

TURKEY

Office Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are expected to bottom out in the short term.	▲
Prime Yields:	Expected to increase in mid-term.	▼
Supply:	Increasing in line with the existing pipeline albeit at a slower pace.	▼
Demand:	Expected to increase in line with supply.	▼

Prime Office Rents – March 2019

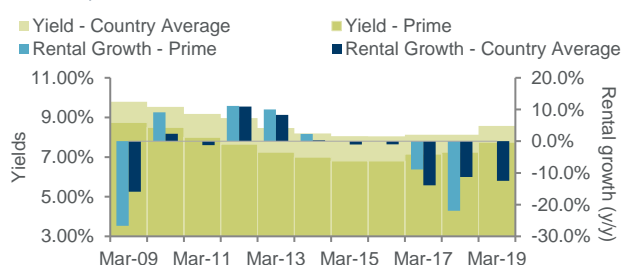
LOCATION	TRY	US\$	€	US\$	GROWTH %	
	SQ.M	SQ. M	SQ. M	SQ.FT	1YR	5YR
	MTH	MTH	YR	YR	CAGR	
Istanbul (Levent)	170	32.0	340	35.7	0.0	-6.6
Istanbul (Esentepe-Gayrettepe)	105	19.0	202	21.2	-13.6	-11.0
Istanbul (Maslak)	105	19.0	202	21.2	-24.0	-8.7
Istanbul (Asian side)	120	22.0	234	24.5	-12.0	-1.7
Izmir	65	12.0	127	13.4	-14.3	-6.7
Ankara	70	13.0	138	14.5	-13.3	-10.8

Prime Office Yields – March 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul (Levent)	7.50	7.50	7.25	8.75	6.80
Istanbul (Esentepe-Gayrettepe)	8.00	8.00	7.75	9.00	7.25
Istanbul (Maslak)	7.75	7.75	7.50	9.25	7.25
Istanbul (Asian side)	7.50	7.50	7.25	9.50	7.25
Izmir	9.50	9.50	9.25	10.50	9.25
Ankara	9.25	9.25	9.00	10.50	9.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

GDP shrank by 3% y-o-y in the fourth quarter of 2018. Despite the short-term outlook remaining fragile, the real sector confidence and consumer confidence index recorded 99.3 and 59.45 in March respectively, both increasing compared to the last quarter. Meanwhile, the seasonally adjusted unemployment rate increased to 13.3% in January 2019, whereas inflation rate recorded 19.71% by the end of March, slightly decreasing compared to 2018 year-end. In addition to these indicators, exchange rate volatility also continues to affect the overall leasing activities and investments in the office market.

Occupier focus

151,980 sq. m of new office space has entered the market, taking the overall supply to 6.33 million sq. m. Take-up in the first quarter reached approx. 85,330 sq. m, both significantly increased compared to the last quarter and to the same period last year by 30.15% and 22.39%, respectively.

In Q1, on a sq. m basis, 61.78% of all deals occurred outside the CBD on the Asian side, 25.73% in the CBD and decrease transactions recorded outside the CBD on the European with 12.49% of deals compared to last quarter. The largest new lease transactions include, Zemin Textile (8,816 sq. m, Gungoren), Stryker (6,000 sq. m, Umraniye), Polisan (3,403 sq. m, Hilltown), TeknoSA (3,200 sq. m, Maltepe Carrefour) and TurkNet (3,000 sq. m, Nurol Tower). In general, the vacancy rate slightly increased to 24.98% in the first quarter.

Investment focus

Investment activity in the first quarter was limited to office units, including Albaraka and Mukafat Asset Management's acquisition of some office units in Metropal Istanbul, the share acquisition of Quasar Istanbul project to Is Asset Management.

Outlook

Despite the tight financial conditions which are a clear headwind for the economy, it is expected that the office investment demand is set to gain momentum, particularly following the recent elections, with more assets coming on the market. Price expectations are expected to move closer to buyers' expectation in the short term. In addition, tenant friendly conditions are anticipated to remain for mid to long term.

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