

TURKEY

Country Snapshots

Q2 | 2022

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Retail Q2 2022



MARKET INDICATORS

Prime Rents:	Prime rents are expected to remain stable in dollar terms, with increasing concerns about a global recession.	—
Prime Yields:	Yields expected to remain stable over the medium term.	—
Supply:	It is expected that projects under construction will be completed and the supply will increase in the medium and long term.	▲
Demand:	An increase is observed in retailer demand.	▲

Prime Retail Rents – June 2022

HIGH STREET SHOPS	TRY	US\$	€	US\$	GROWTH %	
	SQ.M/MTH	SQ.M/MTH	SQ.M/YR	SQ.FT/YR	1YR	5YR CAGR
Istanbul	1,410	90	1,083	100	0.00	-16.37
Izmir	705	45	542	50	0.00	-14.76
Ankara	860	55	661	61	-8.33	-16.44

Prime Retail Yields – June 2022

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	7.25	7.25	7.50	7.50	5.80
Izmir	8.25	8.25	8.50	10.25	7.50
Ankara	8.25	8.25	8.50	9.75	7.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
Turkey	8.50	8.00	8.00	8.50	7.00

Overview

In the first half of 2022, although the international supply chain crisis continued to put pressure on the sector due to increasing inflation, increasing costs and fluctuating exchange rates, the pessimistic atmosphere in the pandemic period dissipated and replaced by a positive environment, which increased customer demand, especially in physical retail.

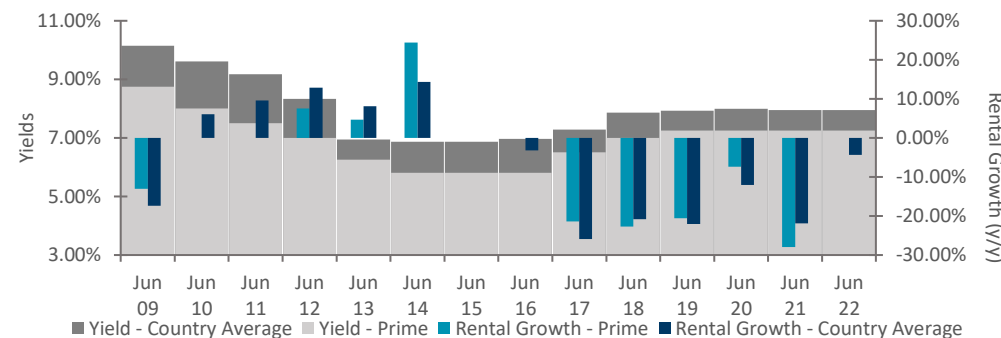
Considering the retail data of shopping malls provided by AYD/Akademetre; In May 2022, a significant increase of 358.3% was observed in the shopping center turnover index compared to the previous year. A significant increase was recorded in all categories compared to the previous year. Clothing and footwear categories increased by 393.9% and 443.0%, respectively, in square meter productivity indexes, and an increase of 12.3% and 13.8% was observed in these categories, respectively, compared to the previous month. On the other hand, while the highest increase was observed in the food and beverage category with a rate of 443.0%, it was observed that the category that increased with a lower acceleration compared to other categories was hypermarket with 173.9%. In addition to all these, an increase of 10.3% was achieved in the number of visitors in May 2022 compared to the previous month, while a significant increase of 258.3% was recorded when compared to the same month of the previous year.

On the other hand, calendar adjusted retail sales volume and turnover increased by 20.9% and 139.9%, respectively, in May compared to the same month of the previous year, according to Turkstat data. However, after the downward trend it has experienced since March 2021, the consumer confidence index finally saw the bottom level of 63.4% in June and rose to 68 in July with an increase of 7.4% compared to the previous month.

Occupier focus

In the first half of 2022, it was observed that new store openings gained momentum. In addition, with the Ukraine war that started in February, interest from Russian and Ukrainian brands and investors in Turkey has increased.

RECENT PERFORMANCE



In the first half of the year, activity increased in the retail area with the removal of all restrictions. Demand for both, shopping centers and high street stores increased significantly and new entries were recorded. Turkish fashion retailer Les Benjamins opened its flagship store on Bağdat Avenue. Beymen, another fashion retailer, opened a store at Galataport. TeknoSA, a Turkish electronics retailer, opened its first concept store at City's Nişantaşı and announced plans to transform 6 of its stores into new concepts by the end of the year. In addition, German electronics retailer MediaMarkt opened a new store at Kartal İstMarina AVM in Istanbul. Turkish furniture and homeware retailer Evidea has announced that it will continue its growth strategy in 2022. Turkey's largest grocery retailers, Migros and CarrefourSA continued their growth strategies in this quarter as well. While coffee chains continue their growth, Costa Coffee opened its first store in Turkey at Boyner Cadde, on Bağdat Avenue. Coffee chains Kahve Dünyası and Starbucks have announced that their expansion policies will continue for the upcoming periods. In addition, while restaurant chain Tavuk Dünyası continues its expansion in the food and beverage sector, Godiva has opened its new branch in Nişantaşı City's shopping center. In addition, New York-based chain Magnolia Bakery announced that it will open its first branch in Vadistanbul. Italian footwear and clothing brand Geox has announced that it will return to Turkey again in cooperation with Derimod.

