# Turkey supplies the answer

**With growth levels set to top 8% in the next year and forecast to be worth €92.2bn by 2015, it's small wonder that Turkey has been pinpointed as an emerging logistics hotspot. Liza Helps reports**

TURKEY's emergence as a major logistics hub should come as no surprise, given its location at the gateway between Asia and Europe. Added to that, the country has unrivalled economic growth — 8.9% in 2010, compared to just 2% for European Union members — as well as political stability. "That," says Avi Alkas, country chairman of Jones Lang LaSalle Turkey, "along with significant investment in infrastructure, means the market also holds exceptional potential to morph into an international logistics gateway hub."

Alkas adds that the Turkish government has embarked on an aggressive investment programme to expand the country's express train and motorway networks and to improve connections between its major cities. "For example, the North Marmara motorway project will connect Adapezari to Tekirdag via Istanbul, also involving the construction of the third bridge in Istanbul," he says. "The Marmaray project is also a hugely significant transportation infrastructure project that will actually connect the European rail networks to the Middle Eastern and Asian rail networks."

Kerim Cin, managing partner of Colliers Turkey, points out that, in addition to rapid economic growth, Turkey's logistics sector is also benefiting from the "sophistication brought in by multinational logistics providers and the greater realisation by manufacturers and retailers of the benefits of outsourcing logistics activities."

But despite its significant retail market and trade volumes, the Turkish logistics market is currently underdeveloped. Tugra Gonden, partner and head of office and industrial at Cushman & Wakefield Turkey, says: "There is a lack of high-quality logistic and manufacturing schemes, with the majority of the current built stock falling far short of international standards, which is impacting on take-up levels."

**According** to research by IGD (Istanbul Gayrimenkul Degerlemel, there is 8 million sq m of space throughout Turkey and, of that, only 2 million sq m is considered anywhere near to international grade-A standard.

Murat Ergin, managing director of Kuzeybati, the Turkish alliance of BNP Paribas Real Estate, says: "The existing warehouse stock is mainly small, old and has low heights to eaves. There is limited new and modern warehouse stock. According to the latest research, Turkey has only around 40 sq m of warehouse space for every 1,000 inhabitants." To put this into perspective, real-estate experts in Moscow are concerned that there is only 400 sq m of grade-A space per 1,000 inhabitants, compared to 1,200 sq m per 1,000 for Prague and 1,500 sq m per 1,000 in Warsaw.

Gonden adds: "There is very limited speculative development taking place and any quality schemes that do break ground will see leases signed before completion due to the lack of suitable supply. This is particularly so for any well-placed schemes that are linked to current or indeed planned infrastructure projects, such as the third Bosphorus bridge. While construction is increasing, the majority of it is undertaken by domestic developers, who typically prefer to hold the real estate rather than sell it on."

As a result, land prices are high and this is holding back international developers, which are unable to turn a profit on schemes as rents are still quite low, especially in locations outside Istanbul. Gonden says that land prices in logistics hot spots can reach €230-€307 per sq m to buy, but that rent levels are only €5.91 per sq m.

"Istanbul is in a league of its own and land prices are prohibitively high for new developments," says Anthony Labadie, managing director of CBRE Turkey. "And with a population of around 13.5 million and 250,000 new people arriving in Istanbul each year, the competition for land for other purposes, such as residential, is extremely fierce."

Like the development market, Alexandra Tornow, head of EMEA logistics and industrial research at Jones Lang LaSalle, notes that the investment market is mainly dominated by owner-occupiers and local investors. "The main activity in the market involves development projects based on a partnership

**Transportation of freight according to transportation type**

| | 2010 | 2011 | Source |
|---|---|---|---|
| **Highways** | 190 365 000 000 | 203 072 000 000 tonne kilometer | tuik |
| **Railroads** | 11 462 000 000 | 11 677 000 000 tonne kilometer | tuik |
| **Maritime Lines** | 6 787 000 000 | 8 617 000 000 tonne mile | tuik *International transports are not included.* |
| **Airlines** | 2 021 076 | 2 249 474 tonne | Sivil Havacılık Genel Müdürlügü |

