

TURKEY

Country Snapshots

Third Quarter | 2021

Office
Retail
Industrial & Logistics



MARKET INDICATORS

Prime Rents: Expected to remain stable on a Turkish Lira basis in the short term and to increase by catching up with the inflation rate in the medium term.

Prime Yields: Prime yields are expected to remain stable in the medium term.

Supply: Although the supply pipeline is now more limited, the Istanbul International Finance Center is now the biggest future supply.

Demand: In addition to the pent-up demand, expected to increase further in the coming period.

Prime Office Rents – September 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	-7.4	-9.9
Istanbul (Esentepe-Gayrettepe)	105	14	145	16	-12.5	-13.6
Istanbul (Maslak)	110	15	155	17	-6.3	-12.9
Istanbul (Asian side)	145	17	175	19	-5.6	-8.8
Izmir	90	10	90	10	0.0	-10.1
Ankara	70	9	90	10	-10.0	-14.8

Prime Office Yields – September 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

Indicated office prime yields not applicable for fragmented ownership.

General Overview

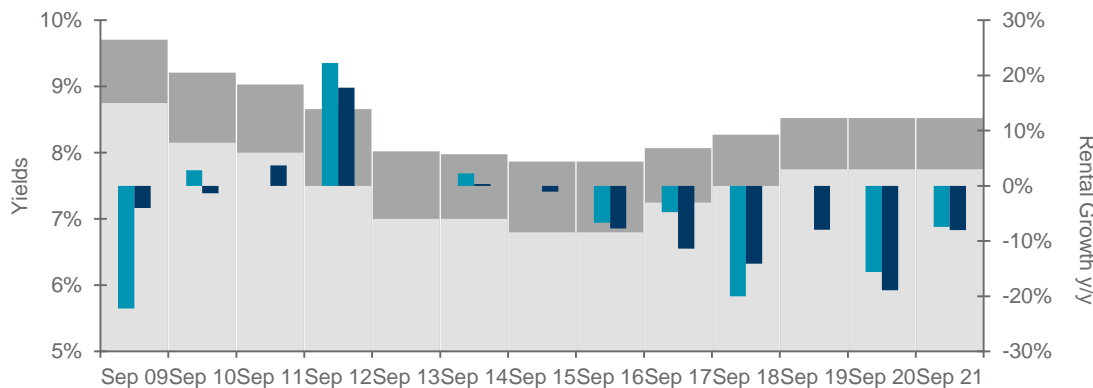
In the third quarter of the year within the scope of the gradual normalization process, all business, public institutions and organizations that suspended their activities started to work by normal working hours as of July 1, and curfews and intercity travel restrictions were lifted. The Ministry of Health's Covid-19 Vaccine Information Platform announced that the number of people who received the first dose of vaccine throughout the country increased to 72% as of September. In addition, face-to-face education was started after 1.5 years. Return to the office accelerated substantially with these normalization steps. In addition to the undeniable positive effect of remote working on personal productivity, it also brings with it the lack of employee commitment and business continuity caused the hybrid working model to be the most preferred method of companies in the process of returning to normal.

As a reflection of the effect of the normalization process on the economy, the IMF increased its 2021 growth expectation in the economy to 9% from the previous 5.8%. TurkStat's seasonally adjusted unemployment rate recorded stable at 12.1% compared to the previous quarter. Moreover, the financial sector confidence index upward to 171.70 a 9% decrease in September 2021 year on year. The real sector confidence index increased by 7% to 113.3. In addition, fluctuations in the exchange rate and inflation continued to increase to 19.58% on an annual basis in September; office market continues its pressure on leasing and investment activities.

Occupier Focus

The overall supply remained at 6,5 million sq. m in the third quarter of 2021. Take-up reached approx. 64,018 sq.m recording by the third quarter of year and 178,759 sq.m recording by between January - September. Leasing transactions comprised mainly new leases at 84.9%. On the other hand, 7.77% of transactions were renewals while 5% are made by owner occupiers and 2.34% are made for expansions in the third quarter of the year.

