

Istanbul Office Market Overview

Tomorrow's Solutions Today

Q3

'23



Summary



Supply

➔ 5,9 m sqm



Vacancy Rate

↓ 11,1%



Prime Rent

↑ 38 USD/ sqm



Take up Volume

↑ 70 k sqm



Prime Yield

↑ 8,25%

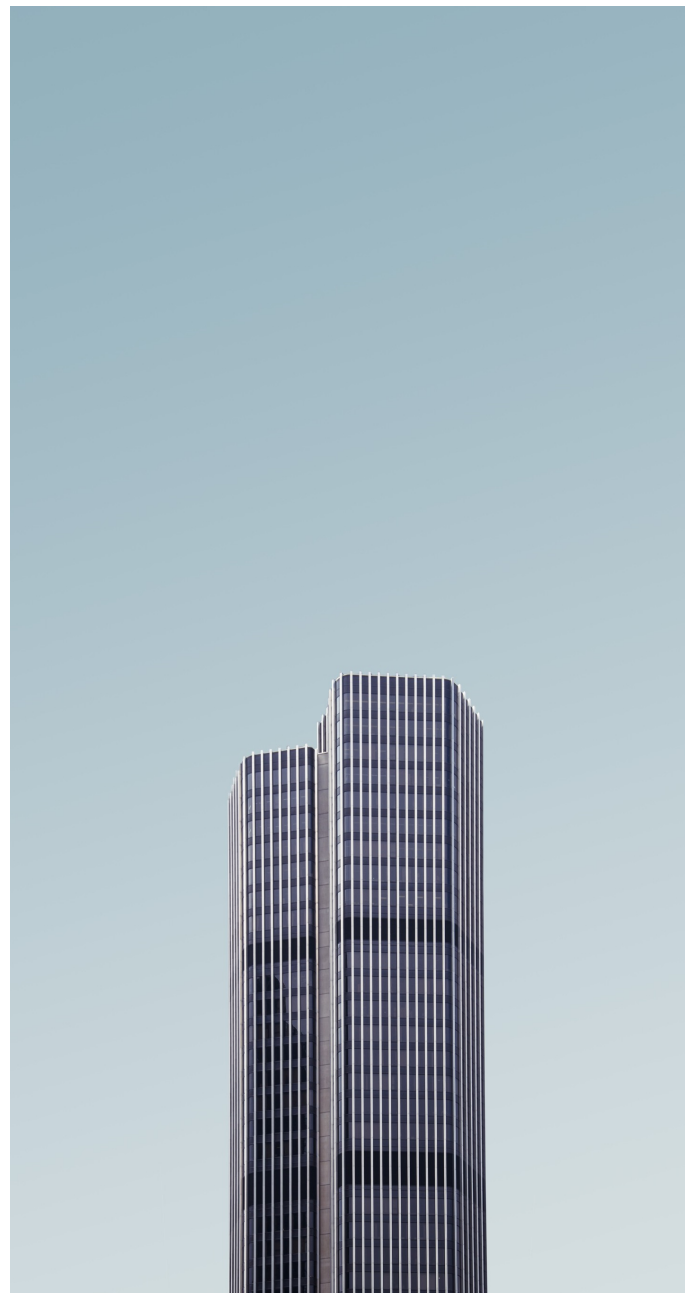
Due to the absence of new office investments in Istanbul since 2017, the existing supply has remained stable at levels around 5.9 sqm for a long period.

On the other hand, the existing demand continued to increase every year, which caused the vacancy rate to decrease from 25% to 11.1%.

The downward trend in vacancy rates causes office rents to increase. If existing market conditions persist, the existing rent level is expected to continue upwards.

The increased rent level has affected the value of office investments upward. Depending on economic conditions, it is possible that office investors may adopt a wait and see policy in the next year and may turn the new investments in the following years.

However, rising construction and decoration costs continue to postpone relocation decisions of the companies, which maintaining pressure on demand in this situation.



