



CUSHMAN &  
WAKEFIELD

TR  
INTERNATIONAL

# TURKEY

## Country Snapshots

First Quarter | 2023

- Office
- Retail
- Industrial & Logistics



### MARKET INDICATORS

**Prime Rents:** Expected to further increase in the short to medium term in both US\$ and ₺ terms. ▲

**Prime Yields:** Expected to remain stable in the short term. ▬

**Supply:** Although planned new office supply is limited, the Istanbul International Finance Center project will provide the most new supply. ▲

**Demand:** Demand continues to increase. ▲

#### Prime Office Rents – March 2023

LOCATION	TRY	US\$	€	US\$	GROWTH %	
	SQ. M/MTH	SQ. M/MTH	SQ. M/YR	SQ. FT/YR	1YR	5YR CAGR
İstanbul (Levent-Etiler)	700	37	415	41.2	60.9	2.9
İstanbul (Esentepe-Gayrettepe-Z. Kuyu)	470	25	279	27.9	108.3	2.6
İstanbul (Maslak)	415	22	246	24.5	46.7	-2.5
İstanbul (Anadolu Yakası)	340	18	202	20.1	12.5	-6.4
İzmir	245	13	145	14.5	0.0	-1.5
Ankara	207	11	125	12.3	10.0	-6.0

#### Prime Office Yields – March 2023

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
İstanbul (Levent-Etiler)	7.75	7.75	7.75	7.75	6.80
İstanbul (Esentepe-Gayrettepe-Z. Kuyu)	8.25	8.25	8.25	8.25	7.25
İstanbul (Maslak)	8.00	8.00	8.00	8.00	7.25
İstanbul (Anadolu Yakası)	7.75	7.75	7.75	8.75	7.25
İzmir	9.50	9.50	9.50	9.65	9.25
Ankara	9.25	9.25	9.25	9.50	9.00

The indicated office prime yields do not apply to fragmented ownership.

### Overview

Office prime rents remain at the top with a five-year high in US\$.

The earthquake tragedy that occurred on February 6, 2023, had an impact on the eastern provinces of Turkey as well as other neighboring provinces and nations, and it resulted in fatalities. As a result of this earthquake, numerous debates about Turkey's earthquake-prone building supply have surfaced. Thus, ground survey reports, especially earthquake resistance reports, have started to be demanded primarily by users and investors in commercial real estate. In addition, before the election on May 14th, new leasing transactions and contract renewals also gained momentum.

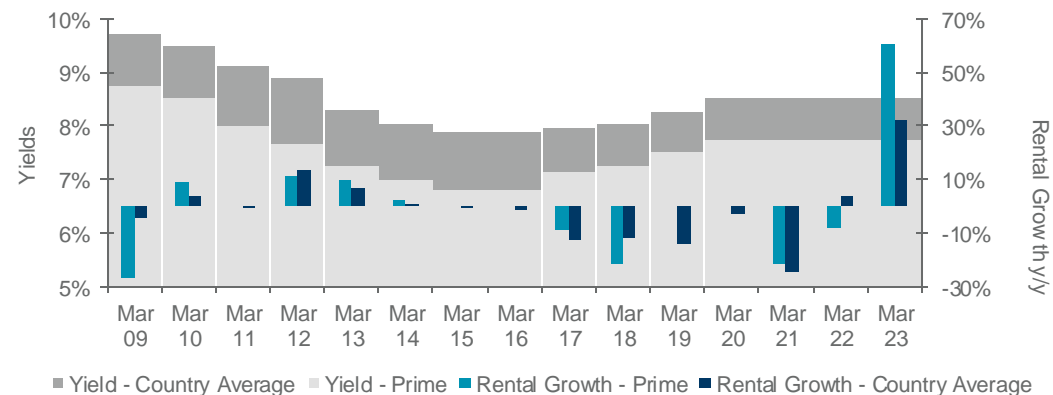
The rise in prime rents in TRY and US\$ terms persisted in the first quarter of the year as a result of rising inflation and continuous currency rate volatility. In addition, the number of transactions decreased due to the recession and the troubled economic situation in the whole world after the pandemic, as well as the uncertainty before the general election to be held in the country. Despite all this, low vacancy rates continue to be recorded with the increase in demand for Class A offices and the increase in demand for the central business district (CBD) region, where accessibility is high.

