The property market and economy of Turkey

April 2007

The property market and economy of Turkey

Commissioned by:
Demanio Servizi Spa – Agenzia del Demanio
Via Piacenza, 3
00187 Rome

Edited by:
NOMISMA – SOCIETÀ DI STUDI ECONOMICI S.P.A.
Strada Maggiore, 44
I-40125 Bologna (Italy)
tel. +39 (051) 6483.301-111
fax +39 (051) 223441
email: nomosmi@nomisma.it
web site: www.nomisma.it

Project team:

MARICA BIANCHI

CHIARA PELIZZONI

DANIELA PERCOCO

MAURA PERILLO

Final report drawn up in April 2007

Contents

The country in figures

Official name	Türkiye Cumhuriyeti (Republic of Turkey)
Population	72,519,974 (2006)
Surface area	783,562 Km2 (includine lakes and islands)
Density	86.2 inhab./km2
Capital	Ankara
Major cities	Istanbul, Izmir, Bursa, Adana, Gaziantep, Konya, Diyarbakir, Denizli
Institutional form	Parliamentary republic
Administrative units	81 provinces (*vilayetlar*) divided into districts
Currency	Turkish lira
Religion	Sunni Muslims (80%); Shia Muslims (19.8%); Christians (0.2%)
Official language	Turkish; English and French are used for economic activities and trade
Member of	The Council of Europe, EBRD, NATO, OECD, UN, OSCE, WTO

Part I – The economic framework

1.1 The economy

In the past twenty years Turkey has undergone enormous transformation, changing from an essentially agricultural economy to an industrial nation with a strong service sector. As shown in the table below, Turkey is close to the most developed countries in terms of the percentages each sector of the economy contributes to GDP.

The economic and financial crises in Turkey over the last ten years (the most recent in February 2001) have forced political leaders to address the problem of the economic and social growth of the country in line with its full potential and as demanded by public opinion.

Table 1.1

GDP by sectors

Origin of GDP	2002	2003	2004	2005	2006 (Jan-Sept)
Services	57.0%	57.5%	60.3%	59.1%	58.7%
Industry	29.3%	29.9%	28.7%	29.4%	30.1%
Agricolture	13.7%	12.6%	11.0%	11.5%	11.2%

Source: Ice data based on Turkiye Istatistik Kurumu-Tuik.

Just six years ago the country went through one of the most devastating financial crises in recent years: devaluation of 50%, interest rates at 100%, collapse of the banking system and the bankruptcy of many businesses. At the end of 2001 GDP was down 10%, with inflation at 70% and the public deficit at 90% of GDP. The country slowly recovered from this situation thanks largely to domestic demand, the excellent performance of exports and the arrival of foreign capital.

In 2006 the increase in GDP was over 5% on a year-to-year basis.

Structural reforms were also very important. The most important included new regulations on foreign investments, the employment market, the control of public finances and social security and welfare. The country has maintained a tough privatization policy.

Table 1.2

Turkish GDP

	Cushman & Wakefield	Colliers	ICE
Growth in GDP in 2006 (%)	5.3	5.2	5.7
GDP ($ bn.)	362.6*	380	290**

* data for 2005
** data as at 30/09/2006

Despite these successes, the Turkish economy still suffers from some drawbacks, above all in relation to the public deficit, inflation, cash flow and unemployment.

Although the economy is now stable, inflation remains high, at 9.6% against a target of 5%.

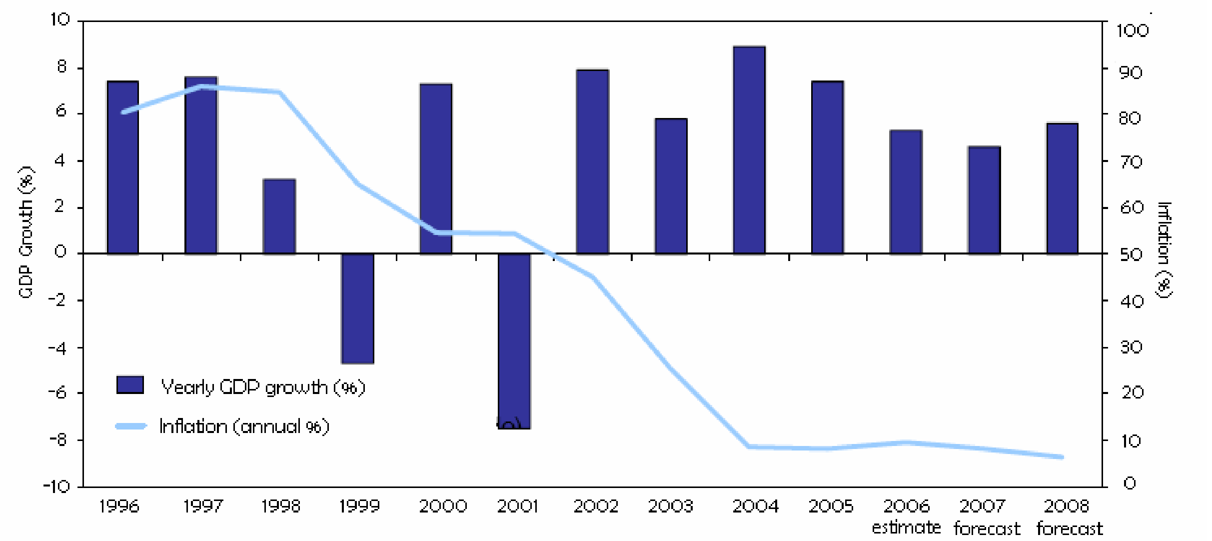
In addition, the balance of payments indicates an immediate shortfall for 2006 of $ 31.3 bn. (up 37.2% on 2005).

The overall balance of payments deficit was $ 51.9 bn. in 2006 (up 19.9% on 2005), mainly due to energy imports.

These figures suggest caution but are in line with the situation of expanding economies where domestic demand and consumption heats up. During 2006 the public deficit remained high ($ 245.3 bn. including $ 178.9 bn. for domestic debt and the remainder for foreign debt).

Figure 1.1

Turkey – GDP and inflation



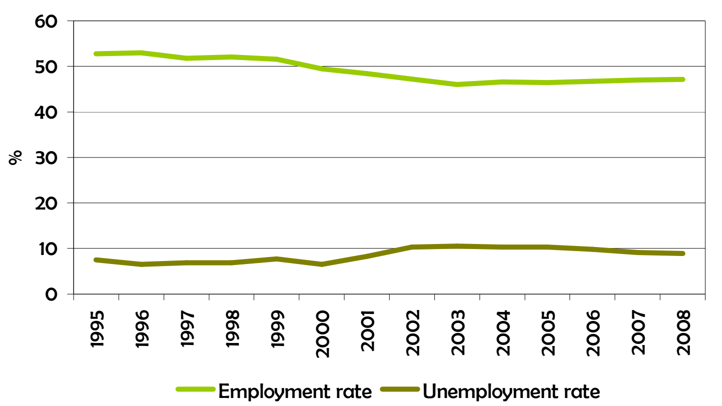
Source: Cushman & Wakefield.

1.2 Employment

One of the most worrying aspects of the Turkish economy is the high rate of unemployment, still at 9.8% despite the gradual decline. However a more realistic figure would be 20%, in view of widespread under-employment. The forecast is for the continuing gradual decrease in unemployment with a slight increase in the overall workforce.