A Class Office Supply



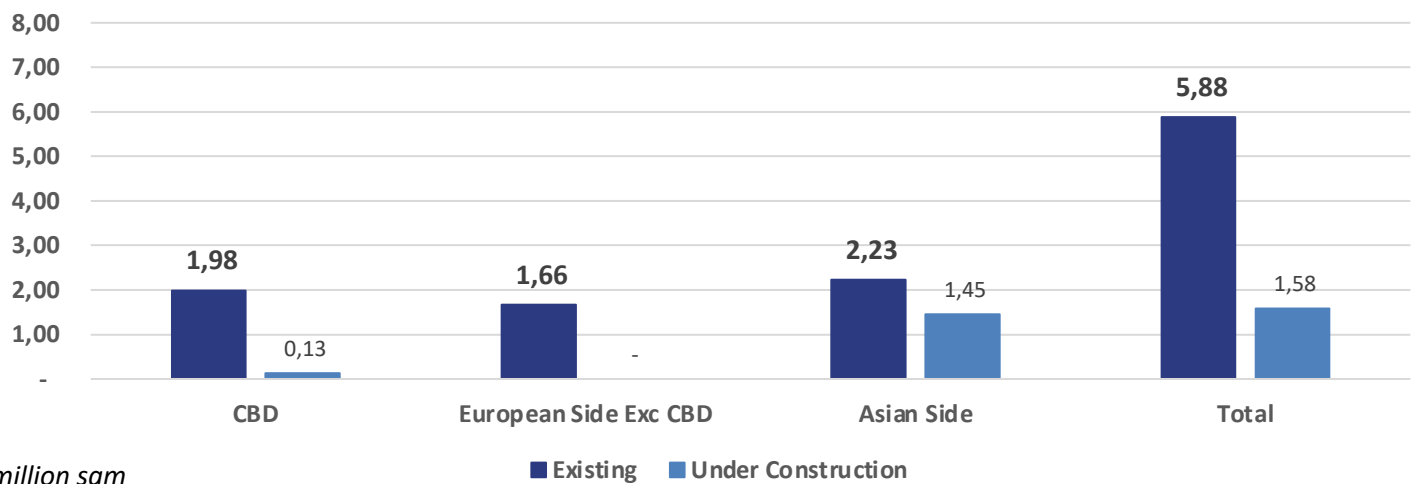
2022	2023	Stable
5.9 m sqm	5.9 m sqm	➔

Since 2017, lack of new supply, the zoning of the new projects being changed from office to hotel or residence and the conversion of some existing office buildings into hospitals or residences have hindered the growth of office stock.

The Class A office supply in Istanbul is at the level of 5.9 million sqm, the largest new supply to be added to the existing stock is the Istanbul International Financial Center with 1.5 million sqm.

With the entry of such a significant office supply into the market, Istanbul International Financial Center will emerge as the biggest player in the Istanbul Office Market.

Upon the opening of the Istanbul International Financial Center, the office stock will exceed 7.5 million sqm.



Vacancy Rate



2022	2023	Decrease
14.4%	11.1%	↓

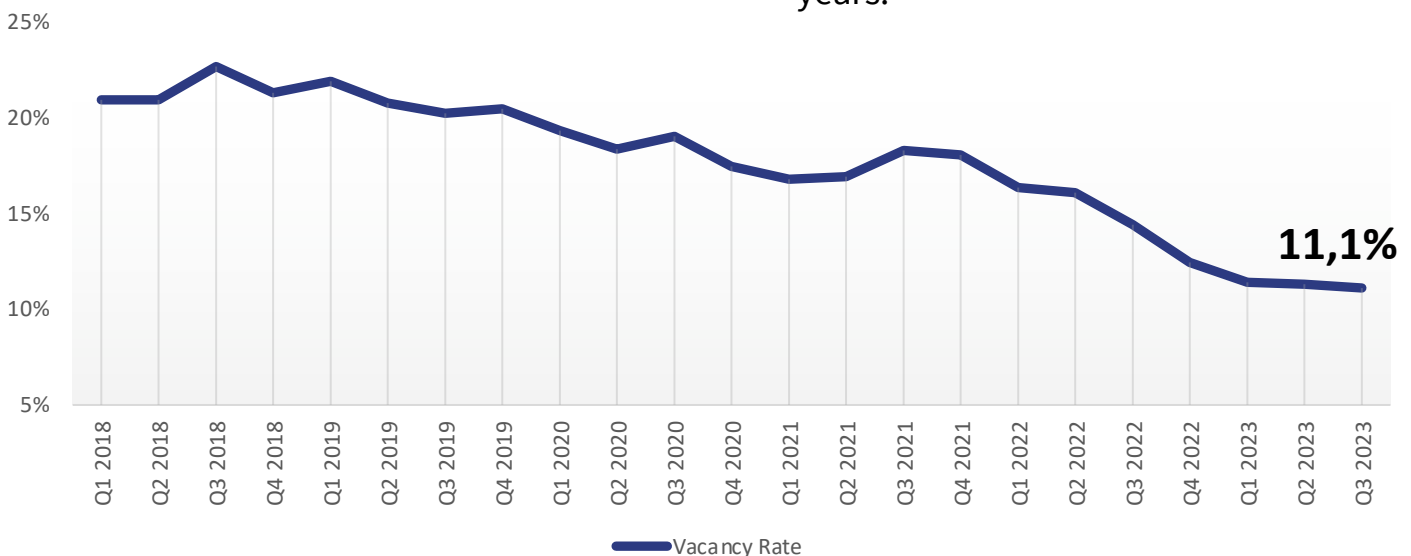
The vacancy rate in the Istanbul Central Business District continues its downward trend. In the third quarter of 2021 the vacancy rate was 18.3%, In the third quarter of 2021, the vacancy rate was 18.3%, decreasing to 14.4% in the third quarter of 2022, and it is dropped to 11.1% in the third quarter of 2023.

