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INTERNATIONAL RETAILERS CONTINUE TO OPEN IN TURKEY

Decreasing income and economic uncertainty are anticipated to keep visitor numbers and turnover rents below expectations for many shopping centres but, despite this, the modernisation of the market continues to attract international retailers to Turkey. Further to the arrival of key fashion brands such as C&A, Tommy Hilfiger, Accessorize, Zara, Mango and Gap, according to international property advisor Savills Best Buy and French DIY retailer Leroy Merlin are preparing to enter the market whilst IKEA has recently opened its fourth store in Turkey's Bursa.

The report states that growing demand for western-style products is one of the main factors of demand driving international retailer entrants and this combined with an increase in domestic car ownership has led to a transition from traditional high street locations to out-of-town formats and large scale formats. Although Savills confirms consumer confidence was down by 22.3% in January 2009 (compared year on year to January 2008), which will it anticipates keep visitor numbers and turnover down, the report states the economy's strong growth in previous years coupled with an increase in supermarket and fast food spend should lessen the negative impact on this market.

In terms of the investment market, akin to the rest of the globe, volumes are down and. yields have increased by 25 basis points on a quarterly basis in Q1 2009. Prime retail yields are at 7.75% and up to 8.75% for secondary product. Due to the fact developments of new centres have already begun to postpone or delay, Savills report states that the stronger schemes that do get realised will see renewed investor interest when the economic situation improves. With many existing international investor and local developer joint ventures having completed schemes, Savills anticipates that these parties may seek an exit to raise capital for new developments,which will provide buying opportunities.

Murat Ergin, head of Savills associate Kuzey Bati, says: "In the current context of weakening consumer spending, the performance of a shopping centre relies heavily on the quality of catchment area, tenant mix and management. We expect as the economy recovers, successful centres to attract investor interest leading to yield compression."

Savills report confirms that shopping centre rental levels are under pressure due to the economic climate and that rents vary depending on factors such as location, the type of centre, size and purchasing power of catchment area. It cites effective management as vital in sustaining rental levels and states that the changes in dollar and euro cross rates brought about periodical rent and service charge concessions, temporary marketing contributions and in some cases currency exchange rate is capped for rental payment. Prime shopping center rental levels stand at 1,080 USD/sqm/year for units with a GLA of 150 sq m, and at 480 USD/sqm/year for units with GLA of between 1,000 and 1,500 sq m.