

# TURKEY RETAIL MARKET - 2016

## Economy

2015 was a problematic year for Turkey in terms of domestic and international politics. Following the two general elections, the establishment of a stable government was deferred to end of 2015.

In July of 2016, the failed coup attempt has been experienced and it lead to a negative impact on domestic and international political concerns. On the other hand, increasing geopolitical risks in the neighbor region is expected to continue and exercise pressure on economy.

According to the World Economic Outlook Report prepared by the IMF, the growth rate for Turkey is expected to be in downward trend. The growth rate has been revised 3,3% instead of 3,8% for 2016 as the date of October 2016.

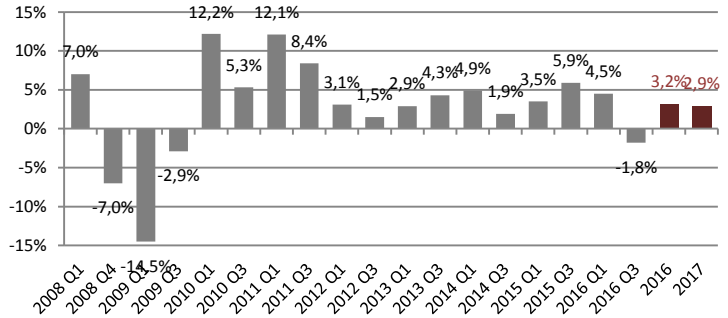
**The consumer confidence index**, showed a decreasing trend after the end of 2011, however, has resumed its decline as of the second half of 2015. Consumer confidence index was 63.38 as of December 2016 according to TurkStat research.

**Inflation rate** in Turkey ranges between 6,5% and 8,9% since 2010. In 2015, the consumer prices index was 7,7% and it is forecasted over 8% for 2016 and 2017. It is forecasted to decline to around 7% in 2018 by International Monetary Fund (IMF). Announcement of TurkStat shows that inflation rate was 8,53% in December 2016.

When it is looked at **TL exchange rates** for both USD and EUR, annual average exchange rate has increased year by year and reached to maximum figures in last quarter of 2016 for each currency. The situation of domestic and international politics and new election in USA are the main reasons for that increase.

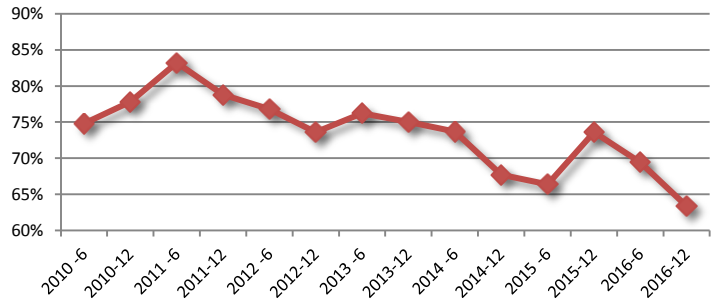
**Unemployment rate** based on the TurkStat definition was 10.28% in 2015 and 11.7% in October 2016. According to IMF forecast for Turkey it is expected to decrease to 10% level in the following years.

GDP Growth (%)



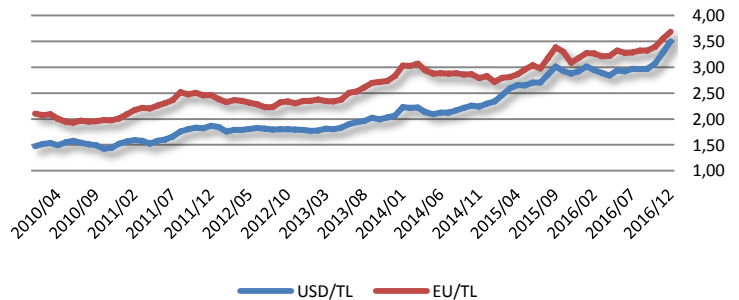
Source: TurkStat

Consumer Confidence Index (%)



Source: TurkStat

TL Exchange Rate (TL)



Source: Central Bank of Turkish Republic

## Demand

Istanbul, which has over the 14 million population (14,657,434) and increasing employment and housing supply, is playing Turkey's leading role in the retail market too. In general, the characteristics of shopping malls differ from location, size and catchment area, and the factors affecting the number of visitors in a positive direction are successful brand mix and high accessibility.

