

# MARKETBEAT TURKEY



## Industrial & Logistics H2 2021

### MARKET INDICATORS

**Prime Rents:** Stable on a USD basis in the medium-short term, while the upward trend is expected to continue in TRY basis.



**Prime Yields:** Yields expected to remain stable over the medium term.



**Supply:** Development activities gained momentum with the increase in demand for logistics facilities. Supply is expected to increase in the short and medium term.



**Demand:** The trend of increasing demand will continue with the rise of e-commerce, 3rd party logistics companies and the concept of nearshoring.



### Prime Industrial Rents – December 2021

LOGISTICS LOCATIONS	TRY	US\$	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Istanbul	60	5.50	57	6.13	15.79	-2.52
Ankara	30	2.75	28	3.07	0.00	-6.01

### Prime Industrial Yields – December 2021

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	9.00	9.00	9.25	9.25	8.75
Ankara	10.25	10.25	10.00	10.25	10.00

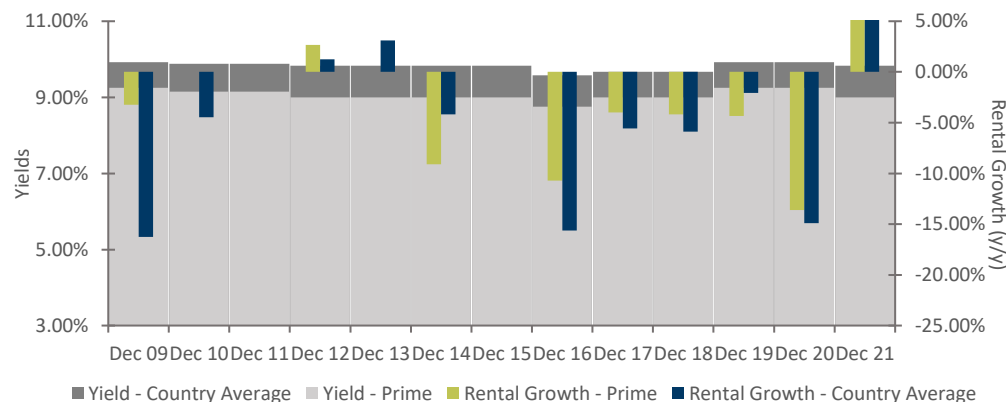
### Overview

Despite the impact of the pandemic on the economy in 2021, Turkey's exports reached US\$225.4 billion in January – December 2021 period with a 32.8% increase. Import trade volume was US\$271.4 billion, increasing by 23.6% in the same period compared to year before. Furthermore, the foreign trade deficit increased by 7.8% to US\$45.9 billion in January - December 2021 y/y. The manufacturing sector, which was breathing with the removal of restrictions in the second half of the year, was not affected much by the emergence of new variants in the third quarter of the year. In addition, the inflationary pressure experienced in December adversely affected the manufacturing sector and a decrease in demand was observed due to price fluctuations. The manufacturing PMI value of 52.0 measured in November was recorded as 52.1 in December with a very slight increase. With the increase in employment, the index was above 50 and an improvement was observed in the sector in the last 7 months of the year.

### Occupier Focus

According to available data, leasing activity for warehouse space recorded increases by 12% comparing to the year before and recorded approx. 54,156 sq. m in the fourth quarter taking the total to 318,156 sq. m for 2021. The significant acceleration recorded in the first half of 2021 with approx 63% of the deals and in the second half of the year recorded as 37% of the deals. As a result of the pressure in the supply chain with the effect of the pandemic, the increasing demand for qualified warehouses and the limited supply caused a significant increase of 16% in prime rents compared to the previous year. It is foreseen that this net increase will be maintained in the upcoming period with the expected continuity of the demand for storage needs in the short and medium term.

### RECENT PERFORMANCE



Key lease transactions in the fourth quarter along with most of 2021 occurred among occupiers from the 3PL, cargo and e-commerce categories. Major transactions in the fourth quarter include; Ekol Logistics (5,800 sq. m, Istanbul/Esenyurt), Reysas Logistics (4,350 sq. m, Sakarya/Arifiye), Cobantur Freight Forwarding (3,500 sq. m, Istanbul/Tuzla), Henka Chemical (3,500 sq. m, Antalya/ Kumluca) and Pharmaceutical Warehouse (3.500 sq. m, Istanbul/Esenyurt). Key leasing deals in the first half of the year consisted of larger transactions on a square meter basis rather number of deals with particularly recorded more than 10,000 sq. m, while number of deals accelerated in the second half the year, yet along with the decrease in the deal size.

