

TURKEY

Real Estate Market Outlook

1st Quarter | 2022

Office
Retail
Industry and Logistics



MARKETBEAT TURKEY

Industrial & Logistics Q1 2022



MARKET INDICATORS



Prime Industrial Rents – March 2022

LOGISTICS LOCATIONS	TRY	US\$	€	US\$	GROWTH %	
	sq.m/mth	sq.m/mth	sq.m/yr	sq.ft/yr	1 YEAR	5 YEAR, YBBO
Istanbul	75	5,50	58	6,13	10,00	-1,73
Ankara	42	3,00	32	3,34	9,09	-4,36

Prime Industrial Yields – March 2022

LOGISTICS LOCATIONS	2022	2021	2021	10 YEAR	
(Figures are gross, %)	Q	Q	Q1	HIGH	LOW
Istanbul	9,00	9,00	9,25	9,25	8,75
Ankara	10,25	10,25	10,25	10,25	10,00

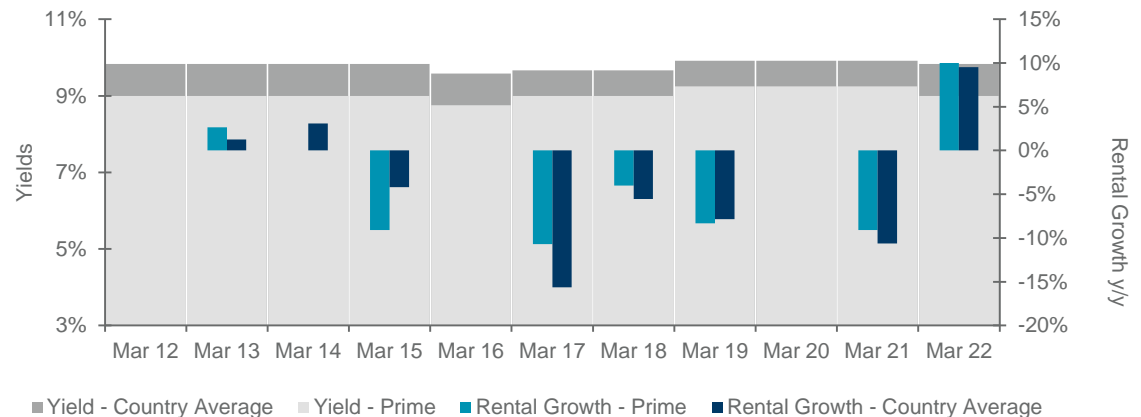
Overview

In the Q1 of 2022, export trade volume stood at US\$60.3 billion in the January – March 2022 period, an increase of 20.8% compared to the same period of the previous year. Import trade volume was recorded as US\$86.7 billion in the same period, an increase of 42.1% compared to the previous year. However, in the January – March 2022 period, the foreign trade deficit increased by 138.4% to US\$26.4 billion. Even though the pandemic started to lose its effect in the Q1 of the year, customer demand was limited due to the Ukraine-Russia crisis and price increases deterred buyers and negatively affected production. The PMI measured in March fell below the threshold value of 50.0 for the first time in the last 10 months and was recorded as 49.4. Unemployment rate in March, announced by TURKSTAT, was recorded as 10.7% with a 0.5 percentage point decrease.

Occupier Focus

According to the available data, warehouse space rental activities experienced a serious acceleration in the Q1 of the year and amounted to 327,637 sq. m. As a result of the inflationary pressure and the increase in construction costs, the demand for storage areas increased and this situation was reflected in the market in the form of high rentals on the basis of units and square meters. In addition, the current supply of qualified warehouses is limited, and the demand for warehouses with large indoor areas is high. As in the previous quarter, the increasing demand for qualified warehouses and the limited supply caused a significant 16% increase 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

