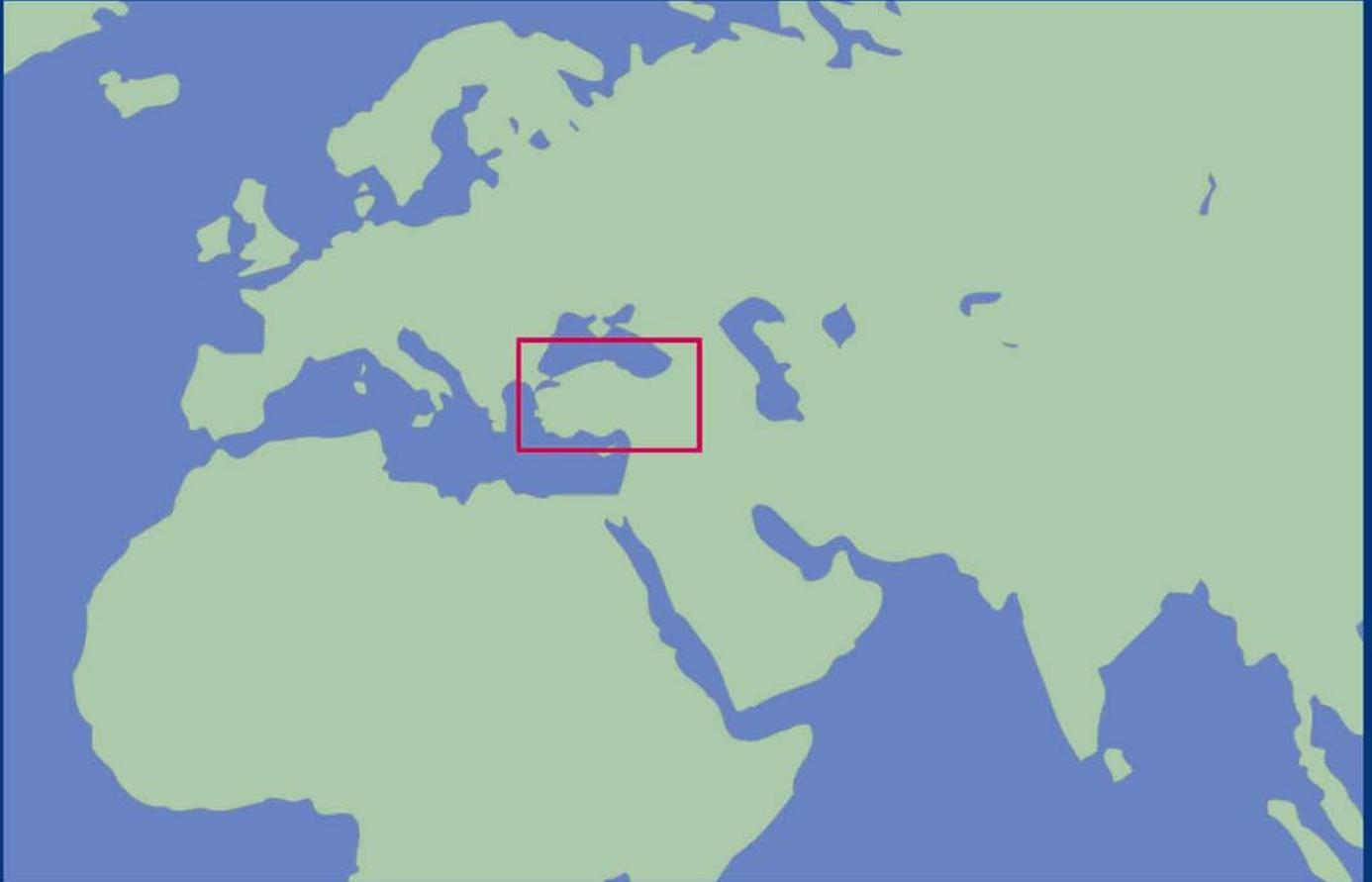


# ISTANBUL OFFICE MARKET REPORT

## December 2009



*HELLO,*

To begin with, we wish you all to have your wishes and dreams for 2010 come true and call 2010 as;

*WELCOME 2010 !*

We prepared the last market report of 2009. As usual you can find latest changes in Istanbul office market in the next page

Prof. Dr. Kerem Alkin wrote a paper about market Dynamics and shared this with us.

You can find the paper in our web page [www.pegacom.tr](http://www.pegacom.tr).

We thank Prof. Alkin very much for this....