Figure 1.2

Turkey – Employment and unemployment rates

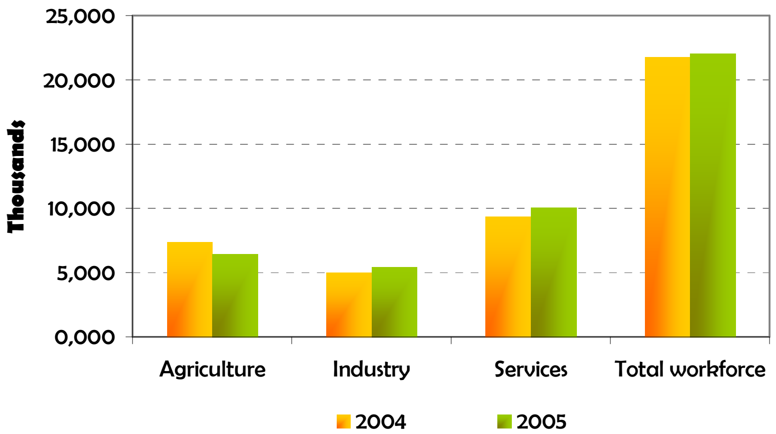


Source: European Commission.

In 2006 the percentage of the population in employment was up on a year-to-year basis, at 46.7% against 46.4% in 2005.

Figure 1.3

Turkey – Workforce by sector



Source: Tuik, Turkey Statistical Institute.

The workforce is falling in the primary sector of the economy, in favour of the services sector.

The overall workforce was up from 21.8 million to over 22 million (1.2%).

In general, Istanbul is the area with the largest workforce, 56.4% of which is employed in the services sector and 42.9% in industry, in line with developed countries and certainly ahead of other areas in Turkey.

Table 1.3

Workforce by region and sector (2005)

Region	Tot.workforce	Agriculture	Industry	Services	Agriculture (%)	Industry (%)	Services (%)
Kuzeydođu Anadolu	771	477	41	253	61.9	5.3	32.9
Ortadođu Anadolu	861	392	109	360	45.5	12.6	41.8
Güneydođu Anadolu	1,374	408	292	674	29.7	21.3	49.1
Istanbul	3,556	23	1,527	2,006	0.6	42.9	56.4
Batý Marmara	1,138	415	252	471	36.5	22.2	41.4
Ege	3,190	1,054	834	1,302	33	26.1	40.8
Dođu Marmara	2,052	393	787	872	19.2	38.4	42.5
Batý Anadolu	2,001	342	441	1,218	17.1	22	60.9
Akdeniz	2,771	811	550	1,410	29.3	19.8	50.9
Orta Anadolu	1,193	476	224	493	39.9	18.8	41.3
Batý Karadeniz	1,694	866	258	570	51.1	15.2	33.6
Dođu Karadeniz	1,445	834	136	475	57.7	9.4	32.8
TOTAL	**22,046**	**6,491**	**5,451**	**10,104**	**29.4**	**24.7**	**45.8**

Source: Tuik, Turkey Statistical Institute.

1.3 Country risk and transparency of the property market

Overall Turkey is a country with a high degree of risk as shown by the assessments of the leading rating agencies, given opposite.

Table 1.4
Assessment of vaious analysts and rating agencies

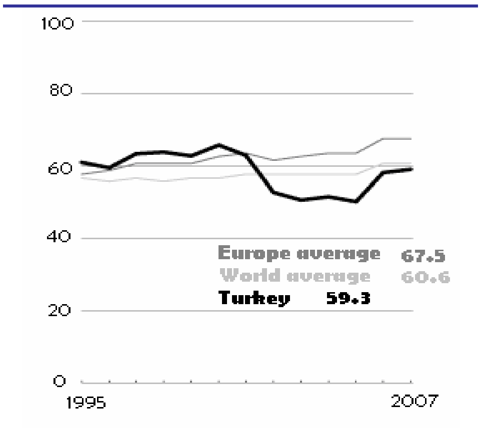
OCSE	5 on 7
Standard & Poor's	BB-
Moody's	B1
Dun and Bradstreet	4c modest risk
Worldwide Quality of Life Index	50°
Index of Economic Freedom	83°

The basic reason is the economy which still suffers from the effects of the recent financial crisis, the balance of payments deficit and high inflation. The political situation is also not entirely positive.

Specifically:

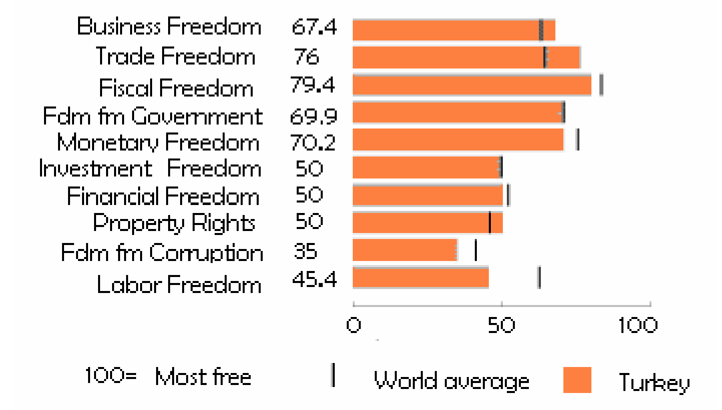
- ✓ according to the Economist's Worldwide Quality of life index, in 2005 Turkey was 50th out of 111 countries, up 11 positions on a year-to-year basis (in 2004 it was 61st);
- ✓ the Index of Economic Freedom published by The Heritage Foundation/Wall Street Journal, rated Turkey 83rd in 2007, out of 161 countries (very low) with a score of 59.3%[1], indicating a market with numerous problems relating to lack of transparency and freedom.

Figure 1.4
Economic freedom trend (2007)



Source: Index of Economic Freedom.

Figure 1.5
Various parameters of economic freedom in Turkey (2007)



Source: Index of Economic Freedom.

The index of Jones Lang LaSalle in relation to the transparency of the Turkish property market shows a poor result with a high level of risk. The index rates Turkey, in terms of transparency, as one of the worst countries not only in Europe but worldwide. More specifically, Turkey was 47th in 2006 with a score of 4.04, one place down on 2004. This makes the country "opaque" rather than transparent (the scale is from 1 to 5 in decreasing order of transparency). The index is based on the following criteria:

- the availability of accurate market and financial information;

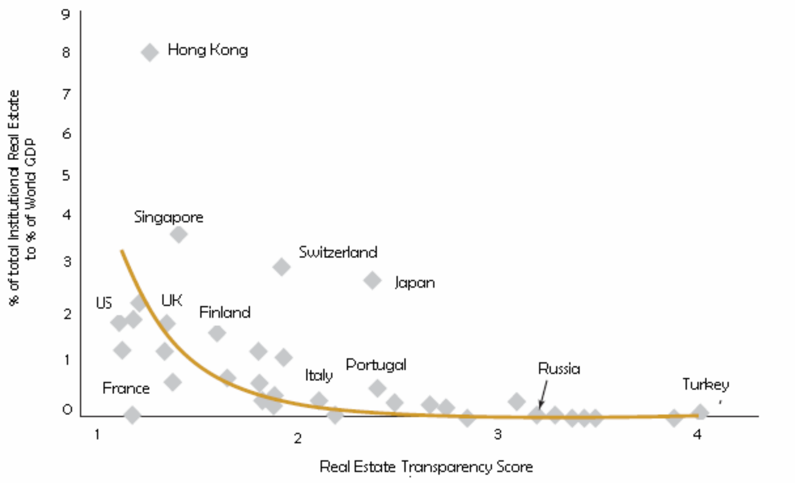
[1] Scores as follows: Free [score 80-100]; free overall [score 70-79,9]; quite free [score 60-69,9]; overall not free [score 50-59,9]; controlled [score 0-49,9].

