



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: The Istanbul International Finance Centre project will bring in the greatest additional supply despite the constrained supply pipeline. ▲

Demand: Demand remains strong. ▲

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 for fragmented ownership.

Overview

Office Prime Rents Remain At The Top With A Five-year High In US\$

The February 6, 2023 earthquake catastrophe caused fatalities and had an effect on the eastern regions of Turkey as well as other neighbouring provinces and countries. This earthquake has sparked various discussions regarding Turkey's earthquake-prone building supply. As a result, occupiers and investors in commercial real estate have started to require ground survey reports, particularly data on earthquake resilience. Additionally, new leasing deals and contract extensions picked up steam before to the election on May 14.

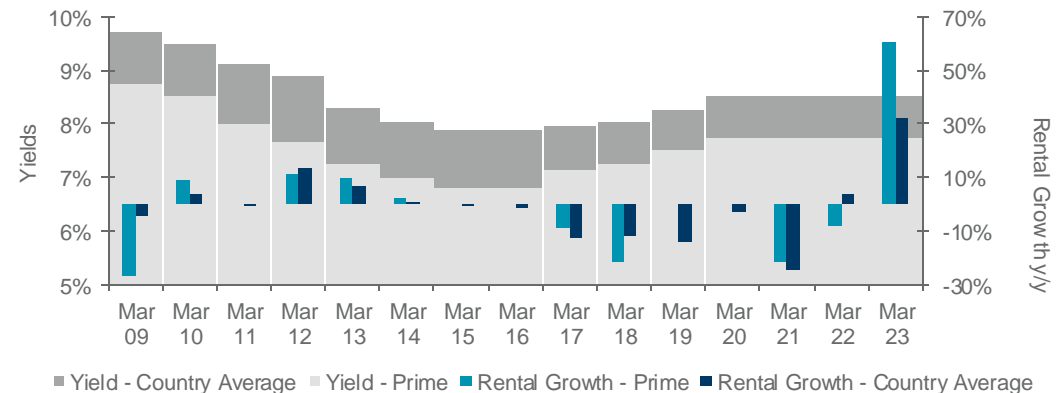
The first quarter of the year saw a continuation of the rise in prime rents in TRY and US\$ terms due to growing inflation and ongoing currency rate volatility. Additionally, fewer transactions were made as a result of the global economic crisis brought on by the epidemic, the recession, and the unpredictability surrounding the next general election in Turkey. Despite this, low vacancy rates are still being observed despite rising demand for grade A offices and the central business district (CBD), where accessibility is excellent.

Occupier Focus

Strong Demand For Grade 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



The leasing agreements consisted of new leasing agreements by 85%. There has been growth in square meter basis compared to the previous year. 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).

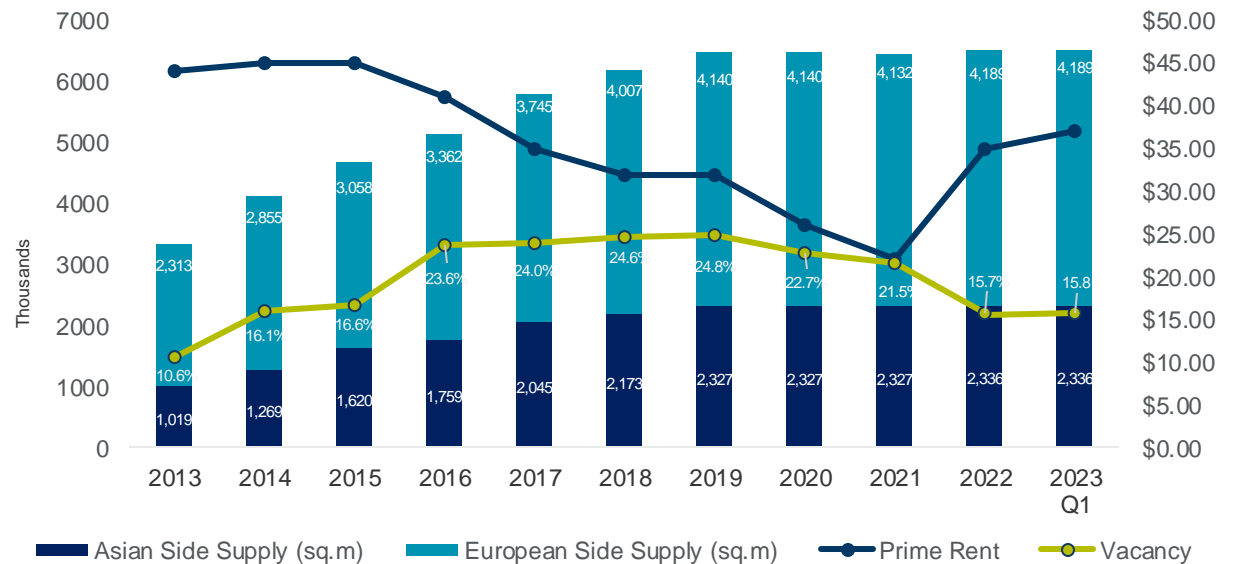
Vacancy rates remain the same as in 2014

