

# TURKEY

# Office Market Snapshot

Third Quarter | 2018



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Rents are expected to soften further in line with currency volatility. ▲
- Prime Yields: Further softening possible. ►
- Supply: Increasing in line with the existing pipeline albeit at a slower pace. ▼
- Demand: Expected to increase in line with supply. ▼

### Prime Office Rents – September 2018

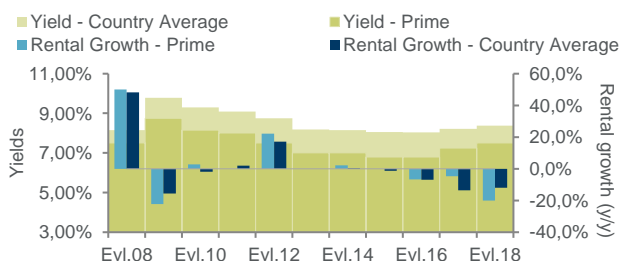
| LOCATION                       | US\$      | €        | US\$     | GROWTH % |          |
|--------------------------------|-----------|----------|----------|----------|----------|
|                                | SQ. M MTH | SQ. M YR | SQ.FT YR | 1YR      | 5YR CAGR |
| Istanbul (Levent)              | 32.0      | 329      | 35.7     | -20.0    | -6.2     |
| Istanbul (Esentepe-Gayrettepe) | 20.0      | 206      | 22.3     | -20.0    | -10.1    |
| Istanbul (Maslak)              | 21.0      | 216      | 23.4     | -25.0    | -6.9     |
| Istanbul (Asian side)          | 24.0      | 247      | 26.8     | -4.0     | 0.0      |
| Izmir                          | 13.0      | 134      | 14.5     | -7.1     | -5.2     |
| Ankara                         | 14.0      | 144      | 15.6     | -6.7     | -9.5     |

### Prime Office Yields – September 2018

| LOCATION<br>(FIGURES ARE GROSS, %) | CURRENT | LAST | 10 YEAR |       |      |
|------------------------------------|---------|------|---------|-------|------|
|                                    | Q       | Q    | Y       | HIGH  | LOW  |
| Istanbul (Levent)                  | 7.50    | 7.25 | 7.25    | 8.75  | 6.80 |
| Istanbul (Esentepe-Gayrettepe)     | 8.00    | 7.75 | 7.50    | 9.00  | 7.25 |
| Istanbul (Maslak)                  | 7.75    | 7.50 | 7.50    | 9.25  | 7.25 |
| Istanbul (Asian side)              | 7.50    | 7.25 | 7.50    | 9.50  | 7.25 |
| Izmir                              | 9.50    | 9.25 | 9.50    | 10.50 | 9.25 |
| Ankara                             | 9.25    | 9.00 | 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 Real Sector Confidence Index recorded 90.4 points and the consumer confidence index 59.32 points in September, both significantly decreased compared to the last quarter. Meanwhile GDP growth was recorded %5.2 y-o-y in the second quarter of 2018, decreased by %2.1 comparing to previous quarter. Furthermore, the seasonally adjusted unemployment rate increased to 10.9% in June 2018, whereas inflation rate surged 24.52% in September and exchange rate hike in August proceed to impact particularly on rent levels.

### Occupier focus

85,881 sq. m of new office space has entered the market taking the overall supply to 6,08 million sq. m million. Take-up in the third quarter reached approx. 82,178 sq. m, a slight decrease by 3.31% y-o-y, but an increase by 33.26% q-o-q.

In Q3, on a sq. m basis, 60.84% of all deals occurred outside the CBD on the Asian side, 36.72% in the CBD. The largest owner occupier deal was Epias (12,000 sq. m, Maslak). Major new leases include EnerjiSA (6,514 sq. m, Nidakule Atasehir Bati), Migros (5,051 sq. m, Metropolistanbul), HDI (5,000 sq. m, Kozyatagi) and Ipragaz (4,040 sq. m, Metropolistanbul). In general, the vacancy rate slightly increased to 24.62% in the third quarter.

### Investment focus

Investment activity in the third quarter remained limited to office units, includes Dogan Holding's acquisition of Trump Towers from Ortadogu Automotive, being itself a subsidiary of Dogan Holding, valued at approx. \$453 million.

### Outlook

The slowdown of the Turkish economy surged due to the exchange rate hike in August and spiking inflation recorded recently. However, despite of all unbalanced environment, expected pent up demand was accelerated in the third quarter and it is anticipated to increase by the end of the year. Meanwhile, as announced recently, all leases will be converted to ₺ as it will direct the market to adjust to new regulations and the consequences will be observed in the following quarters. Therefore, office investment demand is expected to gain momentum by opportunistic foreign buyers as asset values are anticipated to decrease considerably on a USD basis.

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