

## **Commercial Real Estate Market In Turkey - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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### **Report description:**

The commercial real estate market of Turkey is expected to grow at a CAGR of 9.74% during the forecast period of 2022-2027.

With annual GDP growth in 2020 recorded as 1.8%, Turkey has become one of the few economies recording growth against the backdrop of the Covid-19 pandemic.

This positive climate continued into 2021; the Turkish economy exceeded expectations by growing by 7.4% in Q1 2021, 22.0% in Q2 2021, and 7.4% in Q3 2021 annually. While base effects lifted recorded growth rates in annual terms, the expansion in the Turkish economy was mainly driven by household spending.

The existing shopping center supply reached 14 million sq m in 453 centers in Turkey as of 2021 year-end. Thanks to the rebound in retailer leasing activities, shopping center openings accelerated rapidly, especially in October 2021. Currently, approximately 883k sq m GLA in 28 centers is under construction, adding up to c. 14.9 million sq m supply by the end of 2024.

In the office sector, while the existing Grade-A office supply in Istanbul reached 5.8 million sq m GLA as of year-end 2021, there is circa 1.6 million sq m office supply under construction, and it is expected that the total Grade-A office supply will outpace 7.4 million sq m GLA by the end of 2023. The majority of the future supply consists of the Istanbul International Finance Centre project located in Atasehir, which is planned to be completed by the end of 2022.

For the hospitality sector, during H2 2021, the hotel market benefited from the ease in restrictions and the reopening of international flights, as well as from postponed holidays, as expected. The rebound in the hotel sector was especially vibrant in the summer season, primarily for the riviera region of Turkey.

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## Turkey Commercial Real Estate Market Trends

### Improvement in Hospitality Sector

The hospitality industry has been in decline throughout the pandemic but has shown improvement in 2021 with the removal of travel restrictions and the increase in vaccinations. Tourism parameters have improved significantly compared to last year but lagged behind the pre-pandemic period. The occupancy average increased by 45% and was recorded as 52% across Turkey in 2021 compared to the same period of the previous year, where the occupancy averaged 55% in Istanbul 2021. ADR (Average Daily Rate) averaged EUR 82 and EUR 91 in Turkey and Istanbul, respectively, and recorded increases year-on-year in 2021. Average occupancy and ADR in Europe recorded 43% and EUR 104, respectively, in 2021, whereas Turkey's ADR recorded behind in the same period.

The total number of hotel facilities reached 4,511 overall in Turkey in 2021, and five-star hotels have a market share of 16.7%. Istanbul has reached 671 graded hotels, where five-star hotels represented 18% in 2021.

At the end of the first half of 2021, there was a significant increase in passenger demand with the lifting of travel restrictions. In 2020, the total passenger count being 128.5 million overall in Turkey increased by 57.4% compared to the year before. Total passenger arrivals in Istanbul via Istanbul Airport recorded 37.2 million, and Sabiha Gokcen Airport reached 25 million, significantly increased by 59% and 47% y/y in 2021, respectively.

### Growth in Retail Sector in Second Half of 2021

The first half of 2021 was a year in which the country felt the impact of the pandemic on the economy more prominently and was stagnant due to curfews. In the retail sector's second half of the year, with the increase in the number of people vaccinated, the removal of weekend restrictions, the introduction of normal working hours, and the return to face-to-face education in September, signs of recovery started to show. The new variants of the Covid-19 virus and the increase in the number of cases, which came to the agenda in the last quarter of the year, caused concern but did not affect the physical retail as much as expected.

The recovery path at a slower pace indicated a partial rebound before the second wave curfew in November. Therefore the turnover index significantly increased by 80.2% in November 2021 compared to the year before, given the results of the shopping center retail data provided by AYD/ Akademetre. All category sales rose y/y in November 2021. Apparel and shoes recorded increases of 89% and 102.9%, respectively. Apparel decreased by approx. 4% and the shoe category increased slightly by 0.8% m/m. The highest and significant increase was again by 136% in the food & beverage category, while increased with a lower acceleration compared to other categories was technology with 28.7% in this quarter. In November 2021, when new Covid-19 variants emerged, and the number of cases increased, there was a 6.25% decrease in the footfall index compared to the previous month. However, an increase of 38.9% was recorded when compared to the same month of the previous year.

### Turkey Commercial Real Estate Market Competitor Analysis

The commercial real estate market in Turkey is fragmented and has a highly competitive environment in order to capture limited demand between the property owners. The market has wonderful opportunities for Turkish and foreign real estate developers and investors.

Turkish property developers established their international offices to attract prospective foreign investors and promote their projects. Investors from Qatar, Russia, Iran, Saudi Arabia, Turkic Republic, the United Arab Emirates, and Azerbaijan established their keen interest in Turkish projects.

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Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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