

TURKEY

Country Snapshots

Q2 | 2022

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Office Q2 2022



MARKET INDICATORS

Prime Rents: It is expected to increase in TRY in the short and medium term. ▲

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

Supply: Although planned office projects are limited, the largest supply will be Istanbul International Finance Center project. ▲

Demand: The upward trend in leasing transactions this year maintains its continuity compared to the previous year. ▲

Prime Office Rents – June 2022

LOCATION	TRY	US\$	€	US\$	GROWTH %	
	SQ.M/MTH	SQ. M/MTH	SQ. M/YR	SQ. FT/YR	1YR	5YR CAGR
Istanbul (Levent)	360	23.0	258	25.6	-8.0	-10.9
Istanbul (Esentepe-Gayrettepe)	190	12.0	136	13.4	-14.3	-13.7
Istanbul (Maslak)	235	15.0	169	16.7	0.0	-11.7
Istanbul (Asian side)	250	16.0	179	17.8	-5.9	4.2
Izmir	205	13.0	147	14.5	30.0	-1.5
Ankara	157	10.0	113	11.1	11.1	-10.1

Prime Office Yields – June 2022

LOCATION (FIGURES ARE GROSS. %)	CURRE NT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul (Levent)	7.75	7.75	7.75	8.00	6.80
Istanbul (Esentepe-Gayrettepe)	8.25	8.25	8.25	8.25	7.25
Istanbul (Maslak)	8.00	8.00	8.00	8.75	7.25
Istanbul (Asian side)	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	9.25

Indicated office prime yields not applicable for fragmented ownership

Overview

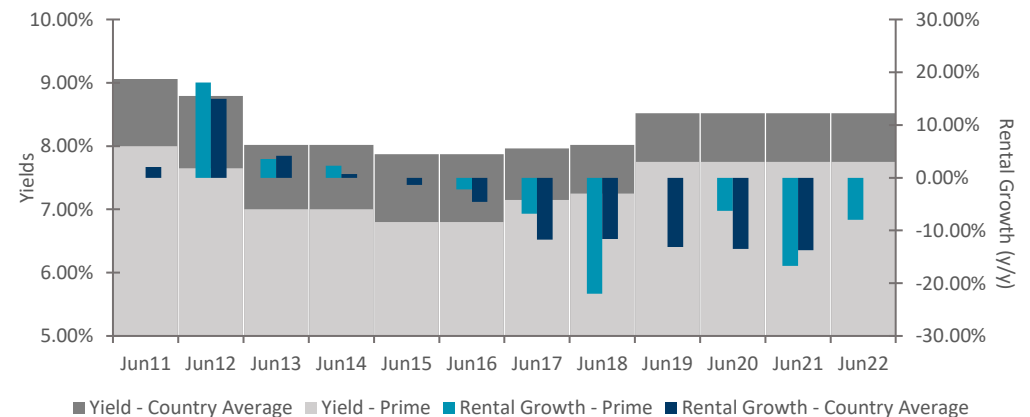
In the first half of the year, the Russia-Ukraine war, the ongoing pressure of the pandemic on the economy and the increasing inflation with disrupted supply chains were on the agenda all over the world and Turkey in particular. After the Russian invasion of Ukraine in February 2022, the 5th month of the occupation has passed as of June. In this process, many international companies chose to terminate or suspend their activities in Russia. Turkey, has become a priority destination preferred by many companies leaving Russia amid tensions, both due to the advantage of its geopolitical and political position.

In the first half of the year, prime rents increased in TRY and US\$ terms as a result of increasing inflation and the continued volatility in the exchange rate. In addition, the prime rent in the CBD region, which decreased last year along with the concern created by the floating exchange rate regime, increased with the relatively stable dollar rate this semester. As a result of all these, the process of re-pricing prime rents of the Istanbul sub-market continues.

Occupier focus

In the first half of 2022, the general supply in the Istanbul office market remained at 6,46 million sq. m. While total leasing transactions in the first quarter of the year reached 123,424 sq. m and 120,892 sq. m in the second quarter. Thus, the total leasing transactions in the first half of the year reached 244,316 sq. m. This is a two-fold increase compared to the same period of the previous year. Lease transactions agreed in the first half mainly comprised new lease agreements with a ratio of 83% and 85%, both in square meters and in numbers respectively. Lease renewals are on the decline compared to the previous year.

