

STRONG INVESTMENT ACTIVITY IN THE NEXT FIVE YEARS

TURKEY

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Turkey is not only the largest economy of the CEE, but also among the top three countries in Europe in terms of population, with 72.5 million inhabitants. The rapid recovery in the Turkish retail market, boosted by the return of very strong economic growth – envisaged to be almost 8% in 2010 – placed the Turkish market as an important investment destination for global investors, and is expected to achieve one of the highest growth rates in the world. So it stands to reason that Turkey’s investment market will observe strong activity in the next five years.

By Dr. Kivanc Erman, MRICS, Jones Lang LaSalle, Turkey

Turkey also benefits from the young age profile of the population. Approximately 35% of the population is aged below 20, and 40% is between 20 and 45 years. In addition, 75.5% of the population lives in urban centers. In all, 12 provinces have urban populations that exceed 1 million inhabitants, and another 12 provinces have urban populations between 500,000 and 1 million.

Following the surprise growth of 6% in Q4 2009, the Turkish economy has continued with its remarkable progress in 2010. During Q2 2010, the economy recorded a significant growth of 10.3% leading to an 11% growth for H1 2010. Turkey came out as the fastest-growing country along with China in G20, and the third-fastest growing economy in the world after Singapore and Thailand in Q2 2010. >>

STATISTICS

2010

POPULATION	69,659,000
GDP GROWTH	0.9%
CONSUMER SPENDING GROWTH	N/A
INFLATION	10.4%
UNEMPLOYMENT RATE	10.7%
ACTIVE LABOR FORCE	25.3 MLN
INTEREST RATE SHORT TERM.....	N/A

MOST IMPORTANT CITIES.....INHABITANTS

ISTANBUL	12,697,164
ANKARA.....	3,763,591
IZMIR	3,210,465
BURSA.....	2,520,634
ADANA	1,517,787

PRIME RENTS

€/M ² /		ANN.	5 YEARS
YEAR	Q2 2010	GROWTH	(P.A.)
			COMP.
HIGH STREET.....	1,920	-13.5%	N/A
SHOPPING CENTRES	900	-6.2%	N/A
RETAIL WAREHOUSING.....	N/A	N/A	N/A

PRIME YIELDS

(%)	Q2	Q4	Q4
	2010	2009	2008
HIGH STREET.....	N/A	N/A	N/A
SHOPPING CENTRES	7.25	N/A	N/A
RETAIL WAREHOUSING.....	8,00	8,25	8,00

FOR MORE INFORMATION: WWW.EUROPE-RE.COM/DATABASE



Istiklal Caddesi is a well-known shopping street in Istanbul.

PHOTO: HOLLANDE HOOGTE

PHOTO: REAL ESTATE PUBLISHER/ALICE DE GROOT

< Luxury goods in store window displays attract attention from shoppers.



PHOTO: REAL ESTATE PUBLISHERS/ALICE DE GROOT

Shopping area in Istanbul where international retailers have opened stores that appeal to Turkey's youthful population.

Strong growth during H1 has led to significant upward revisions in full-year growth estimates. The IMF's latest projection points to 7.8% GDP growth for Turkey in 2010. According to the IMF, the GDP per capita will resume its inclining trend from 2010 onwards, reaching approximately €8,000 (US \$11,200) by 2015. This represents a 30% increase compared to 2009. One of the positive improvements for the real estate market is that Turkey turned out to be the rating Best Improver in the 'Jones Lang LaSalle's 2010 Global Commercial Real Estate Transparency Index' compared to 2008 amongst 83 countries.

Retailer outlook

The Turkish retail market has proved its resilience with strong turnover growth levels even during the economic recession in 2008-09 despite some slowdown compared to the pre-crisis period.

Turnover growth slowed down from approximately 15% during the pre-crisis period to 9% in non-food retail in 2009.

However, in 2010 retail growth has almost returned to pre-crisis levels, recording 14% in non-food and 7% in the consolidated market.