### Occupier Focus

High demand for Class A offices

The general supply in the Istanbul office market was still 6.46 million sq. m. A total of 29,482 square meters of transactions were carried out in the first quarter and a 76% drop was observed as compared to the same time last year.

### RECENT PERFORMANCE



On the other hand, the leasing agreements realized in the first quarter consisted of new leasing agreements at a rate of 85% on a square meter basis and 82% on a unit basis. Compared to the previous year, there has been an increase in square meter rental rates. While expansion transactions took place in the same period of the previous year, they were not recorded in this quarter. In the first quarter, 38% of the deals on a square meter basis were realized in the CBD, an increase was recorded compared to the same period of the previous year. While 32% of the transactions took place on the Anatolian side and decreased compared to last year, the European side remained the same at 30%, except for the CBD. Among the main new lease transactions; Amadeus (3.800 sq. m, Torun Center), Cloud Spaces (2.580 sq. m, Galataport), Karub Energy (1.380 sq. m, Galataport), Swatch (1.369 sq. m, River Plaza), Iyzico (1.329 sq. m, İnci Office), Valeo (1,060 sq. m, ETS Plaza), E-Office (1,060 sq. m, ETS Plaza) and Regus (1,016 sq. m, Trump Towers).

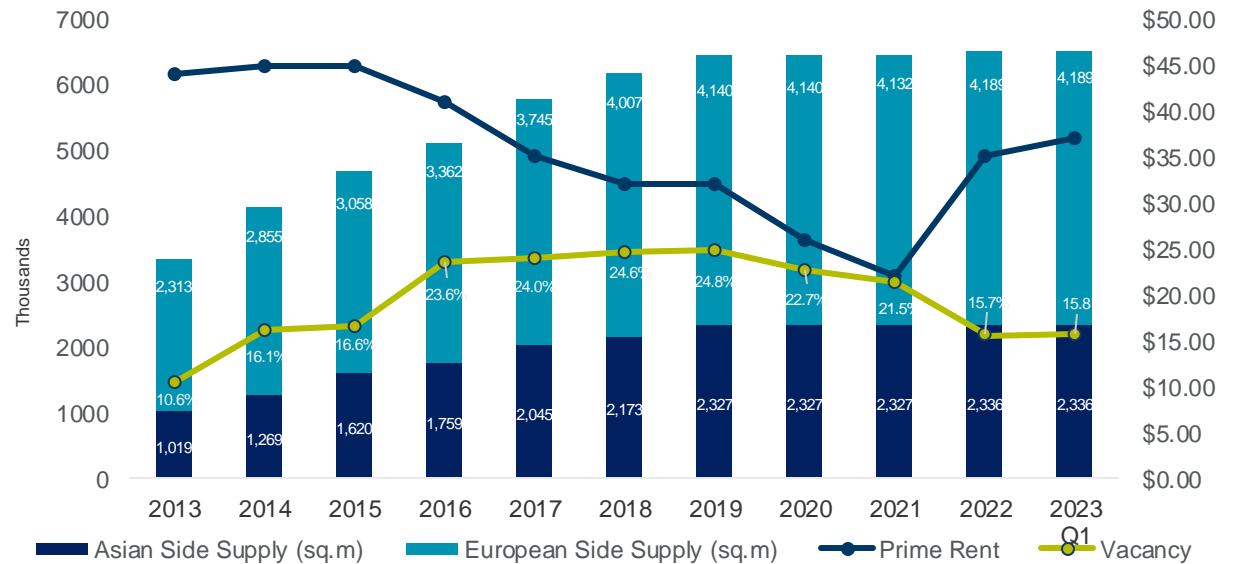
### Vacancy rates remain the same as in 2014

Additionally, the vacancy rates were practically unchanged from the previous quarter recorded as 15.8 percent and hovered around 2014.

### Investment Focus

There were no significant office investment transactions completed in the first quarter of 2022.