- the regulatory framework;
- the ability to enforce legal rights and ownership;
- the management and financial control of listed companies;
- *zoning* and building regulations.

For countries in the top group investors tend to be quite confident in the light of the ample and varied market information available. A high level of transparency reduces risks and encourages investments. But countries like Turkey with a low level of transparency, involve high risks and dissuade investments. This is particularly true of the property market, as shown in the apposite figure.

Figure 1.6

Transparency index for the property market (2006)



N.B. 1 shows maxi transparency.

Source: Jones Lang LaSalle, LaSalle Investment Management.

Part II

The property market

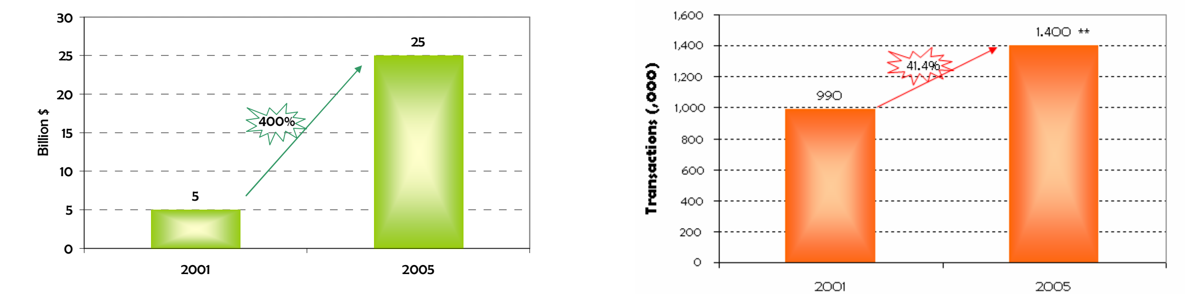
II.1 Overview

Between 2001 and 2005 the Turkish property market multiplied in value by five times (from 5 to 25 billion dollars). However, the number of transactions did not rise steeply, increasing by 9% a year on average. This indicates that the market is dominated by a relatively small number of large deals, generally involving big office blocks or retail organizations.

Figure 2.1

Turkey – Propert market and annual growth rate (2005)

Value of transactions (in $ bn.) *Number of transactions (in thousands)*



Source: Value Partners.

**42% residential
Source: Value Partners.

Supporting this growth are a number of economic factors such as the increase in the urban population (+78% in 2005 compared to 2001, a shift of over nine million people), growth in per-capita disposable income (2,626 dollars in 2006, up 68% on 2002) and the increasing importance of the middle class, particularly in terms of purchasing power.

Retail – The expanding middle class has new consumption needs, which, for example, are not fully met by traditional distribution channels, leading to the construction of new shopping malls designed and built to modern retail criteria. Yields in the retail industry are attracting investors, since the average of 7.5-11.5% is well above yields from conventional retail operations.

The focus of growth is Istanbul, above all in the European portion, where in April 2007 the new Istinye Park, the second super-regional shopping centre in Turkey, with a surface area of 257,000 m2, is scheduled to open. In the next four years the number of shopping malls in Turkey will double: 25 are already under construction and another 31 are in the planning stage. In addition to shopping centres in big cities (mostly in Istanbul but also in Ankara and Izmir), there are also good prospects in smaller towns, where the populations are increasing and becoming increasingly affluent.

Industrial and offices – These sectors are also affected by the increasing prosperity of the country. In Turkey overall and in the western part in particular, a large number of European and Italian companies do business (from Fiat to Tim, from Unicredito to Pirelli, to name just a few), but industrial properties and offices are far from European standards. The effort to close the gap will certainly be made, because Turkey has much lower labour costs than Europe, and is closer to Europe than China, not only geographically, but also in organizational terms, and so may be the ideal partner for Europeans who do not wish to delocalize to the Far East.

Within this framework the best opportunities are those in which operators are willing to finance and build new facilities for long-term rent or to sell on to other investors according to the *built to suit* formula.

Box 2.1

Where to invest: leading real estate market centres (May 2006)

Istanbul. As well as being the economic capital, it is the real estate capital. Today it is thought to be one of the world's leading cities in terms of real estate investment prospects, higher than London, Moscow or Barcelona, with higher expected yields (excluding the risk factor).

Ankara. Growing commercially (particularly shopping centres) and in real estate/housing. The latter will probably benefit from mortgage reforms for government employees, with secure and stable salaries.

Izmir. An emerging economic force due to the expansion of port activities (10% of the Turkish import-export business goes through this port) and the opening of foreign subsidiaries and facilities. The growth of Izmir will continue with the construction of a second port.

The eastern portion of the Mediterranean (with resorts such as **Antalya** and **Bodrum**) is becoming an important international tourist area. In Antalya alone, there are 10,000 million tourists a year.

The Tourist Market – Tourism is one of the most dynamic sectors of the service industry and it seems likely to expand over the next few years: the strong Euro and congestion in traditional European seaside holiday resorts makes Turkey an attractive alternative. Tourism is focused mainly on seaside resorts in the regions of Antalya and Bodrum: Kemer, Srik, Bebek, Alanya and Manavgat.

II.2 The housing market

The upturn in the economy starting three years ago has had a positive impact on demand in the housing market, both in cities and the suburbs throughout Turkey, leading to growth in the sector after a period of recession lasting five years. Of the countries in eastern Europe, the Middle East and Asia, Turkey is one of the most dynamic in the property market, particularly in housing. The housing sector, with large apartment blocks in city centres and detached and semi-detached houses in the suburbs, now plays a key role in the property market in Turkey. Mortgages have increased dramatically and are now available with 40-year repayments (against the previous 10) and variable rates (fixed-rate mortgages are problematic in such a volatile economy). Large-scale mortgage opportunities were what was missing to make the Turkish housing market dynamic and expanding.

Since 2004 the demand for housing has risen dramatically, reaching 700,000 units a year. Istanbul is the most dynamic city in the housing market (and many other markets). The map opposite shows the leading city and suburban areas of Istanbul.

Figure 2.2

Istanbul – residential areas

Source: Colliers.

In leading areas of big cities housing prices have already picked up. In Istanbul, for example, prestige houses (excluding new houses) are valued at € 1,500-3,900 per square meter. The same values are likely to apply in the target areas of the middle and affluent classes: satellite towns with quick public transport connections to the city, and high-level residential buildings in downtown areas.

These trends translate into high yields for investors, and whilst increased demand is renewing the stock of available houses, the quality and security standards are still far below those of Europe.

II.3 The office market

In 2006 there was an increase in the number of transactions and a decrease in the vacancy *rate* due to higher demand and steady supply.

