

## THE PROPERTY REPORT

## International retailers jockey for space in Turkey

*Growing economy, consumer demand are driving the trend*

By SARA SEDDON KILBINGER  
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International retailers are crowding into Turkey to cater to an eager cadre of shoppers in one of Europe's fastest-growing neighbors.

About €3 billion to €4 billion (\$3.9 billion to \$5.2 billion) of real-estate deals are expected to be transacted in Turkey this year, with 80% involving retail properties, says Michael Rodda, head of retail at real-estate-advisory firm Cushman & Wakefield Inc.'s cross-border capital-markets team in London. This compares with about €1.1 billion of deals last year, which, in turn, represented a 10-fold increase from 2004.

"Retail is the dominant sector in Turkey because incomes are rising and people want to shop like other Europeans," says Feroze Bundhun, managing director of real-estate-advisory firm CB Richard Ellis in Istanbul.

U.K. food retailer Tesco PLC, Swedish giant Ikea AB and France's Carrefour SA have entered the Tur-

ish market. Despite some volatility in recent years, Turkey has found favor with investors because of an improving economy, strong consumer demand and potential membership in the European Union. The country's gross domestic product is forecast to grow 6.4% this year, compared with a 2.4% average for the EU countries.

The retail-development pipeline is "huge," says Mr. Rodda, adding that 45 shopping centers are planned for Istanbul alone over the next five years, although some have yet to be granted planning permission. If built, this would create about 2.5 million square meters of new retail space, which would more than double Istanbul's existing stock of 900,000 square meters.

One of the biggest projects under way is Forum Istanbul, which is being developed by Multi Turkmall, a joint venture between Dutch developer Multi Corp. and Turkish developer Turkmall Market Yatirim Ins ve Tic AS. The center, which will be anchored by Ikea, will total 150,000 square meters of retail and leisure space, with an additional office, residential and hotel component. It is due to open by the end of 2008. Turkmall won't disclose the cost.

Dutch, German and British inves-

tors are especially active, says Murat Ergin, managing director of Kuzevati Worldwide Real Estate Services in Istanbul, an associate office of London-based real-estate-advisory firm Savills Commercial Ltd.

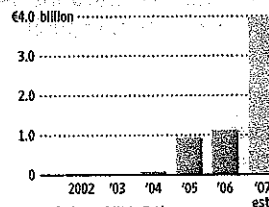
Last week, Dutch-listed retail real-estate group Corio NV acquired a 40% stake in Teras Park, a shopping center under development in Denizli, in the southwest of Turkey, from Turkish textile manufacturer Tan Group for €55 million. The center is due to open in the first half of 2008.

"We're interested in retail in Turkey because it has a young population and consumer spending is rising. We would like to invest \$500 million in retail properties there over the next three years," says Francine Zijlstra, Corio's investor-relations manager in Utrecht, the Netherlands.

Luxury retailers also are recognizing Turkey's potential. In October, Harvey Nichols, the British luxury lifestyle store, opened an 8,000-square-meter store in Kanyon, an upmarket mall in downtown Istanbul. "Istanbul is on its way to becoming one of the globally competitive hot spots, like Paris, London, Milan and New York," says Aret Cilingir, head of business development at Unitim

## Targeting Turkey

Total investment in Turkey's commercial real-estate market



Moda Magazacılık ve Ticaret AS, which operates Harvey Nichols in Istanbul.

He cites Istanbul's population of around 12 million, increasing political stability, decreasing inflation and strong economic growth as the drivers behind Harvey Nichols's push into Turkey. The retailer has another three stores planned, says Mr. Cilingir. A store in the Turkish capital Ankara is in the cards for next year, with additional stores expected to open in Suadiye and Izmir in 2009 and 2010, respectively.

A stake in the Kanyon mall is on the market for investors keen to grab a slice of an upmarket retail

pie. The center is jointly owned by Is REIT, a subsidiary of Turkish bank Isbank, and Turkish industrial group Eczacıbasi Group. Is REIT put its stake, worth around \$250 million, on the market in December. About 15 to 20 bidders are believed to have made offers, says Kuzevati Worldwide's Mr. Ergin, with German open-ended funds and U.K.-based investors among the likely bidders. The sale is expected to close within two months.

Kanyon isn't the only center to come on the block in recent months. London-based St. Martins Property Group, a unit of the state-run Kuwait Investment Authority, is in the process of completing the acquisition of its second 50% stake in Istanbul's Cevahir center. Located in Istanbul's cosmopolitan Sisli district, Cevahir is one of Europe's largest shopping centers, at 420,000 square meters. St. Martins Property Group acquired an initial 50% stake in Cevahir in November. Together, the two stakes, which have been sold by Turkey's Cevahir family and the municipality of Istanbul, are worth \$750 million.

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