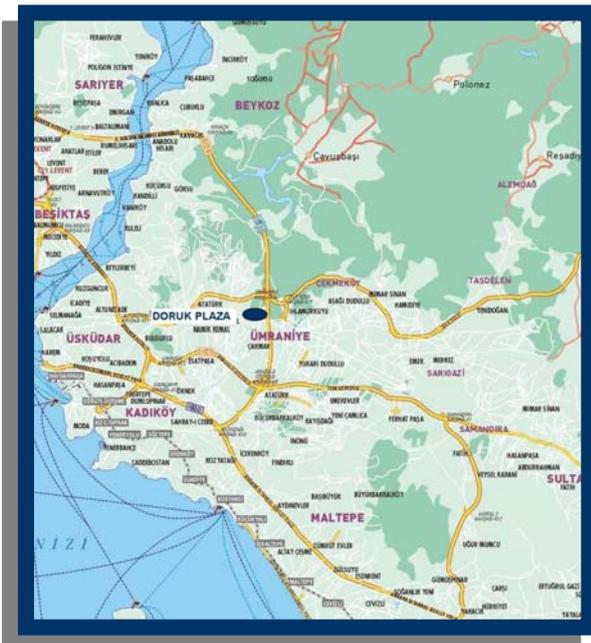
OUR PORTFOLIO;

# DORUK PLAZA



Class A office building that Asian Side's fastest growing region in Umraniye, can be delivered immediately.

|                          |  |
|--------------------------|--|
| <b>Leasable Area:</b>    | 11.841 m <sup>2</sup>                                  |
| <b>Flor Area:</b>        | 945 m <sup>2</sup> (gross)<br>832 m <sup>2</sup> (net) |
| <b>Parking:</b>          | 1 car for per 77 m <sup>2</sup>                        |
| <b>Air Conditioning:</b> | VRV  |
| <b>Delivery:</b>         | Shell & Core   |
| <b>Tax:</b>              | VAT  |
| <b>Rent:</b>             | 16 \$ - 22 \$  |



# KENT PLAZA



The first Mix-Use Project in Konya is including shopping center, residence and hotel.

**Land Area:** 33,982 m<sup>2</sup>

**Construction Area:** 143,171 m<sup>2</sup>



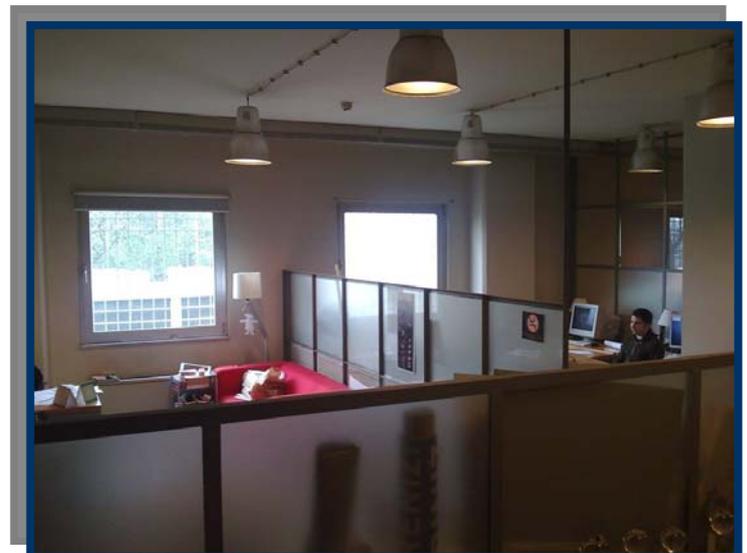
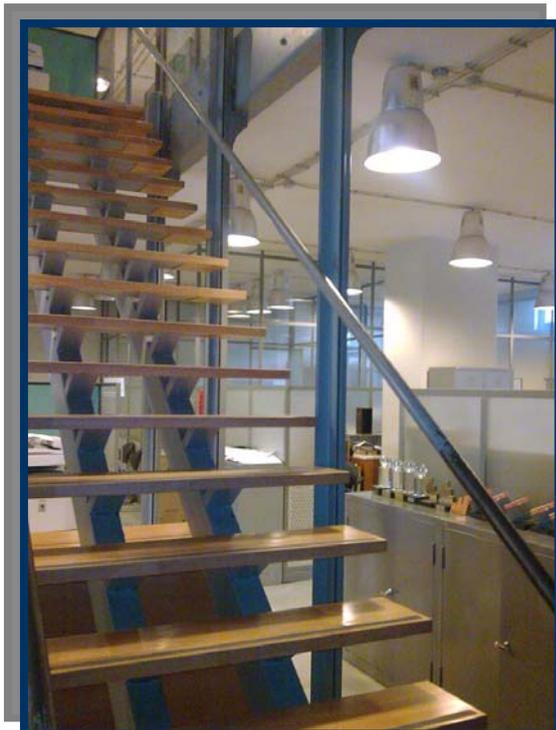
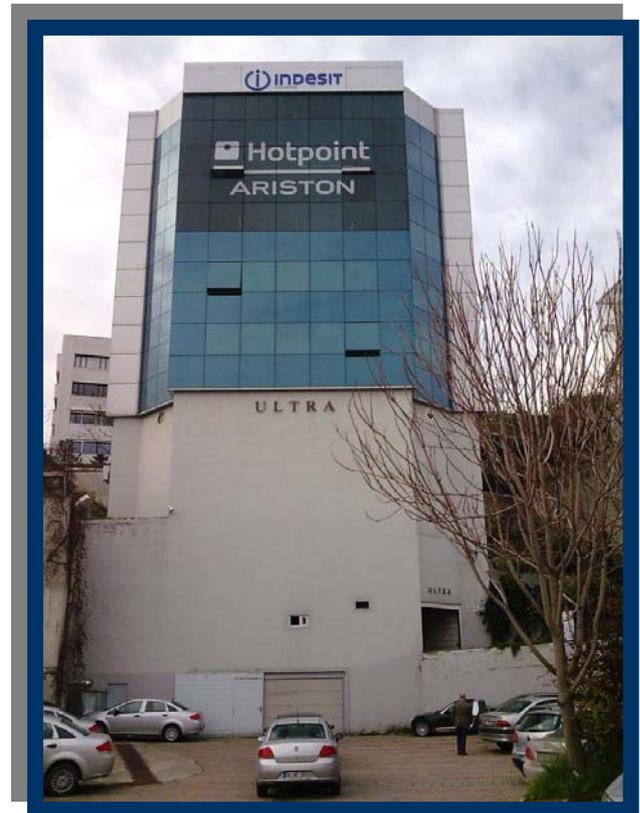
For investment proposals;