Nowadays, shopping centers, which are traditionally and commonly designed as indoor and isolated spaces, are being planned and designed with more open and outdoor spaces with the purpose of social activity. Especially, recent developments in Istanbul aim not only shopping, but also entertainment and socialization facilities. For these reasons, shopping mall developers try to differentiate their projects by creating theme parks, outdoor café and restaurant streets and performance centers. In recent years, shopping centers developed in Istanbul have turned into huge entertainment areas.

**Watergarden** which has opened in 2016 in Ataşehir, İstanbul is a project based on recreation, entertainment, culture and gastronomy. Demonstration pool is positioned as a visual and functional center of gravity of the project and other different functions such as restaurants, bistros, Organic Market, nostalgia street and shopping stores.



*Watergarden, İstanbul*

As well as changes in the shopping center concept, malls have been started to be designed in mix-used projects rather than individual ones. The major advantage of this type of projects is making the malls a part of everyday life by supporting them with residential, office and hotel functions and make the malls a part of everyday life. **Akasya Acıbadem, Mall of Istanbul, Tema İstanbul, Kanyon, Zorlu, Özdilek Park** and **Emaar Square** are important examples of mix-used project including a shopping center in İstanbul.

During the recent years, many foreign investors have entered to the retail market in Turkey. Brands aim to grow in prestigious projects and successful high street retail axis especially. Some of them has opened first stores in İstanbul.

On the other hand, some international brands preferred to exit from Turkish retail market such as, **Douglas, C&A, Top Shop, Tesco, Habitat, Make Up For Ever**.

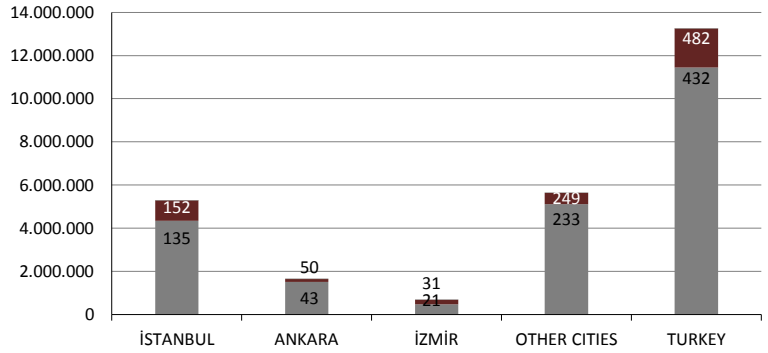
E-commerce popularized in recent years has been preferred by retail brands. Consumers demand toward cheaper, faster, easier access to product supports this transformation. However, some e-commerce companies stopped their activities in Turkey, such as **Limango** and **Groupon**.

## Supply

As of 2016 year-end, total gross leasable area (GLA) in Turkey reaches **11,4 M sqm** in **432** shopping centers and recorded a 4% increase rate compared to previous year.

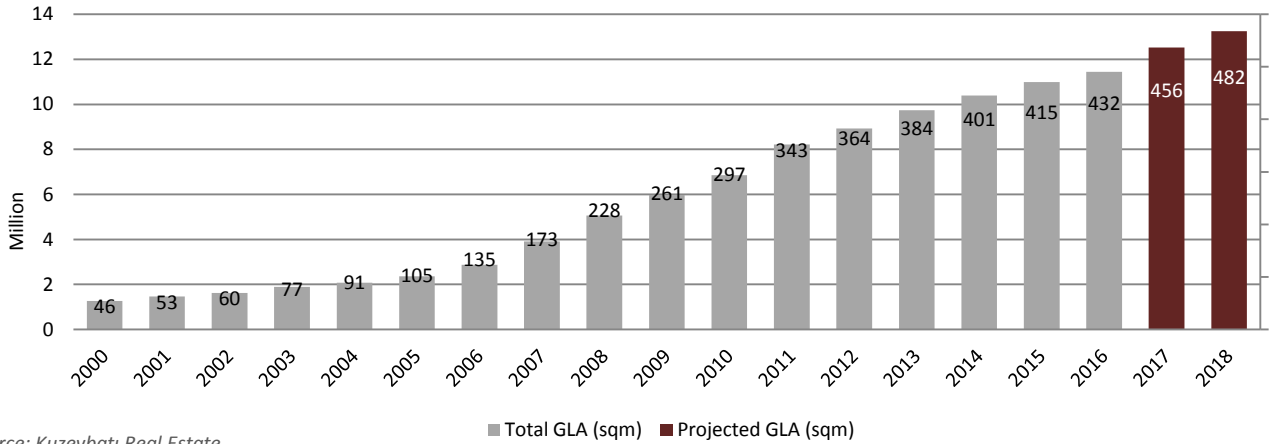
It is expected that the number of the shopping malls will be **482** and total GLA will reach **13,2 M sqm** by the end of 2018 according to announced projects under-construction and in the pipeline.

