

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

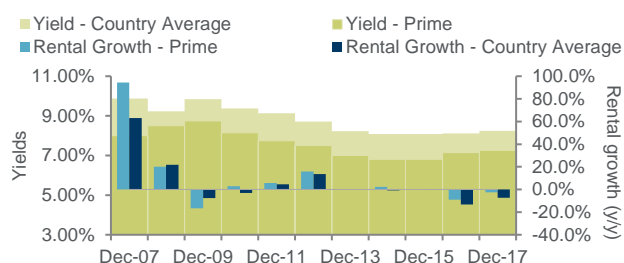
LOCATION	US\$	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Istanbul (Levent)	35.0	350	39.0	-14.6	-4.5
Istanbul (Esentepe-Gayrettepe)	22.0	220	24.5	-18.5	-8.3
Istanbul (Maslak)	28.0	280	31.2	0.0	-1.4
Istanbul (Asian side)	25.0	250	27.9	-3.8	0.8
Izmir	14.0	140	15.6	-6.7	-3.8
Ankara	15.0	150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