

TURKEY

Country Snapshots

First Half | 2021

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Industrial & Logistics H1 2021



MARKET INDICATORS

Prime Rents: Prime rents are increasing in Turkish Lira basis. ▲

Prime Yields: Prime yields are expected to compress in the short to medium term. ▼

Supply: Development activity is limited currently and expected to gain momentum in line with increased occupier demand and increasing rents. ▲

Demand: Stronger demand from 3PL and end users due to increasing e-commerce activity and nearshoring trend. ▲

Prime Industrial Rents – June 2021

LOGISTICS LOCATIONS	TRY	US\$	€	US\$	Growth, %	
	sq.m/mth	sq.m/mth	sq.m/yr	sq.ft/yr	1YR	5YR cagr
Istanbul	42	5.00	50	5.57	0.00	-6.51
Ankara	23.5	2.75	28	3.07	0.00	-9.38

Prime Industrial Yields – June 2021

LOGISTICS LOCATIONS	Current	Last	Last	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	9.00	9.25	9.25	9.25	8.75
Ankara	10.25	10.25	10.25	10.25	10.00

(Figures are gross, %)

Overview

Foreign trade indicators showed a moderate performance despite curfews and full lockdown in the second quarter of the year.

Turkey's export trade volume reached US\$105 billion in the first half of the year with an increase of 39.8%. Import trade volume recorded at US\$126.1 billion increasing slightly by 27.4% compared the same period of the previous year. The foreign trade deficit fell by 11.4% to US\$21.2 billion in the same period.

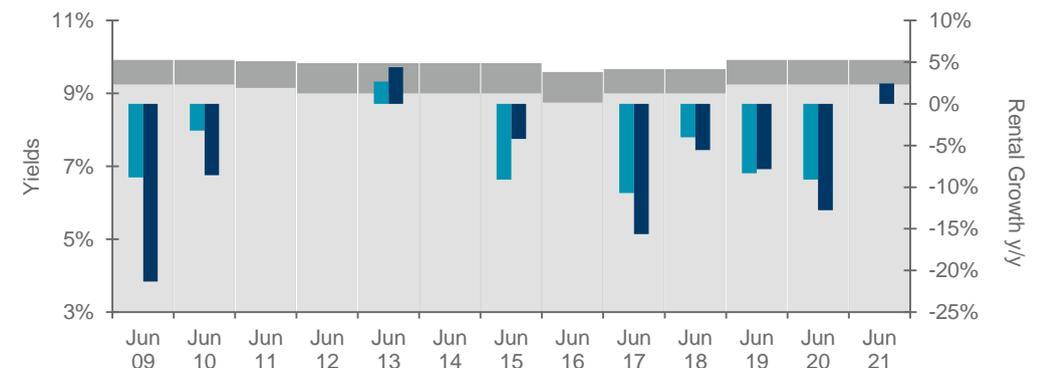
Exchange rates remained volatile in the second quarter of the year and continued to have an impact on the consumer price and domestic producer price indices. CPI has increased by 17.5% y/y and D-PPI recorded a substantial increase by 42.9% in June 2021 compared to the same month of the previous year.

On the other hand, the manufacturing PMI (Purchasing Managers Indices) recorded at 49.30 in May and increasing to 51.30 in June 2021. While the reopening and the recovery in new orders were the determining factors in the increase in the production rate, the difficulties experienced in the supply of raw materials put pressure on the growth rate.

Occupier Focus

According to available data and our research findings, leasing activities in logistics reached 207,000 sq.m in the first half of 2021. Occupiers mainly comprised logistics, e-commerce and agricultural product industries. The transaction recorded in the first half year was similar to the same period of the previous year.

RECENT PERFORMANCE



■ Yield - Country Average ■ Yield - Prime ■ Rental Growth - Prime ■ Rental Growth - Country Average

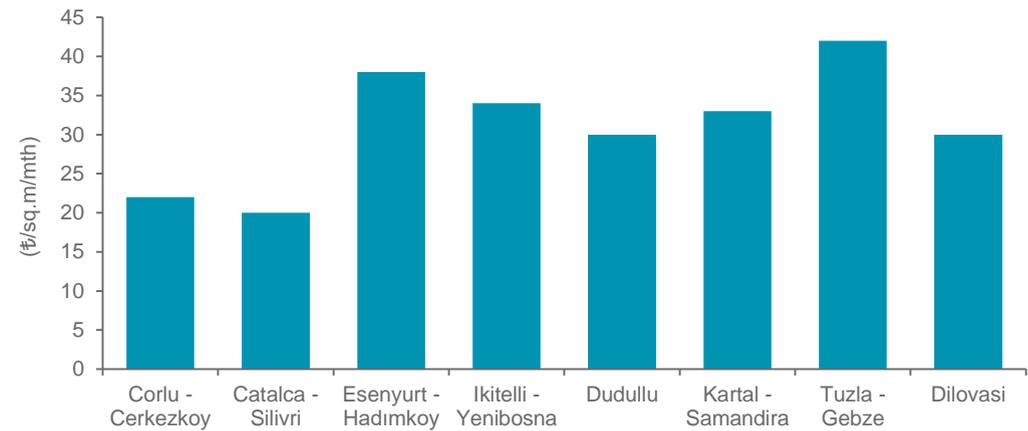
In the first half of 2021, major rental transactions by category were mainly in e-commerce, supermarket-discount store chain, technology and logistics users. Major lease transactions in the second quarter include; Crown Bevcan (10.975 sq.m, Adana/Sarıçam), TK Agricultural Credit Marketing (9.123 sq.m, Antalya/Serik).

Investment Focus

In the first half of 2021, industrial and logistics investment transactions were recorded mainly with land and factory buildings purchases.

One of the key investment transactions included Honda's Gebze Factory disposal, with a leasable area of 292,297 sq.m, to Habas. Other industrial land transactions were as follows: 37,000 sq.m land acquisition by Qua Granite in Söke Organized Industrial Zone to be used in the capacity increase of the company's existing treatment system facility.

Prime Rents - North Marmara Logistic Submarkets



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/Avçılar 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, occupiers are turning to built-to-suit options that will 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.

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