Strong turnover growth combined with Turkey's demographic features and expanding

middle classes have sustained international retailer interest in the Turkish market. Almost 50 brands entered the Turkish market since 2006. Almost half of this was realized during the recession years of 2008 and 2009. Amongst these brands, there are anchor tenants such as Best Buy, Leroy Merlin, Baumaxx and Decathlon. The entrance of H&M to the market



Turkey has an expanding middle class and this along with demographic features



PHOTO: HOLLANDESE HOOGTE

Turkish fashion labels have expanded into other markets, while international brands have expanded into Turkey.

in 2010 with plans of opening five stores in Istanbul is a good indicator of strong retailer demand.

Luxury brands have also remained eager in the Turkish market. Prada, Hermes and Miu Miu opened their stand-alone stores while Diana Von Furstenberg, Elie Tahari and Salvatore Ferragamo have taken up space on the high-end retail

street Nişantaşı in the form of tunnel stores in 2010. Generally, luxury brands are eager to open their stand-alone stores while mass brands are keen to enter the shopping centers with strong accessibility. It is expected that high streets, such as Nişantaşı and Bağdat Streets in Istanbul, will remain as priority choices for luxury brands in the future, while mass brands are also keen to have presence in İstiklal Street to benefit from the huge pedestrian flows there.

While the international brands are flowing into the Turkish market, many Turkish brands used the recession period as an opportunity to expand their overseas operations. LCW, Defacto, YKM, Mavi Jeans and Colins constitute a few examples for expanding Turkish brands. Strong retailer demand has not been fully reflected in the rent levels yet. However, rent incentives, which were widely used in

2009, have been abolished since the beginning of 2010. Prime rents have remained at €75/m²/month since H2 2009 with marginal increases in average rents. Beyond 2011 they are expected to return to the pre-crisis levels and reach €90-€95/ m²/ month in 2012.

Retail outlook

The quick recovery in the Turkish retail market has had positive implications on the development activity, which was subject to a temporary slowdown in 2009, which particularly picked up in Anatolia in 2010 and will remain so in 2011. The GLA growth is estimated at approximately 720,000 m² in Anatolia in 29 centers, compared to 520,000 m² in 21 centers located in Istanbul. In line with the positive sentiment in 2010, the GLA growth has returned to the pre-crisis level and is expected to reach 1.2 million m² by end-2010. >>



PHOTO: REAL ESTATE PUBLISHERS/ALICE DE GROOT

have sustained international retailer interest.



Forum Istanbul shopping center is Europe's largest shopping center, with some 280 national and international brands. It is

Another 1.1 million m² is expected to enter the market in 2011. As the Turkish banking sector completed its restructuring following its own crisis of 2001, Turkish banks were strong and are in a good position to finance real estate projects in Turkey. Therefore, strong development activity is expected to continue in the market.

Investment outlook

The investment market in Turkey is in an emerging stage with a limited number of international investors/developers. In 2005, in the first cross-border transaction, Corio acquired 46.9% of Akmerkez, followed in 2007 by the acquisition of the 353,000-m² Cevahir shopping center by St. Martins. A peak year for the Turkish investment market was 2007, in which the majority of transactions were in the form of forward funding/purchases. Corio, Redevco and Multi

Development have been the most active investors, while German Open-Ended Funds such as CGI and Union Invest have also signed a few deals.

However, in 2008, the investment market lost its momentum largely due to the failure of Turkey to compete with other markets. This largely stemmed from the unrealistic yield expectations of the local owners at a time when pricing had moved out significantly in core markets such as the UK, France and Germany.

On the other hand, local investors/developers tend to be less highly leveraged because of the bad experiences of Turkey's own economic crisis in 2001 and, therefore, were generally not in a forced sale position.

However, investor sentiment has turned into relative optimism since early 2010 and stronger investor interest has been observed in the last few months.

This is partly due to Turkey regaining relatively competitive positioning as a result of rapid yield compression in core markets, but also improved global market conditions. Two transactions have been completed so far in 2010, which include the acquisition of 65% of Forum Mersin by Union Investment at €68 million in



PHOTO: METRO GROUP ASSET MANAGEMENT

Meydan Shopping Square, Istanbul, (70,000 m²)



PHOTO: MULTI CORPORATION

expected to draw 20 million visitors annually.

