

MARKETBEAT TURKEY

Retail H2 2021



MARKET INDICATORS

Prime Rents:	Stable in dollar terms and expected to increase in TRY terms in the short and medium term.	—
Prime Yields:	Yields expected to remain stable over the medium term.	—
Supply:	Postponed shopping center openings took place in 2021. Although development activities slow down, projects under construction maintain their continuity.	▲
Demand:	Retailer demand increased with the removal of restrictions.	▲

Prime Retail Rents – December 2021

HIGH STREET SHOPS	TRY	US\$	€	US\$	GROWTH %	
	SQ.M/MTH	SQ.M/MTH	SQ.M/YR	SQ.FT/YR	1YR	5YR CAGR
Istanbul	975	85	922	95	-19.05	-20.04
Izmir	475	42	449	47	-16.00	-20.23
Ankara	590	53	558	59	-18.46	-20.32

Prime Retail Yields – December 2021

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	7.25	7.25	7.25	7.50	5.80
Izmir	8.25	8.25	8.25	10.50	7.50
Ankara	8.25	8.25	8.25	10.50	7.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
Turkey	7.75	7.75	7.75	8.25	7.00

Overview

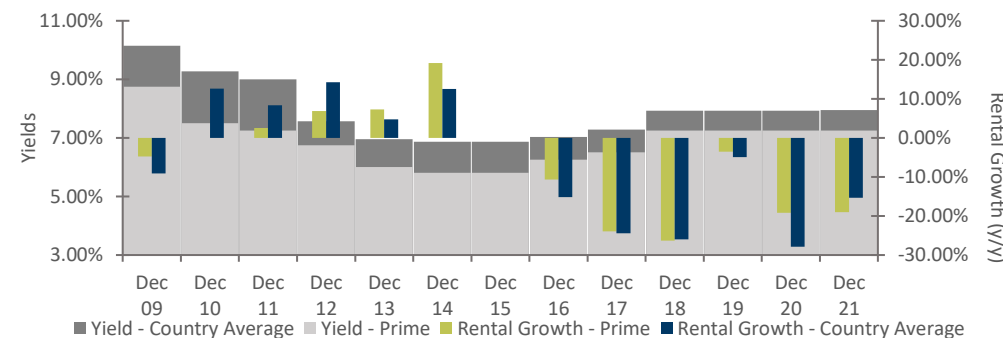
The first half of 2021, a year in which we felt the impact of the pandemic on the economy more prominently, was stagnant due to curfews. In the second half of the year, the retail sector; With the increase in the number of people vaccinated, the removal of weekend restrictions, the introduction of normal working hours and the return to face-to-face education in September, signs of recovery started to show. The new variants of the Covid-19 virus and the increase in the number of cases, which came to the agenda in the last quarter of the year, caused concern but did not affect the physical retail as much as expected.

Recovery path at slower pace indicated partial rebound before the second wave curfew in November, therefore the turnover index has significantly increased by 80.2% in November 2021 compared to year before given the results of the shopping center retail data provided by AYD/Akademetre. All category sales rose y/y in November 2021. Apparel and shoes recorded increases by 89% and 102.9%, respectively. Apparel decreased by approx. 4% and shoes category increased slightly by 0.8% m/m. The highest and significant increase was again by 136% in the food & beverage category, while increased with a lower acceleration compared to other categories was technology with 28.7% in this quarter. In November 2021, when new Covid-19 variants emerged and the number of cases increased, there was a 6.25% decrease in the footfall index compared to the previous month. However, an increase of 38.9% was recorded when compared to the same month of the previous year. Moreover, according to the Turkish Statistical Institute, retail sales volumes and turnover increased by 16.3% and 45.5%, respectively in November 2021 on an annual basis. The share of online retail sales and turnover remained to weigh on by 42.9% and 64.5% y/y increases in November 2021. On the other hand, consumer confidence index decreased by 3.1% in December compared to the previous month.

Occupier focus

In the first quarter of 2021, the demand for the physical retail sector, which was closed due to the full closure within the scope of pandemic measures, remained low, and in this process, some retailers took advantage of the pandemic crisis to give importance to new store investments and store renovations in primary locations.

