

# TURKEY

## Country Snapshots

First Half | 2021

Office  
Retail  
Industrial & Logistics



# MARKETBEAT TURKEY

Office H1 2021



## MARKET INDICATORS

<b>Prime Rents:</b>	Prime rents are expected remain stable in the short to medium term on a local currency basis.	—
<b>Prime Yields:</b>	Prime yields are expected to be stable in the mid term.	—
<b>Supply:</b>	Although the supply pipeline is now more limited, the Istanbul International Finance Center is now the biggest future supply.	▲
<b>Demand:</b>	Occupier demand is down compared year on year.	▼

## General Overview

A gradual normalization has continued in the second quarter of the year with increasing vaccinations and Turkey's economy recorded a significant growth by 21.7% year on year. TurkStat's seasonally adjusted unemployment rate recorded at 12.4%, down 0.6 points compared to the previous quarter. Moreover, the financial sector confidence index fell to 161.50, a 10% decrease in June 2021 year on year. The real sector confidence index increased by 22% to 109.8.

Other parameters affecting leasing and investment activity in the office market included the continued exchange rate volatility and the increase in inflation to 17.53% in June on an annual basis.

## Occupier Focus

The overall supply remained at 6.5 million sq. m in the second quarter of 2021.

Take-up reached approx. 54,376 sq.m recording by the second quarter of year and totally 114,741 sq.m recording by the first half of the year. Leasing transactions comprised mainly new leases at 74%. On the other hand, 17% of transactions were renewals while 9% are made by owner occupiers in the first quarter of the year. In addition, the second quarter of the year included the sale of block D of the NuroL Life scheme in Seyrantepe-Istanbul for \$35m..

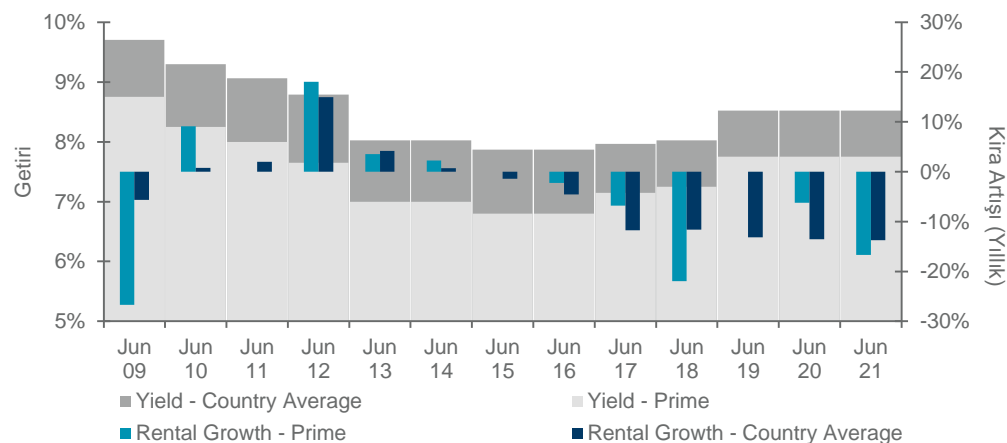
## Prime Office Rents – June 2021

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	-16.7	-10.7
Istanbul (Esentepe-Gayrettepe)	105	14	145	16	-20.0	-15.2
Istanbul (Maslak)	110	15	155	17	-14.3	-11.7
Istanbul (Asian side)	145	17	175	19	-17.1	-8.8
Izmir	90	10	90	10	-9.1	-10.1
Ankara	70	9	90	10	-18.2	-14.8

## Prime Office Yields – June 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



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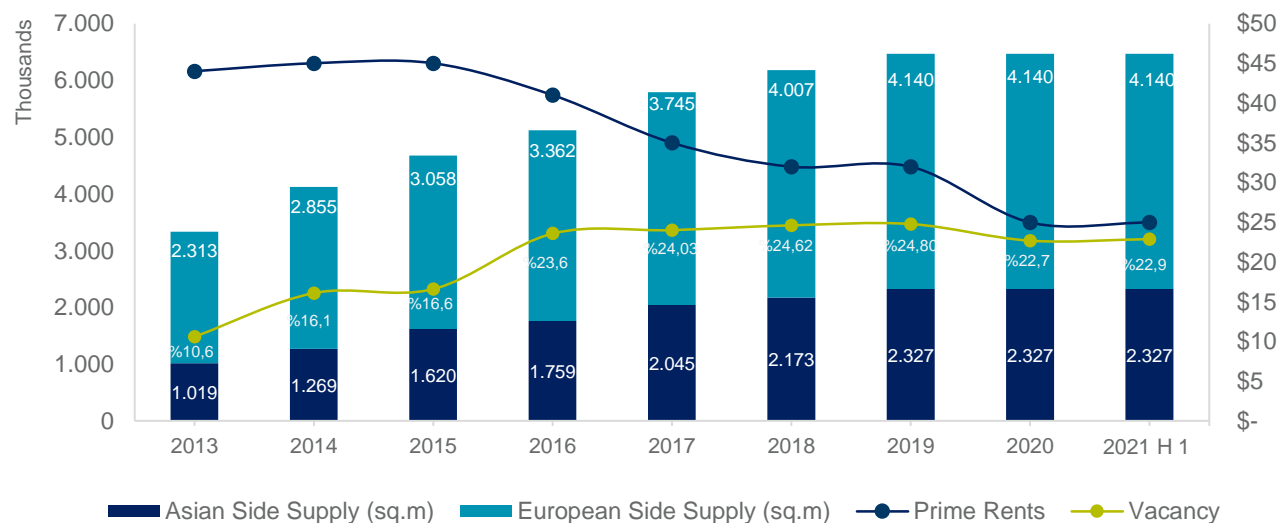


19% of deals on a sq.m basis occurred in the central business district (CBD) in Q2. 77% of deals were out of the CBD on the Asian Side doubling on a percentage basis compared to the previous quarter. Major new lease transactions include Inventus (11.311 sq.m, Koşuyolu Plaza), Penti (4.500 sq.m, Trump Towers), Nokia (3.560 sq.m, Nidakule Ataşehir Güney), Maher Holding (3,520 sq.m, AND – Quick Tower), Turgo Girişim (3,213 sq.m, former Coca Cola building), Han Spaces (3.150 sq.m, Nidakule Ataşehir Güney) and Boston Scientific (3,045 sq.m, Altunizade).

Meanwhile, the vacancy rate recorded at 22.9% without any significant change in general by the second quarter of 2021.

## Investment Focus

No major investment transactions were recorded in the second quarter of 2021. An acceleration in investment transactions is anticipated in the short to medium term..



## Outlook

- End of the half year, scenarios of returning to the office have started to come to the fore by companies after gradual normalization implementation and increasing vaccinations. In addition to this, demand for high-quality offices is expected to accelerate in the next quarter.
- 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.
- The accessibility of offices is becoming more important than before.
- 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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