

TURKEY

Country Snapshots

First Half | 2021

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Retail H1 2021



MARKET INDICATORS

Prime Rents: Currency volatility and full lockdowns put downward pressure on prime rents.



Prime Yields: Despite increased transaction activity, prime yields remained stable.



Supply: New developments slowed but increase in supply pipeline continued. Postponed shopping center openings are taking place.



Demand: Retailer demand came upward with gradual normalization steps.



Prime Retail Rents, June 2021

HIGH STREET SHOPS	TRY	US\$	€	US\$	Growth %	
	sq.m/mth	sq.m/mth	sq.m/yr	sq.ft/yr	1YR	5YR cagr
Istanbul	750	90	900	100	-25,00	-20,31
Izmir	380	45	460	50	-18,18	-20,31
Ankara	460	60	560	67	-20,00	-18,80

Prime Retail Yields, June 2021

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

SHOPPING CENTRES (figures are gross, %)	Current	Last	Last	10 Year	
	Q	Q	Y	HIGH	LOW
Country prime	8.00	8.00	7.75	8.25	7.00

Overview

In the first half of 2021, the repercussions of the Covid-19 pandemic on the retail market continued with curfews and full lockdowns. At the end of the half year, positive developments began to be observed in the retail sector, with gradual normalization steps, partial openings of shopping centers, and the increasing number of vaccinations. Moreover, all these efforts had a positive impact on the total turnover and number of visitors indices.

The footfall index has increased significantly by 42% in June compared to year before while increased 154% compared to May.

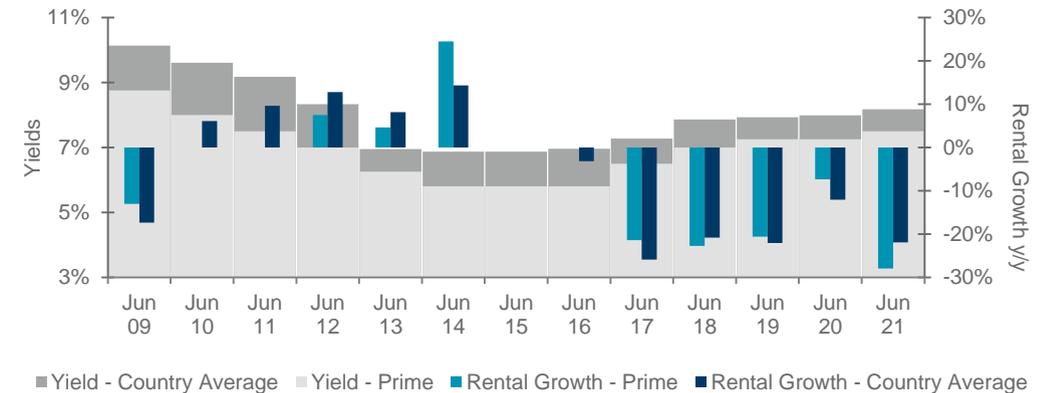
The turnover index decreased by all categories last year, increased significantly compared to the previous year by 101% in June 2021. In addition, the turnover index showed a better performance in June with an increase of 144% compared to May.

The most significant growth is recorded in the food & beverage category by 178% compared to the same month of last year. While the annual rise in clothing and footwear categories was 125%, the technology category, which has developed since the beginning of the pandemic, continued to grow by 29% in June.

On the other hand, calendar adjusted retail sales volume and retail turnover rose by 18% and 41.6% respectively according to TurkStat data. In line with changing consumer habits and behaviours emerged during the pandemic, online retail sales volumes increased by 43% and online retail turnover increased by 64.1% in June compared to the same month of previous year.

Moreover, while consumer price index continued its upward trend in June 2021 and recorded at 17.5%, consumer confidence index decreased by 1% compared to previous year.

RECENT PERFORMANCE



Occupier Focus

With the full lockdown in the second quarter of the year and the gradual normalization steps, the demand stagnation in the retail market was replaced by an increase in demand at the end of the quarter. Moreover, domestic and international retailer demand is expected to increase in the second half of the year. On the other hand, some retailers turning the pandemic crisis into an opportunity and gave importance to new store investments and store renovations in primary locations. In addition, along with the rise of online retail, the concept of experience-oriented physical retailing is becoming popular day by day. In the first half of the year, Dyson, in the technology category, opened its first 'Demo Store' stores in Turkey in İstinye Park and Akasya shopping centres. Evidea from the furniture category, starting their journey with online retail, continues to expand the number of physical stores and reached a total of 21 stores. In the first half of 2021, while Decathlon gradually increased the number of stores from the sports stores category; Atasay from the accessories category, Migros from the supermarket category and Mavi from the fashion category continue their expansion strategies.

In the first half of the year, Cadde 54 shopping center opened its doors and the total supply is recorded at 13.5 million sq.m gross leasable area.

Investment Focus

No sizeable investment deal was closed in the second quarter; however, investment activity in retail is anticipated to gain momentum with more distressed assets coming on the market. In the first quarter, 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 full lockdowns and restrictions. Turnover and footfall indices in shopping centres remain at higher levels with the gradual normalization efforts that started in the last month of the second quarter compared to the first quarter of 2021. On the other hand, indicators are expected to improve partially by the second half of the year and the recovery is expected to be in the medium term.
- Shopping centre investors continued their decision to turnover on a rental basis due to the falling turnover figures of the 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 online only 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.

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