

**CUSHMAN &
WAKEFIELD**

TURKEY

Country Snapshots

Fourth Quarter I 2017

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TURKEY Office Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are expected to soften further in line with currency volatility and increasing supply.	▲
Prime Yields:	Expected to be stable in the short term.	▶
Supply:	Increasing in line with existing supply pipeline.	▼
Demand:	Expected to continue recovery in line with economic growth.	▲

Prime Office rents – December 2017

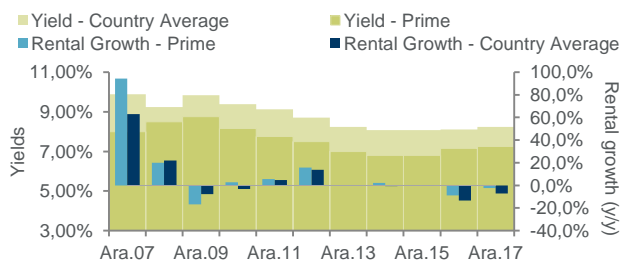
LOCATION	US\$	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Istanbul (Levent)	35.0	350	39.0	-14.6	-4.5
Istanbul (Esentepe-Gayrettepe)	22.0	220	24.5	-18.5	-8.3
Istanbul (Maslak)	28.0	280	31.2	0.0	-1.4
Istanbul (Asian side)	25.0	250	27.9	-3.8	0.8
Izmir	14.0	140	15.6	-6.7	-3.8
Ankara	15.0	150	16.7	-11.8	-8.2

Prime Office yields – December 2017

LOCATION (FIGURES ARE GROSS, %)	4.	3.	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul (Levent)	7.25	7.25	7.15	8.75	6.80
Istanbul (Esentepe-Gayrettepe)	7.50	7.50	7.30	9.00	7.25
Istanbul (Maslak)	7.50	7.50	7.25	10.00	7.25
Istanbul (Asian side)	7.50	7.50	7.30	10.50	7.25
Izmir	9.50	9.50	9.50	10.50	9.00
Ankara	9.25	9.25	9.25	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

The Turkish economy grew by 11.1% y-o-y in the third quarter of 2017. The real sector confidence index recorded 106.26 points and consumer confidence index 65.10 points in December 2017. These outcomes provide an optimistic atmosphere in terms of leasing activities and office investment transactions; yet, high inflation, where CPI reached 11.2 in October 2017 and unemployment, which was 10.2% by October 2017 and currency volatility still remain as risks that are impacting rent levels in the office market.

Occupier focus

331,616 sq.m of new office space was completed and entered the market, taking the overall supply to 5.79 million sq.m. Take-up in Q4 reached 74,052 sq.m taking the total for 2017 to 300,651 sq.m which is a decrease by 13% q-o-q, however an increase by 68% y-o-y.

On a sq.m basis, 54% of all deals occurred outside the CBD on the Asian side, 40% in the CBD and 6% outside the CBD on the European side in Q4 2017. The largest new leases in Q4 were Bahcesehir College (10,850 sq.m, Altunizade), Setur (7,406 sq.m, Bengi Plaza) and Schindler (3,500 sq.m, My Newwork, Atasehir). Overall, the vacancy rate increased to 24.03% in Q4 2017.

Investment focus

Investment activity in Q4 was limited mostly to strata sales and included an acquisition of 3,737 sq.m of office floors by Ak Asset Management's real estate investment fund at AND Plaza.

Outlook

Due to rapid increase in supply and high vacancy, prime and secondary rents are expected to soften further in line with currency volatility. The office market is expected to remain tenant friendly for the short to medium term.

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TURKEY

Retail Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: Rents continue to decrease mainly due to exchange rate volatility ▲
- Prime Yields: A slight increase in yields year-on-year ▼
- Supply: Continuous increase in supply ▼
- Demand: Stable, however a low level ▶

Prime Retail Rents - December 2017

HIGH STREET SHOPS	US\$	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR CAGR
Istanbul	180	1,799	201	-25.0	-3.8
Izmir	80	800	89	-33.3	-11.2
Ankara	115	1,150	128	-23.3	-7.0

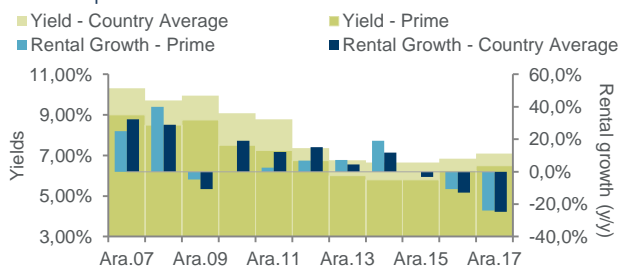
Prime Retail Yields - December 2017

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	4. Q	3. Q	LAST Y	10 YEAR	
				HIGH	LOW
Istanbul	6.50	6.50	6.25	9.50	5.80
Izmir	7.75	7.75	7.50	11.25	7.50
Ankara	7.50	7.50	7.25	11.25	7.00

SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR	
				HIGH	LOW
Country prime	7.50	7.50	7.25	9.50	7.00

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Recent performance



Overview

According to data provided by AYD/Akademetre, shopping center turnover has increased by 19.3% y-o-y in November 2017. Inflation adjusted the increase was 5.6%. On the other hand, the footfall index has recorded a decrease of 2% in the same time period. These outcomes indicate that spending per visitor increased sharply while footfall is still lagging behind its peak numbers in 2015. The highest increase was observed in the electronics category, 29.6% y-o-y.