RECENT PERFORMANCE

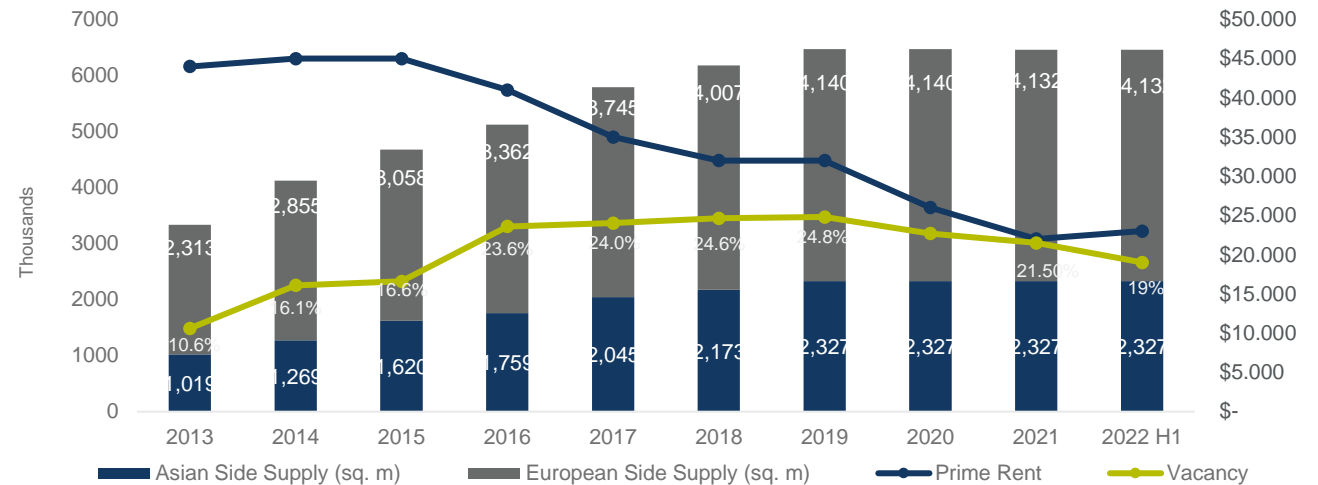


In the first half of the year, 30% of the deals on a square meter basis were realized in the CBD, a decrease compared to the same period of the previous year. 43% of the transactions outside the CBD took place on the Anatolian side and 27% on the European side, a significant increase was recorded compared to the same period of the previous year. Among the main new lease transactions; Mercedes Benz (13,857 sq. m, Vadistanbul), Yıldız Teknokent (11,000 sqm , Maslak 1453), Kolektif House (9,800 sq. m, Onur Ofis Park), Eroğlu Group Companies (7,500 sq. m, Skyland), Kolektif House (7,200 sq. m, A+Live), P&G (5,800 sq. m, Nidakule Ataşehir Kuzey) and Amazon (2,738 sq. m, River Plaza).

As a result, the vacancy rate decreased from 20.20% to 19% in the first half of 2022.

Investment Focus

In the first half of the year, there were no significant investment transactions were recorded. Investment transactions are expected to accelerate in the medium and long term.



Outlook

- During the Russia-Ukraine war, Turkey has entered the radar of many foreign companies with its position and the balance policy it has followed. 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.
- With the onset of 2022, the hybrid working model is still preferred, despite the pandemic gradually losing its effect. In this context, efforts to bring employees together in the right place by promoting productivity and emphasizing quality rather than quantity in office space, ensuring the development of innovation, socialization, cooperation and company culture, maintains the high demand for high quality and efficient office space.
- As a result of the increasing inflation, the pressure of the landlords on the tenants increased and there was a significant increase in the prime rents on a local currency basis in general in the CBD and other sub-markets. In addition, it was observed that rents, which remained low in dollar terms, increased in the office market in secondary locations.
- The Istanbul Financial Center Law, which regulates the management and operation of the Istanbul International Financial Center, the activities carried out there and the incentives, discounts, exceptions and exemptions for these activities, entered into force. It is foreseen that the project will be completed in 2022 and approximately 1.4 million sq. m of Office supply will enter the market. More than 50 percent of this supply will be occupied by public banks and financial institutions.

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