0212 257-1810

# BALMUMCU BUILDING

Class A office building in Balmumcu.  
Dublex office and staff refectory (including  
kitchen) are for rent.

|                          |  |
|--------------------------|--|
| <b>Total Building:</b>   | 4.050 m <sup>2</sup>                                   |
| <b>Leasable Area:</b>    | 810 m <sup>2</sup> + 150 m <sup>2</sup>                |
| <b>Floor Area:</b>       | 405 m <sup>2</sup> (gross)<br>380 m <sup>2</sup> (net) |
| <b>Air Conditioning:</b> | Fan-Coil   |
| <b>Delivery:</b>         | Decorated  |
| <b>TAX:</b>              | Withholding  |
| <b>Rent:</b>             | 12.000 USD   |



# OFFICE MARKET

## Central Business District



Class A buildings are concentrated in the Levent-Zincirlikuyu-Maslak region (in red), which is considered Istanbul's Central Business District (CBD). The primary suburban office markets are the Gunesli-Ikitelli and Merter districts (in blue) in the west on the European side, and Altunizade (in purple), Kozyatağı (in green), Kavacik (in yellow) and Ümraniye (in black) on the Asian side.

According to international standards and Pega's affiliations with SIOR (The Society of Industrial and Office Realtors), offices in Istanbul are classified as CBD, Class A and Class B; and out of CBD, Class A and Class B; and can be identified as follows:

- CBD: the area of greatest concentration of office space and business services. Istanbul's CBD consists of the Beşiktaş – Maslak axis, including Beşiktaş, Fulya, Balmumcu, Zincirlikuyu, Esentepe, Şişli, Etiler, Akatlar, Levent and Maslak.
- Out of CBD: secondary concentrations of office space consisting of Kozyatağı, Altunizade, Kavacik, Merter and the airport region.
- Class A: Buildings purpose-built for office use that offer the highest technical standards available and amenities including, but not limited to: professional security, open office space, indoor parking, central HVAC, sprinklers and

generator are considered Class A. While International Standards call for minimum floor plate size of 500m<sup>2</sup> for Class A consideration, in Turkey, some buildings with slightly smaller floor plates may be considered Class A if they meet the other criteria.

- Class A+: The buildings that have somewhat higher standards than A class office buildings. The developers, aware of state of the art technology and taking the suggestions of the end users into consideration, make the difference in their buildings. Therefore, Pega has assigned these kinds of buildings as A+ Class.