RECENT PERFORMANCE

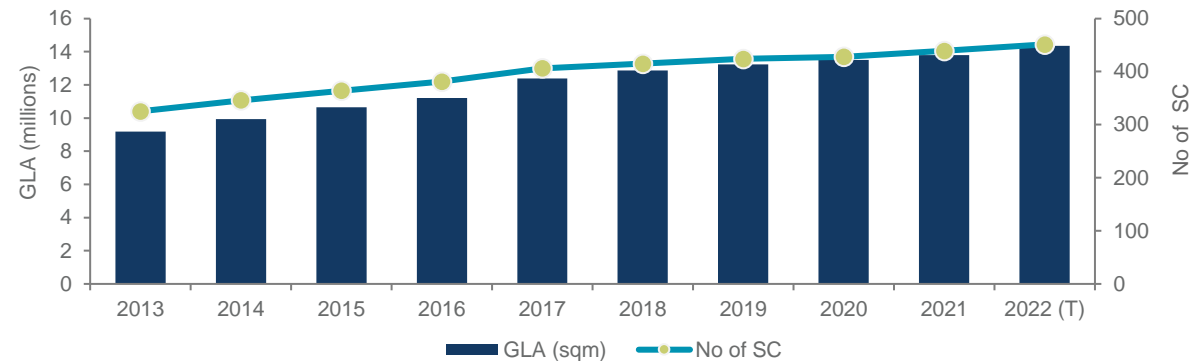


With the gradual normalization steps, stores and shopping centers that returned to normal working hours and an increase in demand began. In the second half of the year, despite the pressure created by inflation, exchange rate fluctuations and the emergence of new Covid variants, the demand continued and most of the postponed shopping mall openings were realized in the last quarter. In addition, new entries were made in the sector in the fourth quarter. Malaysian DIY chain Mr. D.I.Y opened its first store in Turkey. Coffee chains continued their growth strategies in this quarter such as Greek coffee chain Mikel, Costa Coffee, Kahve Dünyası and Starbucks announced their investment plans for the coming periods. In the food and beverage sector, which started to rise after the restrictions were lifted, Tavuk Dünyası continues its expansion policy. In the footwear category, FLO announced the first children's store they opened under the name of FLO Kids and announced that it would continue its growth strategy in the upcoming period. In the last quarter, a new supply of 282.000 sq. m has entered the market with 6 new shopping malls. Thus, the shopping center supply entry reached 324,644 sq. m in 2021, increasing by 5% compared to the previous year. The total supply reached 13.8 million sq. m with 439 shopping malls. New shopping centres in this quarter are Galataport (58,644 sq. m), İstinyepark İzmir (75.000 sq. m), Petrol City (36,000 sq. m), Şimal AVM (30.000 sq. m), Elysium Park AVM (70.000 sq. m) and MCA Cadde AVM (13.000 sq. m). Other shopping centers entering the supply were recorded as Cadde 54 AVM (42.000 sq. m) in the second quarter of the year.

Investment Focus

Retail investment deals in 2021 two sizeable transactions were recorded in the first half of 2021, including; Akfen REIT purchased 51% of Firatcan Construction Co., which has undertaken the Gar Shopping Center project in Kadıköy, Istanbul, for ₺59 million (€6.2 million). In second quarter of the year, the sale of Palm City Mersin Shopping Center, owned by Bainbridge (a subsidiary of Aerium) to Yenisehir was recorded. In addition, the sale of an important shopping mall located in the Southeastern Anatolia Region was finalized in the third quarter. In the last quarter of the year, the hypermarket and warehouse of CarrefourSA located in Marmara Forum AVM were sold for 100 million TL.

Total Shopping Centre GLA and Numbers by Years



Outlook

- In October 2021 while the shopping center turnover increased by 60.7% compared to the previous year, a significant increase of 80.22% was observed in November 2021. Due to the increase observed in turnover, the announced inflation and the expected increase in base rents, the turnover rent, which has not been on the agenda since 2019 in shopping malls, has come to the fore again. In addition, shopping mall managements demand to make lease agreements for foreign and 50% foreign partner companies in foreign currency.
- In the first 6 months of 2021, the rate of e-commerce in general trade was 17.6%. May was recorded as the month in which the highest share was received with 20.2%. The rise of physical retail and the increase in the share of e-commerce in general trade affected June and the share decreased to 15.2%. With the announcement of the e-commerce company Amazon that it will open retail stores that it will serve physically, it is observed 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 merchandising to multiple sales channels continues.
- In the entertainment sector most affected by the pandemic in 2021; In order to participate in events such as cinema, theater and concert, it was required to query the HES code or to show a "negative PCR test" document from people who did not have the Covid-19 vaccine. According to the recent decision, the PCR test requirement has been abolished and it has been announced that there will be no PCR testing obligation for those who are not vaccinated in travel, events, workplaces and schools.
- Retailers are strengthening their technology infrastructure in their physical stores, while digitalization gains momentum in the retail market, which has been reshaped with the pandemic, This trend will continue to strengthen in the following periods of the year. However, property owners and investors must address the need for more open spaces, interactive entertainment and cultural activities, new health and safety standards, and concept change in response to changing consumer demand. The revival observed in retail; It will be shaped by concepts that offer a useful, unique and target-oriented experience. In shopping centers that cannot keep up with change, an increase can be seen in re-functioning and repositioning in the market.

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