

TURKEY

Country Snapshots

Third Quarter | 2021

Office
Retail
Industrial & Logistics




MARKETBEAT TURKEY


Retail Q3 2021




MARKET INDICATORS

Prime Rents: Downward pressure on prime rents weakens after the lifting of Covid-19 restrictions and is observed to be stable. 

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 after the lifting of restrictions and is expected to increase in short term. 

Prime Retail Rents, September 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	-18,18	-19,73
Izmir	380	45	460	50	-10,00	-19,12
Ankara	460	60	560	67	-7,69	-18,32

Prime Retail Yields, September 2021

HIGH STREET SHOPS <small>(figures are gross, %)</small>	Current	Last	Last	10 Year	
	Q	Q	Y	HIGH	LOW
Istanbul	7.25	7.25	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 <small>(figures are gross, %)</small>	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 third quarter, removing the Covid-19 related restrictions and the obligation to wear masks, social distance rules and HES code inquiries applied in retail areas, and returning to the pre-pandemic operating hours accelerated the sector. In addition, this acceleration positively affects the total turnover and number of visitors in shopping centers.

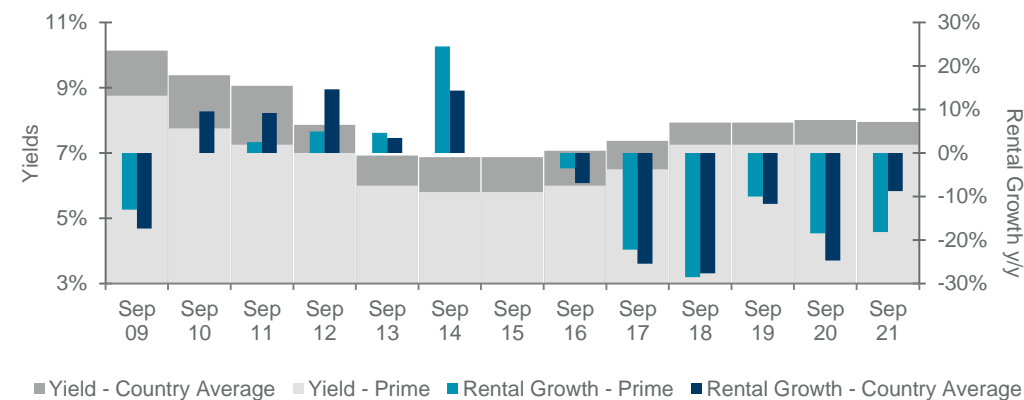
The footfall index has increased by 25.4% in August compared to year before while slightly decreasing 7.5% compared to July. The retail turnover index started to rise at the end of the first half of the year, continued this trend in August 2021, and increased by 70.7% compared to the previous year. In addition, the turnover index showed lower performance in August with a decrease of 9.1% compared to July.

The most significant growth is recorded in the food & beverage category with 100% compared to the same month of last year as in the previous quarter. While the annual rise in clothing and footwear categories was 85.9% and 86.7% respectively, the technology category, which has developed since the beginning of the pandemic, continued to grow by 20.9% in August.

On the other hand, calendar adjusted retail sales volume and retail turnover rose by 15% and 37.3% respectively according to TurkStat data. In line with changing consumer habits and behaviours emerged during the pandemic, online retail sales volumes increased by 44% and online retail turnover increased by 61.5% in August compared to the same month of previous year.

Moreover, while consumer price index continued its upward trend in September 2021 and recorded at 19.58%, consumer confidence index increased by 2% compared to previous year.

RECENT PERFORMANCE



Occupier Focus

At the beginning of the third quarter of the year, footfall in shopping centers did not reach pre-pandemic levels despite the removal of restrictions and the return of retail to normal working hours and the shopping. However, the confidence given by the increase in vaccinations towards the end of the quarter reflected positively on footfall. Thus, shopping centers have started to turn into social areas again. In addition, the demand in the retail market is expected to increase in the short to medium term. Postponed openings of new shopping centers started to take place in this quarter. Along with the rise in online retail, the concept of experience-oriented physical retailing remains popular. Fashion retailer Boyner opened its sustainable experience store on Bagdat Avenue. In addition, technology and coffee chain categories, whose sales have increased due to the pandemic, are among the rising trends. Along with the increasing coffee sales, Costa Coffee, the biggest coffee chain of the UK, will return to the Turkish market in cooperation with Boyner. Tchibo will increase the number of Barista concept stores and Starbucks continues its expansion strategy. In the technology category, TeknoSA and MediaMarkt increased their investment plans due to the impact of the pandemic on sales. Sports retailer Decathlon gradually increased the number of stores. Home textile retailer Bella Maison and men’s fashion retailer Ramsey continue their expansion too.

In the third quarter of the year there is no additional supply entered the market, where total shopping center supply remains stable 13.5 million sq.m gross leasable area.

Investment Focus

The sale of Palm City Mersin Shopping Center, owned by Bainbridge (a subsidiary of Aerium) to Yenisehir was recorded as retail investment transaction. In addition, the sale of an important shopping mall located in the Southeastern Anatolia Region was finalized in the third quarter.

Total Shopping Centre GLA & Numbers by Years



Outlook

- Although the retail sector was one of the asset classes affected most by the Covid-19 pandemic, at the same time showed the fastest recovery with the return to normal. In the third quarter, the number of visitors indices remain at higher levels compared to the first half of 2021 with the return of all workplaces, public institutions and organizations to normal working hours as of July 1 and the start of face-to-face education on September 6 and is expected to improve further until the end of the year.
- In the entertainment category, the government made it mandatory to inquire about the HES code or if unvaccinated to show a "negative PCR test" document in order to attend events such as cinema, theater, and concerts. As a result, participation in events is accelerating.
- In the first 6 months of 2021, the market share of e-commerce in general trade was 17.6%. May was recorded as the month with the highest rate with 20.2% and with the effect of the rise of physical retail on the share of e-commerce in general trade June was recorded as 15.2%. Moreover, the announcement of the e-commerce company Amazon's plans to open large physical stores, and is proof that online retailers tend to continue their expansion in physical stores. At the same time, the tendency of retailers selling in a single channel with physical retail to omni-channels continues.
- 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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