Office leases in Istanbul are triple-net, with the tenant responsible for monthly common charges (currently between \$2.00 and \$8.00 per m<sup>2</sup> per month), and applicable taxes (VAT of 18% if the landlord is a corporate entity or withholding tax of approximately 20% if the landlord is a private individual).

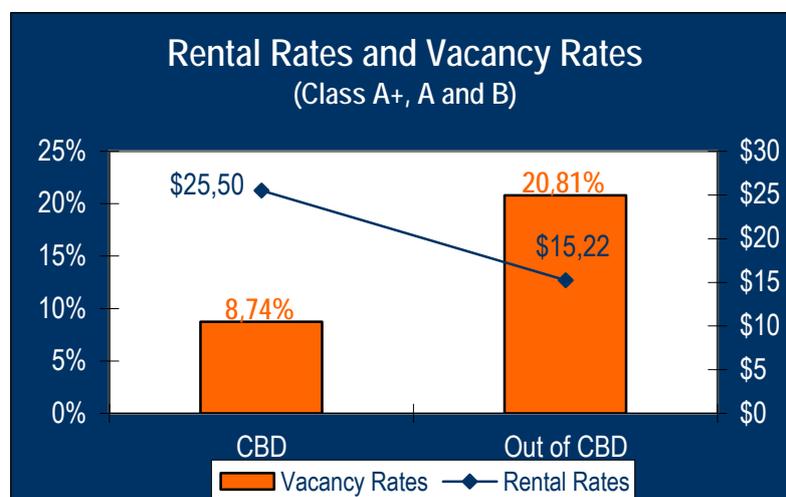
No organized database of properties exists in the market and all of Pega's data is obtained by phone and face-to-face interviews and does not include owner-occupied space, for which limited information is available.

## Rental Rates and Vacancy Rates

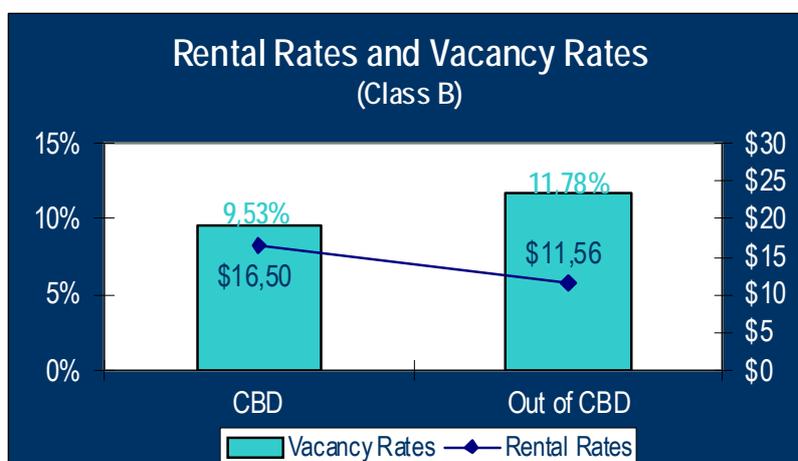
Approximately 70 buildings in the CBD and 169 suburban buildings qualify as Class A+, Class A and Class B.

| OFFICE STOCK                  |                              |                              |           |
|-------------------------------|------------------------------|------------------------------|-----------|
| Class A+ total m <sup>2</sup> | Class A total m <sup>2</sup> | Class B total m <sup>2</sup> | TOTAL     |
| 265.977                       | 1.722.417                    | 558.878                      | 2.547.272 |

Vacancy rates and rental rates (including existing leases) of A+ and A class buildings within the CBD and outside the CBD are shown in the table below.