March 2010 and the acquisition of a historic building, which accommodates various local retail brands, in İstiklal Street at €18 million by VastNed. Considering stronger investor interest and partial recovery in global markets, the investment market is expected to revive somewhat in 2011 and enhanced activity is envisaged after 2011.

The lack of transactions in the market make it difficult to track the yield levels. However, during the most active point in the market in 2007, we believe that prime yields reached approximately 7%. Based on our knowledge of investor sentiment and ongoing negotiations in certain deals, the prime yield in Q4 2010 is estimated at approximately 8%. This suggests a 100 bps movement compared to the market peak in 2007 and 25 bps decrease compared to 2009. The increasing foreign investment in the real estate market will also positively impact the transparency and the number of environmentally friendly projects in Turkey.

Under the current circumstances the sustainability issue remains in an infancy stage. It is observed however, that the issue has started to be addressed in some of the recent projects, particularly in the residential market. However, in commercial real estate projects it is very limited. There are only two BREEAM-certified shopping centers in Turkey, Gordion Ankara and Erzurum Shopping Center, both of which were developed by Redevo.

ISTANBUL

Istanbul is Turkey's most populated city, accounting for 18% of the population, estimated at 12.9 million as of 2009. Additionally, having a significant share in Turkey's industrial and services output, Istanbul records significantly higher GDP per capita figures than the country average. The GDP per capita in Istanbul is estimated at approximately €9,000 (US \$12,600) as of 2008, which is categorized in the same league as Latin American countries and East European cities such as Riga and Bucharest. The GDP per capita in Istanbul is 40% above the Turkey average. According to the 2010 'Emerging Trends in Real Estate Europe' report published by PWC and ULI, Istanbul ranked as the top investment destination by global investors amongst other European cities with development prospects. Istanbul is also the number one destination in Turkey for foreign investors, accommodating around 55% of foreign companies operating within the country. Wholesale and retail trade, manufacturing, and financial intermediation are the top three sectors attracting foreign investment. >>



from Metro Group Asset Management.



Redevo's Erzurum Shopping Center (32,000 m²) with 130 stores opened Q4 2010.

PHOTO: REDEVCO

Besides, Istanbul's designation as a regional hub by some multinational companies such as Coca Cola, Nestlé, Intel, Microsoft, P&G, and Unilever, to serve the wider regional markets, increases the city's foreign investment potential.

Istanbul offers significant retail potential with its 12.9 million population and consistently rising income levels.

Istanbul's retail market with 2.4 million m² of leasable area, accounts for 40% of the retail market in Turkey, and is the second largest retail market in the Central and Eastern Europe region, after Moscow.

More than 1 million m² of leasable area is currently under construction in Istanbul, therefore pushing the total GLA in the city to 3.4 million m² by end-2012.

Major projects in Istanbul scheduled to open in 2011 are the 106,000-m² Forum Marmara in Merter, the 65,000-m² Ora Istanbul in Bayrampaşa and the 63,500-m² Akbati in Esenyurt. New projects in Istanbul are mostly part of mixed-use projects. Forum Marmara, for example, is supported by the 30,000-m² high-quality office scheme while Ora Istanbul is comprised of many components

including a performance center, theme park, a Crowne Plaza hotel and a Holiday Inn.

Despite the huge retail market in Istanbul, by no means are all parts of the city saturated.

As it is observed from the map below, the retail market is concentrated on the European side, which accounts for 73% of the total GLA.

Considering the pipeline projects, this is expected to reach 80% by end-2011.

Two landmark projects are planned to open in Istanbul in the coming few years, the Zorlu Centre in the European Central Business District and Emaar Çamlica on the Asian side, as mixed-use projects will be the greatest magnets to attract new brands to Turkey.