Investment transactions are anticipated to pick up speed in the medium and long term.



### Outlook

- The banking stage of the globally significant Istanbul International Finance Center opened on April 17. As a result, the appropriate Vakfbank, Ziraat Bank, and Halk Bank entities became operative. It is anticipated that the other phases will be completed within this year and approximately 1.4 million sq. m of office supply entering the market. Public banks and financial institutions will occupy more than half of this supply.
- The increase in the initial investment costs of companies with the increase in construction costs has increased the demand for ready-made and second-hand decorated offices. It is seen that serviced office vacancy rates, which are also in demand during the pandemic period, have decreased and this situation creates an upward pressure on rents.
- While the demand for grade A offices increased following the pandemic, the vacancy rates in the CBD area considerably reduced. Especially in the Levent region, the vacancy rate for single-ownership buildings is around 20% in 2021, while it is recorded as 10.25% in 2022 and in the first quarter of 2023. On the other hand, buildings undergoing functional changes, such as Şeker Kule, deepen the supply shortage in the market. In this instance, prime rents in US\$ terms climbed by 61% in this quarter compared to last year, owing to lower vacancy rates and supply limitations. 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.
- Following the popularity of the hybrid working model last year, there is a rise in office returns this year. 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, collaboration, and company culture, and maintaining the high demand for high-quality and efficient office space are all part of this context. Furthermore, many businesses are adapting their existing offices to this system by making necessary renovations and optimizing areas to increase collaboration space.

### MARKET INDICATORS

**Prime Rents:** Prime rents continue to increase in both ₺ and US\$ terms with high demand and limited supply. ▲

**Prime Yields:** Expected to remain stable in the short term. ▬

**Supply:** Although supply is modest, it is likely to increase in the medium-long term as projects under construction are completed. ▲

**Demand:** Retailer demand continues to rise. ▲

#### Prime Retail Rents – March 2023

HIGH STREET STORES	TRY	US\$	€	US\$	GROWTH %	
	SQ.M/MTH	SQ.M/MTH	SQ.M/YR	SQ.FT/YR	1YR	5YR CAGR
Istanbul	2,830	150	1,677	167	66.67	-3.58
Izmir	1,320	70	782	78	55.56	-4.90
Ankara	1,415	75	839	84	36.36	-7.37

#### Prime Retail Yields – March 2023

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

### Overview

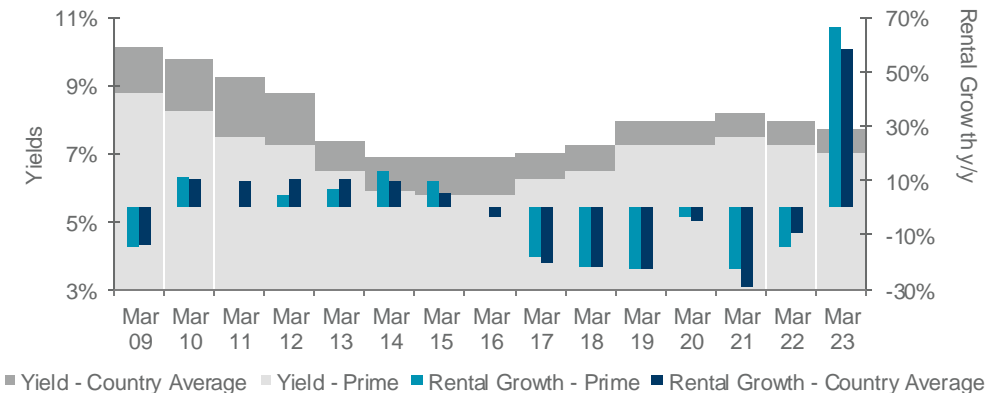
#### Istanbul's main street rents have returned to 2018 levels

Physical retail is in high demand in the first quarter of the year. Rents in the retail market continue to rise in both ₺ and US\$, despite a limited supply and high occupancy rates in both shopping centers and main streets. The prime rent level on Istanbul's main streets grew by 67% in dollar terms in this quarter compared to the same period last year. Likewise, considerable rent rises have been observed in shopping centers that perform well.

