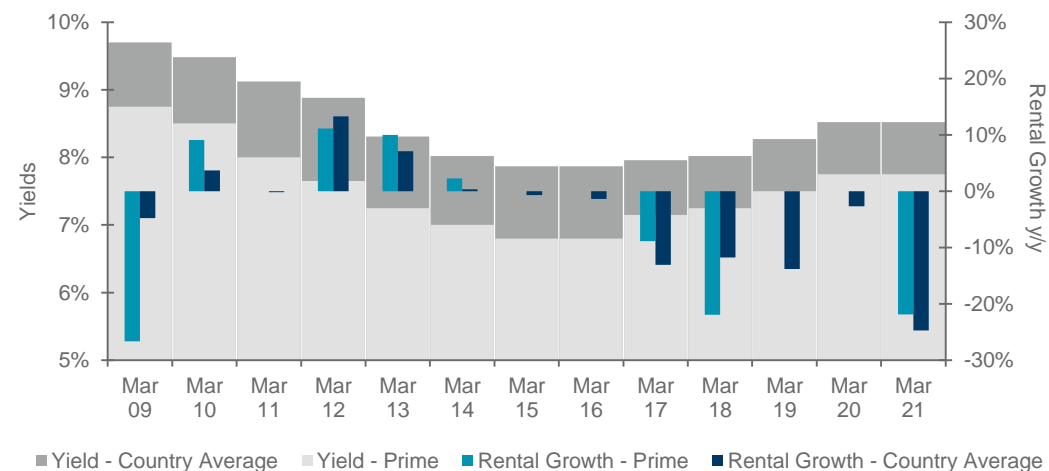
Prime Office Rents – March 2021

Location	TRY	US\$	€	US\$	Growth %	
	sq.m/mth	sq.m/mth	sq.m/yr	sq.ft/yr	1YR	5YR cagr
Istanbul (Levent)	190	25	260	29	-21.9	-11.1
Istanbul (Esentepe-Gayrettepe)	105	14	145	16	-26.3	-16.3
Istanbul (Maslak)	110	15	155	17	-21.1	-12.9
Istanbul (Asian side)	125	17	175	19	-22.7	-9.5
Izmir	67	9	90	10	-25.0	-11.9
Ankara	67	9	90	10	-30.8	-16.4

Prime Office Yields – March 2021

Location	Current	Last	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
(Figures are gross, %)					
Istanbul (Levent)	7.75	7.75	7.75	8.00	6.80
Istanbul (Esentepe-Gayrettepe)	8.25	8.25	8.25	8.25	7.25
Istanbul (Maslak)	8.00	8.00	8.00	8.75	7.25
Istanbul (Asian side)	7.75	7.75	7.75	8.75	7.25
Izmir	9.50	9.50	9.50	10.00	9.25
Ankara	9.25	9.25	9.25	10.00	9.25

RECENT PERFORMANCE



Indicated office prime yields not applicable for fragmented ownership.

In Q1, on a sq.m basis, 55% of deals occurred in the central business district (CBD). Leasing deals in CBD doubled on percentage basis compared to both same period of the year before and previous quarter. While 37% of deals were in Asian Side, 8% were outside the CBD.

