

TURKEY

Country Snapshots

First Quarter | 2021

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Retail Q1 2021



MARKET INDICATORS

Prime Rents: Currency volatility and the Covid-19 pandemic put a downward pressure on prime rents.



Prime Yields: A slight increase in yields, against limited evidence.



Supply: New developments slowed but increase in supply pipeline continued. Further delays and postponements in the shopping centre openings expected.



Demand: Retailer demand continues to be low with ongoing pandemic related restrictions.



Prime Retail Rents, March 2021

| HIGH STREET SHOPS | TRY | US\$ | € | US\$ | Growth % | |
|-------------------|----------|----------|---------|----------|----------|----------|
| | sq.m/mth | sq.m/mth | sq.m/yr | sq.ft/yr | 1YR | 5YR cagr |
| Istanbul | 760 | 105 | 1.000 | 117 | -19,23 | -17,81 |
| Izmir | 370 | 45 | 480 | 50 | -25,00 | -23,34 |
| Ankara | 450 | 60 | 600 | 67 | -25,00 | -15,59 |

Prime Retail Yields, March 2021

| HIGH STREET SHOPS <small>(figures are gross, %)</small> | Current | Last | Last | 10 Year | |
|------------------------------------------------------------|---------|------|------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Istanbul | 7.50 | 7.25 | 7.25 | 7.50 | 5.80 |
| Izmir | 8.50 | 8.25 | 8.25 | 10.50 | 7.50 |
| Ankara | 8.50 | 8.25 | 8.25 | 10.50 | 7.00 |

| SHOPPING CENTRES <small>(figures are gross, %)</small> | Current | Last | Last | 10 Year | |
|-----------------------------------------------------------|---------|------|------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Country prime | 8.00 | 7.75 | 7.75 | 8.25 | 7.00 |

Overview

The effects of the Covid-19 pandemic on the retail market remained in the first quarter of 2021 due to ongoing restrictions. In addition to curfews, limitations in the activities of retailers are reflected in the total turnover and visitor number indices.

The footfall index has dropped significantly by 62% in February compared to year before while increased 9.4% compared to January. Although the turnover index was showing signs of recovery in all categories in the first two months of 2020 pre-pandemic period, it decreased by 22.6% y/y in February 2021. The turnover index showed better performance than the first month of the year in line with the 10.3% m/m increase.

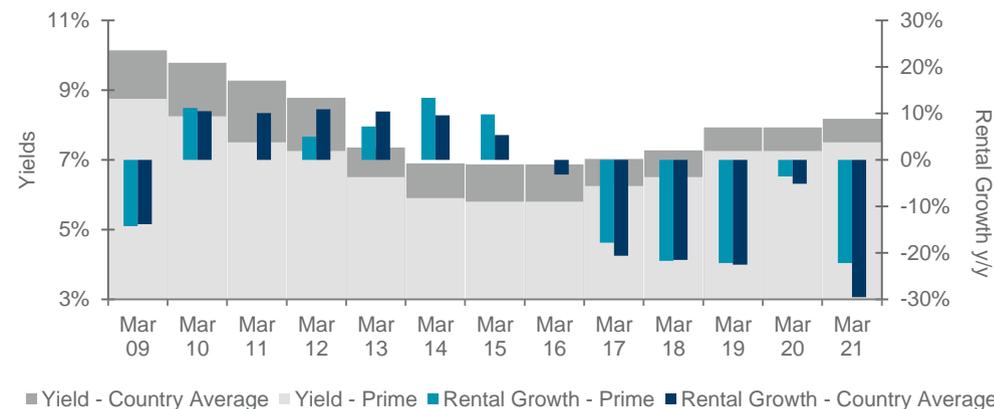
The most dramatic decline is recorded in the food & beverage category by 59% compared to same month of last year. While the decrease is around 30% in both apparel and shoe category, the technology category, which has been improving since the beginning of the pandemic, grew by 7% y/y in February and became the only category that recorded increase.

Turnover and number of visitors indicators are expected to recover in the second half of the year as restrictions are softened.