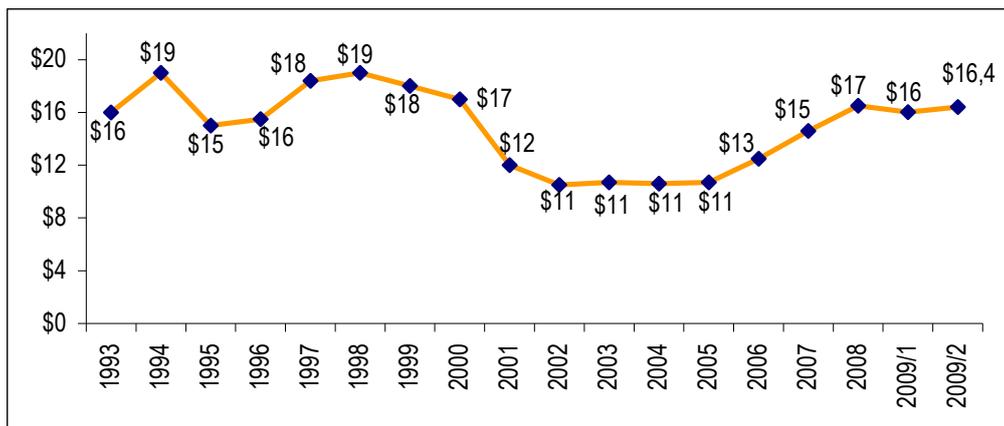
Vacancy rates and rental rates (including existing leases) of B class buildings within the CBD and outside the CBD are shown in the table below.



## Office Stock and Average Rent

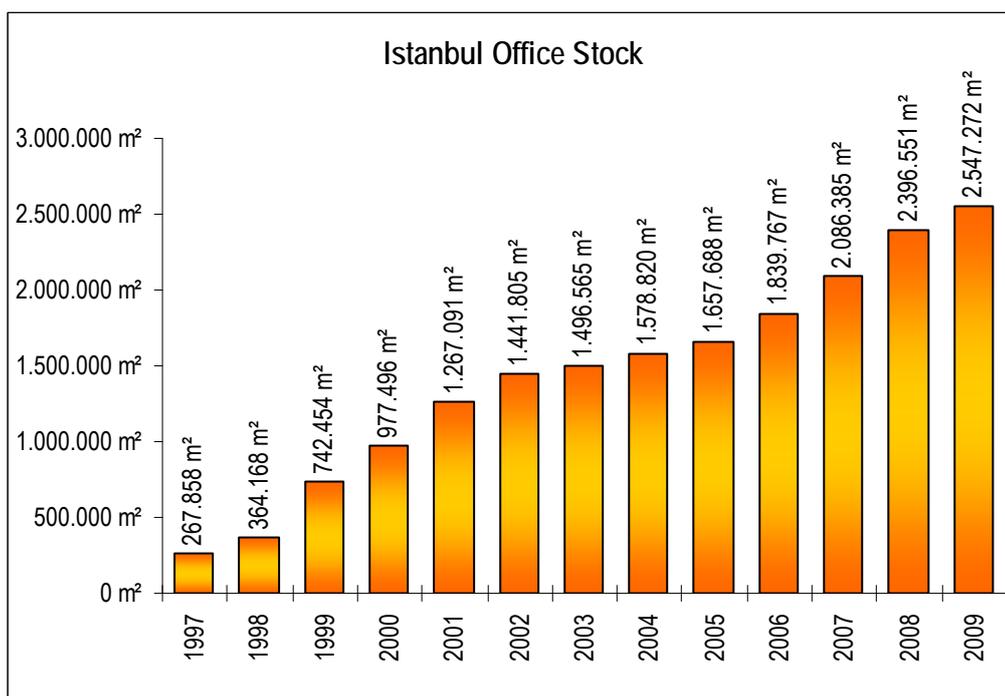
The following table gives a historical reference to the trend in the office market since 1993. It represents average prices for all classes of property throughout the city, both in the CBD and outside the CBD. While dips and peaks have been common over the 15-year period, they can clearly be linked to major issues that affected Turkey such as the economic crisis of 1994, when average prices dropped from \$19 to \$15; and the 1999 Marmara Earthquake,

which had a minor, though noticeable impact on rental rates. Fluctuations were never more than \$4/m<sup>2</sup> until 2001 however, when prices dropped to previously-unseen lows and remained low until the second half of 2005. Rents began to increase after 2006 and in 2008 reached the highest point on average \$ 17. Rents in 2009 under the influence of economic crisis dropped to \$16 levels and are 16,4 \$ at the end of the year.