The primary reason for the decrease in vacancy rates is the high demand for Class A office buildings, mainly driven by concerns such as the pandemic and earthquake risks.

If this trend persists, it will lead to market conditions with limited supply and the lowest vacancy rates. A similar situation occurred previously in 2007, it was leading to a tendency towards new office investments in the following years.

 We expect the downward trend in the vacancy rate to persist in the Istanbul Central Business District due to the stable supply and high demand.

Vacancy Rate (%)



Prime Rent



2022	2023	Increase
30 \$/sqm	38 \$/sqm	↑

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Rising office rents may incentivize office developers to make new office investments.

The highest office rent in the Istanbul Office Market was realized in the Central Business District. The decrease in the vacancy rate in the Central Business District will support the upward trend in the prime rent figure.

As of the third quarter of 2023, the highest rental price per sqm per month in the Istanbul Office Market reached USD 38 and TRY 850.

The main factors affecting office rents as the decrease in vacancy rate, high demand for Class A offices, and an increase in the inflation rate.

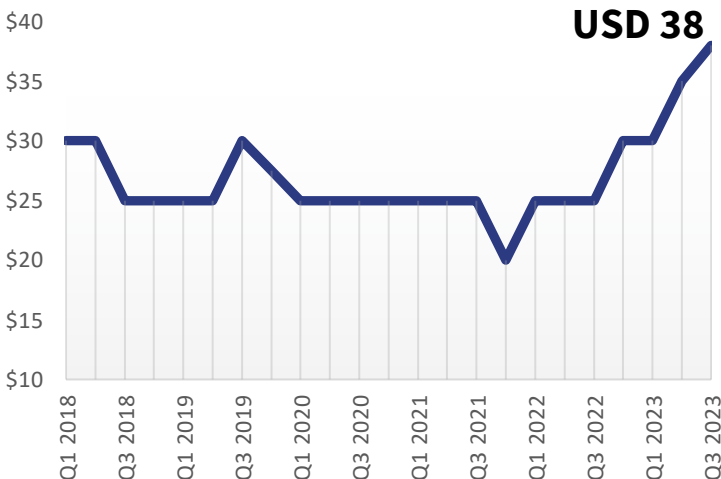
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While the decreasing vacancy rate in the Central Business District is expected to support an increase in rents and it is directing the demand to secondary regions.

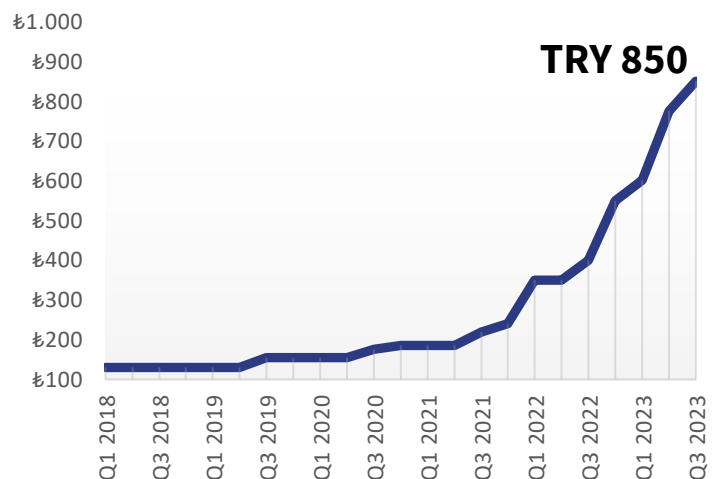
Until the Istanbul International Financial Center enters the market at full capacity, continuing demand at this intensity will cause the vacancy rate to reach its lowest levels. We expect that this situation push the increase the highest rental price exceed 45 USD per sqm per month.

