

## **Istanbul: a promising real estate market according to Kuzey Bati (TR)**

**"Economic recovery has been reflected positively on occupier demand for office space, especially in Istanbul", says Murat Ergin, the Managing Director of Kuzey Bati, the Turkish Alliance member of BNP Paribas Real Estate.**

Following a gradual recovery between 2010 and 2011, the volume of office take up was promising at the end of the first half of 2012. However, the market becalmed in the second half resulting in a total of 95,000 m<sup>2</sup> being absorbed overall during 2012. The effect of the economic recovery on rents has been felt sharply in 2010 (+18%).

The prime rent in Levent, the CBD of Istanbul, reached \$37/m<sup>2</sup>/month (€346/m<sup>2</sup>/year) at the end of 2012.

Amongst the 2012 transactions: Metlife (1,420 m<sup>2</sup>), Tesco stores (1,072 m<sup>2</sup>), Yamaha (1,000 m<sup>2</sup>), Vodafone (1,420 m<sup>2</sup>), Pierre Fabre Dermo Cosmetics (nearly 1,000 m<sup>2</sup>) and Tommy Hilfiger (1,100 m<sup>2</sup>)

There is 3,2 million m<sup>2</sup> of office stock in Istanbul, out of which 1,3 million is located in the CBD. The supply meets the demand, with 8,8% of vacancy. In the CBD, the vacancy rate is below 1%, a figure historically low.

Sign that Istanbul is a promising land, there is around 800,000 m<sup>2</sup> of office space under development to be delivered until 2014 in this city of more than 13 million inhabitants.

Completions of office space have been in constant progression since 2009. In spite of economic downturn, investors' demand for offices remained relatively strong in 2012 (€164 million) with a majority of domestic buyers. Although investors are focused on secured assets, there is a lack of investment products fully let, with single owner in prime location.

The prime yield in CBD is currently 7%. Recent years prime yields are almost as low as pre-crisis figures, which is a sign of returning interest towards Turkish office space.

"2013 will be a year beginning with short office supply and hence increasing rents should not be a surprise but new office building deliveries are under way for Q4 2013, and for this reason rental stability and mild decline is expected for early 2014", says Murat Ergin, Managing Director of Kuzey Bati.

Source: BNP Paribas