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Property Investor Europe News

Istanbul office rent rises seen offset by end-2013 supply

19 February 2013, 07:52 AM

Office supply in Istanbul will fall short of demand at the beginning of this year, leading to rising rents but larger completions scheduled towards year end should bring stable or even slightly falling rents as 2014 starts, says the Turkish associate of BNP Paribas Real Estate.

"2013 will be a year beginning with short office supply and hence increasing rents should not be a surprise," said Murat Ergin, MD of BNPPRE associate agent Kuzey Bati. "But new office building deliveries are underway for 4Q13, and for this reason rental stability and mild decline is expected for early 2014."

Some 800,000 sq.m. office space is currently under development, to be delivered until next year.

Despite low activity in the second half, office take-up in Istanbul came to 95,000 sq.m. last year, continuing a gradual recovery started in 2010, Kuzey Bati found. "The economic recovery has been reflected positively in occupier demand for office space, especially in Istanbul," said Ergin. Prime rents in Levent, Istanbul's city centre where over one-third of the city's 3.2m sq.m. office space is situated, rose to $37 per sq.m. per month last year, with the vacancy rate at a historic low, below 1%. The overall vacancy across the city is 8.8%.

Despite an economic dip, investor demand for offices remained relatively strong, leading to €164m transactions, dominated by domestic buyers. Single owner assets in prime-locations are still a rarity, however. Prime yield in CBD is at 7%, almost as low as pre-crisis figures and a sign that investor interest has returned, the Istanbul broker found. pie