SUMMARY AND FORECASTS

A process in which renovations and changes in Istanbul Office Market will take place started. In order to clearly assess change, we have prepared an assessment related to Planned Growth in Class A Office stock in this report of us. There are approximately 2.6 million m² Class A office stock in Istanbul. Stock will expand to 4 million m² minimum with class A office projects stock to be added to supply in 2012 – 2014. 41% of this stock will be in CBD (Central business District). This case will bring fierce competition along in Büyükdere Axis.

We can sum up figures in office market during 2012 First Quarter Period;

• **General vacancy rate in class A office buildings in CBD** maintained its level in the previous quarter and has been observed as 11.1%.

• **Rent average of office buildings in CBD** has occurred as 30.2 US$ /m² / month in class A buildings, 15.6 US$ /m² / month in class B buildings.

• **In general vacancy rate of class A buildings** the most remarkable change compared to the previous period has been observed in Out of CBD - Asia with 3.5% decline.

• **General rent average of office buildings** has declined in Out of CBD-Europe and Out of CBD - Asia class A office buildings. It remained in same levels in class B office buildings.

2012 First Quarter Period has mostly maintained the pace in rent and purchase procedures postponed from 2011 brought. Since the beginning of 2012, seeking of firms in need of 20,000 m² and over office areas has come to the fore. Firms in search of large area show interest in alternative regions since office rent figures in CBD strain the budgets of large meter square office users. In addition to newly developing Kartal, Ataşehir and Kağıthane office regions, Küçükyalı – Maltepe Region which is on Asia Side metro line have started to take attention.

Approaching deadline dates of qualified projects in Kağıthane Region increase the demand for region. Kağıthane Region has become one of the preferred regions of users who want to be close to CBD. Projects which can offer large areas up to 5,000 m² in single floor like Papirus Plaza have become remarkable for user in need of large areas.

As a plus of Kadıköy - Kartal Metro Line, office regions remaining on the line have started to gain value. As Propin we predict that soon it will be a region in demand with developing transportation lines and starting of urban transformation projects of Küçükyalı - Maltepe Region.
In analyzing office districts using international standards, a key categorization is between “Central Business District” and “Out of Central Business District”. The Central Business District (CBD) incorporates those areas characterized by relatively the strongest demand for office space and where most professional office buildings are located.

There are 12 main districts in Istanbul where office buildings are located.

Istanbul’s CBD starts at Barbaros Boulevard, continues through Büyükdere Avenue and finishes at the Maslak district. This axis, which is defines the boundaries of the city’s CBD, includes the Levent, Etiler, Maslak, Zincirlikuyu-Esentepe-Gayrettepe and Beşiktaş-Balmumcu districts.

Office districts located outside of these areas are defined as Out of Central Business District (Out of CBD). Due to Istanbul’s geographical structure, Out of CBD is divided into two areas: the European and the Asian sides.

Out of CBD-Europe includes the Taksim-Nişantaşı, Şişli-Fulya -Ot مر and Airport districts.

Out of CBD-Asia includes the Kozyatağı, Altunizade, Kavacık and Ümraniye districts.

**TERMS**

Explanations of some of the terms used in the Propin Istanbul Office Market Overview are as follows.

**Class A Buildings:** Buildings that have modern technical and mechanical infrastructure and management, fire safety, generators, parking areas and professional building management. They have the best location and the highest rental value in the city’s office market.

**Class B Buildings:** Buildings that have average technical and mechanical infrastructure and management. This includes some Class A buildings that have become outdated and others that were built using obsolete technology.

**Vacancy Rate:** This is the ratio between total vacant areas and total office areas.

**Average Rent Rate:** This is the weighted average price of the vacant areas. The weighted coefficient of rental prices are calculated in line with the total office areas and vacancy rates, using asking prices.

**Asking Price:** This is the rental price quoted on the leasing area and can change according to specific agreements.

**Closing Price:** This is the final price that is decided after agreements between landlord and tenant.
Istanbul Office Market 2012 first quarter period general vacancy average rates are in the graphic above.

General vacancy rate of class A office buildings in CBD as 11,1%, general vacancy rate of class B office buildings in CBD as 6,4% has been observed.