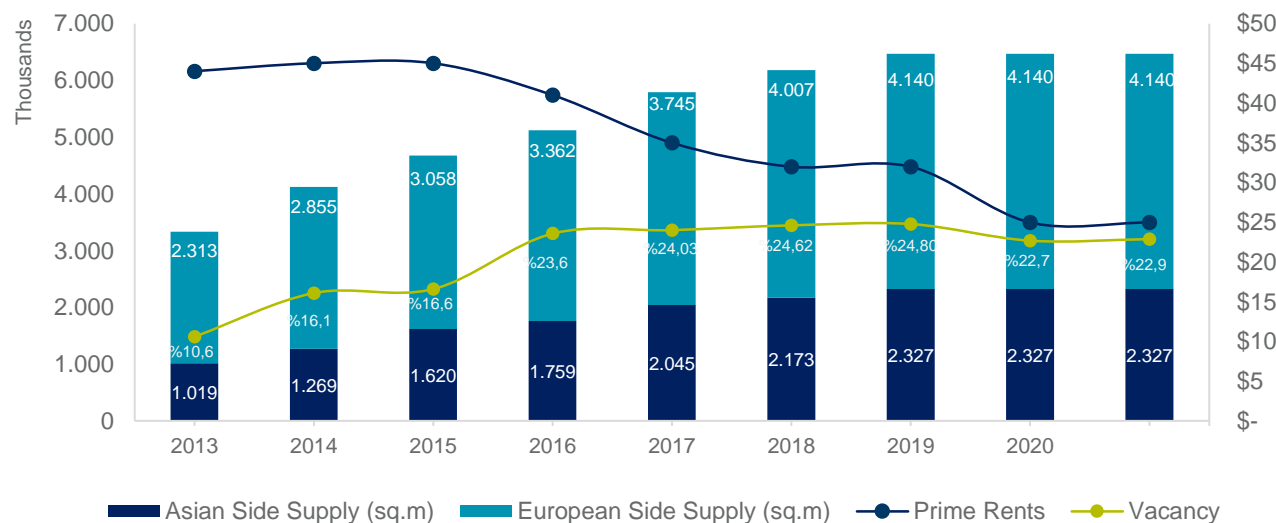
Major new lease transactions include, Diler Holding (4,168 sq.m, Maslak One), Pfizer (3,945 sq.m, Levent 199), Naturel Gaz (3,500 sq.m, Levent 193), Oyak (2,192 sq.m, Palladium Tower), Edenred (1,878 sq.m, Vadistanbul), Reckitt Benckiser (1,645 sq.m, Tekfen Tower) ve QNB Finansbank (1,500 sq.m, Nidakule Ataşehir South).

Meanwhile, the vacancy rate slightly decreased to 22.9% in general by the first quarter of 2021.

Investment Focus

Major investment transactions in the first quarter of 2021 are as follows: 100% share of AND Anadolu Gayrimenkul Yatirimlari Co. which includes AND Plaza Kozyatagi, aquisition to Quick Sigorta and Corpus Sigorta, a subsidiary of Maher Yatirim Holding. On the other hand, Yesil REIT sold their 50% share in Yesil Plaza, located in Zeytinburnu, to Korfez Enerji Sanayi and Ticaret Co. for 180 million Turkish Liras.

Moreover, an acceleration in investment transactions is anticipated to be observed in the mid term.



Outlook

- With the Covid-19 pandemic that emerged in 2020, the increase in working remotely led to reshaping of office market on flexibility and productivity. As a consequence, companies started to develop strategies in this direction. It is observed that office will remain an important part of organizations' structure and strategy post-Covid.
- While focusing on the hybrid working model, the need for healthy working spaces in line with social distance and hygiene criteria increases the demand for high-quality office spaces. In office spaces, quality rather than quantity stands out and encourages productivity, innovation, socialization, cooperation and the development of company culture, and efforts to bring employees together in the right place shape the purpose of the office with effective use of space.
- In parallel, the accessibility of offices is becoming more important than before. In this context, take-up volume in CBD is increased on percentage basis in the first quarter of 2021.
- Although the leasing transactions decreased in the first quarter of 2021 compared to both the same period of the previous year and the last quarter, it is expected to accelerate in the second and third quarter of the year in line with the road maps prepared by the companies in accordance with strategies to returning to the office in the reshaping office market environment.
- With the completion of Istanbul International Financial Center (IIFC) in 2022, a key project of global significance, approximately 1.5 million sq.m of supply will be added to the market. Approximately 50% of this supply will be used by public banks and financial institutions.
- Investment appetite in the office market is likely to gain momentum with more attractive opportunities in the near future.

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