

TURKEY

Country Snapshots

Third Quarter | 2022

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY

Office Q3 2022



MARKET INDICATORS

Prime Rents: 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 maintains its continuity compared to the previous year. ▲

Overview

In the third quarter, Russia's invasion of Ukraine and the post-pandemic period continue to linger on the world economy. The increase in energy costs due to the interruption of gas flow from Russia to Europe; in addition to the broken supply chains and falling production volume has increased the concerns of inflation and recession. As of the third quarter, European countries started to announce economic measures to ease the energy crisis. In Turkey, the minimum wage was increased by 30% in July as part of the measures taken against inflation.

In this quarter, the prime rents increased in TL and US\$ terms as a result of the increase in inflation and the volatility of exchange rates. In addition, the vacancy rates in the central business district (CBD) region decreased significantly with the increase in demand for Class A offices after the pandemic. It was observed that this situation created upward pressure on prime rents in dollar terms.

Occupier focus

In the third quarter of the year, the general supply in the Istanbul office market remained at 6,46 million sq. m. While total leasing transactions in the third quarter of the year recorded as 106,118 sq. m. Thus, the total leasing transactions in the three quarter of the year reached 350,582 sq. m. This is a two-fold increase compared to the same period of the previous year. Lease transactions agreed in the third quarter mainly comprised new lease agreements with a ratio of 95% and 92%, both in square meters and in numbers respectively.

Prime Office Rents – September 2022

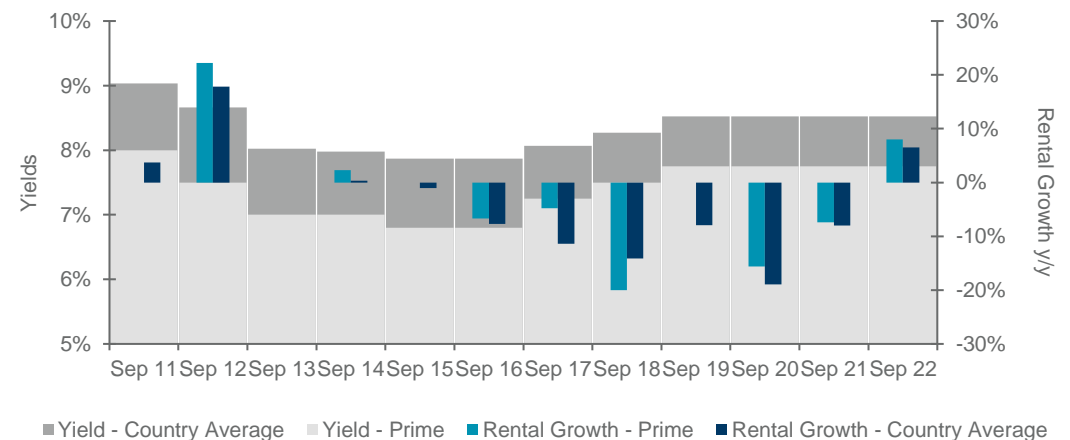
LOCATION	TRY	US\$	€	US\$	GROWTH %	
	SQ.M/MTH	SQ. M/MTH	SQ. M/YR	SQ. FT/YR	1YR	5YR CAGR
Istanbul (Levent)	495	27	328	30.1	8.0	-7.6
Istanbul (Esentepe-Gayrettepe)	275	15	182	16.7	7.1	-9.7
Istanbul (Maslak)	275	15	182	16.7	0.0	-11.7
Istanbul (Asian side)	290	16	192	17.8	-5.9	8.5
Izmir	240	13	159	14.5	30.0	-1.5
Ankara	185	10	122	11.1	11.1	-7.8

Prime Office Yields – September 2022

LOCATION (FIGURES ARE GROSS. %)	CURRENT	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
*Calculated using September 2022 exchange rate averages (Source: CBRT)