Although Turkey's application to join the EU has temporarily been postponed, foreign investors above all are driving the market, which is well developed particularly in Istanbul. Investments from abroad continue to increase, mainly in good-quality office premises. Consequently, in the most attractive locations, such as Zincirlikuyu, yields have fallen (from 12.5% to 11% in the last half of 2006).

Table 2.1

Turkey - Yields (Dec. 2006)

	Yields (%)			Record yields in past decade		
	4 Q 2006	3 Q 2006	2005	Max	Min	Trend
Istanbul-Levent	10.00	10.00	11.00	18.00	10.00	⇩
Istanbul-Gayrettepe/Zincirlikuyu	11.00	12.50	12.50	18.00	10.00	⇩
Istanbul-Maslak	12.00	12.00	13.00	16.30	12.00	⇩
Izmir	12.00	12.00	13.00	22.00	12.00	⇩
Ankara	12.00	12.00	13.00	21.00	12.00	⇩

Source: Cushman & Wakefield.

Overall, the Turkish market has been continuously on the increase in recent years in terms of rents, probably as a result of greater interest by foreign investors.

Annual growth rates are in the region of 20% (in Istanbul-Maslak and Ankara for example), with the highest values in Istanbul-Levent, where rents are about 13.7 Euro per square meter per month.

Table 2.2

Turkey – Average rents (Dec. 2006)

	Rents		Growth (%)		
	€/sqm/year	€/sqm/month	5 years	1 year	Trend
Istanbul-Levent	164	13.7	-0.8	12.5	⇧
Istanbul-Gayrettepe/Zincirlikuyu	136	11.3	-3.6	7.1	⇧
Istanbul-Maslak	109	9.1	-4.4	20.0	⇧
Izmir	73	6.1	2.7	14.3	⇧
Ankara	109	9.1	3.7	20.0	⇧

Source: Cushman & Wakefield.

ISTANBUL

Istanbul is the economic and financial centre of the whole Turkey; so it is here that the property market generally, and the executive office market in particular, are growing most rapidly.

The area of Istanbul can be divided into several districts. Class A offices are mainly in the Levent-Zincirlikuyu-Maslak area (shown in red), considered the Central Business District (CBD). Other appealing zones are Gunesli-Ikitelli and Merter (shown in blue) located in the western part of the European portion of the city, and Altunizade (shown in violet), Kozyatagi (green) and Kavacik (yellow) in the Asian portion.

During 2006, demand of offices in Istanbul remained high, particularly in the Levent and Zincirlikuyu areas, where these types of properties are quite scarce and are unable to meet the needs of investors and/or users. The gap between supply and demand means the vacancy rate is low. However, in other areas the vacancy rates are between 10 and 30% (close to the airport for example) although they are coming down.

Figure 2.3

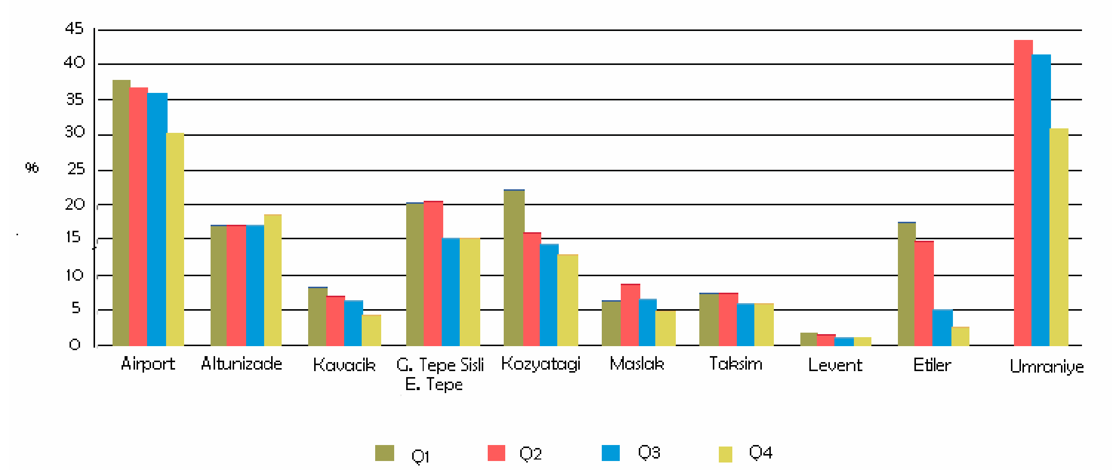
Istanbul - Central Business District

Source: Pega.

Demand is mainly from the private sector.

Figure 2.4

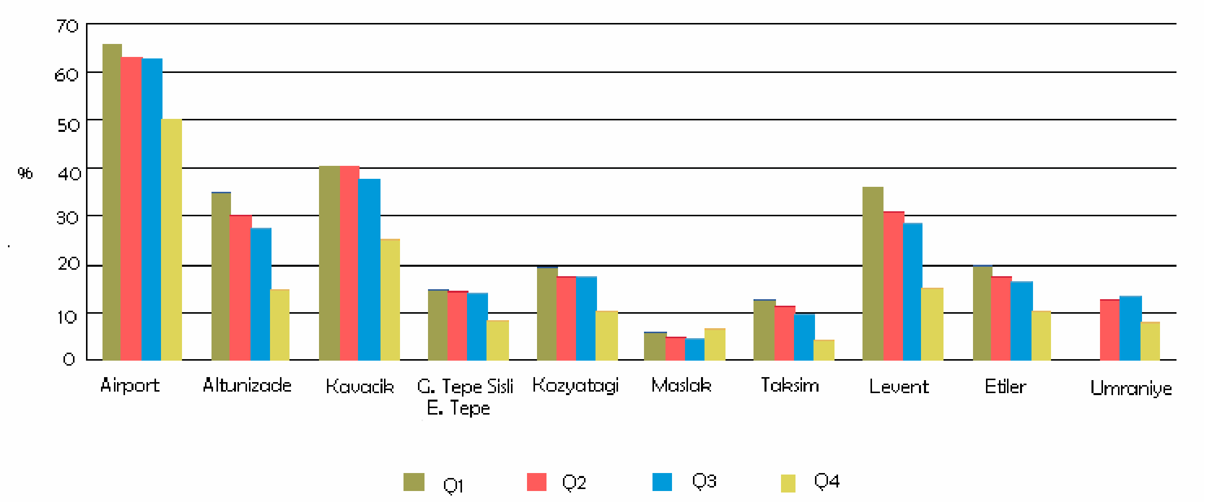
Istanbul - Vacancy rate of Class A offices (2006)



Source: Colliers.

Figure 2.5

Istanbul - Vacancy rate of Class B offices (2006)



Source: Colliers.

Table 2.3

Istanbul - Vacancy rate (March 2007)

Area	Vacancy rate (%, Sept. 2006)	Vacancy rate (%, March 2007)
Kavacik	24.23	20.96
Altunizade	13.64	12.45
Kozyatagi-Bostanci	18.20	16.66
Levent-Akatlar-Zincitlikuyu	10.68	10.25
Maslak	16.50	5.62
Sisli-Besiktas	8.92	13.74
Havaalani	25.11	23.55

Source: Pega.

The table below shows vacancy rates in March 2007. A gradual fall can be seen in almost all the areas covered. The only exception is Sisli-Beisiktas, where the vacancy rate has gone up since September 2006 (to 13.7%). The sharpest fall is in Maslak (from 16.5% to 5.62%), indicating strong interest from investors and users.