OTHER CITIES

Before the economic recession, the retail sector was booming in several secondary markets across the country, with Bursa and Antalya leading the way in terms of shopping center development. The main reason for this was that the secondary cities, recently witnessing the emergence of modern retail, are welcoming increasing numbers of shopping centers in their regions.



PHOTO: ZORLU GROUP

Zorlu Center won a prestigious Commercial Architecture

Modern centers in these cities act as the main social platforms for women and youth. Particularly in the relatively conservative cities, the shopping centers have given freedom to women, who enjoy shopping on their own.

As in many regions throughout Europe, the recession in 2008-09 caused pipeline development to slow down as many projects were either put on hold or cancelled.

However, the GLA growth so far in 2010 has been much stronger than in Istanbul. Some 15 shopping centers with a leasable area of 420,000 m² opened in Anatolia while the GLA growth in Istanbul was 140,000 m² in only four centers.

In line with the positively changing investor sentiment, approximately 1 million m² leasable area is expected to enter the retail market in Anatolia up to end-2012, increasing total GLA in the country to 8.1 million m².



PHOTO: TAURUS EURASIA GAYRIMENKUL PROJE GELİŞTİRME

Balgat shopping center (40,777 m²) with a 12,000-m² office center in Ankara.



re Award in Europe and Africa Property Awards 2009.



Kentpark, a mixed-use scheme including Ankara Shopping Center.

PHOTO: ONCUOGLU ARCHITECTURE-PLANNING

Major openings in Anatolia in 2010 included Anatolium Shopping Centre in Bursa, owned by Corio, and Doğuş Gebze Centre in Kocaeli. Anatolium Shopping Centre offers 84,000-m² leasable area anchored by CarrefourSA, Leroy Merlin and IKEA, while Doğuş Gebze providing 60,000-m² leasable area is supported by strong anchors – Koçaş, Kipa, YKM and Mudo. Kentpark, a mixed-use scheme (232,000 m²) comprising retail, office and residential units, and 206 retail units developed by Megatürk was opened in February 2010.

Balgat Shopping Center (40,777 m² of retail with a 12,000 m² office center), is being constructed by Taurus Euroasia and will be open at the end of 2010. The major pipeline projects in Anatolia are Forum Kayseri (30,900 m²) in Kayseri being developed by Multi Development Turkey, Terra City (48,000 m²) in

the Lara district of Antalya, a project of Pramerica-Eria, Adana Shopping Center (57,450 m²) in Adana and Izmir Gaziemir Shopping Center (51,100 m²) in İzmir. The latter two are being developed by Renaissance Holding. These schemes are scheduled to open sometime in 2011.

The rapid development in Anatolia has caused some of the

markets to become saturated, such as Denizli and Eskişehir, which are in the five densest markets in the country. It should be noted that, for example, Eskişehir is expected to become more dense by end-2012 than İzmir, which is the third largest city in Turkey. However, it is likely that delays in the development process will cause deviations in the final figures. <<



PHOTO: RENAISSANCE CONSTRUCTION

Izmir Gaziemir Shopping Center (51,100 m²) by Renaissance Holding.

Turkey New Developments



Marmara Park, Istanbul

Marmara Park includes one of the biggest Carrefour hypermarkets in Turkey, a DIY store, a 10-hall cinema complex, a huge media/electronics store, shops and department stores, top quality restaurants, food shops, bowling and kids entertainment, as well as offices.

M ² available	Class	Invest	Time
m² 300,000	Y Q4 2012	€ 250 mln.	
D ECE Turkiye.		m² 100,000	
A n/a		H P: 4,000	
I ECE Turkiye		H 250 shops	



Manisa Shopping center, Manisa

Manisa shopping center will be the city's first shopping center in Manisa. It will provide a 4,500-m² hypermarket and a 1,500-m² entertainments complex. It will be built as a sustainable shopping center.

m² n/a	Y Q1 2012	€ n/a	
D Redevco Turkey		m² 17,150	
A RedevConcepts		H P: 350	
I n/a			