General vacancy rate of class A office buildings as 10,2%, general vacancy rate of class B office buildings as 27,7% has been determined in Out of CBD - Europe. General vacancy rate of class A office buildings as 10,2%, general vacancy rate of class B office buildings as 13,7% has been observed in Out of CBD - Asia.

Average vacancy rates in twelve office regions of Istanbul are in Graphic 2.

Increasing vacancy rates with buildings newly added to the supply in Kavacık Region are balanced via impacts of rents occurred. Rent with 4.535 m² in Smart Plaza which is represented by Propin of Swedish security firm Securitas which is also exclusively represented by Propin has become one of the spectacular bargain in Kavacık.

By giving up the sales of office building with 9.266 m² belonging to Ünlü Tesktil represented by Propin in Umraniye Region, it was concluded to be rent. Building rented by Eximbank has been added to class B office supply in Umraniye as 100% full. These developments caused to observation of vacancy rates of class B office buildings in Umraniye in 29,8% rate.

Office floors in Le Meridien Otel exclusively represented by Propin has been added into supply in Etiler Region. This increase in stock caused vacancy rate in the region to increase to 12,5% level.

Swedish security firm Securitas which is exclusively represented by Propin has rented 4.535 m² office area in Smart Plaza which is also represented by Propin.

¹ Once Tat Towers are fully out of the stock, vacancy rate of Class A in Zincirlikuyu - Esentepe - Gayrettepe will drop back to 1,7%.
The figure indicating the change in the vacancy rates of Class A office buildings during the first quarter period is given above.

Increase in vacancy rates of Class A buildings in CBD observed during 2011 has left its place to stationary line in 2012 first quarter. No change has occurred in vacancy rates in CBD since 2011 last quarter until now.

Although there are buildings newly added to stock in Out of CBD – Europe during last four quarters, decline of vacancy rate has grabbed attention. Limited supply in CBD causes firms which want to be in Europe Side to pay attention alternative areas in Out of CBD – Europe.

Despite of sudden increase in Out of CBD – Asia office stock, rents in the region caused vacancy rates to sudden decline. Another factor leading to decline in stock and vacancy rates is that some office buildings in Out of CBD – Asia changed their functions during 2012 first quarter.

The figure indicating the change in the vacancy rates of Class B office buildings during the first quarter period is given above.

During 2012 first quarter, vacancy rate of Class B buildings in CBD and Out of CBD - Europe has followed a stable progress as it happened in class A buildings.

A decline of 3,5% rate in vacancy rate of Class B office buildings in Out of CBD – Asia has been observed compared to the previous quarter. Change of on sale - rent status of buildings in stock and rents occurred had influence on this situation. For example; rent of a class B office building with 6,000m² usable space in Out of CBD – Asia Kozyatağı Region was given up.
The rent averages during the first quarter of 2012 according to the regions is given in Figure 6.

During this quarter, the most remarkable change in rent average of class A buildings is the decrease in Taksim – Nişantaşı region when it is compared to the previous quarter. Also a decrease in class B office buildings in the region has been observed and average rate has been defined as 19 US$/m² /month.

Rent average of class A buildings in Beşiktaş - Balmumcu Region has been observed as 32 - 33 US$/m² /month during last two quarters of 2011. By increasing to 37,7 US$ /m² /month in 2012 first quarter, rent average has reached the highest value of last three quarters. Region extremely takes attention of especially office users with small areas thanks to accessibility and access to alternative public transport vehicles.

Rent average of class A buildings in Zincirlikuyu - Esentepe - Gayrettepe Region has increased compared to the previous quarter and rent average in 2012 First Quarter Period has been observed as 29,2 US$ /m² /month.

Rent average of class A office buildings in Altunizade Region has increased and has been observed as 21,8 US$ /m² /month. This rate is the highest rate of last four quarters for Altunizade Region.

The general rent averages of the Istanbul Office Market 2012 are given in the above figure.

Rent average of class A buildings in CBD has been 30,2 US$ /m² /month, Rent average of class B buildings has been CBD is 15,6 US$ /m² /month.

While rent average of class A buildings in Out of CBD - Europe has been observed as 17,7 US$ /m² /month, rent average of class B buildings in Out of CBD - Europe has been identified as 10,5 US$ /m² /month.

Regional average rental rates are calculated by landlords on the basis of list prices declared to the market in their evaluations.
HISTORICAL AVERAGE RENT RATES IN ISTANBUL OFFICE MARKET

The change in the rent averages of Class A buildings that were inspected for quarterly periods are given in the above figure.