At the end of 2006 the overall stock of office space in Istanbul was about 1,840 thousand m2 and should reach 1,852 thousand by the end of 2007.

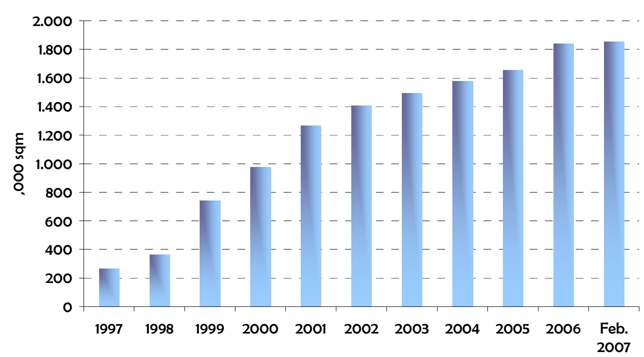
Office space has risen continuously in recent years, up a staggering 592% in the past decade.

Strong demand has led to increases in rents in all city areas.

Levent and Etiler are the areas where demand for Class A offices with the highest rents is strongest.

Figure 2.6

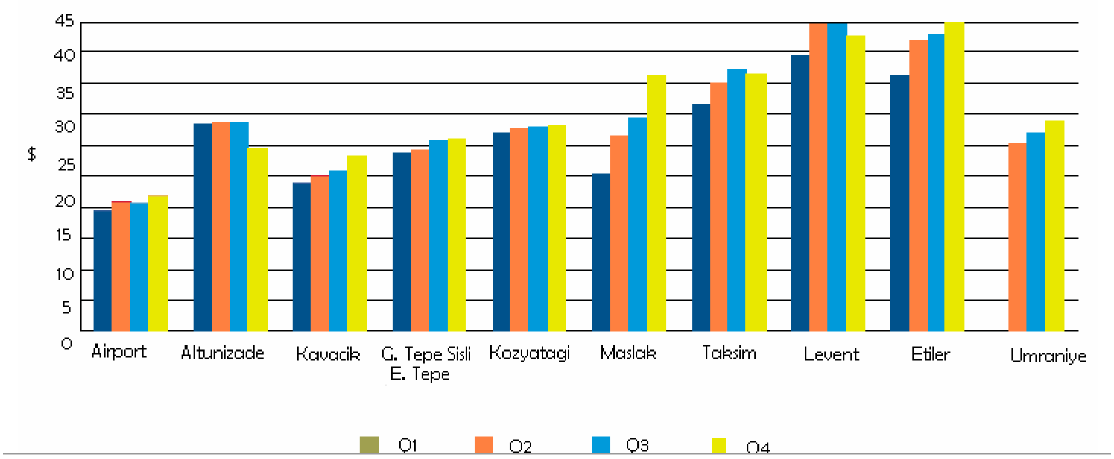
Istanbul – Office stock



Source: Pega.

Figure 2.7

Istanbul – Prime rents ($/m2/month, 2006)



Source: Colliers.

The table below shows the most important transactions involving offices in 2006.

Table 2.4

Istanbul – Leading rental agreements signed in 2006

Property	Zone	Lessee	Area (m2)
Akmerkez	Etlier	Auintiles	450
Akmerkez	Etlier	Remzi Bookstore	2,000
Barbaros Plaza	Beşiktaş	Garanti Bank	7,500
CEM Plaza	Şişli	Canwest Media Works	1,450
Döltaş Biulding	Esentepe	TNS Piar	2,220
Kanyon	Levent	Euro Hypo	600
Kanyon	Levent	IFC	2,334
Kanyon	Levent	Merril Lynch	1,167
Karamanci Business Centre	Esentepe	Shell	8,000
Maya Akar	Esentepe	Capital Partners	545
Maya Akar	Esentepe	PriceWaterhouseCoopers	1,090
Maya Meridyen	Etiler	Tesco Kipa	1,200
Nida Kule	Kozyatağı	Boston Scientific	812
Özsezen Plaza	Esentepe	HSBC	9,350
Standalone Building	Ümraniye	Carrefour	5,000
Sun Plaza	Maslak	Emaar	778
Sun Plaza	Maslak	ST Loader	1,168
Sun Plaza	Maslak	Deloitte & Touch	7,000
Şişli Plaza	Şişli	Emirates Airways	962
Tekfen Tower	Levent	Deutsche Bank	2,500
Toprak Plaza	Beşiktas	Adidas	1,375
Toprak Plaza	Beşiktas	ECE Türkiye	2,750

Source: Colliers International Turkey.

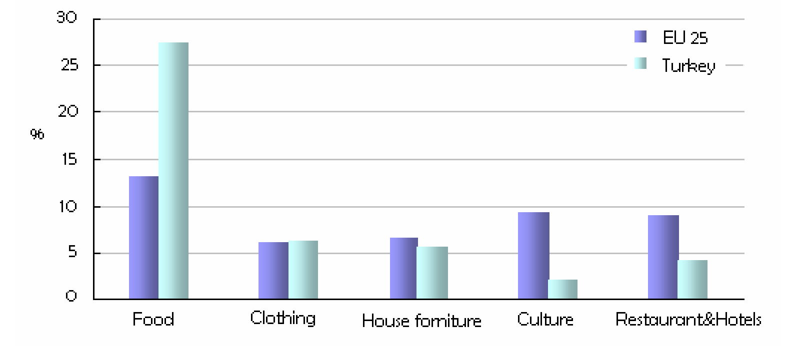
II.4 The retail market

The retail market is the segment of the Turkish property market that has grown most rapidly in recent years, reaching about 2.4 million m2 of space. It is also estimated that the sector still has ample potential for growth over the next few years. Although important cities such as Istanbul, Ankara and Izmir dominate the retail market - with 68% of overall GLA – other cities such as Antalya, Eskişehir and Mersin are developing rapidly, becoming increasingly attractive to investors. The increase in the population, particularly of the young age group, and in pro-capita incomes has encouraged growth in the sector.

The retail segment comprises 40-45% of overall family spending in Turkey.

Figure 2.8

Breakdown of family spending (2004)



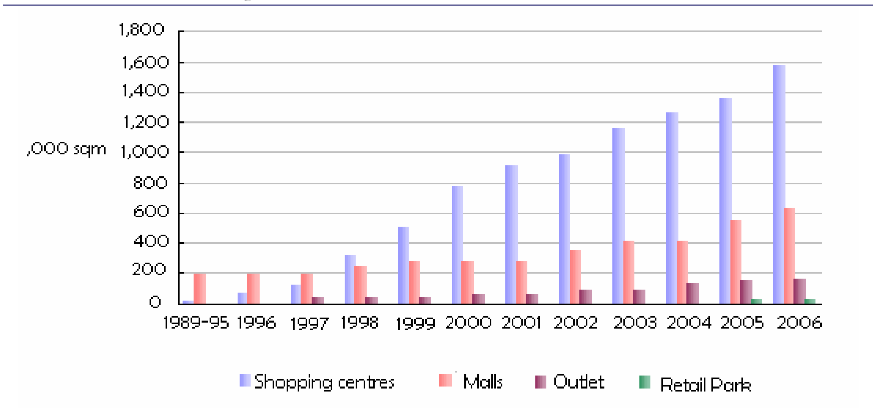
Source: DTZ Pamir & Soyuer.