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 first stage of the globally significant Istanbul International Finance Center opened on April 17. As a result, the appropriate Vakıfbank, 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 fitted-out 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 submarket, 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 expected that the rising demand and the decrease in the vacancy rates will continue and the upward movement in prime rents will maintain.
- Office vacancies in the US have increased due to various factors such as the increasing trend towards hybrid work models, the global economic recession, and related layoffs. On the other hand, high vacancy rates in Europe are largely due to outdated office infrastructure that no longer meets the demands of modern hybrid work environments. According to Cushman & Wakefield's Obsolescence Equals Opportunity report, by 2030, we believe that no more than 24% of office stock will be fit for meeting occupier requirements unless imminent measures are taken to improve the buildings credentials. In the midst of these debates, Istanbul has seen a significant decrease in vacancy rates due to the impact of the return to the office and increased office usage.

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	
	Q	Q	Y	HIGH	LOW
Turkey	8.00	8.00	8.00	8.00	7.00

Overview

Istanbul's High Street Rents Have Returned to 2018 Levels

Brick & Mortar is in high demand in the first quarter of the year. Rents continue to rise in both ₺ and US\$, despite a limited supply and high occupancy rates in both shopping centers and high streets. The prime rent level on Istanbul's high 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.

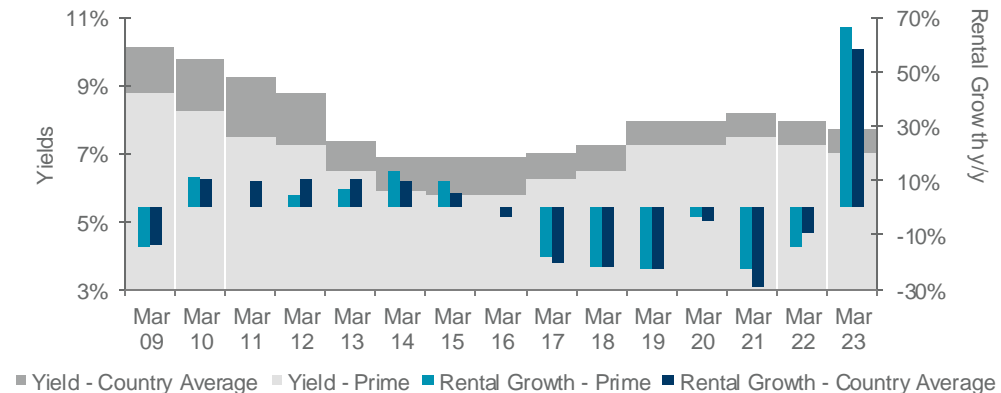
Occupier Focus

The Growth in Footfall and Turnover has Continued in First Quarter

According to the retail data of shopping centers provided by AYD/Akademetre; In February 2023, 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, a significant increase was recorded in all categories compared to the last year. In particular, the hypermarket category ranked first by 137.1%. Afterwards, the shoe category followed the hypermarket category with increase by 129.1% and the F&B category with increase by 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%. The highest increase in sales volume by sectors was recorded in computers, books and communication devices by 45.8%. Again, F&B and tobacco placed first with 113.1% increase in retail turnover. In contrast, the consumer confidence index fell by 2.9% compared to the previous month with 80.1 in March.

RECENT PERFORMANCE



Occupier Focus

High occupancy rates observed in both streets and shopping centers caused by high demand. As a result of this predicament, brands are having trouble finding empty stores. Despite limited availability, brands continue to declare their expansion plans. Furthermore, particularly for major companies that want earthquake resistance report for existing stores or new store before lease. The impacts of the decrease in store vacancy and the increase in demand remain consistent.