On the other hand, calendar adjusted retail sales volume and retail turnover rose by 4.6% and 21% respectively according to TurkStat data. In line with changing consumer habits and behaviours emerged during the pandemic, online retail sales volumes increased by 80.1% and online retail turnover increased by 105.9% in February compared to the same month of previous year.

In addition to these, while consumer price index continued its upward trend in March 2021 and recorded at 16.2%, consumer confidence index showed a slight recovery and grew by 7% compared to previous year.

RECENT PERFORMANCE



Occupier Focus

Ongoing pressure on occupier demand remained along with both weekend curfews and activity restrictions in the first quarter of 2021. Moreover, national and international retailer demand is anticipated to be low in the first half of the year and investment plans are also expected to convert in the medium to long term. On the other hand, experience-oriented physical retailing strengthens its place in the changing retail market. Pasabahce Stores opened the first experience store with 1,200 sq.m area on three floors on Bagdat Street, offering digital options to its customers. While the number of Avon stores in the cosmetics category is increasing; Koçtaş Fix from the home & furniture category, Storks from the accessories category, and Colin's from the apparel category, have decided continued their expansion strategy in 2021. In parallel with the increasing online retail, brands that have only online sales channel aim to maintain their presence in physical stores by omni-channel sales. Accordingly, Evidea plans to increase the number of stores until the end of the year. MediaMarkt, in the technology category, continued to expand by entering Tekira Shopping Center in Tekirdag. Although the food & beverage category is the most affected category by the restrictions, it is expected to recover partially in the second half of the year. Supermarket and discount store chain retailers, which have been on the rise, are likely to continue their growth strategies in the upcoming period.

No additional supply entered the market in the quarter half of the year, where total shopping center supply remains stable 13.5 million sq.m gross leasable area. Completed shopping centers expect to reach sufficient occupancy for opening by collecting rental demands due to the current low demand.

Investment Focus

No sizeable investment deal was closed in the first quarter; however, investment activity in retail is anticipated to gain momentum with more distressed assets coming on the market. There are noticeable shopping centers for sale from the bank in the secondary regions. Recently, Akfen REIT purchased 51% of Firatcan Construction Co., which has undertaken the Gar Shopping Mall project in Kadıköy, Istanbul, for ₺59 million (€6.2 million).

Total Shopping Centre GLA & Numbers by Years



Outlook

- Retail was one of the asset classes affected most by pandemic during 2020. Turnover and footfall indices in shopping centres continued to remain at a low level in the first quarter of 2021 compared to pre-pandemic period. On the other hand, the fact that the visitors are shopping in a way to fulfill their needs by reducing the frequency of visits has caused both in average basket amount and sales per person figures to increase. Key performance indicators are expected to recover partially by the second half of the year and recovery in the retail is anticipated to be in the medium term.
- According to the retailer survey of the United Brands Association of Turkey in February 2021, 57% of the retailers went downsizing while 21% continued their expansion plans in shopping centres after a full year of pandemic. On the other hand, 54% of the retailers preserved their number of stores in high streets. While retailers adopt more efficient retailing strategies with store optimization, they hope that the Short-Time Working Allowances, which expired at the end of March, will continue in order to maintain their resilience. Shopping center investors decided to continue turnover rent basis due to decreasing turnover figures of stores.
- With the all-time high growth of e-commerce volume and its increasing market share from 9.8% to 15.7%, single channel retailers have turned to omni-channel sales correspondingly. This trend is not only limited from offline to online, but also only online selling retailers have adopted the strategy of continuing their expansion in physical stores. It is predicted that the omni-channel retailers will remain strong in the following periods.
- While digitalization gains momentum in the reshaping the retail market, retailers are strengthening their technological infrastructure in their physical stores. This trend will continue and strengthen upcoming period. However, landlords and investors must address the need for more open spaces, interactive entertainment and cultural activities, new health and safety standards and concept change in line with changing consumer demand. Although retail has clearly been challenged and closed stores mean no sales, reinvigoration will be shaped by concepts that are either hyper-convenient or that offer a unique, destination worthy experience.
- Repurposing and refunctoning studies in shopping centres will increase within the assets that are not able to adopt new concepts and this changing environment.
- Opportunistic buyers interest is expected to accelerate for distressed assets in the near future.

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