

TURKEY Office Market Snapshot

Third Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Due to volatile exchange rates, rents continued to soften on a US\$ in several sub-markets.	▲
Prime Yields:	Insufficient transactions; prime yields expected to stay at current levels in the short term	▶
Supply:	Increasing as office development continues albeit at a slower pace.	▼
Demand:	The recovery in the economy should boost office demand, however increased unemployment rates and currency volatility will remain as risks.	▼

Prime Office rents – September 2017

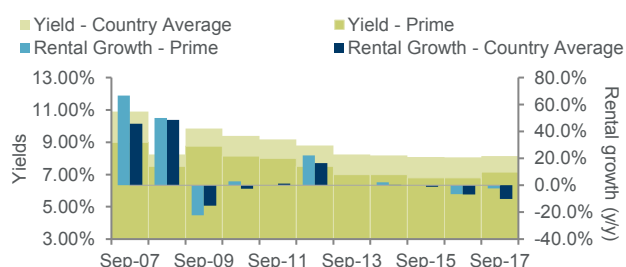
LOCATION	US\$	€	US\$	GROWTH %	
	SQ.M YR	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Istanbul (Levent)	40.0	404	44.6	-4.8	-1.9
Istanbul (Esentepe-Gayrettepe)	25.0	253	27.9	-13.8	-6.0
Istanbul (Maslak)	28.0	283	31.2	-6.7	-1.4
Istanbul (Asian side)	25.0	253	27.9	-7.4	0.8
Izmir	14.0	142	15.6	-17.6	-3.8
Ankara	15.0	152	16.7	-25.0	-8.2

Prime Office yields – September 2017

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul (Levent)	7.25	7.15	6.80	9.00	6.80
Istanbul (Esentepe-Gayrettepe)	7.50	7.35	7.25	10.00	7.25
Istanbul (Maslak)	7.50	7.25	7.25	11.00	7.25
Istanbul (Asian side)	7.50	7.35	7.25	11.50	7.25
Izmir	9.50	9.50	9.50	11.50	9.00
Ankara	9.25	9.25	9.25	11.50	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

Along with the contributions of investment expenditures and net exports, the Turkish economy grew by 5.1% y-o-y in the second quarter of 2017. The real sector confidence index also recorded an increase in September 2017, rising to 111.6 from 110.7 points in August, pointing to the optimistic weather among firms. Although this positive picture might be in favor of the leasing activities and investments in the office market, volatility on exchange rates, high inflation (CPI reached to 11.2% by September 2017) and unemployment (10.2% by June 2017) rates are still affecting prime rents and the demand in the market.

Occupier focus

92,603 sq.m of new office space was completed and entered the market, 12% more than the completions of Q2. This takes the overall supply to 5.5 million sq.m. Moreover, in Q3 take-up has increased by 14.9% quarter on quarter, and by 68% year on year.

In the third quarter of the year, a total of approx. 84,903 sq.m of take-up was realized which takes the total transactions to 226,599 sq.m YTD. On a sq.m basis, 82% of the deals occurred outside the CBD on the Asian side, 12% in the CBD and 6% outside the CBD on the European side in Q3. Transactions outside of the CBD on the Asian side have increased dramatically by 162% q-o-q mainly because of Vakifbank's new lease of 50,960 sq.m in Akyaka A1 & A2, in Umraniye. The other largest new leases in 2017 Q3 were BASF (5,586 sq.m, Nidakule Atasehir Kuzey, Atasehir) and DB Schenker (3,766 sq.m, Premier Campus, Kagithane).

Overall, the vacancy rate increased to 22.5% in Q3 2017. The increase stems from the vacancy in Cendere because of the new completions of Nurol Life and Seba Office Boulevard.

Investment focus

Investment activity continues to accelerate: Is Asset Management's "First Real Estate Investment Fund" acquired Nida Kule Atasehir Bati (25,000 sq.m) from Tahincioglu. Smaller investment transactions on office unit basis involving both individual and institutional investor have been recorded.

Outlook

Because of volatility in the exchange rates and high levels of unemployment, the rents are expected to drop down. Although the economic activity might cool off in Q4 as some government measures expire and the impact of the credit guarantee fund weakens, hopefully the demand will remain robust as rents will continue to be under pressure.

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LOCATION	SUPPLY (SQ.M)	AVAILABILITY (SQ.M)	VACANCY (%)	TAKE-UP Q3 (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
CBD (Levent-Maslak-Gayrettepe-Zincirlikuyu-Esentepe)	1,806,443	292,939	16.2%	7,228	83,930	399,045
Mecidiyekoy-Sisli	304,986	108,652	35.6%	1,581	2,311	102,450
Umraniye	694,193	98,175	14.1%	58,218	77,061	42,000
Atasehir-Kozyatagi-Goztepe-Icerenkoy	564,744	230,777	40.9%	9,176	25,975	1,302,883
Kavacik	130,876	24,124	18.4%	1,689	1,689	0
Kagithane	259,364	89,354	34.5%	3,928	14,216	66,000
Cendere	252,603	232,603	92.1%	0	-	65,000
Rest of Istanbul	1,491,476	162,599	10.9%	3,083	21,417	496,981
Istanbul (Overall)	5,504,685	1,239,223	22.5%	84,903	226,599	2,474,359

Source: Cushman & Wakefield

Key Occupier Transactions

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Akyaka A1 & A2	Umraniye	Vakifbank	50,960	New lease
Nidakule Atasehir Kuzey	Atasehir	BASF	5,586	New lease

Source: Cushman & Wakefield

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE US\$ MILLIONS
Nidakule Atasehir Bati	Istanbul	Tahincioglu / First Real Estate Investment Fund	7%	-

Source: Cushman & Wakefield, Real Capital Analytics

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