In the first quarter of the year, while there was no shopping center opening; In the second quarter, a new supply entry of 60,250 sq. m to the market was realized with Isparta Meydan AVM. Thus, the total supply reached 13.8 million sq. m with 440 shopping malls. In addition, Metrocity AVM, located in Levent, announced its plan to turn into a Premium Outlet Center.

Investment Focus

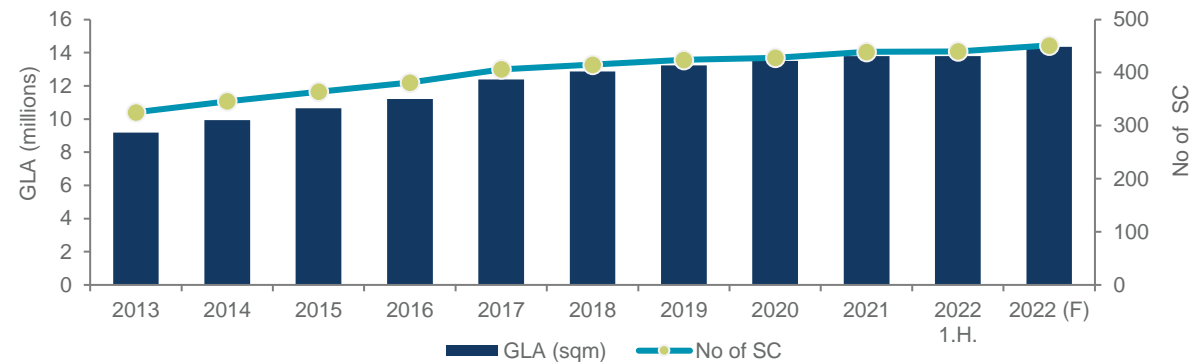
Retail investment activities, in the first half of the year, include the sale of French REIT Klepierre's Ada Outlet in Sakarya. On the other hand, the part sale of Kayaşehir Shopping Center located in the Nidapark Kayaşehir project to Isra Group Cons. Inc. for \$300 million has been recorded.

Investment activities are expected to gain momentum in the medium term.

Outlook

- After the sanctions against Russia, many foreign companies focused on Turkey for expansion. It was noteworthy that especially the US origin retail brands located in Russia announced their expansion plans in the Turkish market. In addition, many foreign companies leaving Russia have started to be replaced by Turkish retailers with their expansion. In the first half of the year, fashion retailer Marks & Spencer, announced that it was withdrawing from Russia and announced that it had handed over its Russian operation to Fiba Holding. Again, in the clothing category, Reebok announced that its Russian unit was acquired by Turkish footwear chain FLO. It is foreseen that expansion in the short and medium term will increase with the continuation of the war.
- Turkish retail brands, which come to the forefront with their competitive structure as a result of the supply chain problem and increasing production costs in global retail, continue their expansion strategies, especially in Europe. In the first half of the year, ready-to-wear brand DeFacto announced that it will invest in nearly 50 new stores in foreign markets. Restaurant chain Tavuk Dünyası has announced that it will enter Europe with the first branch in Spain.
- In the first half of the year, a significant increase was observed in the occupancy rates of shopping centers as a result of the improvement and acceleration in the sector. As the latest data of AYD shows, with the effect of shopping center turnovers, which increased 3.5 times compared to last year; The concept of "Turnover Rent", which has not been on the agenda for many years, has once again entered the agenda of retailers. Despite all this, the increase in input costs in parallel with the increase in turnover slows down the improvement in the sector.
- The food and beverage industry, which was one of the leading sectors before the pandemic, entered a period of stagnation during the pandemic period. After the pandemic, it quickly returned to its upward trend and increased more than 4 times compared to the same period of the previous year, especially considering the category-based turnover rates announced by AYD. It is predicted that the revenue increase in the Food & Beverage category will continue to grow in the upcoming period.
- While digitalization gained momentum in the retail market during the pandemic, retailers focused on the experience store concept by strengthening their technology infrastructure in their physical stores. With the revival observed after the pandemic, it is predicted that concepts that offer useful, unique and targeted experiences will maintain their popularity and become widespread.

Total Shopping Centre GLA and Numbers by Years



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