RECENT PERFORMANCE

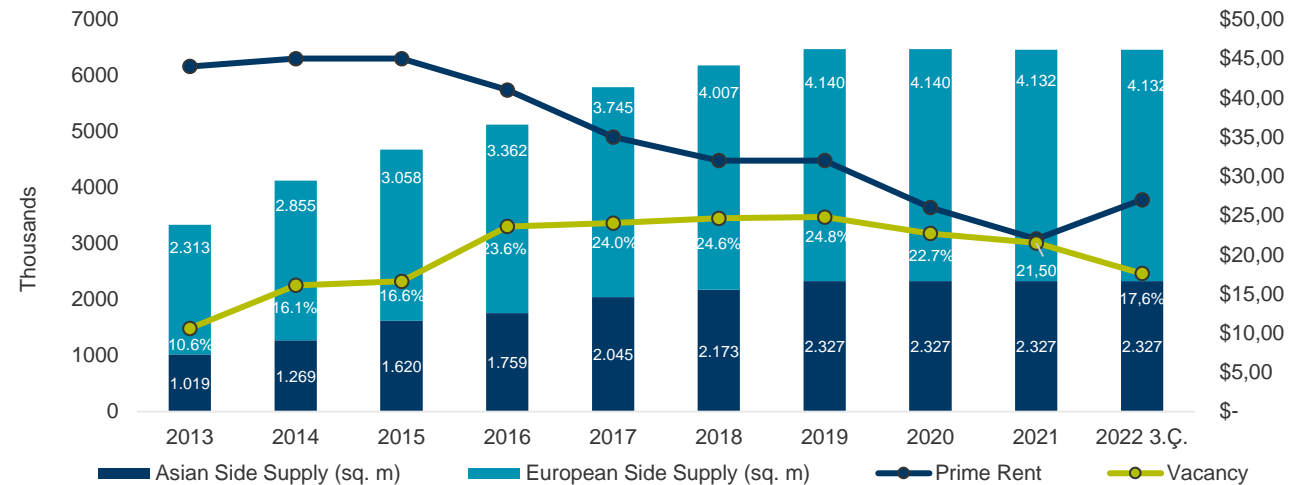


In the third quarter, the deals of 37% on a square meter basis were realized in the CBD and an increase was recorded compared to the same period of the previous year. On the other hand, the deals of 10% out of CBD took place on the Anatolian side and 52% on the European side, a significant increase was recorded in the European region out of CBD compared to the same period of the previous year. Among the main new lease transactions; Galata Üniversitesi (7,650 sq. m, DLP 1), PWC (5,736 sqm, Premier Campus), Arkas Holding (5,914 sq. m, Tekfen Tower), Analog Devices (5,877 sq. m, Bilisim Vadisi / Vadistanbul), MSD (3,936 sq. m, Levent 199), Artin (3,040 sq. m, Noramin Business Center), PSA (3,000 sq. m, Basari Plaza) and Papara (2,500 sq. m, Maslak Link Plaza).

As a result, the vacancy rate decreased from 19% to 17.6% in the third quarter of 2022.

Investment Focus

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



Outlook

- After the pandemic, the vacancy rates in the CBD region decreased significantly with the increasing demand for qualified Class A offices. Especially in the Levent region, the vacancy rate for buildings with a single ownership structure was around 20% last year but in this quarter decreased to 13.4%. On the other hand, buildings undergoing functional changes such as Şeker Kule deepen the supply shortage in the market. In this case, as a result of the decrease in vacancy rates and the limited supply, prime rents in US\$ terms increased by 8% compared to the previous year. It is foreseen that the rising demand and the decrease in the vacancy rates will continue in the upcoming period and the upward movement in prime rents will maintain its continuity.
- The demand for ready-made and second-hand decorated offices has increased with the increase in construction costs, the initial investment costs of the companies increased. It is seen that the stocks of serviced offices, which were also in demand during the pandemic period, decreased and this situation created an upward pressure on rents.
- The popularity of Technoparks is increasing day by day, where companies for new and high technologies have the opportunity to develop their business by taking advantage of the opportunities of a certain university, high technology institute or R&D center, as well as benefiting from certain incentive programs. The offices in this area, which has a limited supply, accelerate new investments along with the increasing demand.
- Despite the pandemic, which gradually lost its effect in 2022, the hybrid working model continues to be preferred. 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.
- 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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