Total GLA Distribution (sqm)



Source: Kuzeybatı Real Estate

Gross Leasable Area and Number of Shopping Centers (Turkey)

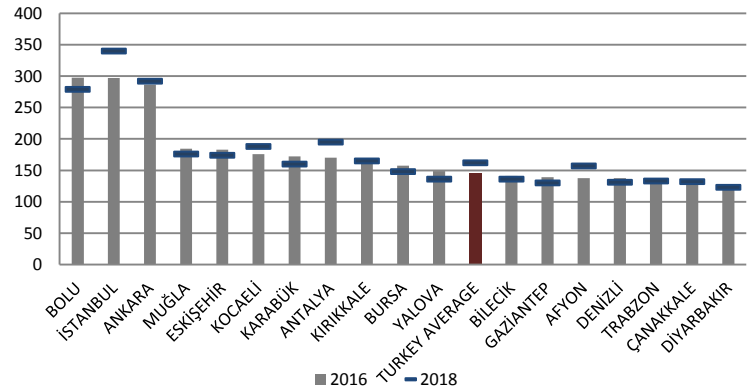


Source: Kuzeybatı Real Estate

As of 2016 year-end, the average GLA per 1.000 people in Turkey has reached 145 sqm. Although Istanbul is on the top in terms of number and size of shopping centers Bolu and Ankara are head to head with Istanbul in point of density. The adjacent graph shows the cities which have high density of shopping center.

If the ongoing projects would be completed until end of 2018, GLA density will be 340 sqm for İstanbul. Also the density will increase in Kocaeli, Antalya and Afyon.

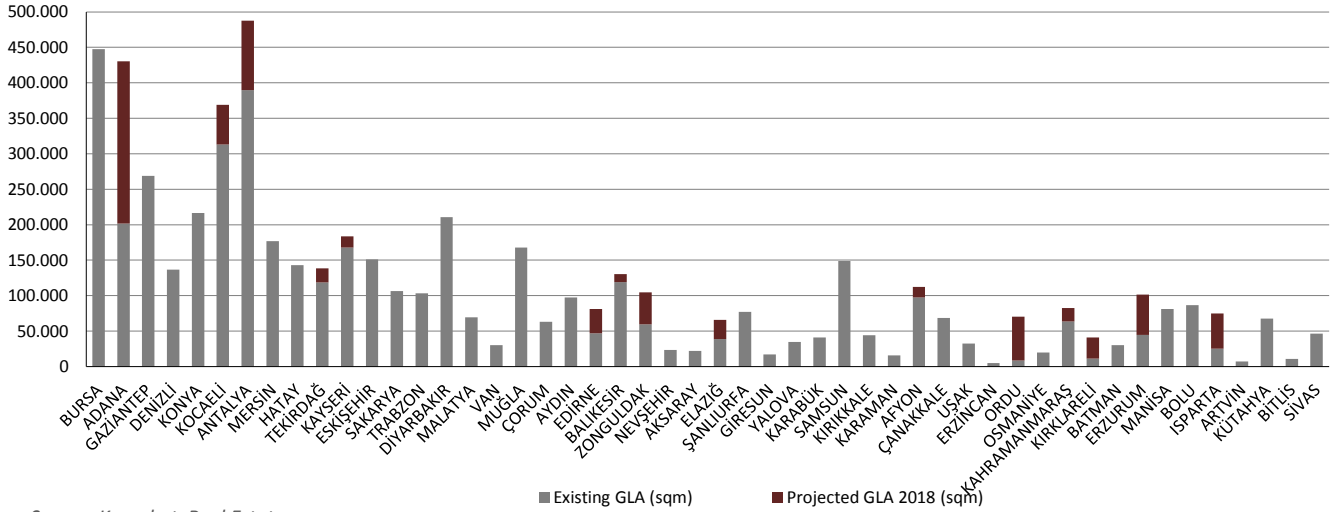
Shopping Center Density per 1.000 people (sqm)



Source: Kuzeybatı Real Estate

TurkStat population data from the year of 2015 were used.