Family spending has a different pattern in the EU. In Turkey, entertainment and culture account for only about one quarter of the spending in Europe, whereas food accounts for far more (26.7% against 12.8% in the EU).

Retail facilities in Turkey totalled 2.4 million m2 (DTZ; 2.1 million m2 according to Savills) in 2006, with a large number of shopping centres.

Figure 2.9

Turkey – Breakdown of shopping facilities



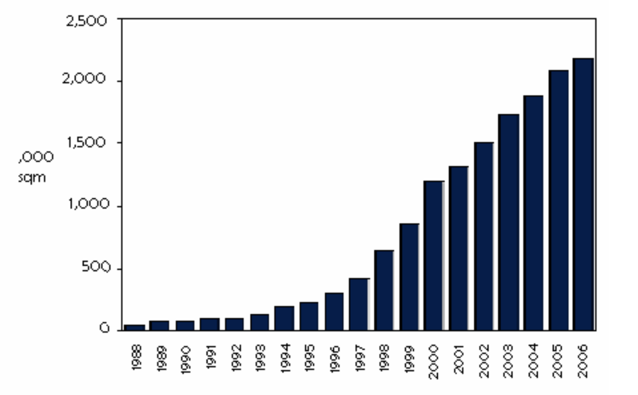
Source: DTZ Pamir & Soyuer.

The increase in the surface area (GLA) used for retail operations has been very rapid in recent years.

Many new projects, involving a further 1.6 million m2, are under way, so the total amount of space should reach 4 million m2 by 2010. The table below lists the main ongoing projects with openings scheduled for 2007-8.

Figure 2.10

Turkey – Retail of GLA (m2)



Source: Savills.

Table 2.5

Turkey – Leading ongoing projects

Retail centre	Location	Scheduled opening	Surface area (GLA, m2)
Forum Ankara	Ankara	2007	77,500
Cepa	Ankara	2007	100,000
Panora	Ankara	2007	68,000
KC Göksu	Ankara	2007	12,000
Optimum (extention)	Ankara	2007	20,662
Zivekent	Ankara	-	28,000
Bayraktar Tower	Ankara	-	10,000
Cankaya Retail Centre	Ankara	-	18,000
Selway	Izmir	2007	16,000
Neo	Eskişehir	2007	35,890
Espark	Eskişehir	2007	40,000
Kanatli	Eskişehir	2007	9,000
Forum Antalya	Antalya	2008	108,000
Forum Trabzon	Trabzon	2008	45,500
Forum Mersin	Mersin	2007	64,300
Forum Camlik	Denizli	2008	32,700
Olivecity	Balikesir	2007	8,000

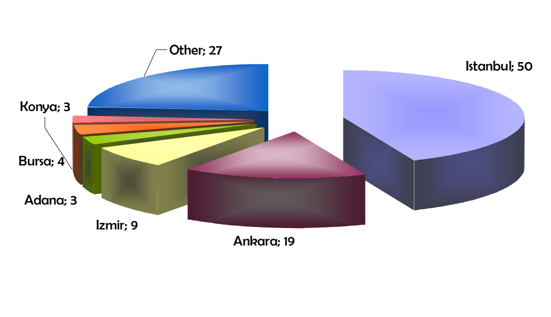
Source: DTZ.

Currently, there are 115 modern retail centres, mostly in big cities.

As the graph below shows, the main focus of the retail market in Turkey is Istanbul, Ankara and Izmir: about 70% of retail facilities is in these three cities.

Figure 2.11

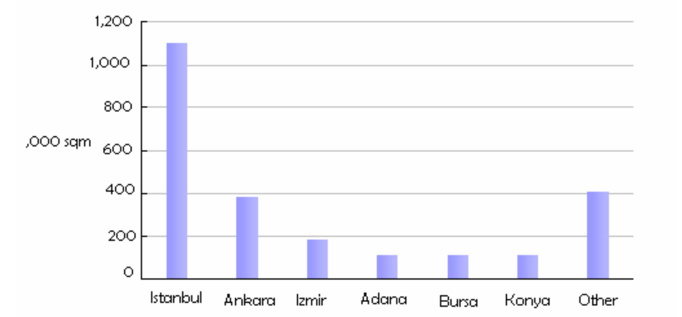
Turkey –City breakdown of retail facilities (115)



Source: DTZ Pamir & Soyuer.

Figure 2.12

Turkey – Area of retail facilities by city (2006)

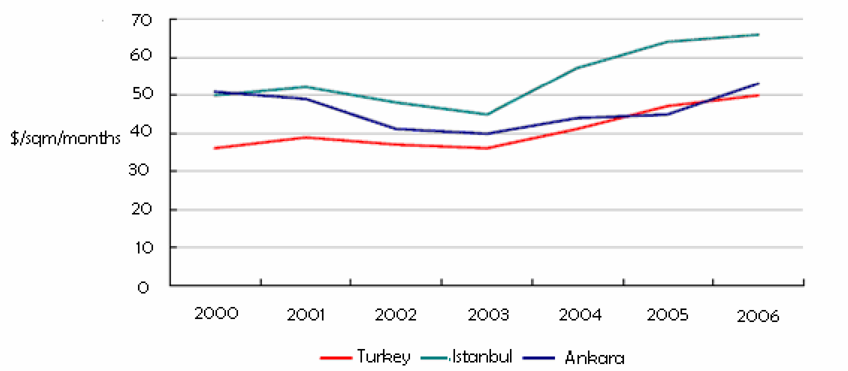


Source: DTZ Pamir & Soyuer.

Consequently rents are up in 2006 on the previous year. This is true generally, but particularly in big cities such as Istanbul and Ankara, where the increases have been way above the national average.

Figure 2.13

Turkey – Rents for shops



Source: DTZ Pamir & Soyuer.

The table below shows rents for shops in major Turkish cities.

Increases in rents and prices have lowered yields, which are now between 7.25% in shopping centres in Istanbul and 11.5% for high street shops in Izmir and Ankara.

Table 2.6

Turkey – Rents (Dec. 2006)

	Rents		Growth (%)		
	€/m2/year	€/m2/month	5 years	1 year	Trend
Istanbul-High Street	1,092	91.0	6.7	12.5	⇧
Istanbul-malls	682	56.8	-	-	⇧
Izmir-High Streets	637	53.1	-	16.7	⇧
Ankara-High Streets	546	45.5	8.4	20.0	⇧
Ankara-Malls	455	37.9	-	-	⇧

Source: Cushman & Wakefield.