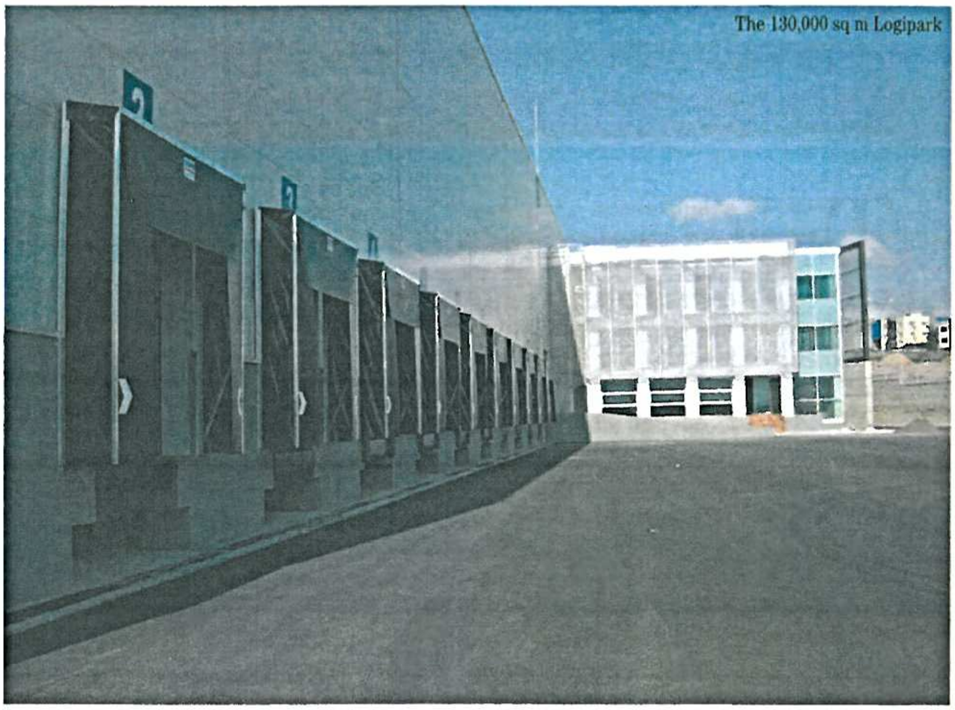
between the developer and the landowner," she adds. "Due to high land prices, which makes logistics investments quite unfeasible, this method appears to be the only way in practice for new development."

**At present**, according to IGD, 60% of the stock in Turkey is in Tekirdag — the European side of Istanbul — and Gebze, on the Asian side. However, as Istanbul decentralises and expands beyond its existing boundaries, much of the traditional industrial land is being re-zoned to residential use, especially on the European side. This is paving the way for Tuzla and Gebze to be the prime industrial zones of the Marmara region on the Asian side.

That is not to say that there are not opportunities for development. "There are some large logistics developments in the pipeline in Turkey," Kuzeybati's Ergin says. "Istanbul, Kocaeli, Ankara, Mersin, Izmir, Samsun and Eskisehir are the emerging cities. The government gives support to the development of logistics parks in these cities. In the last four years, lease transactions of 800,000 sq m have been observed in Istanbul and Kocaeli."

Ergin adds that the largest logistic park in Turkey is currently Logipark, occupied by Sanofi Aventis, Otto Group, Bayer, Sandoz, Abbott, Gefco and Valeo. Logipark, which is located in Istanbul's emerging distribution district of Tuzla-Orhanli, has a GLA of 130,000 sq m.

But it is not just the traditional industrial heartland where demand is centring, according to Jones Lang LaSalle's Tornow: "There is a lot of potential for port-centric development. Strong growth in container traffic in the main seaports around Istanbul — Ambarli, Mersin, Izmir and Haydarpasa — is another driver for the Turkish logistics market. In 2010, together they recorded a total container throughput of 4.5 million TEU — similar to Bremerhaven and Valencia, respectively ranked fourth and fifth in Europe. Driven by growth in throughput in the two main ports, Ambarli and Mersin, these were among the fastest growing European container ports in 2010."


The 130,000 sq m Logipark

Indeed, research from Colliers reveals that more than two thirds of Europe's external trade by value already passes through Turkey's ports. And this figure is likely to grow, as trade and container shipping growth is forecast to outstrip overall economic growth for the foreseeable future.

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Kuzeybati
Worldwide Real Estate Services