

TURKEY

Real Estate Market Outlook

1st Quarter | 2022

Office
Retail
Industry and Logistics



MARKETBEAT TURKEY

Office Q1 2022



MARKET INDICATORS

Prime Rents: Prime rents are expected remain stable in the short to medium term on local currency basis. ▲

Prime Yields: Prime yields are expected to remain stable in midterm. ▬

Supply: With pipeline projects are limited, the biggest future supply consists of Istanbul International Finance Center. ▲

Demand: In Q1, leasing transactions are increased compared to the same period of the previous year. ▲

General Overview

Following the escalation in tensions between Russia and Ukraine in the first quarter of 2022, Russia invaded Ukraine on February 24. After the invasion, many countries, especially the United States, imposed sanctions on Russia, while many companies preferred to suspend their activities or pull out from Russia. Turkey has undertaken the mission of being the country where the negotiation process is carried out. In the midst of this tension, Turkey has become a priority country preferred by many companies, both due to the advantage of its geopolitical and political position.

In the pandemic process, after the Covid-19 cases increased after the New Year, this disposition decreased and all measures were removed, except for the obligation to wear masks in closed areas. As of the end of the quarter, it has been observed that the general judgment that the 2 years pandemic process has come to end has increased. In addition, the USD exchange rate remained stable in the first quarter of the year compared to the previous quarter, but the increasing pressure of inflation on the economy maintained its continuity. In the last quarter, prime rents, which fell in USD terms as a result of the fluctuating exchange rate increased especially in TRY terms as a result of the inflation pressure that stood out in this quarter. In addition, the CBD region, which decreased last quarter with the concern created by the floating exchange rate regime, showed a slight increase in this quarter with the stabilization of the dollar rate. As a result of all these, it is observed that the process of re-pricing the prime rents of the Istanbul sub-market continues.

Occupier Focus

In the Istanbul office market, the overall supply remained at 6.46 million sq. m by the first quarter of 2021. Leasing transactions realized in Q1 of 2022 reached a total of 123.424 sq. m and increased by 2 times compared to the same period of the previous year. On the other hand, while the lease agreements that occurred in Q1 consisted of new lease agreements with a ratio of 85% and 82%, both in sq.m and in number, renewal transactions started to decline compared to the previous year.

Prime Office Rents – March 2022

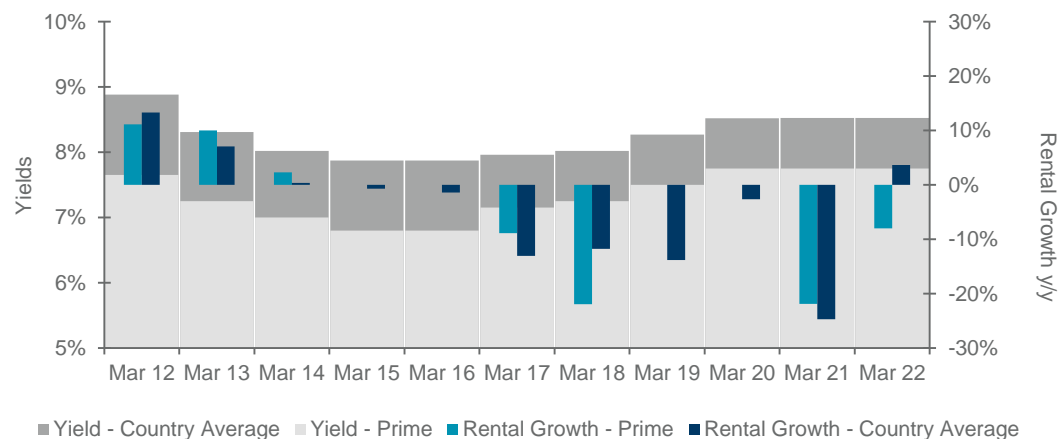
Location	TRY	US\$	€	US\$	GROWTH %	
	sq.m/mth	sq.m/mth	sq.m/ yr/	sq.ft/yr	1 YR	5 YR cagr
Istanbul (Levent)	320	23	246	25,6	-8,0	-10,9
Istanbul (Esentepe-Gayrettepe)	165	12	127	13,4	-14,3	-13,7
Istanbul (Maslak)	210	15	161	16,7	0,0	-11,7
Istanbul (Anadolu Yakası)	220	16	169	17,8	-5,9	4,2
Izmir	180	13	138	14,5	44,4	-2,8
Ankara	140	10	108	11,1	11,1	-10,1

Prime Office Yields – March 2022

Location	2022	2021	2021	10 YEAR	
	Q1	Q4	Q1	HIGH	LOW
(Figures are gross, %)					
Istanbul (Levent)	7,75	7,75	7,75	7,75	6,80
Istanbul (Esentepe-Gayrettepe)	8,25	8,25	8,25	8,25	7,25
Istanbul (Maslak)	8,00	8,00	8,00	8,50	7,25
Istanbul (Anadolu Yakası)	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	9,00

Indicated office prime yields not applicable for fragmented ownership.