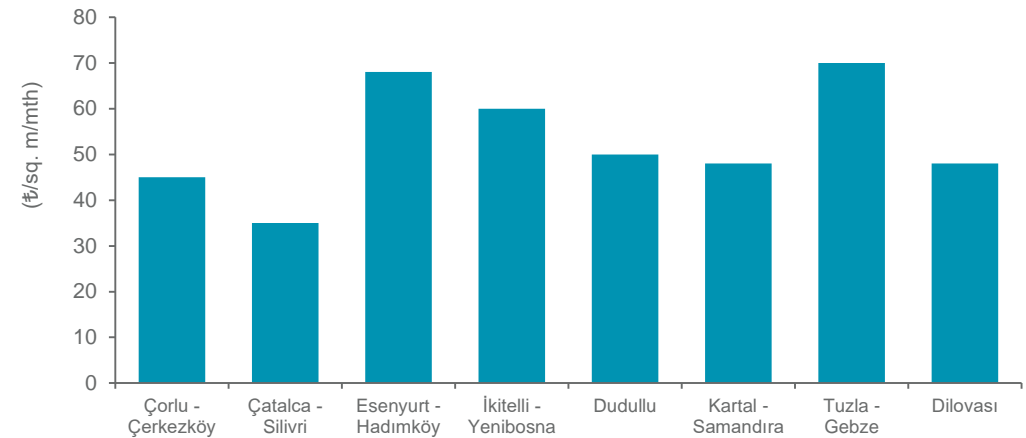


Carrying out important leasing transactions on a category basis in the Q1 of 2021; companies in the e-commerce and hypermarket sectors. Major lease transactions in the first quarter include; Amazon (63,000 sq. m, İstanbul/Tuzla), CarrefourSA (42,882 sq. m, Kocaeli/Cayırova) and (29,495, İstanbul/Esenyurt), Aydınli Group (30,000 sq. m, İstanbul/Hadımköy), Adel Kalemçilik (17,655 sq. m, İstanbul/Tuzla) and Toyota Turkey (16,150 sq. m, İstanbul/Tuzla). More than half of the transactions in the first quarter of the year consisted of transactions over 10 thousand square meters.

Investment Focus

Transactions in 2022 mainly consist of land purchases due to the increase in demand for warehouse areas and the limited supply of ready warehouses. Among the largest investment transactions in the Q1; consists of Reysaş GYO A.Ş.'s 23 million TL purchase of the land in Sarıçam, Adana (46.032 sq. m), the acquisition of the paper factory in Konya Selçuklu by Alfa Mekatronik and the purchase of the land in İstanbul Esenyurt by Tureks Turizm.

North Marmara Logistic Prime Rents



General Overview

- The demand for logistics warehouses has gained momentum with the increase in the storage need of the producers together with the rising inflation. In addition, the increasing construction costs and the gradual increase in prime rents push users to complete the contract processes beforehand. In addition, prime rents increased by 10% in this quarter compared to the previous quarter. In this context, it is foreseen that prime rents will increase in the short-medium term in the face of supply shortages and increasing demand.
- After the Russia-Ukraine crisis, many companies in this region have focused on Turkey. Especially since the export volumes of these companies are high, their demands for logistics and industrial areas in Free Zones are higher than in other regions. The demand for industrial and logistics areas in the Trakya region, which has the advantage of accessing Europe in terms of location for land logistics, has gained momentum and this mobility is expected to increase in the medium term.
- The 1915 Canakkale Bridge, which is an important part of the highway ring that was opened on March 18 and is being built for the Marmara Region; It is thought that it will ease the burden of Marmara, which has no alternative other than the bridges in İstanbul on the trade line from Anatolia to Europe. With the bridge, which offers great advantages in terms of both logistics and commercial mobility, it is expected that the demand for environmental logistics and industrial areas will increase.
- The search for solutions to the disruptions in the supply chain all over the world during the pandemic period is expected to create an opportunity for international investors who want to take advantage of Turkey's advantageous geopolitical position in the long run. However, in the Q1 of the year, the US world giant automotive company Ford and Volkswagen announced that they will produce in Kocaeli for their new commercial vehicle, which they will launch in cooperation with. In the first quarter of the year, the Chinese electronics and smartphone manufacturer Xiaomi and its partner Salcomp opened the factory in Avcılar, İstanbul, where it will produce. In addition, national companies operating in the fields of insulation and paper-cement are getting ready to make production in various provinces of Anatolia by increasing their investments. Habas is planning to establish the world's largest air separation plant in Bilecik. Qua Granite, plans to gradually complete its three new production lines, which it started in 2020, in 2021 and 2022, in order to meet the increasing demand. In addition, Cherry, a Chinese automotive brand from the automotive industry, announced that it plans to enter the Turkish market in the last quarter of 2022.
- Investments in industry and logistics are expected to continue to improve in the following periods of the year.

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