

TURKEY

Country Snapshots

Third Quarter | 2022

Office
Retail
Industrial & Logistics



MARKETBEAT TURKEY



Retail Q3 2022

MARKET INDICATORS

Prime Rents: With high demand and limited supply, prime rents are expected to increase.



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 – September 2022

HIGH STREET SHOPS	TRY	US\$	€	US\$	GROWTH %	
	SQ.M/MTH	SQ.M/MTH	SQ.M/YR	SQ.FT/YR	1YR	5YR CAGR
Istanbul	1.830	100	1.211	111	11.11	-13.79
Izmir	915	50	606	56	11.11	-12.94
Ankara	1.100	60	728	67	0.00	-13.65

Prime Retail Yields – September 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 third quarter of 2022, the increase in demand in the retail market draws attention. Another reason for the increasing demand is that the number of foreign visitors after the pandemic almost caught up with the pre-pandemic period. Although increasing costs due to inflation and fluctuating exchange rates continued to affect the sector, significant occupancy rates were observed both in shopping malls and on main streets. There is an increase in rents in both USD and TL terms with this increase in demand in the retail market and limited supply.

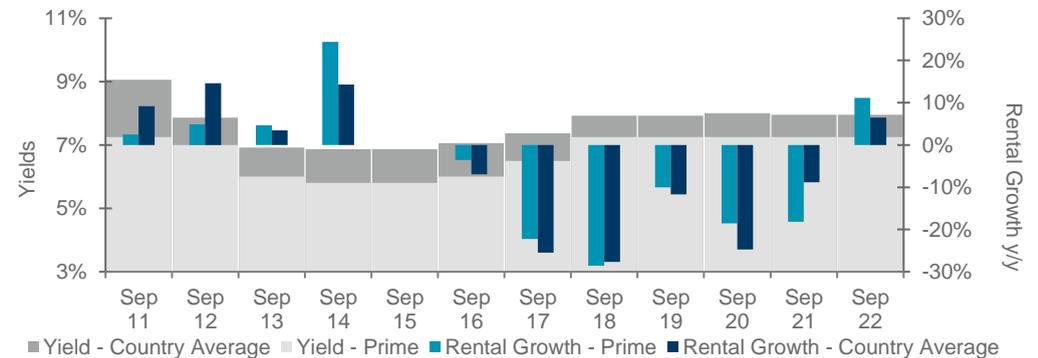
In August 2022, an increase of 133.4% was observed in the shopping center turnover index compared to the previous year considering the retail data of shopping malls provided by AYD/Akademetre. All category sales rose y/y in August 2022. Apparel and shoes recorded increases by 134.3% and 169.1% y/y respectively. Thus, it was observed that the highest increase was in the footwear category while the other category (construction, market, furniture, home textiles, etc.) increased at a lower rate of 119.7%. In addition to all these, in the number of visitors recorded an increase of 14.8% y/y while there was a 2.2% decrease m/m in August 2022.

Moreover, according to the Turkish Statistical Institute, retail sales volumes and turnover increased by 9% and 128.8%, respectively in August 2022 on an annual basis. On the other hand, the consumer confidence index increased by 6.1% in December compared to the previous month and reached 72.2% from 68%.

Occupier focus

In the third quarter of 2022, it was observed that investors continued their growth strategies despite the difficulties in finding empty stores. In addition, it is noteworthy that many Turkish brands that cannot fit into the Turkish market have started to develop growth strategies abroad.

RECENT PERFORMANCE



In the third quarter of the year, the demand continues to increase with the effect of the pre-pandemic period in the number of foreign visitors. From the apparel category, Lumberjack announced that it opened its first Monobrand store in Maltepe Piazza Shopping Center. Nivogo opened Turkey's first circular store in Akasya Shopping Center. Penti, from the underwear category, opened its first flagship store in Nişantaşı. Underwear brands such as Dagi and Suwen also announced their new store openings in this quarter. DeFacto opened the first Kids store for children at Emaar Shopping Center. From the footwear category, FLO has announced its expansion strategies and the INStreet brand has opened a new store in İstinye Park AVM. On the other hand, Boyner opened its new store in Pangaltı. Thus, the opening of the first branch on the European side and the second branch in Turkey of the British coffee chain Costa Coffee, which came to the country with Boyner, took place. The local coffee brand Espressolab has announced that it has opened Europe's largest coffee experience center under the name Espressolab Roastery in Merter. Gloria Jeans, Kahve Dünyası and other coffee chain brands such as Starbucks have announced that they will continue their expansion policies in the coming period. New York-based chain Magnolia Bakery opened its first branch in Vadistanbul Shopping Center.

In the third quarter of the year, there was no new shopping mall entry and the total supply remained stable at 13.8 million sq. m.

Investment Focus

In retail investment activities, no large-scale investment transactions were realized in the third quarter of the year. Investment activities are expected to gain momentum in the medium term.



Outlook

- Turkish retail brands, which stand out with their competitive structure as a result of the supply chain problem and increasing production costs in global retail, continue their overseas expansion strategies. In the third quarter of the year, Doğtaş announced that it opened its fourth store in France in Paris; Tavuk Dünyası continued its growth in foreign markets with the 'Gagawa' brand and announced that it opened its first restaurant in Europe in Madrid, Spain. On the other hand, Colin's announced that it has increased the number of countries in which it operates to 39 with the opening of four new stores in Egypt. In addition, Bisse opened its new branch in Baku while DeFacto continues its expansion strategy in Egypt, Belarus and Kazakhstan. In the upcoming period, Turkish retail brands are expected to accelerate their investments abroad.
- In the third quarter of 2022, Hepsiburada announced that it opened its first physical smart store in Trump SC; LC Waikiki has announced that it has opened its first clothing store in Metaverse in Turkey. Thus, the two-way transformation in the retail sector, which has been shaped by the changing world after the pandemic, draws attention. While traditional retail brands show themselves in digital environments such as e-commerce and metaverse; It is seen that brands born and growing in digital have started to take their place in physical spaces with innovative designs. It is predicted that this two-way transformation will continue in the coming days.
- In the third quarter, the Ministry of Commerce announced the regulation in which the revenues from the common areas and the scope of the expenses related to these areas were determined in order to ensure the unity of practice between shopping centers. With the new regulation, reports on the preparation of common expenses have become clearer and it has become mandatory to periodically share them with the tenants.
- As a result of the improvement and acceleration experienced in the sector in the first half of the year, a significant increase was observed in the occupancy rates of shopping centers. As the latest data of AYD shows, with the effect of shopping mall turnovers increasing 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.

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