### Investment focus

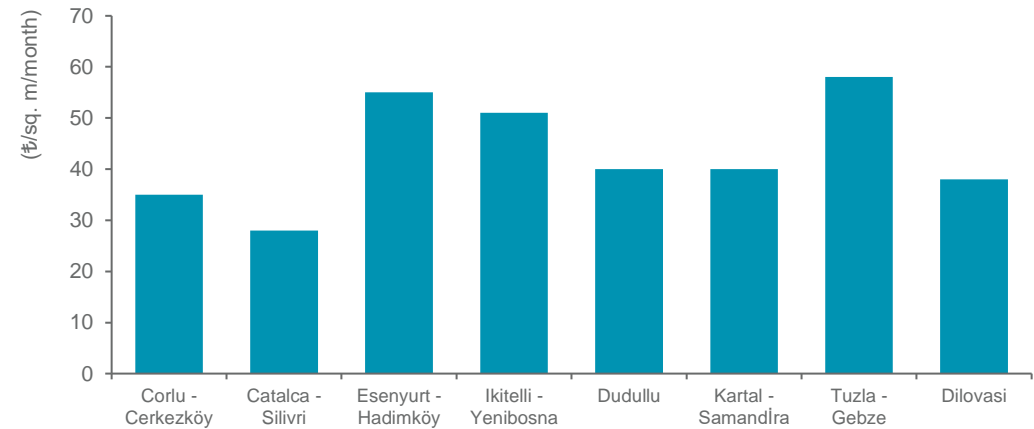
In 2021, investment transactions in industrial and logistics have gained momentum in the second half of the year. Transactions in 2021 mainly consist of land purchases due to the increasing demand for warehouse areas and the limited supply of ready warehouses.

The key investment transactions in Q4 include; the sale of the land belonging to Alkim Kağıt Sanayi in İzmir Kemalpaşa to Adalya Tobacco Mamülleri for 26 million TRY (8,184 sq. m), the sale of the land to E-Data Technology marketing for 23 million TRY in Ankara, Kazan (12,828 sq. m.), the sale of 3 lands to Kontrolmatik Technology for a total of 11.5 million TRY Ankara, Polatlı OIZ (total land area of 105.745 sq. m), Özerden Plastic's land to be sold to an investor for 7.6 million TRY in Yalova, Kirazlı (17,062 sq. m) and the land belonging to Akxa Acrylic Chemical is sold to Akkim Chemical for 25.6 million TRY in Yalova, Ciftlikkoy (16,960 sq. m).

### Outlook

- The fact that the manufacturing PMI index remained above 50 points in the third quarter indicates that the growth trend in the manufacturing sector continues. The increase in employment and purchasing activities due to the increase in demand in production and orders and the increased workload caused the manufacturers to increase their capacities. 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 the past year, the industry and logistics market has been adversely affected by factors such as the supply chain crisis, the problems experienced in the supply of chips and containers, and the increase in manufacturing-input costs. Despite all this, the concept of nearshoring has gained importance in order to reduce production and distribution interruptions and diversify supply chains in the problem of supply chains. In this context, international investors, who are in search of a solution with the increase in logistics costs, evaluate Turkey's advantageous geopolitical position as an opportunity. In the first quarter of 2021, the world giant automotive company Ford and Volkswagen announced that they will produce in Kocaeli for their new commercial vehicle they will put on the market. Swedish furniture company IKEA has announced that it will manufacture more in Turkey to shorten the supply chain and avoid exorbitant shipping costs. The Italian clothing brand Benetton announced that it wants to move its production closer and stated that they will diversify their production sites and make production in Serbia, Croatia, Turkey, Tunisia and Egypt, apart from Asia. German clothing brand Hugo Boss announced that it will expand its production capacity close to its European base in order to reduce its dependence on Southeast Asia, and announced that it plans to invest more by expanding its factory in Izmir. The Chinese electronics and smartphone manufacturer Xiaomi and its partner Salcomp opened the factory in Avcilar, Istanbul, where it will produce. National companies operating in the fields of insulation, paper and cement are getting ready to make production in various provinces of Anatolia by increasing their investments.
- In 2021, compared to the same period of the previous year, a significant increase was recorded in logistics rents by 16% in dollar terms and by 10% compared to the first half. It is expected that the significant increase in warehouse leasing activities and rents will continue in the upcoming period with the expected continuity.
- Due to the limited supply of qualified buildings and the high costs for new supply, users are turning to the 'build to suit' model together with the project developers. As a result, the demand for qualified ready warehouses is increasing.
- Growing investor interest in quality logistics assets in line with an increase in occupier demand has accelerated the new supply development.
- It is expected that demand-oriented investments in this field will increase in the coming period due to the price increase in the industry and logistics market on a currency basis..

### North Marmara Logistic Submarkets - Prime Rents



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