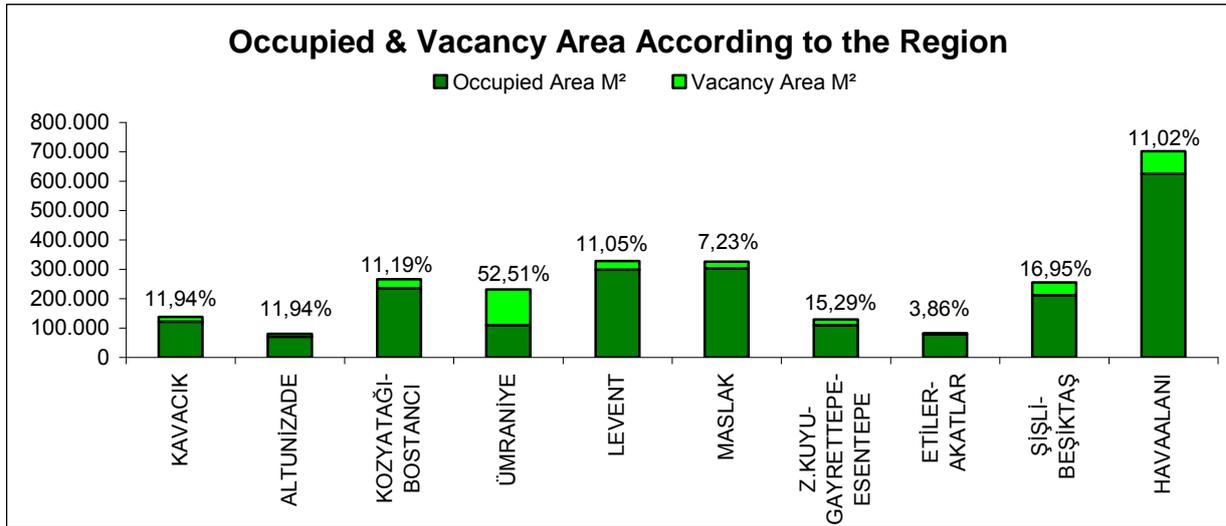
The following table shows the increase in office stock by year. The impact of the economic crisis is dramatically clear in 2001. As the economy picked up in 2006 however, the increase in office stock seems to have less of an impact on rental rates.

In 2008, the whole world was affected by the crisis, so in 2009, a decrease in the number of buildings can be seen entering the market.

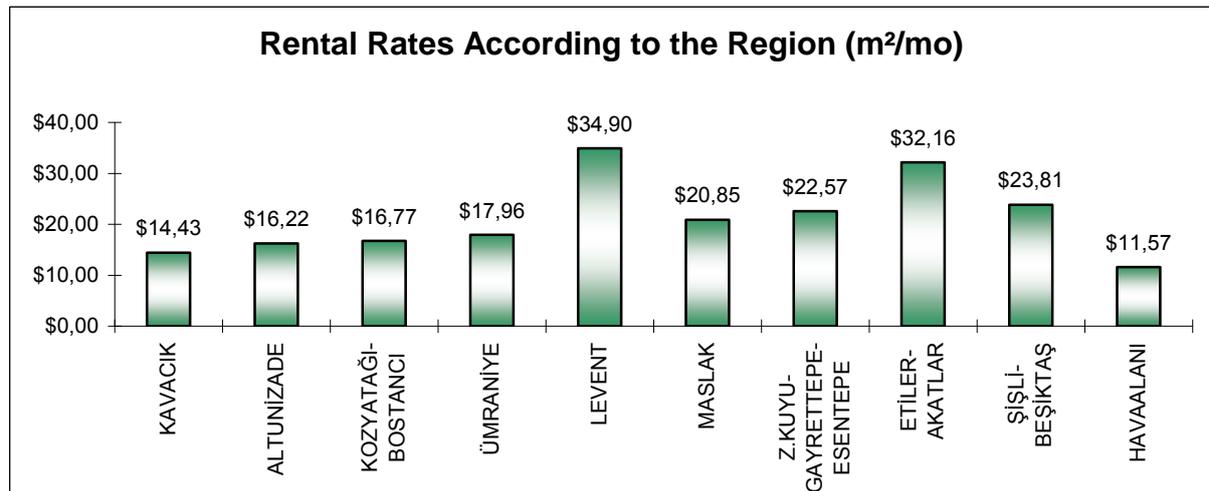


## Regions

The following table shows vacancy areas in all class building according to region. As seen in table, the highest office stock is in Airport region. The highest vacancy rate is in Umraniye, the lowest vacancy rate is in Etiler-Akatlar.



The following table shows rental rates according to region. This table is created now the offices of the market information are used. Accordingly, the most expensive districts of Istanbul sorted Levent, Etiler - Akatlar starts with.



## Metodoloji Ve Referanslar

Pega used the following techniques for data collection:

- Pega office stock database, which includes 339 A+, A and B Class office buildings
- Face-to-face interviews with the landlords of main plaza buildings,
- Regular evaluation of periodicals, newspapers, real estate magazines and internet postings
- Periodic meetings with the most prominent real estate companies of Istanbul, Cold Calling.

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