#### The growth in visitor numbers and turnover that began last year has continued into the first quarter

According to the retail data of shopping centers provided by AYD/Akademetre; In February 2023, an increase was observed in the shopping center turnover index by 111.4% compared to the previous year, above the February inflation rate of 55.18%. In the square meter productivity index on the basis of categories, a significant increase was recorded in all categories compared to the previous year. In particular, the hypermarket category ranked first with an increase of 137.1%. Afterwards, the shoe category followed the hypermarket category with an increase of 129.1% and the food and beverage category with an increase of 117.6%. In February 2023, there was an increase of 14.4% in the number of visitors index compared to the previous year. According to Turkstat data, calendar adjusted retail sales volume and turnover climbed by 21.5% and 93.4%, respectively, in February compared to the same month the previous year. The highest increase in sales volume by sectors was recorded in computers, books and communication devices with a rate of 45.8%. Again, food, beverage, and tobacco placed first with a 113.1% increase in retail turnover, while it was the only sector with a 2.1% increase in monthly change. In contrast, the consumer confidence index fell by 2.9% compared to the previous month with 80.1 in March.

### RECENT PERFORMANCE



### Occupier Focus

In the first quarter of 2023, demand remained high, with high occupancy rates in both streets and shopping centers. As a result of this predicament, brands are having trouble finding empty storefronts. Despite limited availability, brands continue to declare their expansion plans. Furthermore, as a result of the earthquakes, it has been observed that particularly for major companies, a building's earthquake resistance report is required in their existing stores or when renting a new store to be built. The impacts of the decrease in store vacancy and the increase in demand remain consistent.

In the food and beverage sector; Kahve Dünyası accelerated its store openings this quarter; While opening the Manisa Forum Magnesia AVM store, İzmir Kibrıs Şehitleri Caddesi and Çanakkale Kordon take away stores were opened with an increasing momentum in the number of take-away stores. In the clothing category, Brook Brothers announced the opening of its first flagship store in Turkey in City's Nişantaşı. As Vakko launched a new location in İzmir Westpark AVM, Vakkorama opened a new location in Bodrum Yalkavak Marina. While opening its new store in Instreet Izmit Arastapark from the same sector; Superstep opened its new store in Ankara Kentpark AVM. With its renewed concept store, Clock & Clock from the accessories category, İstinyePark, Antalya Özdilek and Tekira AVM stores were opened. In the construction market category, Koçtaş İzmir opened its Çeşme store and Mr. DIY reached 49 stores across the country with its second store in Ankara. Decathlon, which is in the sports products category, opened its 43rd store in Cevahir AVM.

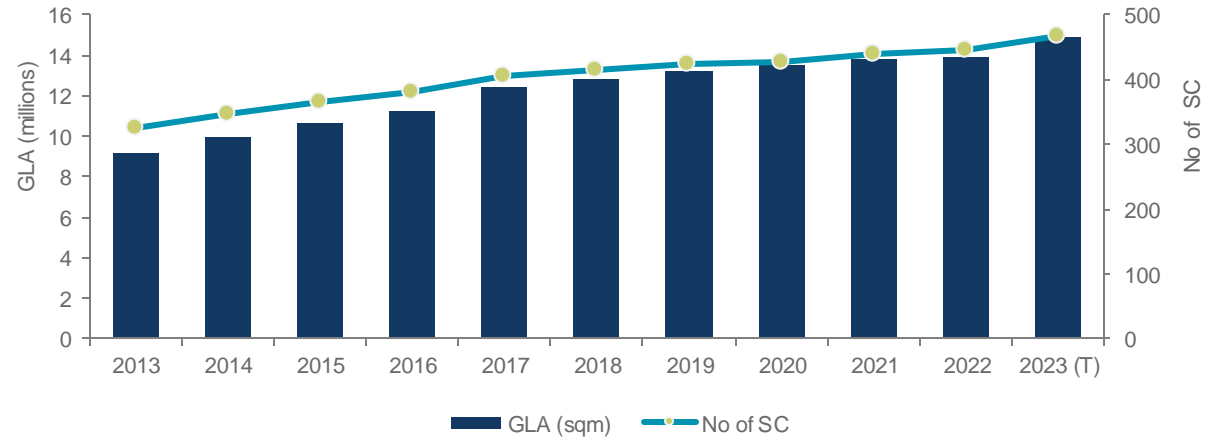
In the first quarter of the year, no new shopping centers were opened, and total supply remained unchanged at 13.9 million square meters, with 444 shopping centers.

