

TURKEY

Country Snapshots

Third Quarter | 2022

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Industrial & Logistics Q3 2022



MARKET INDICATORS

Prime Rents: There is an upward trend in rents in terms of TRY (₺) and US\$ in the short term.



Prime Yields: Yields are expected to remain stable in the short and medium term.



Supply: Despite the increase in construction costs, logistics facility development activities gained momentum. Supply is expected to increase in the short and medium term.



Demand: It is predicted that the increasing demand will continue this trend with the Russia-Ukraine war, the prominence of the concept of the near shore and the rise of e-commerce.



Prime Industrial Rents – September 2022

| LOGISTICS LOCATIONS | TRY | US\$ | € | US\$ | GROWTH % | |
|---------------------|--------------|--------------|-------------|--------------|----------|----------|
| | SQ. M MTH | SQ. M MTH | SQ. M YR | SQ. FT YR | 1YR | 5YR CAGR |
| Istanbul | 120 | 6.50 | 79 | 7.25 | 20.37 | 0.79 |
| Ankara | 65 | 3.50 | 43 | 3.90 | 20.27 | -1.37 |

Prime Industrial Yields – September 2022

| LOGISTICS LOCATION (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
|--|---------|-------|-------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Istanbul | 8.50 | 9.00 | 9.00 | 9.25 | 8.75 |
| Ankara | 9.50 | 10.25 | 10.25 | 10.25 | 9.50 |

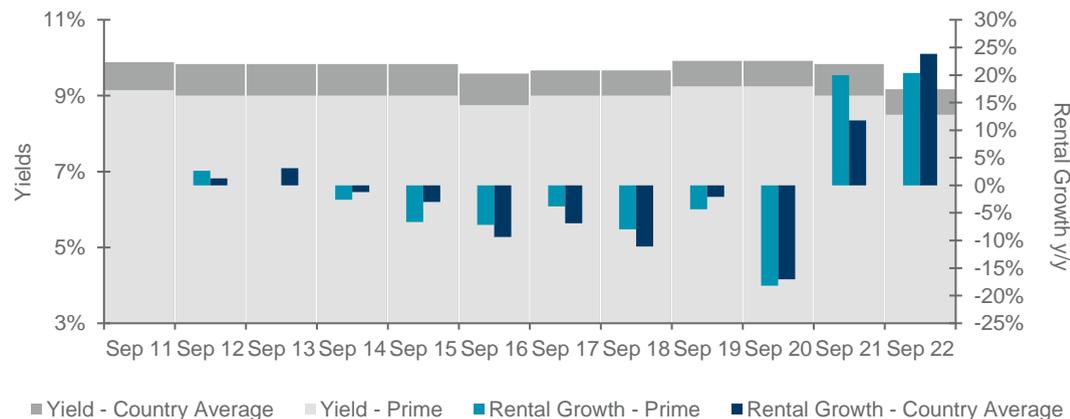
Overview

In the third quarter of 2022, the export trade volume stood at US\$165.7 billion in the January – August 2022 period, a significant increase of 18.3% over the same period of the previous year. Import trade volume was recorded as US\$240 billion in the same period, an increase of 40.7% compared to the previous year. However, in the January – August 2022 period, the foreign trade deficit increased by 160% to US\$11.1 billion. The PMI value of 47.4 measured in August decreased to 46.9 in September. Thus, the index, which remains below the threshold value of 50 for seven consecutive months, shows that the deterioration in the performance of the manufacturing sector continues.

Occupier Focus

In the first quarter of the year, warehouse transactions were recorded as 100,700 sq. m. Thus, the total transaction volume in the first three quarters of the year was recorded at 553,671 sq. m. Currently, the supply of qualified warehouses is limited, and the demand for warehouses with large indoor areas is high. Therefore, the limited supply, along with the increasing demand for qualified warehouses in the third quarter, caused a significant increase of 20.3% in prime rents compared to the previous year. In addition, inflation pressure and the increase in construction costs were another reason for the increase in rent rates. It is foreseen that this net increase will be maintained in the upcoming period with the expected continuity of demand for storage needs in the short and medium term.