With office rents exceeding record levels, it may incentivize the office developers to focus on new office investments.

Prime Rent (USD/sqm)



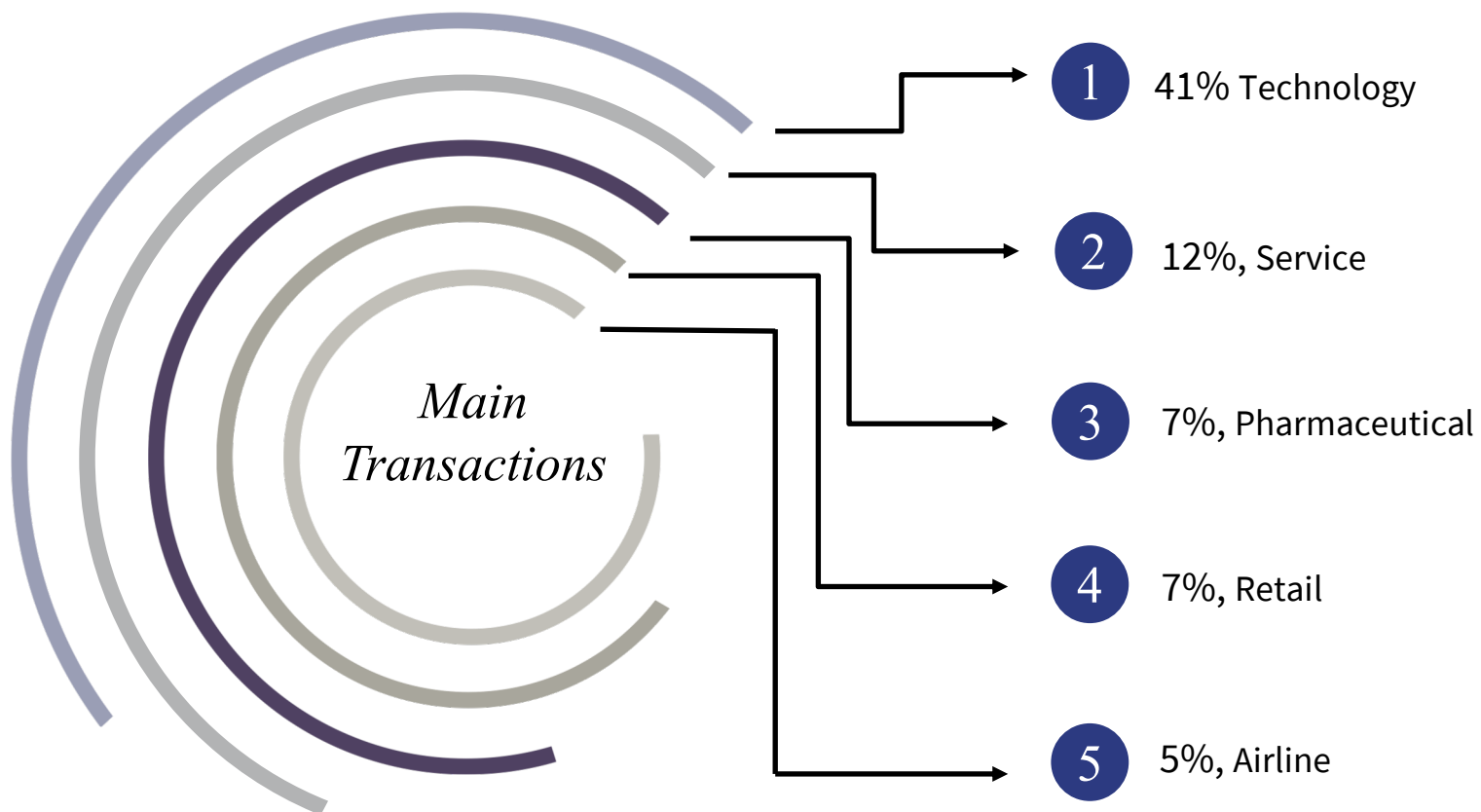
Prime Rent (TRY/sqm)