## Turkey Shopping Center Total GLA

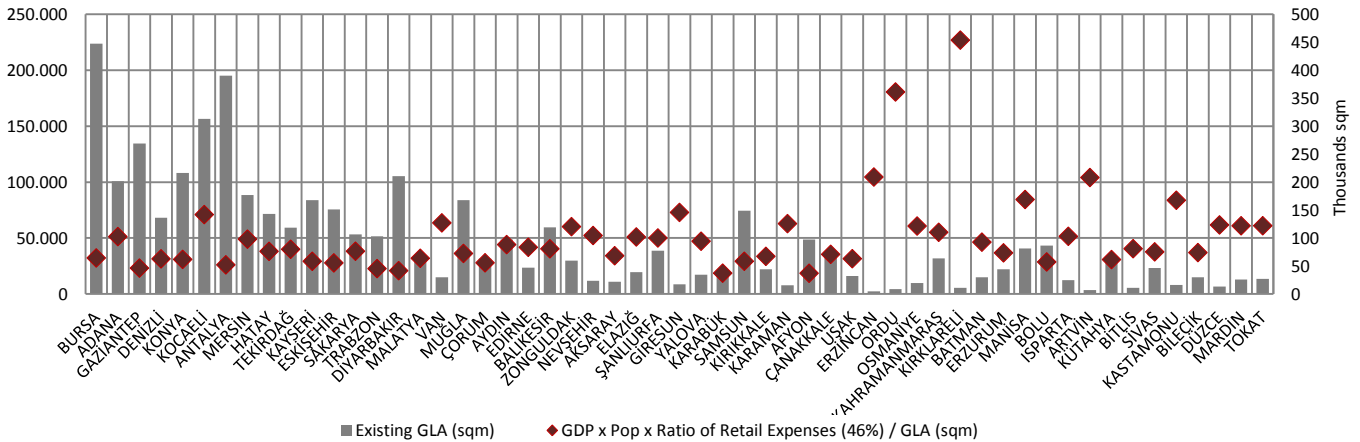


Source: Kuzeypati Real Estate

## Potential

The following graph shows that shopping center gross leasable area according to the provinces and their spending capacities per sqm. The relationship between the gross leasable area and urban spending capacities shows the satiety of organized retail in the city. The difference between the GLA and spending rate points the investment potential of the province.

## Investment Potential Map of Shopping Center in Turkey



Source: Kuzeypati Real Estate

TurkStat population and GDP data from the year of 2015 was used.

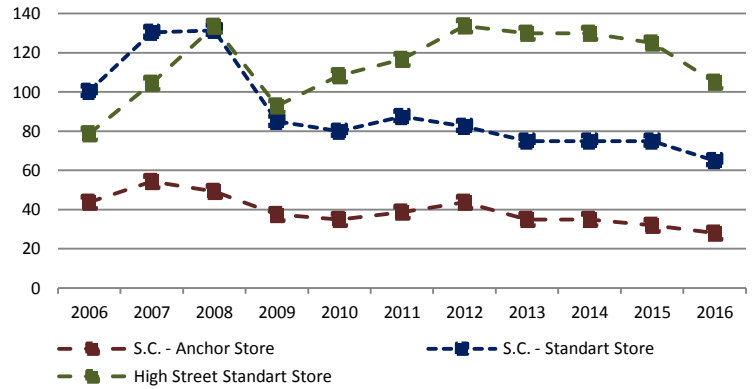
\* Ratio of Retail Expenses (46%), TurkStat

## Rent

After the decrease in 2009, an increasing had been seen on the retail rents with the recovery between 2010 and 2012 and continued at the same level between the end of 2012 and 2015. In 2016, rents have tend to decreasing trend.

Rent levels were 110 USD/sqm/mo for prime high street, 65 USD/sqm/mo for standard stores in shopping malls and 30 USD/sqm/mo for anchor stores as of 2016 year-end.

Retail Rent Change (USD/sqm/mo)



Source: Kuzeybatı Real Estate

## Investment

The domestic and international political crisis in 2015 and 2016 affected negatively the whole economy in Turkey. Annual investment volume has gradually decreased after 2013.