Kervansaray, Erzurum

Tulpian is developing Kervansaray shopping and leisure center. It will house 245 retail stores incl. a supermarket (3,987 m²), a DIY (6,546 m²), a cinema, several restaurants and a closed parking for 1,600 cars. It will also offer entertainment facilities like a spa, theater, etc.

m² 117,880	Y 2011	€ n/a	
D Tulpian development		m² 45,000	
A n/a		H P: 1,600	
I n/a			



Forum Diyarbakir

Forum Diyarbakir is designed as a three-level shopping center and includes a hypermarket (8,000 m²), a DIY shop, an 8-screen cinema complex, 80 shops, restaurants and cafés as well as a parking for 1,430 cars.

m² 117,880	Y n/a	€ n/a	
D I Multi Development Türkiye		H P: 1,430	
A Era Architects			
m² 43,400			

m² Leasable	m² Total	D Developer	I Investor	A Architect	H Highlight	€ Invest.	Y Completion	C Category	L
SIZE		COMPANIES / INSTITUTIONS			INVESTMENT / TIMING / BRAND				

REP's complete European Projects List and/or Projects-Pipeline List can be obtained through: www.europe-re/projects or by contacting REP's information desk by phone +31 70 302 33 00 or email: projects@europe-re.com.

Check our website www.europe-re.com which will lead you to this source of up-to-date project information.



Forum TEM, Istanbul

Multi Development Türkiye's is developing Forum TEM with its mixture of shops and charming and exciting design. Forum TEM comprises 70,000 m² of retail and services, spread over three levels with 3,550 parking places and will be anchored by a hypermarket (13,300 m²), a DIY store, a food court, and a multiplex cinema.

m² 72,000			
D Multi Development Türkiye			
A L35 Architects , Arup Turkey			
€ n/a			
Y Q2 2012			

PHOTO: MULET TURKMALL



PHOTO: TAURUS EURASIA GAYRIMENKUL PROJE GELTİRME

Balgat Shopping Center, Ankara

Balgat Shopping Center is a mixed-use development consisting of a retail center with 40,777 m² of GLA with a hypermarket and a consumer electronics center. The project will also include an office tower of 12,000 m² and 2,000 parking spaces.

m²	40,777
D	Taurus Eurasia
A	n/a
€	150 million
Y	Q4 2010

Forum TEM, Istanbul

Multi Development Türkiye is developing Forum TEM with its mixture of shops and charming and exciting design. Forum TEM comprises 70,000 m² of retail and services, spread over three levels with 3,550 parking places and will be anchored by a hypermarket (13,300 m²), a DIY store, and will include well-known department stores, a multiplex cinema, and shops of national and international brands. The project will include a large food court, entertainment facilities and an office tower. It will bring a new quality level to this location in the city center and will underline Gaziosmanpaşa's attractiveness as the regions' prime shopping location. Forum TEM is strategically located next to the TEM

highway in the Gaziosmanpaşa district. TEM highway is one of the busiest routes in Europe, carrying local and long distance traffic between Asia and Europe.

Balgat Shopping Center, Ankara

Balgat Shopping Center is a mixed-use development consisting of a shopping center of 40,777 m² of GLA with a hypermarket and a consumer electronics center. The project will also include an office tower of 12,000 m² and 2,000 parking spaces. The center is intended to take advantage of the strong growth of population in that area of the city faced with a substantial undersupply of adequate retail space. The shopping center will be anchored by Metro Group's

Media Market and a leading grocery concepts, surrounded by smaller in-line retailers. The developments will be situated on the Konya Highway, which is the major north/south thoroughfare leading from the center business/government district to the rapidly developing residential neighborhoods in the west. <<

More information on Turkey:

Project Listing 2010 *see pag. 432*
For actual Project Listing 2010-11 go to:
ONLINE: www.europe-re.com/projects

Deal Making 2009-2010 *see pag. 448*
For actual Deal Making 2010-11 go to:
ONLINE: www.europe-re.com/dealmaking

Local Companies A-Z / Outlook 2011 Main Features *and more...*
ONLINE: www.europe-re.com/turkey

ONLINE: www.retailspace-europe.com/turkey