

# TURKEY

## Country Snapshots

First Quarter | 2021

Office  
Retail  
Industrial & Logistics



# MARKETBEAT TURKEY



## Industrial & Logistics Q1 2021

### MARKET INDICATORS

|                      |  |   |
|----------------------|--|---|
| <b>Prime Rents:</b>  | Prime rents are increasing in Turkish Lira basis.  | ▲ |
| <b>Prime Yields:</b> | Prime yields are expected to be stable in the short and mid term.  | ▬ |
| <b>Supply:</b>       | Development activity is limited currently and expected to gain momentum due to lack of modern supply in line with increased occupier demand. | ▬ |
| <b>Demand:</b>       | Predominantly driven by domestic and owner occupiers, expected to remain high in short to mid term along with the ongoing acceleration.      | ▲ |

### Prime Industrial Rents – March 2021

| LOGISTICS LOCATIONS | TRY      | US\$     | €       | US\$     | Growth, % |          |
|---------------------|----------|----------|---------|----------|-----------|----------|
|                     | sq.m/mth | sq.m/mth | sq.m/yr | sq.ft/yr | 1YR       | 5YR cagr |
| Istanbul            | 36       | 5.00     | 50      | 5.57     | -9.09     | -6.51    |
| Ankara              | 20.5     | 2.75     | 28      | 3.07     | -15.38    | -9.38    |

### Prime Industrial Yields – March 2021

| LOGISTICS LOCATIONS | Current | Last  | Last  | 10 YEAR |       |
|---------------------|---------|-------|-------|---------|-------|
|                     | Q       | Q     | Y     | HIGH    | LOW   |
| Istanbul            | 9.25    | 9.25  | 9.25  | 9.25    | 8.75  |
| Ankara              | 10.25   | 10.25 | 10.25 | 10.25   | 10.00 |

(Figures are gross, %)

### Overview

Following the noticeable impact of the Covid-19 pandemic throughout 2020, foreign trade indicators showed more moderate performance in the first two months of 2021. While Turkey's export trade volume reached US\$31.4 billion in the first two months of the year with an increase of 5.9%, Turkey's import trade volume recorded US\$37.4 billion increasing slightly by 1.4% compared the same period of the previous year. Moreover, the foreign trade deficit fell by 15.9% to US\$6.35 billion in January - February 2021 in line with realized improvement.

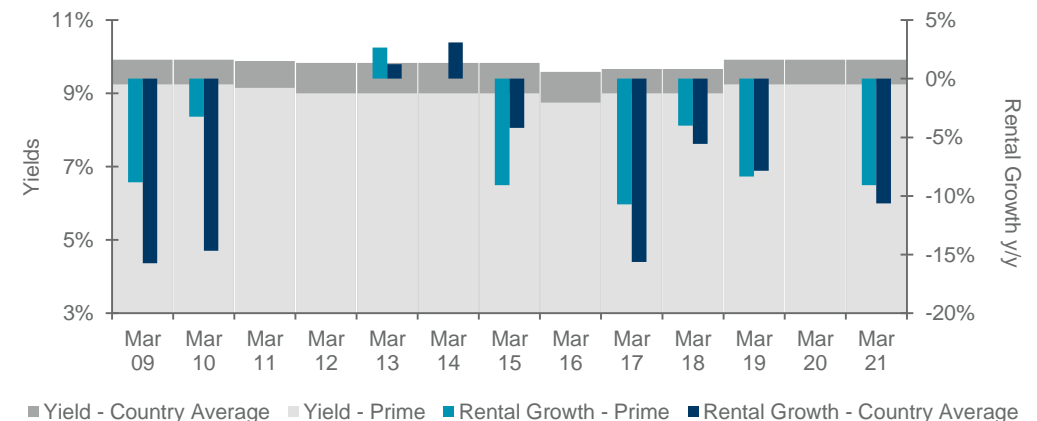
Along with the volatility of exchange rates putting pressure on inflation, both consumer price index and domestic producer price index continued their upward trend in the first quarter of the year. CPI has increased by 16.2% where D-PPI recorded a substantial increase by 31.2% in March 2021 compared to the same month of the previous year.

Ongoing difficulties in raw material supply and the limited positive outlook due to inflation remains. Despite this the manufacturing PMI (Purchasing Managers' Indices), which was recorded at 51.7 in February, increased to 52.6 in March 2021 and showed signs of improvement. The manufacturing PMI indicates a partial recovery in the first quarter of 2021 after remaining above 50 three times in a row.

### Occupier Focus

According to available data and our research findings, leasing activities in logistics reached 126,817 sq.m in the first quarter of 2021. Occupiers mainly comprised logistics, e-commerce and agricultural product industries. While leasing transaction deals were smaller on a sq.m basis, the number of transactions doubled compared to the same period last year.