### Investment Focus

In the first quarter of 2023, no large-scale investment transactions took place in investment activities. As a takeover, Denizbank, a subsidiary of ENBD, took over Demirören SC (19.000 sq. m) in Taksim and changed its name to İstiklal SC.

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

Total Shopping Centre GLA and Numbers by Years



### Outlook

- The retail industry is being remade after dealing with the pandemic for the past three years and being totally free of its effects for the first time in 2023. As digitalization accelerated, merchants increased their technology infrastructure in their physical stores, bringing the concept of the experience store to the forefront. With the post-pandemic renaissance, concepts that provide valuable, unique, and focused experiences are predicted to sustain their popularity and spread.
- Turkish retail brands, which stand out with their competitive structure as a result of the global retail supply chain crisis and rising manufacturing costs, continue their foreign development initiatives in this quarter as well. Again in the same sector, Özüt opened its 7th branch in Khirdalan after Atatürk Park, Youth Mall, Elimler, Winter Park, Targovy, Sumgayit in its 9th year in Azerbaijan, which is one of its overseas stores. Greyder, Loft, Panço, Nocturne, Tudors, Kişılı and Altınyıldız Classcis, which are among the domestic brands that continue to open new stores abroad, have opened new stores with expansion in various countries. It is expected that Turkish retail brands will accelerate their foreign investments in the upcoming period.
- The increase in shopping mall occupancy rates and turnover is notable as a result of the sector's improvement and acceleration, which began last year and has continued this year. The concept of 'Turnover Rent' has been on shopping mall management's radar since last year. In this connection, it has been noted that shopping mall executives favour high-performing brands.
- It is expected that the increasing interest of opportunistic investors in the retail market in real estate for sale will continue to be active in the coming periods, including the shopping centers in secondary cities.

### MARKET INDICATORS

**Prime Rents:** The rate of increase in ₺ and US\$ continues even though it loses momentum.



**Prime Yields:** Expected to remain stable in the short term.



**Supply:** With the acceleration in both new OIZs and logistics facility development activities, the supply is expected to increase in the medium term.



**Demand:** This tendency is expected to continue due to rising demand. Furthermore, following the earthquake, there was a rise in demand for highly qualified buildings.



### Prime Industrial Rents – March 2023

LOGISTICS LOCATIONS	TRY	US\$	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Istanbul	150	8.00	89	8.92	45.45	5.92
Ankara	105	5.50	62	6.13	83.33	9.46

### Prime Industrial Yields – March 2023

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

### Overview

Following the earthquake, industrial production is showing indications of revival

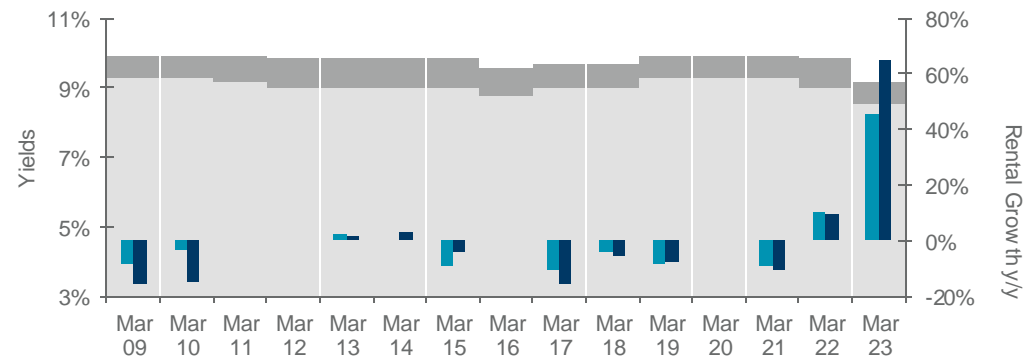
In the January – March 2023 period, the export trade volume increased by 2.5% compared to the same period of the previous year and was realized as US\$61.6 billion. Import trade volume was recorded as US\$ 96.3 billion in the same period, up 11.1% compared to the previous year. However, in the January – March 2023 period, the foreign trade deficit increased by 30.7% to US\$26.6 billion. While the PMI value decreased after the earthquakes in February 2023, it increased from 50.1 to 50.9 in March and started to give signals of recovery. This was the highest rate since December 2021. In addition, it is observed that the PMI, which remained below the threshold value of 50 last year due to the strengthening in operating conditions, recovered this year and hovered above 50.