Table 2.7

Turkey – Yields (Dec. 2006)

	Yields (%)			Record yelds in the past decade		
	4 Q 2006	3 Q 2006	2005	Max	Min	Trend
Istanbul-High Streets	9,50	10,00	11,50	11,50	10,00	⇩
Istanbul-Shopping malls	7,25	10,00	10,00	10,00	7,25	⇩
Izmir-High Streets	11,50	12,00	14,50	14,50	12,00	⇩
Ankara-High Streets	11,50	12,00	14,00	15,50	12,00	⇩
Ankara-Shopping malls	7,50	11,00	11,00	11,00	7,25	⇩

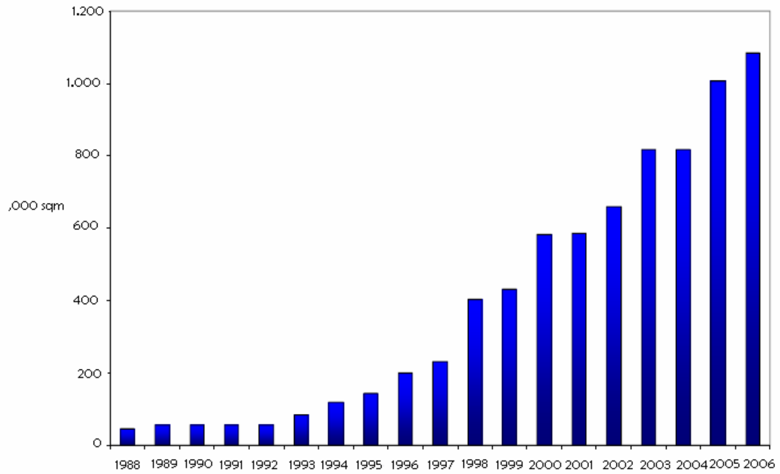
Source: Cushman & Wakefield.

ISTANBUL

Istanbul is the city with the highest concentration of retail outlets in Turkey. In 2006 the available space was 1.1 million m2, corresponding to 46% of total retail in Turkey. The figure below shows the constant increase in GLA in Istanbul overall.

Figure 2.14

Istanbul - Retail GLA



Source: AK Securities.

Of the 50 facilities in Istanbul, 56% are shopping centres in the outskirts, 36% urban malls, 2% retail parks and 6% outlets.

Figure 2.15

Istanbul – Retail facilities

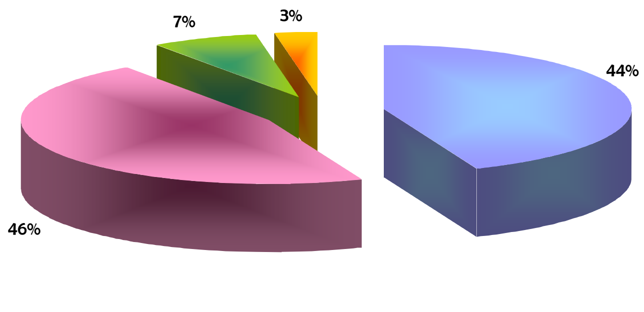
Source: DTZ Pamir & Soyuer.

46% of the overall surface area are urban shopping malls (510,905 m2), followed by shopping centres (483,265 m2), outlets (77,347 m2) and retail parks (30,500 m2).

The surface area is expected to go up to 1.9 million m2 by 2010 in view of 877,304 m2 already under construction.

Figure 2.16

Istanbul - Supermarkets



Source: DTZ Pamir & Soyuer.

Table 2.8

Istanbul – Leading ongoing projects

Project	Scheduled opening	Location	Surface area (GLA, m2)
Atlantis	2008	Pendik	20,000
Bakirköy Retail Centre	2007	Bakirköy	45,000
Carium	2007	Beylikdüzü	5,000
Carrefour	-	Bahçelievler	13,686
Carrefour Maltepe Park Phase II	-	Maltepe	20,000
Carrefour Merter Retail Centre	2008	Merter	72,963
City's Nişantaşi	2007	Şişli	17,000
D'Silva	2006	Beylikdüzü	14,815
Dudullu Retail Centre	2006	Ümraniye	11,120
Harmony	2007	Beylikdüzü	20,000
Istinye Park	2007	Istinye	82,000
Forum Istanbul	2008	Bayrampaşa	120,700
Kemermall	2006	Kemerburgaz	6,065
Kempinski Astoria	-	Şişli	16,000
Markacity	2006	Beylikdüzü	26,000
Maslak Teras Project	-	Maslak	57,500
Metroport	2006	Bahçelievler	30,000
M1 Meydan Phase II	2007	Ümraniye	68,000
Palladium Retail Centre	2007	Kozyataği	40,600
Parkway	2007	Bahçelievler	7,500
Perla Vista	-	Beylikdüzü	42,000
Prestige Mall	2006	Bahçeşehir	12,000
Sun Flower 2	2006	Bahçeşehir	6,300
Sehri Bazaar	2007	Bahçeşehir	14,555
Taksit Center	2006	Yenibosna	44,000
Tat Merkez Şişli	-	Şişli	11,000
Tat Towers	-	Zincirlikuyu	15,000
Verde Molino	2007	Bahçeşehir	8,500
Westa Retail Centre	-	B.çekmece	30,000
Totale			**877,304**

Source: DTZ.

Areas for conventional shops in Istanbul include, on the European side: Nişantaşı (Abdi İpekçi, Teşvikiye, Vali Konağı), Etiler (Nispetiye), Beyoğlu (İstiklal) and Şişli (Halaskargazi), where the street names are shown in brackets. On the Asian side: Suadiye, Erenköy, Göztepe (Bağdat) and Kadıköy (Abdi İpekçi). Nişantaşı is the most European area, with leading multiple brands. Rents are between 750 and 1,125 Euro per m2 per annum on the Asian side and 940 – 1,405 Euro per m2 per annum on the European side.

II.5 Industrial and logistics market

In terms of the distribution of goods, Turkey is the bridge between Asia/the Middle East and Europe. Logistics have developed rapidly in the past five years and is one of the most dynamic sectors of the economy due to the interest of domestic and international actors.

Table 2.9

Turkey -Yield (Dec. 2006)

	Yields (%)			Record yields in the past decade		
	4 Q 2006	3 Q 2006	2005	Max	Min	Trend
Istanbul	11.00-14.00	16.00	19.00	20.00	11.00	⇩
Ankara	14.00	16.00	20.00	20.00	14.00	⇩

Source: Cushman & Wakefield.

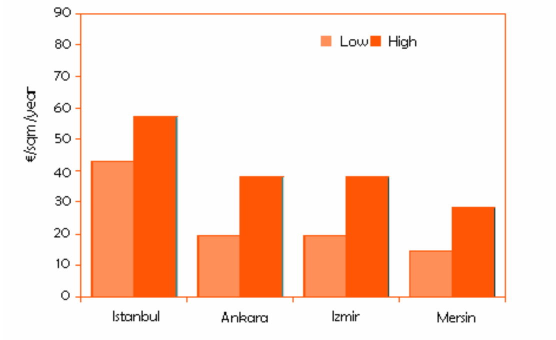
Demand is increasing, particularly in relation to quality facilities.

Nevertheless, the lack of facilities means take-up occurs at a slow rate.

The increasing demand for industrial buildings and the lack of land for new construction means that rents are constantly on the rise.

Figure 2.17

Turkey - Rents (2006)



Source: Savills.

Table 2.10

Turkey - Rents (Dec. 2006)

	Rents	Growth (%)		
	€/m2/year	5 years	1 year	Trend
Istanbul	45.50	7.4	25.0	⇧
Ankara	45.50	7.4	25.0	⇧

Source: Cushman & Wakefield.

Given the economic development of the country, this sector is expected to expand in the coming years.

ISTANBUL

Figure 2.18

Istanbul – Industrial areas

Source: Colliers.