Rent average of class A building in CBD has been observed in same levels of 2011 overall. Rent average has started to increase since the last quarter. It has reached 30.2 US$ /m²/month by maintaining its increase in 2012 first quarter.

Rent average of class A buildings in Out of CBD – Europe has decreased to 17.7 US$ /m²/month, the lowest level of last four quarters.

Rent average of class A office buildings in Out of CBD – Europe has been observed in same levels during last four quarters. This indicates that rent averages in class B office buildings in Out of CBD regions which have been monitored at the same levels for a long time are fixed in a specific level.

For Sale or Rental Office Floors / ZINCIRLIKUYU 5

9.700 m² office area nestled within parks in the city center in Istanbloom

Rental Office Floors / ATASEHIR

Büyükhanlı Plaza for firms wishes to move into Ataşehir before the end of 2012

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The comparison of the highest rent list amounts demanded per region according to the last fourth quarter is given in Figure 9.

Zincirlikuyu - Esentepe - Gayrettepe Region has been the region which the highest rent is demanded with rent figure of 50 US$ /m² /month during 2012 first quarter.

Levent Region is the second region which the highest rent cost is demanded with rent figure of 42 US$ /m² /month.

Office areas have been rent in Taksim – Nişantaşı Region which the highest rent figure was demanded in last quarter period. Thus, the highest rent demanded in region has decreased from 50 US$ /m² /month to 38 US$ /m² /month.

The highest rent cost demanded in Umraniye Region which has fixed rent figures is 22 US$ /m² /month.

The rent numbers given in the graphic are the prices declared by the property owners to the market. The general rent averages in districts are shown in page 6.

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Construction is completed in Forum Plaza offering floor by floor rent or purchase opportunity
The stock graph of the office buildings in the Istanbul Office Market (located in Istanbul's twelve districts) for the third quarter of 2012 is given above. The districts with larger than 300,000 m² of stock are numbered on the graph in accordance with their sizes.

CBD [Levent, Etiler, Maslak, Zincirlikuyu - Esentepe - Gayrettepe, Beşiktas - Balmumcu], is equal to 41% of the total stock.

Total stock in CBD has increased as approximately 10% compared to 2011 Fourth Quarter Period. Buildings added to supply in Etiler and Zincirlikuyu- Esentepe - Gayrettepe Region have increased limited stock in CBD.

Out of CBD-Europe [Taksim-Nişantaşı, Şişli, Fulya, Otim, Airport]; is equal to 24% of the total stock.

Users who use their own buildings in Airport Region changing locations have increased stock rate in region. However, occurred rents did not change the vacancy rate.

Out of CBD-Asia [Kozyatağı, Altunizade, Kavacik, Ümraniye] is equal to 35% of the total stock.

Stock has increased since new buildings have been added to Out of CBD – Asia stock and status of on sale buildings has been changed as rental during 2012 first quarter. Occurred rents and buildings removed from office feature have kept the balance.

Rental Office Building / NISANTASI

Gathering the attention with its infrastructure equipment in Nişantaşı, Rumeli Plaza

Rental Office Floors / ANKARA

To solve your office needs from 325 m² to 3,500 m² on a single floor in Ankara Kentpark Offices
As of the end of 2011, there are approximately total 2.6 millions m² class A offices in twelve office regions of Istanbul.

“Stock Increase Per Years Graph” prepared by Propin is above. In this study, an assessment is made within the scope of projects which are launched to be added to supply in 2012-2014. It is expected that 1.4 million m² office areas will be added to stock and class A office stock in Istanbul will reach minimum of 4 million m² until the end of 2014.

In addition to this growth, projects with various scales which have not been launched yet will expand class A office stock of Istanbul to above 4 million m².

Proportional distribution of areas to be added to office stock takes place in Graph 12.

There are twelve office regions in Istanbul now. Taking into consideration the circumstances that we face in, it is seen that 24% share of the next stock focuses on Kartal, Ataşehir and Kağıthane. These three regions will take place in new office regions during near future.

Another interesting point in Graphic 12 shows that next stock focuses on CBD continuing along Büyükdere Axis. 41% of the stock decided to be added to the market will take place in CBD. This situation indicates that competition will highly increase in especially Büyükdere Axis.
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