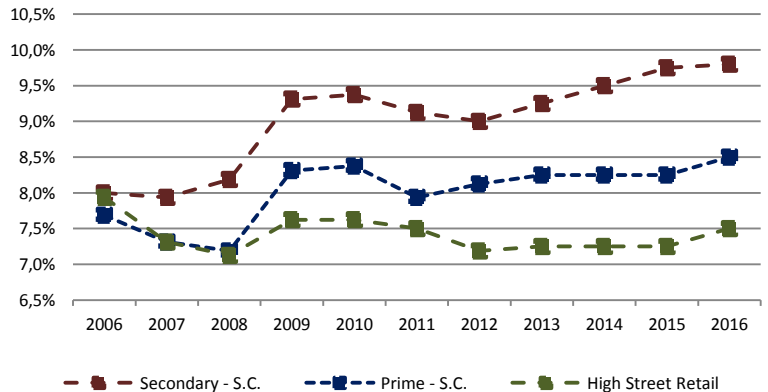
**Star City** Shopping Center (İstanbul) was sold to **Gençoğlu** who is an investor focuses on hotel and jewelry sector and he bought 100% of the project for EUR 80 million from Ülker (60% share) and Boyner (40% share) in the second quarter of 2016.

A recent transaction was occurred in the early 2017 that **Fiba Commercial Properties** bought **İnegöl SC** (Bursa) which has 60.000 sqm GLA. The group had not announced the sales price.



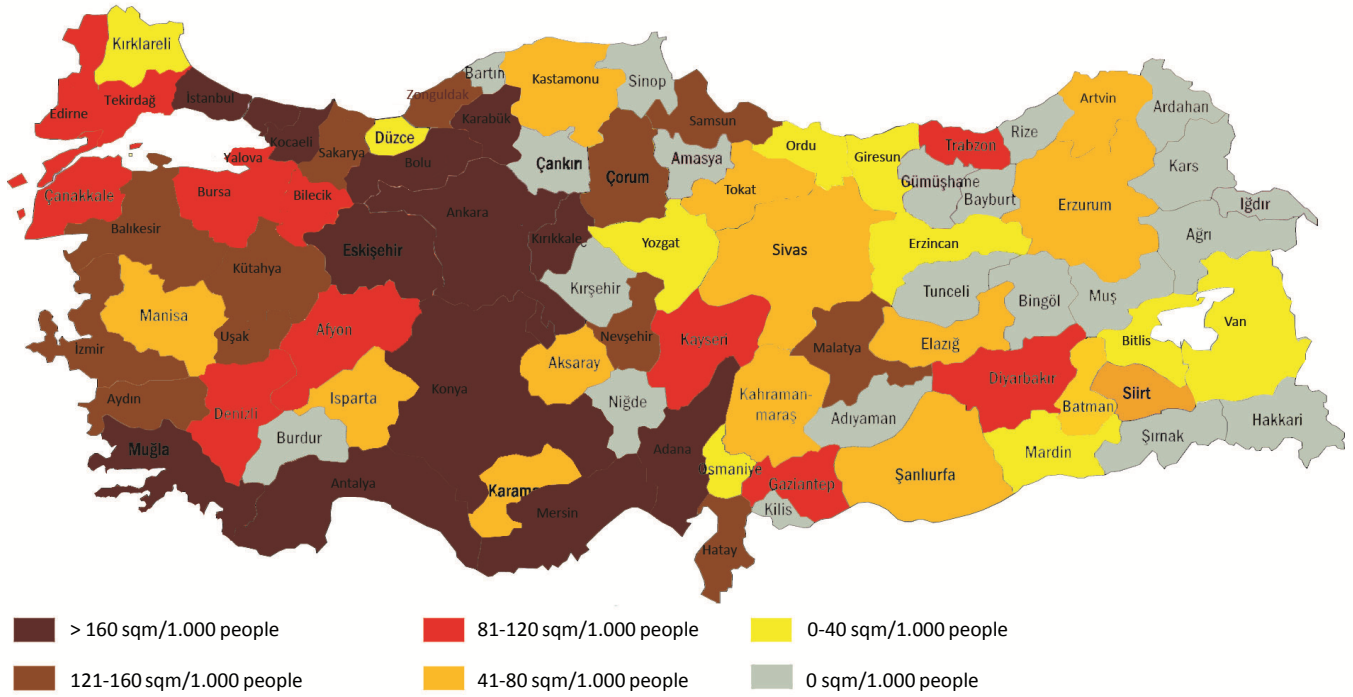
The yield ratios had declined with the effect of economic recovery in 2010 and that healing process continued in 2011. Yield rates of shopping centers were increasing trend during last 2 years and they were guessed as 8,50% for prime SCs, 9,80% for secondary SCs and 7,50% for high street retail.

Retail Yield Change (%)



Source: Kuzeybatı Real Estate

## Turkey Retail Density Map (2016)



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**FOR FURTHER INFORMATION ABOUT RETAIL**

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