### Occupier Focus

Due to the continued high demand and limited supply, square meter rents in dollars increased by 45.5% over the previous year

Rental activity is starting slowly this year as a result of the forthcoming general election. In the first quarter of the year, warehouse space rental activities in and around Istanbul were realized as approximately 4,000 sq. m. The availability of appropriate warehouses is currently restricted, and the demand for warehouses with vast indoor areas remains high. As a result, the increase in prime rents continued and increased by 45.5% compared to the previous year. With the continued demand for warehouse needs, it is expected that this net rise will continue in the short and medium term.

### RECENT PERFORMANCE



■ Yield - Country Average ■ Yield - Prime ■ Rental Growth - Prime ■ Rental Growth - Country Average

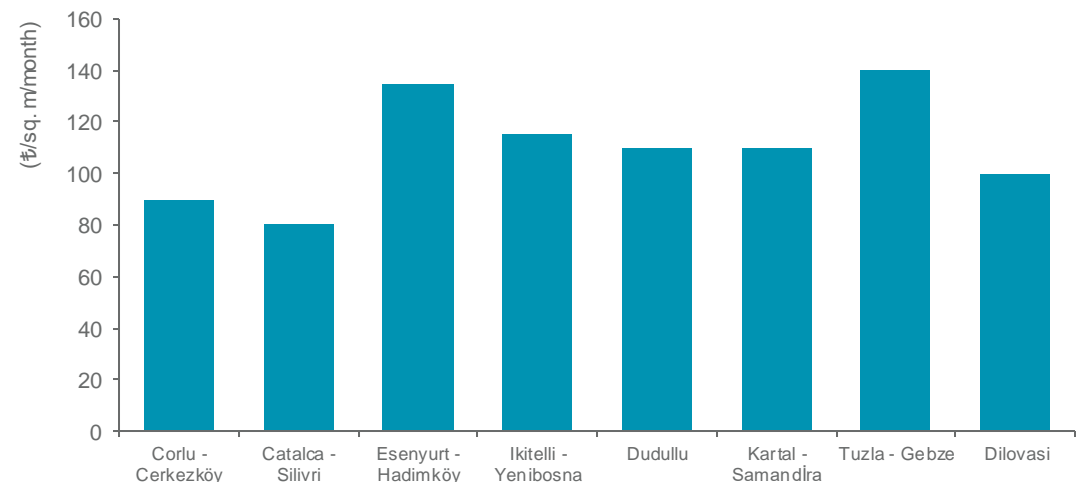
In the first quarter of the year, significant leasing transactions were made up of companies in the defense industry and manufacturing sectors. Among the recorded major leasing transactions are; Repkon Machinery Factory (3.000 sq. m, İstanbul/ Ümraniye) and KVG Project Factory (1.000 sq. m, İstanbul/ Büyükçekmece).

### Investment focus

Industrial and logistics investment transactions slowed in the first quarter of 2023. The majority of the transactions include the purchase of a factory and property.

Among the largest investment transactions in the first quarter; The sale of the factory (12,215 sq. m) located in Tuzla, İstanbul to Eko Group is the transaction.

