

TURKEY

Country Snapshots

Third Quarter | 2021

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Industrial & Logistics Q3 2021



MARKET INDICATORS

Prime Rents:

Prime rents are increasing significantly on a Dollar basis compared to the previous year and quarter and the upward trend is expected to continue.



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:

Increasing demand is expected driven by 3PL demand and the nearshoring trend.



Prime Industrial Rents – September 2021

LOGISTICS LOCATIONS	TRY	US\$	€	US\$	Growth, %	
	sq.m/mth	sq.m/mth	sq.m/yr	sq.ft/yr	1YR	5YR cagr
Istanbul	46	5.40	55	6.02	20.00	-3.64
Ankara	23.5	2.75	28	3.07	0.00	-9.38

Prime Industrial Yields – September 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

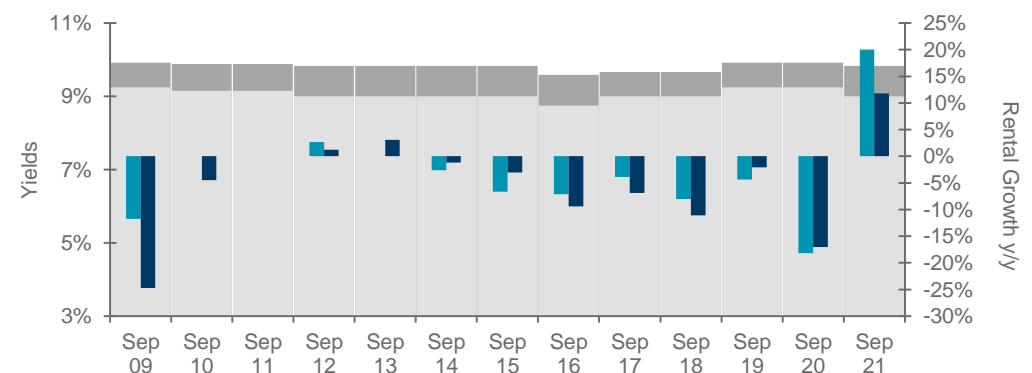
In the third quarter of the year, foreign trade indicators showed a moderate performance by the restrictions were lifted, all workplaces, public institutions, and organizations returned to the pre-pandemic operating hours, and the number of people vaccinated increased.

Turkey's export trade volume reached US\$19 billion in the third quarter of the year with an increase of 51.9%. Import trade volume recorded at US\$23.2 billion increasing slightly by 23.6% compared the same period of the previous year. The foreign trade deficit fell by 32.4% to US\$4.26 billion in the same period. Exchange rates remained volatile in the third quarter of the year and continued to have an impact on the consumer price and domestic producer price indices. CPI has increased by 19.58% y/y and D-PPI recorded a substantial increase by 44% in June 2021 compared to the same month of the previous year. On the other hand, the manufacturing PMI (Purchasing Managers Indices) recorded at 54.1 in August and decreasing to 52.50 in September 2021. Despite this decline, a strong improvement was observed in the operating conditions of the sector in September.

Occupier Focus

According to available data and our research findings, leasing activities in logistics reached 64,000 sq.m in the third quarter of 2021. Occupiers mainly comprised logistics, e-commerce and construction products. The one of the transaction recorded in the third quarter is Nigde Integrated Cement Factory, Kayseri Integrated Cement Factory, Ankara Cement Grinding Facility, and Basakpinar, Ambar, Nevsehir, Cırgalan, Aksaray, Ereğli and Kahramanmaraş Ready Mixed Concrete Facilities owned by CimSA purchased for US\$127 million by Cimko.