In the city of Istanbul industrial developments started along the E5 motorway but then, as the city grew, moved towards the TEM. Manufacturing has now largely moved away to other cities and industrial properties in Istanbul are mostly related to logistics and storage operations.

The main industrial districts are Umraniye, Sarigazi, Samandira, Ikitelli, Yenibosna, and industrial parks such as Gebze, Tuzla, and Dudullu on the Asian side and Hadımköy, Beylikdüzü, Güneşli, Yenibosna, İkitelli, Ayazağa and Kemerburgaz on the European side.

In particular, Gebze and Tuzla are highly developed industrial areas, albeit far from major cities and frontiers. Despite this disadvantage, they are increasingly popular because of low land prices.

Demand near Istanbul, as elsewhere in Turkey, is growing, particularly in relation to high-quality facilities. However, few premises of this sort are available, land is not easy to obtain and existing buildings are of poor quality.

Recently, to close this gap between supply and demand, many industrial investors prefer to buy land and to build for future to their own designs. Industrial parks have become quite popular, with some manufacturing occupying new industrial premises.

As a consequence of increased demand and little supply, rents are increasing, reaching 6 dollars per m2 per month.

In particular, in the areas around Istanbul the highest rents are paid in Ayazaga (6 dollars/m2/month).

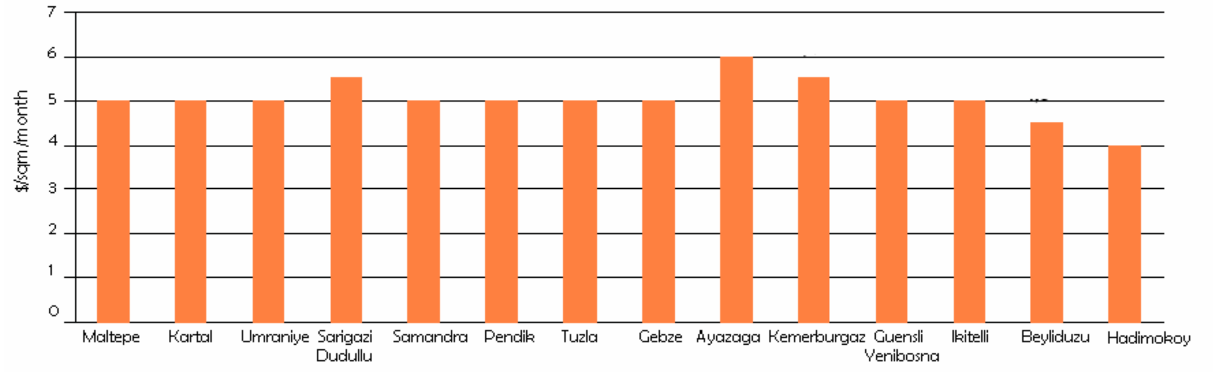
Figure 2.19

Istanbul - Trends in rents

Source: DTZ.

Figure 2.20

Istanbul - Trends in rents (2006)



Source: DTZ.

II.6 The hotel market

The hotel market has grown in the last decade, mainly due to the arrival of numerous international hotel chains. This market, above all for 4 and 5-star hotels, continues to grow in Istanbul, especially in highly developed areas such as the business districts on the Asian side, where hotels are lacking.

Nonetheless, most hotels today are on the European side, in the business centre and in tourist resorts. No less than a third of the total number of hotels in Istanbul are of 4 or 5 stars. Despite this, there are 30 new projects for quality hotels ongoing.

The most important ones are set out in the table below.

Table 2.11

Istanbul – Ongoing hotel projects

Project	Location	Opening data
Atik Pasa Four seaseons Bosphorus Hotel	Beşiktaş	2007
Maka Hotel	Maçka	2008
Diamond of Istanbul	Maslak	-
Mariott Asia	Kozyatağì	2007
By O Tell	Kozyatağì	2007
MNG Bentur Airport Hotel	Ataturk International Airport	-
Buyuk Tarabaya Hotel	Tarabya	-
Park Hyatt	Maçka	-
Crowne Plaza Istanbul	Laleli	2007
W Istanbul	Beşiktaş	2007
Green Park	Pendik	2007
Marriot Bomonti	Bomonti	2009

Source: Colliers International Turkey.

Hotel prices in Istanbul are as follows:

Table 2.12

Istanbul – Hotel prices

Hotel	Location	N° of rooms	Single room (in $)	Double room (in $)	Suite (in $)
CITY CENTRE					
Ceylan InterContinental Istanbul	Taksim	390	228-378		720-6,000
Condrad International Istanbul	Beşiktaş	585	255-295	270-310	560-4,000
Ciragan Palace Hotel Kempinski	Beşiktaş	387	480-645		1,275-6,000
Divan Hotel	Elmadag	175	195	220	279-296
Hilton Istanbul	Elmadag	498	260	285	535-1,750
Hyatt Regency	Taksim	360	165	205	310-3,150
Princess Ortaköy	Ortakö y	82	120	150	451
Radisson SAS Bosphorus	Ortakö y	120	213-274		488
Ramada Plaza Hotel	Osmanbey	176	196	217	-
Swissotel the Bosphorus	Maçka	315	347-400		1,189-7,320
The Marmara Hotel	Taksim	387	288	330	474-1,260
The Ritz Carlton	Taksim	244	218-310		355-4,068
BUSINESS DISTRICT					
Dedeman Hotel	Gayrettepe	338	135	156	600-1,200
Grand Cevahir Hotel	Sisli	323	284	305	407-914
Istanbul Princess Hotel	Maslak	305	200-220	250-275	500-1,500
Movempick Istanbul	Levent	249	300-360	350-410	750-2,050
Surmeli Hotel	Gayrettepe	210	90	102	162-600
The Green Park Bostanc	Içerenkoy	196	182	240	386
The Plaza Hotel	Balmuncu	235	253-304	304-338	422-846

Source: Colliers International Turkey.

BIBLIOGRAPHY

- AKSecurities, *Turkish Real Estate Market*, January 2007
- Colliers, *Turkey real estate review*, 2007
- Cushman & Wakefield, *Economic snapshot Turkey*, Ist quarter 2007
- Cushman & Wakefield, *Office snapshot Turkey*, Ist quarter2007
- Cushman & Wakefield, *Office space across the world*, 2007
- Cushman & Wakefield, *Industrial snapshot Turkey*, 1st quarter 2007
- Cushman & Wakefield, *Retail snapshot Turkey*, 1st quarter 2007
- DTZ, *Istanbul Update*, 4th quarter 2006
- DTZ Pamir & Soyuer, *Turkish logistic market overview*, 2006
- DTZ Pamir & Soyuer, *Turkish retail market overview*, 2006
- Eurostat, various documents (www.eurostat.com)
- ICE, Turkey: *congiuntura economica*
- ICE, Turkey*: guida Paese*
- Turkstat, *Turkish Statistical Institute*, various documents (www.turkstat.gov.tr)
- Jones Lang LaSalle, *Global Real Estate Transparency Index 2006*, 2006
- Jones Lang LaSalle, *Hotel Investment Highlights*, 2006
- PEGA, *Market Report Istanbul*, March 2007
- SACE, various documents (www.sace.it)
- Savills, *European Office Market*, Autumn 2006
- The Economist Intelligence Unit's, *quality-of-life index*, 2005
- The Heritage Foundation/Wall Street Journal, *Index of Economic Freedom*, 2007