### RECENT PERFORMANCE



Major lease transactions in the first quarter include; Trendyol (13.180 sq.m, Istanbul/Esenyurt), an international electronics manufacturer (16.000 sq.m, Tekirdag) Maersk (8.700 sq.m, Kocaeli/Cayırova), Borusan Logistics (10.806 sq.m, Antalya/Serik), Reysas Logistics (5.601 sq.m, Sakarya), Tekfen Agricultural Research (3.600 sq.m, Adana/Sarıçam). In addition, Reysas REIT is signed a leasing agreement to develop and deliver a warehouse project with Pioner Seed (USA) in line with built to suit model. Currently, the supply of qualified and modern warehouses is limited, and the demand from occupiers for larger warehouses has increased. Development activities are expected to accelerate to meet this demand in the short and medium term.

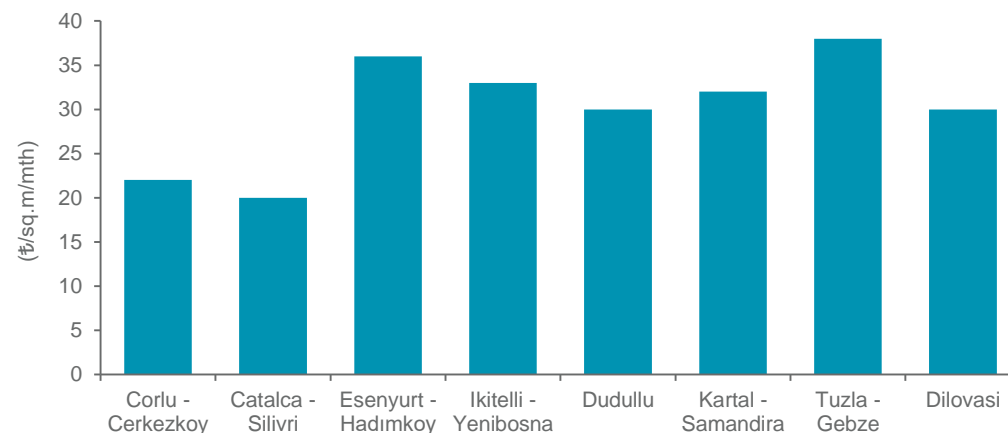
**Investment Focus**

investment transactions recorded in industrial and logistics in the first quarter were predominantly for land and factory buildings. One of the key investment transactions include Honda's Gebze Factory disposal, which is located on 80,000 sq.m land plot and and a leasable area of 292,297 sq.m, to Habas. Other industrial land transactions were as follows: 30,000 sq.m land aquisition by Nersan Industrial Investments in Yalova Imes Machinery Organized Industrial Zone and 10,000 sq.m land aquisition by Izmir Firca Industry Co. in Izmir Aliaga Chemical and Mixed OIZ. Furthermore, Modul Celik Yapı sold a 34,318 sq.m land plot including building to its current tenant Ege Profil.

**Outlook**

- Manufacturing PMI results are hovering above 50 points in the first three months of 2021 after a year in global pandemic environment. This indicates an expansion in both production and employment. While challenges in the raw materials supply continued, the fluctuation in the exchange rate caused cost increases. However, although the rising inflation environment suppressed the expansion, the recovery of manufacturing industry is expected to remain.
- Demand for quality warehouse space is on the rise as a consequence of high growth in e-commerce volume by 66% y/y and the overall increase in market share of e-commerce from 9.8% to 15.7%. Parallel to the significant increase in occupier demand in 2020, major transactions were from logistics and e-commerce industries in the first quarter of 2021. However, technology infrastructure and automation investments in warehousing are expected to accelerate with development projects. This will contribute to qualified warehouse supply in the upcoming periods. Transfer hubs and regional warehouse investments are anticipated to increase in line with the emerging e-commerce volume.
- As a consequence of worldwide supply chain disruptions during the pandemic, international investors interest may accelerate to Turkey by creating opportunity from its advantageous geopolitical location in the long term. Furthermore, along with the collaboration of global automotive companies Ford and Volkswagen announced that they will produce new commercial vehicle in Kocaeli. Chinese electronics and smart phone manufacturer Xiaomi and its partner Salcomp opened their factory in Istanbul/Avçilar in the first quarter of 2021. In addition, domestic companies operating in the fields of insulation and paper-cement are also increasing their investments in various provinces of Anatolia. Habas plans to build the world's largest air separation facility in Bilecik. On the other side, Qua Granite plans to complete three new production lines in 2021 and 2022 gradually. In line with announced investment plans of major players, momentum of industry and logistics sector is expected to develop in the upcoming period.
- Due to the limited supply of quality space, occupier's might turn to built-to-suit options that meet their requirements.
- Investment appetite from opportunistic buyers in industrial and logistics is expected to further accelerate with pricing adjustment expectation on a foreign currency basis.

**Prime Rents - North Marmara Logistic Submarkets**



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