

## WINTER WARMER

# Turkey for Christmas?

Whilst a December chill descends on the UK, the sun is still shining on the Mediterranean distribution property scene. *David Thame* explores what's happening under the warm winter sun.

» Murat Ergin is extremely optimistic. From his office in central Istanbul he can scent big changes in the Turkish warehouse property world.

"We're going to grow, despite the European slow-down," says Ergin, managing director of Istanbul and Ankara property consultancy Kuzeybati Worldwide Real Estate, part of the BNP Paribas Real Estate group.

"We will grow because there is local demand, and because Turkey is the gateway for Asia from Europe, and for Europe from Asia. It's just a good location."

Ergin is almost certainly right. The big names in global property are backing the claim that Turkey will be the next distribution property hotspot.

Earlier this autumn Turkey topped the list of emerging locations identified by a survey of European supply chain managers. The survey by Jones Lang LaSalle revealed that more than one-quarter of all respondents ranked the country in their top-three emerging locations across Europe, the Middle East and Africa. Poland and Romania were in second and third spots.

Turkey's appeal isn't hard to explain. It has a stable political system, an excellent location, and infrastructure investment is

making it more appealing every day.

Some large logistics developments are already underway. None is larger than the 1.3m Logipark at Tuzla-Orhanli, Istanbul's emerging distribution district. Like many of the new developments, Logipark is in the east (Asian) side of Istanbul.

Murat Ergin explains: "About 95% of Turkey is in Asia, so if you want to serve most of the country, it pays to be on the Asian side."

## SCOPE FOR GROWTH

Data from Jones Lang LaSalle shows how much scope there is for growth. Whilst in mature north European economies like Germany there is roughly 6,500 sq ft of warehouse floorspace for each 1,000 inhabitants, in Turkey the figure is very much smaller. Turkey has around 430 sq ft of warehouse space for each 1,000 inhabitants.

Paul Betts, the firm's head of European and Middle East logistics, says that so far international growth in the Turkish distribution market has been led by parcels businesses and a handful of entrepreneurial retailers.

"Retailers, parcels operators and third-party distributors are all taking a great interest in Turkey and looking for new modern facilities there. There is very little new stock – what warehouse there is, is

often older, smaller, lower height to eaves. It just isn't fit for modern purposes."

Savills and CBRE have both predicted that UK retailers will quickly exploit the large and youthful market in Turkey. Marks & Spencer has already expanded from bases in Ankara, Istanbul and Izmir and now lists 36 Turkish outlets.

The most aggressive incomers have been the global parcels businesses. Says Betts: "Parcels businesses have been and will always be one of the pioneers into new markets like Turkey."

Ergin agrees: "Yes, we're seeing the parcel companies like TNT and DHL take new space, and the parcel carriers are important for the value of what they carry. But the volume of local warehouse demand is from local operations, whether retailers or third-party distributors." >>>>

## Big names

**The big names in global logistics property have yet to make much impact in Turkey but some are exploring the Balkans.**

Logistics developer P3 is to raise £250m to buy a 15.4m sq ft European warehouse portfolio. The deal will also fund new development in Bulgaria, along with more established markets such as Poland, Czech Republic and Slovakia.

Whilst Gazeley is happy to talk about investing in China, it declined to comment on its plans in Turkey.

Prologis is active in Romania, where it has dipped a toe into the local distribution scene at ProLogis Park Bucharest. But as yet it lists no sites in Turkey.

# 6,500

sq ft of warehouse floorspace for each 1,000 inhabitants in Germany

# 430

sq ft of warehouse floorspace for each 1,000 inhabitants in Turkey

From these modest beginnings, a mighty distribution is due to arise, says Betts. "Turkey will be a massive market – you only need to look at the rail links coming through from Asia to see it is an important corridor, and there are deep-water ports like Izmir that look very attractive to overseas distributors," he says.

Although Turkey is heavily tipped for growth, experts say it would be unwise to expect too much too soon.

Mainstream central European nations like Poland have taken 15 years to become acceptable to investors and funders. Meanwhile, there are still locations within the EU which could benefit from improved logistics floorspace.

Romania, for instance, is only slightly better provided for than Turkey, with around 750 sq ft of warehouse floorspace for each 1,000 inhabitants. Total modern warehouse floorspace is barely 1.5m sq ft. Experts conclude that there is clearly some room for extra logistics development in the Balkans, and that may delay the spread of western European and North American funds and interest into Anatolia and the Turkish mainland.

"There's still some way to go in Turkey," says Paul Betts. But with billions of Turkish lira being spent on new roads, rail, ports and housing, it's an economy with the energy to get there fast. ■

## Turkey's oven-ready opportunities

Infrastructure investment is giving the Turkish logistics market a boost. The North Marmara Motorway project will connect Adapazari to Tekirdag via Istanbul, also involving the construction of the third bridge in Istanbul.

Strong growth in container traffic in the main seaports around Istanbul (Ambarli, Mersin, Izmir and Haydarpasa) is another driver for the Turkish logistics market.

In 2010 together they recorded a total container throughput of 4.5m TEU, similar to Bremerhaven and Valencia (respectively ranked 4th and 5th in the European comparison).

For now, demand is modest. Few occupiers want north European-style big boxes. Most deals hover around 100,000 sq ft, with a handful of substantial deals closer to 160,000 sq ft. According to locals, most transactions are still closer to 65,000 sq ft.