### North Marmara Logistic Submarkets - Prime Rents



### Outlook

- The earthquake disaster caused destruction and deterioration in industrial facilities, causing disruption of production. Furthermore, the massive loss of workers has significantly reduced production in the region. After the earthquake, many people migrated from the earthquake area to other regions; has decided to move the production facilities of many companies to other regions of Turkey, especially Central Anatolia.
- To fulfill the high demand and limited availability of qualified warehouses, tenants collaborate with project developers to employ the build to suit concept. Furthermore, high demand and rising rental rates motivate investors to undertake development activities in new places. During this time, new small and large-scale OIZs get notice. Located in İkitelli, one of these, the first phase of TRIOS 2023 has been completed and has reached a 100% occupancy rate. In Bursa TEKNOSAB, another new OIZ, the first factory was opened and started operating in January. In addition, the Ministry of Transport and Infrastructure announced that two new logistics centers will be established in Gaziantep and Kocaeli. In the upcoming period, investors are expected to maintain this trend in line with the increasing demand.
- In Turkey, the automotive industry has recently seen a surge in electrification. Many overseas electric vehicle manufacturers turned their attention to Turkey after the announcement of the expansion of the tax base subject to the special consumption tax (SCT) reduction for electric vehicles. BYD (Build Your Dreams), a major Chinese automaker, has declared its intention to join the Turkish market. It has been announced that the new Toyota C-HR, Turkey's first rechargeable hybrid car, will be produced in Sakarya for the first time in the world by Toyota Automobile Industry Turkey. On the other hand, Tesla received a charging network operator license while saying that it was reviewing its investment decision in Turkey. Trugo, a 100% subsidiary company of TOGG, announced that it has completed the installation of new charging stations in Bursa, İstanbul, Samsun, Sakarya, Düzce, Ankara, Kocaeli, Van and Denizli after Bolu. In the upcoming days, it is anticipated that Turkey's transition process would continue.
- The increase in producer storage needs, combined with rising inflation, has fueled demand for logistical facilities. Furthermore, users have hastened contract processes because to rising building costs, incremental increases in prime rents, and the forthcoming election. Prime rent, which has been rising since 2021, climbed by 45.5% in dollar terms in this quarter compared to the same period last year. In this context, it is anticipated that the rise in prime rents would continue in the short-to-medium term due to a supply deficit and rising demand.



CUSHMAN &  
WAKEFIELD

TR  
INTERNATIONAL

### **Gizem Naz İnci**

Senior Consultant, Research  
Buyukdere Cd. 13, River Plaza, 15, Levent  
34394 Istanbul/Turkey  
Phone: +90 212 334 78 00  
[gizem.inci@cushwake.com](mailto:gizem.inci@cushwake.com)

### **Görkem İlgüz**

Analyst, Research  
Buyukdere Cd. 13, River Plaza, 15, Levent  
34394 Istanbul/Turkey  
Phone: +90 212 334 78 00  
[gorkem.ilguz@cushwake.com](mailto:gorkem.ilguz@cushwake.com)

### **Tuğra Gönden**

Chairman  
Buyukdere Cd. 13, River Plaza, 15, Levent  
34394 Istanbul/Turkey  
Phone: +90 212 334 78 00  
[tugra.gonden@eur.cushwake.com](mailto:tugra.gonden@eur.cushwake.com)

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2023 Cushman & Wakefield LLP. All rights reserved..

### **About Cushman & Wakefield**

Cushman & Wakefield is a leading global real estate services firm that delivers exceptional value for real estate users and owners. Cushman & Wakefield is among the largest real estate services firms with more than 400 offices and approximately 52,000 employees in 60 countries. In 2022, the firm generated \$10.1 billion in revenue across property, facility and project management, leasing, capital markets, valuation and other services. For more information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CW\_TRInt on Twitter.

### **Our Research Services**

Cushman & Wakefield (C&W) is known the world over as an industry knowledge leader. Through the delivery of timely, accurate, high-quality research reports on the leading trends, markets around the world and business issues of the day, we aim to assist our clients in making property decisions that meet their objectives and enhance their competitive position. In addition to producing regular reports such as global rankings and local quarterly updates available on a regular basis, C&W also provides customized studies to meet specific information needs of owners, occupiers and investors.

### **Accessing Cushman & Wakefield Research**

To see all our publications, please visit:

<http://www.cushmanwakefield.com>

<http://www.cushbakisi.com/>