Transactions



2022	2023	Increase
60 k sqm	70 k sqm	↑

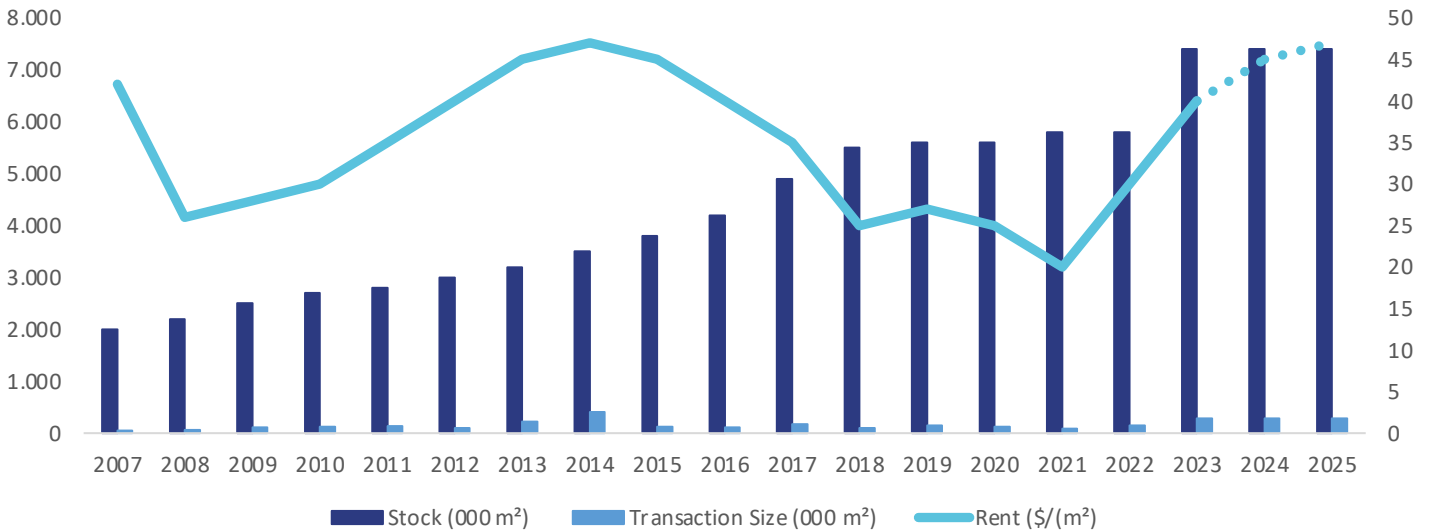


Expectations



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
L	T	T	T	L	L	L	L	L	S	S	T	T	T	T	S	L	L

M Landlord Friendly
 D Stable Market
 K Tenant Friendly



We expect vacancy rates to continue its downward trend in the last quarter of 2023 and the upward trend in rent figures to continue due to the decrease in vacancy rates and limited Office supply. Our estimation in retail price is 40 USD/m² in 2023, 45 USD/m² in 2024, and 47 USD/m² in 2025.

Due to the limited supply in the first region for both the European and Asian Sides, we expect the demand to shift towards Ayazağa, Kağıthane, Seyrantepe regions for the European Side and Küçükyalı, Maltepe, Kartal regions for Asian Side.

In the medium term, our opinion is the ongoing downward trend in vacancy rates, coupled with the impact of inflation, the office developers return to re-invest in new office projects as rental figures exceed record levels in the Istanbul Office Market.

2024



Opening IIFC



New Companies Enter the Market



Increasing Served Office Demand



Demand Tendency to Alternative Locations



Limited Class A Office Supply



Low Vacancy Rate



Expected Rent Increase



High Construction Cost



Mahir Mermer
Founder

mahir.mermer@alfainvest.com.tr
+90 532 787 30 66



Umut Arıkan
Director

umut.arikan@alfainvest.com.tr
+90 534 419 58 61

Address: Akmerkez B3 Blok, Kltr Mah.
Nispetiye Cad. No: 54 D: 83, 34337 Beşiktaş /
İstanbul

Tel: +90 212 355 61 97
Web: www.alfainvest.com.tr
E-Mail: info@alfainvest.com.tr

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