In the F&B sector; Kahve Dünyası accelerated its store openings this quarter; While opening the Manisa Forum Magnesia AVM store, İzmir Kibris Şehitleri Street 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. Superstep opened its new store in Ankara Kentpark AVM while Instreet opening its new store in Izmit Arastapark. Clock & Clock from the accessories category, İstinyePark, Antalya Özdilek and Tekira AVM stores were opened with its renewed concept store. 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, opened its 43rd store in Cevahir AVM.

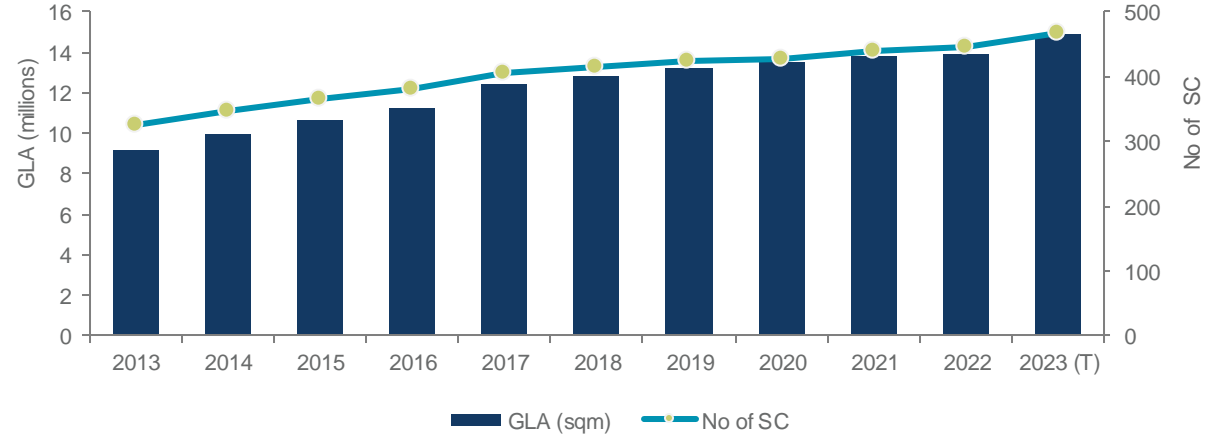
In the first quarter of the year, no new shopping centers were opened, and total supply remained unchanged at 13.9 million square meters, with 444 shopping centers.

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 undergoing a transformation with the rise of digitalization and the adoption of next-generation and smart retail technologies in physical stores. This has given rise to the concept of the "experience store" which is expected to sustain its popularity and gain traction in the post-pandemic era.
- 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, Elmiler, Winter Park, Targovy, Sumgayit in its 9th year in Azerbaijan, which is one of its overseas stores. Greyder, Loft, Panço, Nocturne, Tudors, Kiğılı 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 center 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 center management's radar since last year. In this context, it has been noted that. Shopping center executives are said to prefer brands with high transaction frequency.
- Opportunistic investors are expected to remain active in the retail real estate market, including in shopping centers located 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 Recovery

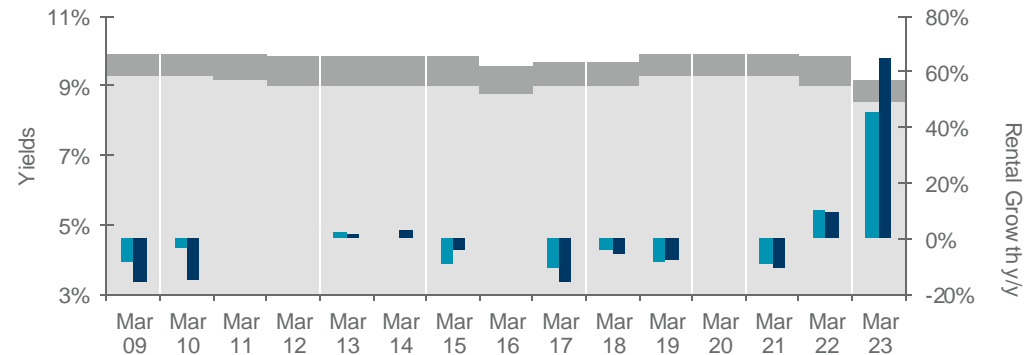
In the January – March 2023 period, the export trade volume increased by 2.5% compared to the same period of the previous year and was realized as US\$61.6 billion. Import trade volume was recorded as US\$ 96.3 billion in the same period, up 11.1% compared to the previous year. However, in the January – 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