RECENT PERFORMANCE



Key lease transactions in the third quarter along with most of 2022 occurred among occupiers from the automotive, 3PL and building materials industry categories. Major transactions in the third quarter include; Mercedes Benz (16,500 sq. m, Kocaeli/Gebze), Filli Boya (18,000 sq. m, Kocaeli/Çayirova), Artek Holding (22,000 sq. m, Kocaeli/Dilovası), DGC Logistic (2,035 sq. m, Kocaeli/Çayirova) and DGC Logistic (1,165 sq. m, Kocaeli/Çayirova).

Investment focus

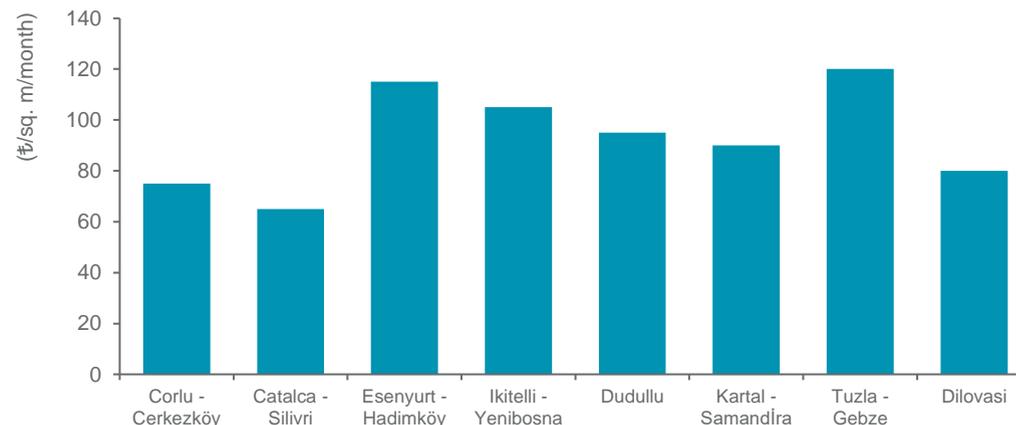
Transactions in 2022 consist of land acquisitions due to the increase in demand for warehouse areas and the limited supply of available warehouses.

The key investment transactions in Q3 include; the sale of the land to SASA Polyester in Adana, Yumurtalık for 2 billion TRY (4,058,685 sq. m) and the sale of the land to Koleksiyon Furniture for the purpose of increasing the capacity of the land for a price 5.3 million TRY in Tekirdağ, Süleymanpaşa (20,064 sq. m.) were recorded.

Outlook

- The demand for warehouses has gained momentum with the increase in the storage needs of the producers together with the rising inflation. In addition, the increasing construction costs and the gradual increase in prime rents push the users to complete the contract processes beforehand. Prime rents, which have been on the rise since 2021, increased by 20.4% in this quarter compared to the previous quarter and increased 3 times successively. In this context, it is predicted that prime rents will continue to increase in the short-medium term in the face of supply shortage and increasing demand.
- After the start of the Russia-Ukraine war, many manufacturers in this region took Turkey into their lens. Especially since the export volumes of these companies are high, their demand for logistics and industrial areas in free zones is higher than in other regions. For land logistics, the demand for industrial and logistics areas in regions that have the advantage of accessing Europe in terms of location has gained momentum and this mobility is expected to increase in the medium term.
- Turkey has become an opportunity for international investors with its geopolitical position, primarily due to the pandemic and then the disruptions in the supply chain due to the Ukraine-Russia war. In the third quarter of 2022, Chinese automotive manufacturer Chery announced that it has re-entered the Turkish market. In addition, Chery announced that it plans to establish a production facility in Turkey in the coming period. On the other hand, Amazon announced that it has launched its first logistics center in Turkey in Tuzla.
- Investments in industry and logistics are expected to continue to improve in the following periods of the year.

North Marmara Logistic Submarkets - Prime Rents



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