RECENT PERFORMANCE



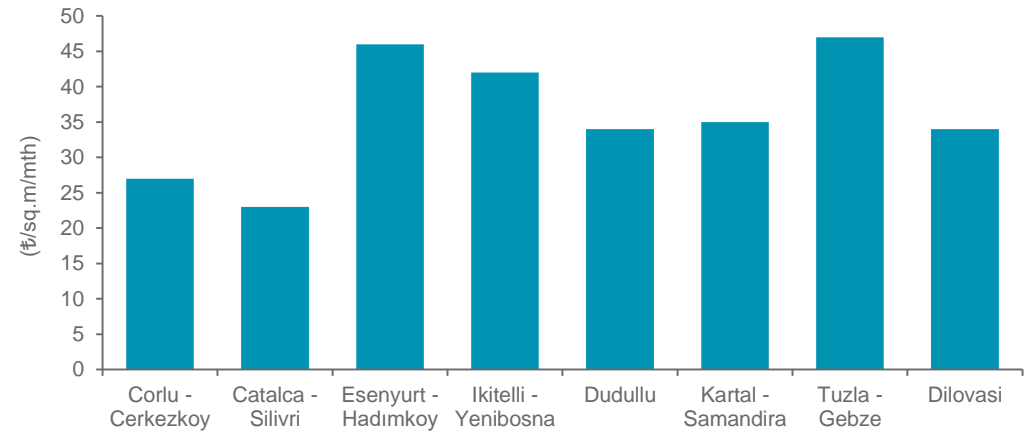
■ Yield - Country Average ■ Yield - Prime ■ Rental Growth - Prime ■ Rental Growth - Country Average

In the third quarter of 2021, major rental transactions by category were mainly in logistics users, packaged food product manufacturers and wholesalers. Major transactions in the third quarter include; local 3PL firm (19,000 sq.m., İstanbul/Esenyurt), Bidfood Efe Distribution and Marketing (7,128 sq.m, İzmir/Kemalpaşa), S.S. Haydarpasa Highway Cargo Transport Coop. (5,404 sq.m, Kocaeli/Gebze) and Ferrero (3,168 sq.m, Düzce/Akçakoca) and (3.134 sq.m, Düzce/Arpaciftliği). In addition, a pre-lease in Kocaeli Dilovasi (24,000 sq.m, Kocaeli/Dilovasi).

Investment Focus

In the third quarter of 2021, industrial and logistics investment transactions were recorded mainly with land and factory buildings purchases. Reysas REIT continues investments to close the logistics warehouse deficit in the market. One of the significant investments were recorded for this quarter of Reysas REIT is 34,000 sq.m land acquisition from Kocaeli/Gebze with US\$69.6 million and the another transaction was recorded 12,900 sq.m land acquisition from İzmir Kemalpaşa. In addition, 180,000 sq.m and 400.000 sq.m of warehouse investments were recorded in İstanbul Esenyurt.

Prime Rents - North Marmara Logistic Submarkets



Outlook

- The manufacturing PMI index is hovering above 50 points in the third quarter indicates that the growth trend in the manufacturing sector continues. This indicates an expansion in both production and employment. Continuing high inflation rate, fluctuations in exchange rate and supply chain problems revealed cost increases. Although these factors create negative pressure on the manufacturing industry, the improvement is expected to continue in the future.
- In 2021, prime industrial and logistic rents in dollar currency were recorded %20 increase as compared to the same period of the previous year and %8 increase as compared previous quarter. The significant increase in warehouse rental activities and rents was expected to be maintained in the upcoming period.
- As a result of the pressure created by the pandemic, adverse weather conditions, labor shortage, container and raw material shortages and price increases with strong demand, the global supply chain problem continues to affect the whole world. 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. 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. Chinese electronics and smart phone manufacturer Xiaomi and its partner Salcomp opened their factory in İstanbul/Avçılar in the first quarter of 2021.
- E-commerce continues to be among the rising trends, with the ratio of e-commerce in general trade being 17.6% in the first 6 months of 2021. In this direction, despite the increase in demand for qualified storage areas, technology and automation investments in storage are expected to increase with new development projects. In addition, investments in transfer centers and regional warehouses will increase in the developing e-commerce axis.
- Due to the limited supply of qualified warehouse and increasing rents, occupiers and developers are increasingly moving to build to suit models.
- Appetite from investors in industrial and logistics is expected to further accelerate with pricing adjustment expectation on a foreign currency basis.

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