The Dollar Rental Growth has Experienced Increase of 45.5% year-over-year

This year, the rental activity in the real estate industry, particularly among international companies, has been slow down due to the worldwide economic recession. In the previous quarter, there was a decrease in the number of warehouses rented in and around Istanbul compared to the prior period. However, the prime rents have continued to rise and have increased by 45.5% compared to the previous year. This upward trend is expected to persist in the near to medium-term, as there is a consistent demand for warehouse space. The majority of the transactions include the purchase of a factory and property. Among the largest occupier transaction; The sale of the factory (12,215 sq. m) located in Tuzla, Istanbul to Eko Group.

RECENT PERFORMANCE



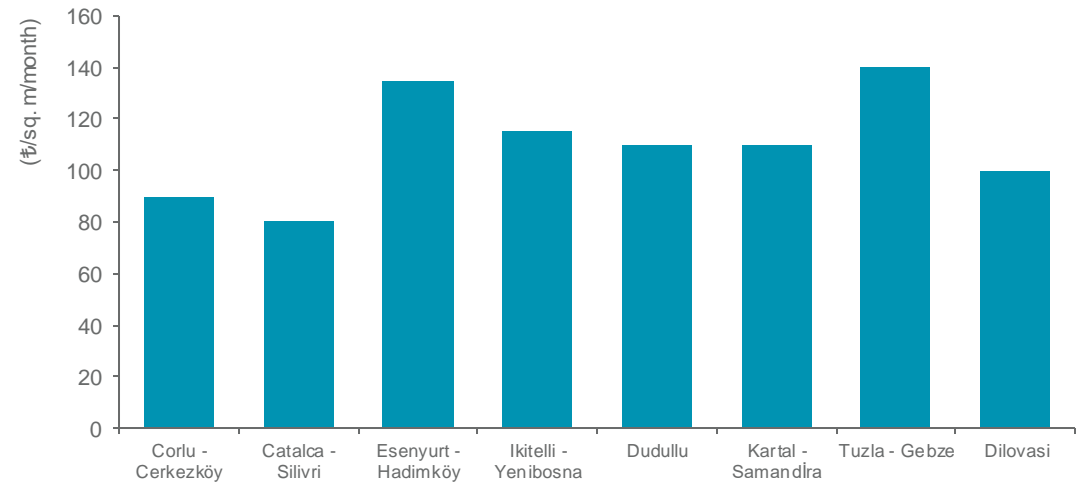
■ Yield - Country Average ■ Yield - Prime ■ Rental Growth - Prime ■ Rental Growth - Country Average

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. Expected to gain momentum in the medium term.

North Marmara Logistic Submarkets - Prime Rents



Outlook

- The earthquake disaster caused destruction and deterioration in industrial facilities in the eastern part of the country, 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.
- The "build to suit" concept is widely used to address the challenge of high demand and limited availability of suitable warehouses. Moreover, due to the increased demand for warehouse space and the subsequent rise in rental rates, investors are inclined to undertake development activities in new and previously unexplored locations. This has led to the establishment of new small and large-scale Organized Industrial Zones (OIZs), one of which is Bursa TEKNOSAB, where the first factory started operating in January. Additionally, the Ministry of Transport and Infrastructure has announced plans to establish two new logistics areas in Gaziantep and Kocaeli. It is expected that investors will continue this trend in the foreseeable future in response to the growing demand for warehouse space.
- In Turkey, the automotive industry has recently seen a surge in electrification. Turkey's reduction in special consumption tax (SCT) for electric vehicles has attracted attention from foreign electric car manufacturers. BYD (Build Your Dreams), a major Chinese automaker, has declared its intention to enter 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 manufacturer storage needs, combined with rising inflation, has fueled demand for warehouses. At the same time, due to the users' increased storage requirements, contract processes have been expedited. 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 shortage and rising demand.

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

Görkem İlğüz

Analyst, Research
Buyukdere Cd. 13, River Plaza, 15, Levent
34394 Istanbul/Turkey
Phone: +90 212 334 78 00
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

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