Occupier focus

Occupier demand remains relatively low which is observed most in the lease-up stages of new shopping center projects. Consequently pressure increases on rents as they continue to in Q4 2017. During Q4, Miniso opened 10 stores in several major cities including Istanbul, Izmir, Ankara and Bursa. Sephora opened a store in Cevahir while All Saints opened one in Panora in Ankara. Furthermore, CarrefourSA renewed stores taken over from Migros in Aydin, Balikesir, Izmir and Mugla changing them to new mini and super hypermarket formats. Debenhams, on the other hand, is preparing its exit from Turkey.

183,000 sq.m of new supply entered the market in Q4; namely Hilltown SC (63,000 sq.m) and City Center SC (40,000 sq.m) in Istanbul and Agora SC (80,000 sq.m) in Antalya.

Investment focus

Major investment transactions in Q4 2017 were the disposal of Metropal Istanbul shopping centre by a joint venture of Emlak Konut REIT, GAP Construction and Albaraka Turk for approximately TL1.3 billion and Akdeniz Alisveris Merkezi's acquisition of Kipa's shopping centre in Mersin for TL110 million TL.

Outlook

While exchange rate fluctuations play an important role in the decrease in demand, currency fixing is expected to be applied further and Turkish Lira agreements to be used increasingly both in shopping centres and high streets. Retailers are looking to increase efficiencies in their store portfolio and expand more sustainably in the future than in the past. New store openings will remain at a relatively limited level.

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TURKEY

Industrial Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are expected to soften further in line with currency volatility.	▲
Prime Yields:	No change anticipated	▶
Supply:	With limited development activity modern warehouses remain in short supply	▲
Demand:	Mainly driven by domestic (owner) occupiers	▲

Prime Industrial Rents – December 2017

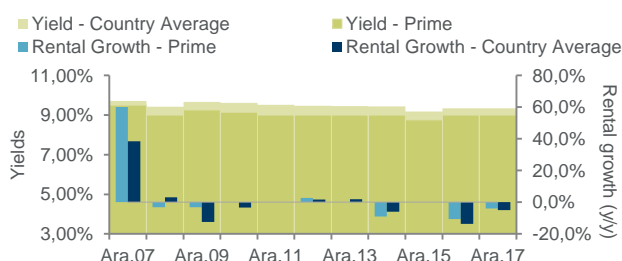
LOGISTICS LOCATIONS	US\$	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Istanbul	6.00	58.80	6.69	-4.0	-4.9
Ankara	3.50	34.30	3.90	-6.7	-4.9

Prime Industrial Yields – December 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	4.	3.	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	9.00	9.00	9.00	10.00	8.75
Ankara	10.00	10.00	10.00	10.25	9.50

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Recent performance



Overview

Exports and imports increased by 11.2% and 21.3% y-o-y in November, respectively. Therefore, foreign trade deficit widened by 52.4% in November reaching US\$6.3 billion. Meanwhile, Annual CPI inflation reached 11.92% by the end of December and the upward trend in inflation continued at double-digit levels in the fourth quarter. The annual D-PPI inflation also remained high at 15.47% in December 2017.

Occupier focus

According to the data provided, an estimated 114,270 sq.m of warehouses were leased in Q4. Key transactions include Bilin Transportation (28,662 sq.m, Kocaeli/Cayirova), CarrefourSA (21,356 sq.m, Adana/Saricam), Trendyol (17,400 sq.m, Kocaeli/Cayirova), Altun Food (13,653 sq.m, Istanbul/Esenyurt) and AGC Automotive (13,484 sq.m, Sakarya/Arifiye).

Investment focus

The industrial investment market is limited mainly to development driven land acquisitions and acquisitions by owner-occupiers. However with the emerging local real estate investment fund sector demand for income generating, institutional grade warehouses is increasing.

The largest industrial investment transactions in Q4 include 5M Construction's acquisition of a land plot from Akis Real Estate in Kocaeli/Gebze (67,907 sq.m), S.S. Construction Cooperative's land acquisition from Afyon Cement Industry in Afyonkarahisar (67,378 sq.m), a land acquisition by Sodrugestvo Group from Altinyag in Izmir Organized Industrial Zone (31,307 sq.m) and Sarkuysan Industry's acquisition of a land plot from Sar Machine Industry in Kocaeli/Dilovasi (29,849 sq.m).

Outlook

Significant infrastructure investments and the ongoing recovery of the Turkish economy will continue to have a positive effect on the industrial market. Growing retail and online sales will further boost demand for both quality warehouses and also urban logistics solutions. Pressure on rent levels are likely to remain largely due to currency volatility.

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