

THE REAL DEAL

ONLINE

CHALLENGING THE GRAND BAZAAR

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The Kanyon Shopping Mall, Turkey's largest mall.

For over 600 years, Istanbul's Grand Bazaar has been one of the world's great shopping destinations. But lately it's losing its luster and fading in local importance as a massive building boom produces dozens of modern shopping malls in the downtown area.

Created by rehabbing former factories, these malls have also been catalysts in popularizing several modern residential neighborhoods.

"Malls are very active, and retail is quite hot," said **Murat Ergin**, managing director of **Kuzeybati Real Estate** in Istanbul, who explained, "they're not quite European malls and they're not bazaars. They're multi-floor shopping centers with three to four floors and an anchor store that's usually a department store."

According to Kerim Cin, managing partner of Colliers International Turkey, the commercial building boom has been taking place for the last two to three years, with 90 percent of the

construction related to retail. Western-style retail has been limited in Istanbul until now, and brokers emphasize that having European and American retail chains in the city has been a major boon to commercial life.

"The main reason is the stabilizing economy for the past four or five years," Cin said. "It gave a boost to consumer demand, and that triggered international retailers to enter the market in fashion and other sectors — and to compete with that, local retailers adopted [an] expansion strategy."

Western chains may be filling some of this space, but it's been developers from the Persian Gulf who've been creating many of the new venues, according to Cin. Wealthy Arabs investing in Istanbul are said to be attracted by the city's growth potential and status as a stable and affluent Muslim market.

Istanbul's largest modern mall is the Kanyon Shopping Mall, a mixed-use, open air complex in the Levent financial district. Consisting of a 30-floor office tower and a 22-floor residential block with 179 apartments and four retail levels, the project emulates Nisantasi, an upscale but far older shopping district of Istanbul.

"The Kanyon is located in an area that really mixes business and residential, although it's more of a business district," Cin said. "The thing is, in the same area there are another eight or nine shopping centers. So even though we have an undersupply of commercial space, most of the new buildings are located in similar locations."

Whereas 15 years ago Istanbul had no modern shopping malls, now 35 to 40 exist in the city, with an equal number on the drawing board or under construction. Most of the retail space has been created out of former factories, usually between about 25,000 to 30,000 square feet in size.

Rents at these shopping arcades vary between \$4 and \$10 per square foot per month.

Istanbul is still "way behind" the European average in terms of retail space, said [Ergin](#). But locals agree the city's retail renaissance is beginning to spur more modern office development downtown.

"There's a real undersupply in commercial space," said [Ergin](#). "There's huge demand from both internal and external concerns, and there's not enough development in offices, and logistics are clearly undersupplied."

The office space hadn't been built because rents for shopping centers were higher, Cin said. "Everyone chose to do that," he noted. "But now office demand is rising and rents are rising, and we're seeing developers starting to pay attention to that."

He mentioned that the market is changing because interest rates are rising, triggered by global problems, and demand is slightly weaker than it was two or three years ago.

"There are enough shopping centers, but the diversification of the shopping centers is not enough to meet that demand," he said. "Expectations are that most of the shopping centers under development will not be successful in terms of rents or occupancy because of a weak concept, design or location. They will create an abundance of retail properties in the market."

At the same time, the abundance of shopping has helped create a kind of revival in the Istanbul residential market, particularly for young families who would otherwise be lured by suburban development. Most of the current residential construction in the area is taking place in the suburbs outside Istanbul because of cheap land. But there isn't "sufficient social infrastructure out there," Cin said. "If someone's going to buy a new apartment, they'll still choose the city center and even older, secondhand apartments in central locations. It's easier to commute and there's more to do."

Home ownership is popular in Turkey — at around 60 percent, according to brokers — and people tend to buy and renovate if necessary, particularly in the 100-year-old buildings in the city center.

According to Melek Saracer of ART Limited Realty, the downtown Beyoglu area is one of the hottest residential markets, as is Nisantasi, although there's been serious development in some previously run-down neighborhoods, such as Cihangir and Galata.

And an area that has always been popular and remains so is along the Bosphorus, where no new construction is permitted — and where waterfront properties range from \$4 million to \$40 million.

Most of the buyers are locals, said Engin Kevenk of Golden Key International, who specializes in the area's high-end properties, and they usually want to renovate their newly purchased apartment or house themselves.

"The buyer is so happy and so lucky to find something so beautiful, and they want to live in it in a modern fashion," said Kevenk. "And the best part of it is that they're still close to downtown Istanbul, for work and for the shopping centers."