RECENT PERFORMANCE



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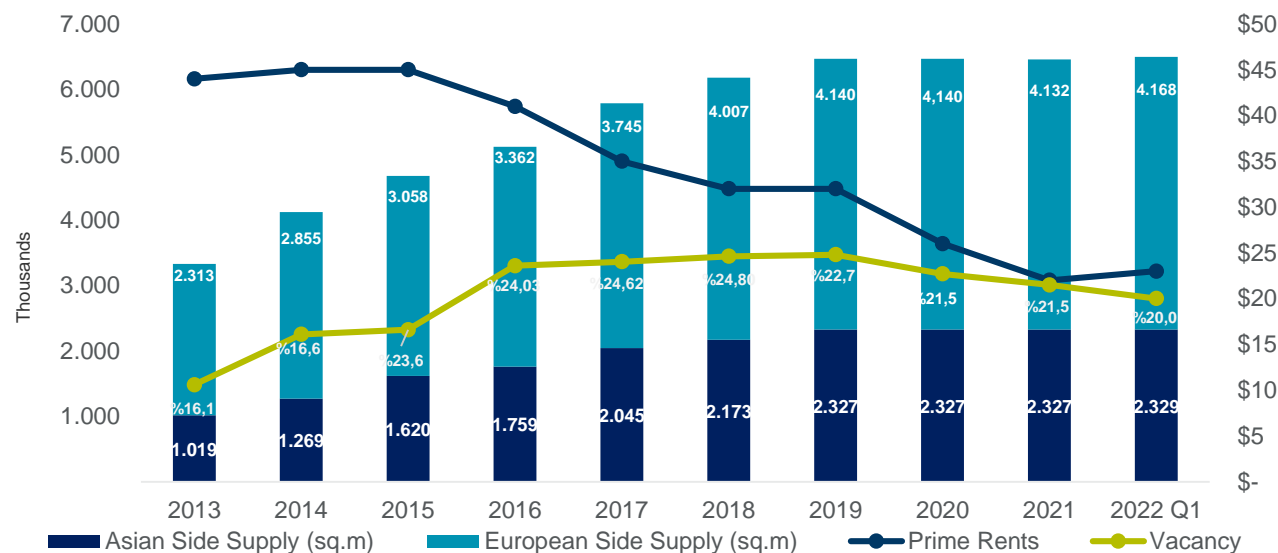


In Q1, on a sq.m basis 29% of deals occurred in the central business area (CBD). Leasing deals in CBD, it decreased approximately both compared to the same period of the previous year and the previous quarter on a percentage basis. 47% of the deals were on the Anatolian side out of the CBD, 24% were on the European side out of the CBD. Major new lease transactions include; Axa Insurance (15,000 sq. m, Nidapark Küçükyalı), Emin Evim (11,000 sq. m, Çolakoğlu Senel Plaza), İstinye University (10,500 sq. m, Vadistanbul), Fenerbahçe University (8,710 sq. m, Metropol D Blok), Johnson & Johnson (7,950 sq. m, Keçeli) Plaza), Orka Holding (5,635 sq. m, Vadistanbul), Sanofi (3,800 sq. m, 193 Plaza) and Astra Zeneca (3,000 sq. m, Yapı Kredi B Blok).

Meanwhile, the vacancy rate slightly decreased to 20.02% in general by the first quarter of 2021.

Investment Focus

In Q1 of 2022, no significant investment transactions were recorded. Investment transactions are expected to accelerate in the medium and long term.



General Outlook

- During the Russia and Ukraine war started, Turkey has attracted the attention of many foreign companies both with its location and its balance policy. The increase in foreign investor demand, which has increased for both operational management and investment purposes, is expected to continue in the upcoming period. In this context, the investment environment is expected to accelerate in the medium term.
- Despite the pandemic, which gradually lost its effect with the start of 2022, the hybrid working model is still preferred. In this context, efforts to bring employees together in the right place by promoting productivity and by emphasizing quality rather than quantity in office spaces, ensuring the development of innovation, socialization, cooperation and company culture, maintains the high demand for offices that offer effective use of space.
- As a result of the increasing inflation, the pressure of the landlords on the tenants increased and in general, a significant increase occurred in the prime rents in Turkish Lira and in the CBD and other regions. In addition, it was observed that rents, which remained low in dollar terms, increased in the office market in secondary locations.
- The leasing process of the globally important Istanbul International Finance Center started in the last month of 2021 and it is anticipated that the project will not be completed in 2022 and approximately 1.5 million sq. m of supply will be added to the market. About %50 of this supply will be used by public banks and financial institutions.

Gizem Naz İnci

Consultant, Research
Buyukdere Cd. 13, River Plaza, 15, Levent
34394 Istanbul/Turkey
Phone: +90 212 334 78 00
gizem.inci@cushwake.com

Tugra Gonden

International Partner, Head of Turkey
Buyukdere Cd. 13, River Plaza, 15, Levent
34394 Istanbul/Turkey
Phone: +90 212 334 78 00
tugra.gonden@eur.cushwake.com

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