RECENT PERFORMANCE



MARKETBEAT TURKEY

Office Q3 2021

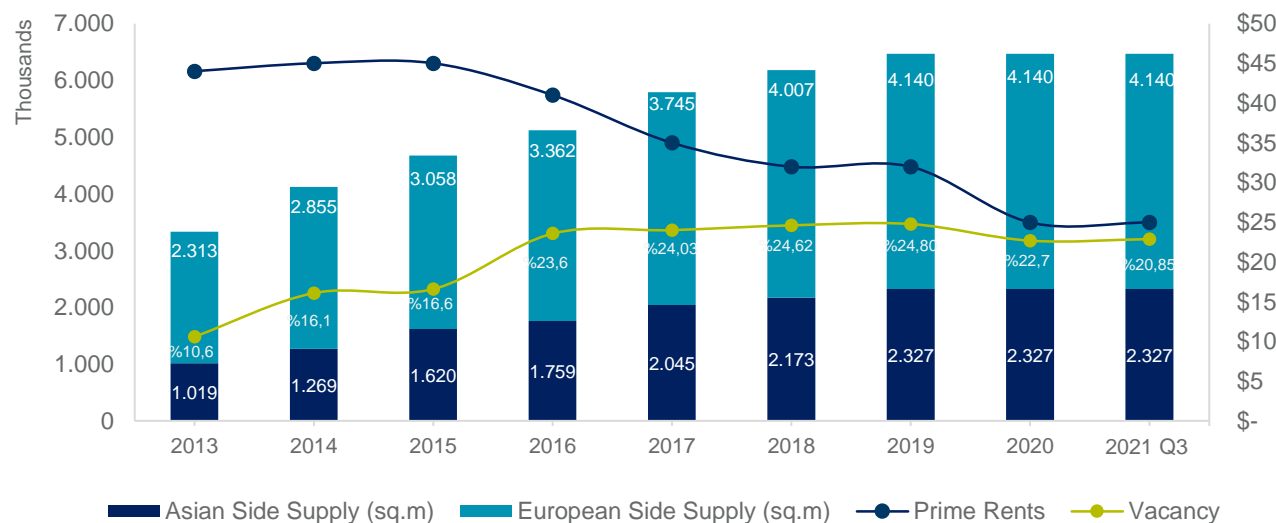


32.05% of deals on a sq.m basis occurred in the central business district (CBD) in Q3. 40.40% of deals were out of the CBD on the Asian Side on the other hand 27.55% of deals were out of the CBD on Europe Side. Major new lease transactions include Kent University (14,500 sq.m, Sadabad Kagithane), Abbvie (4,718 sq.m, NidaKule Bati), Hyundai (3,520 sq.m, ETS Tower), Deik (3,200 sq.m, Skyland), Regus (2,835 sq.m, Premier Campus), Connexis (2,485 sq.m, Centrum Is Merkezi C1), Plaza Cubes (2,200 sq.m, Levent) and Green Spa (2.000 m², Macka Residence).

Meanwhile, the vacancy rate decreased to 20.85% at the end of the third quarter.

Investment Focus

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



Outlook

- In line with the normalization steps in the third quarter of 2021, companies started to assess new strategies with the start of the return to office process. In this process, the importance of the existence of offices has emerged as a result of the decrease in employee loyalty and business continuity as a result of the remote working model. Many companies adopt the hybrid working model that comes to the office 2 or 3 days a week and plan to continue this system permanently in the post-pandemic period.
- Local companies were quicker to react compared to international companies during the return to office process and the main demand has shifted to buildings with higher quality technological infrastructure. In addition, there has been a movement in secondary locations specific to local companies with the effect of the movement created by the pandemic process in the CBD.
- The hybrid working model has reshaped office designs and the need for healthy working areas has increased the demand for qualified and high-quality office spaces. At the point reached today, it is important for the effective use of the office to create spaces that contribute to the development of corporate culture and create a sense of belonging, with designs that encourage productivity and prioritize innovation, socialization and cooperation.
- Asking rents remained stable for almost two years and started to move upwards with high inflation and exchange rate pressure. Rents are now increasing in local currency at a rate below the inflation rate and the increase is expected to continue. In this case, it is foreseen that supply and demand will be balanced in the medium term.
- In the coming period, grade A buildings may be recategorized with the increase in the demand for quality infrastructure and qualified management.
- With the completion of the 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 state banks and financial authorities.

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