

TURKEY

Industrial Market Snapshot

Second Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents are expected to soften further in line with currency volatility.	▲
Prime Yields:	No change anticipated.	▶
Supply:	Modern warehouses are in short supply while the development pipeline is limited.	▶
Demand:	Mainly driven by domestic (owner) occupiers.	▶

Prime Industrial Rents – June 2018

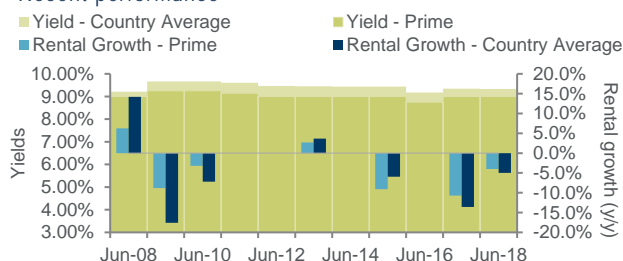
LOGISTICS LOCATIONS	US\$	€	US\$	GROWTH %	
	SQ. M MTH	SQ. M YR	SQ. FT YR	1YR	5YR CAGR
Istanbul	6.00	61.5	6.69	-4.0	-4.9
Ankara	3.50	35.9	3.90	-6.7	-4.9

Prime Industrial Yields – June 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Istanbul	9.00	9.00	9.00	9.25	8.75
Ankara	10.00	10.00	10.00	10.25	9.50

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

Exports and imports volumes proceeded to escalate with an increase rates of 5.3% and 5.5% y-o-y in May, respectively. Therewithal, foreign trade deficit expanded by 5.7% in May reaching US\$7.76 bn. Meanwhile, annual CPI inflation reached 15.39% by the end of June and inflation remained at double-digit levels in the second quarter of 2018. The annual D-PPI inflation is also declared high at 23.71% in June 2018.

Occupier focus

According to the data provided, leasing activity for warehouse space was limited to 14,630 sq. min Q2. The largest lease transactions include MFK Plastics (6,500 sq. m, Istanbul/Tuzla) and Progida (6,400 sq. m, Giresun/Bulancik).

Investment focus

Industrial investment transactions were limited mainly to land transactions in this quarter.

The largest industrial investment transactions in Q2 include, S.S. Construction Cooperative's land acquisition from Afyon Cement Industry in Afyonkarahisar (88,124 sq. m) and a land acquisition by Oyku Food and Ucleroglu General Food from Reysas REIT in Ankara (38,595 sq. m)

Outlook

The impact of currency fluctuations is expected to reduce following recent elections and start to project its positive effects in investments, however there will still be pressure on rents due to volatility. The logistics market is expected to accelerate in line with industrial investments.