

FIGURES | ISTANBUL OFFICE MARKET | Q1 2024

# Office Rents in Istanbul: The Upward Trend Continues

▲ 6.50%\*

Prime Vacancy Rate

\*Istanbul 205 Tower had not been included.

▶ 8.10 M

SqM Office Stock

▼ 7.00%

Prime Yield

▲ \$39.00

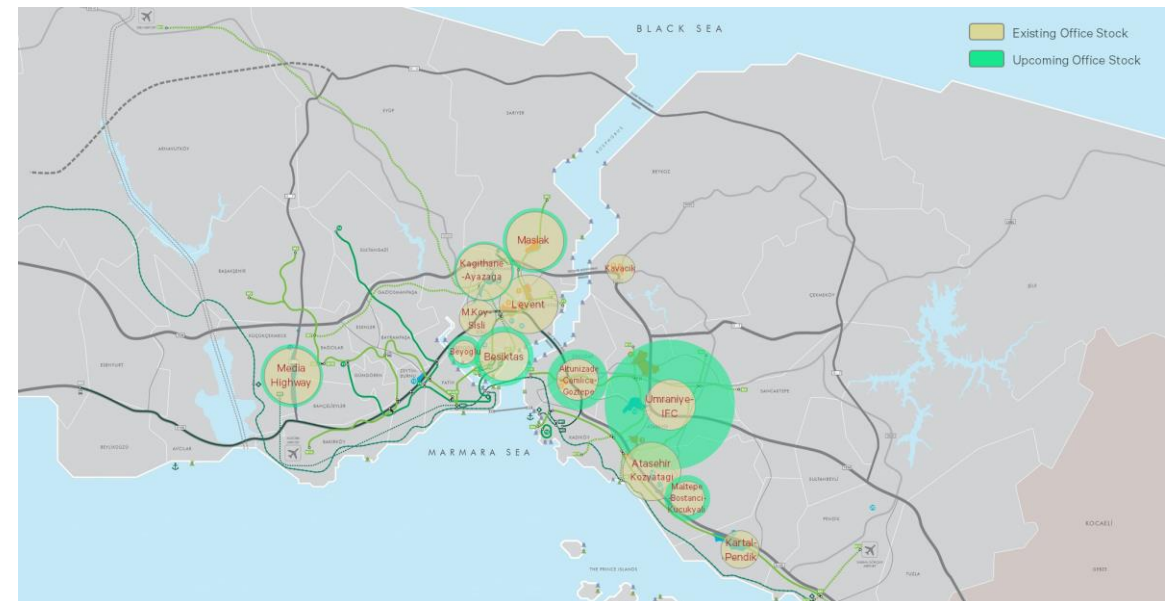
Prime Rent

Note: Arrows indicate change from previous quarter.

Office rents in Istanbul continue to rise. The highest rent in class A office buildings reached 39 USD/m<sup>2</sup>/month by the end of the 2024 first quarter.

Due to the impact of local elections, the first quarter of 2024 was calmer compared to the previous year. However, the demand for high-quality office buildings remains strong. In particular, A+ office buildings continue to be preferred to meet the needs of the business world. These buildings offer modern infrastructure and comfortable, efficient working spaces.

When examining the vacancy rates in the Central Business District (CBD), the vacancy rate, which had decreased to around 4% by the end of the year, increased to 6.5% due to the activity in Yapı Kredi Plaza.



Source: CBRE Research

## Stock & Yields

As of Q4 2023, the total office stock in Istanbul is around 8.1 M sqm, with an additional 1.3 M sqm expected to be added. Rising construction costs, limited land availability, and the slow progress of urban transformation projects are causing a slowdown in the supply of new office buildings.

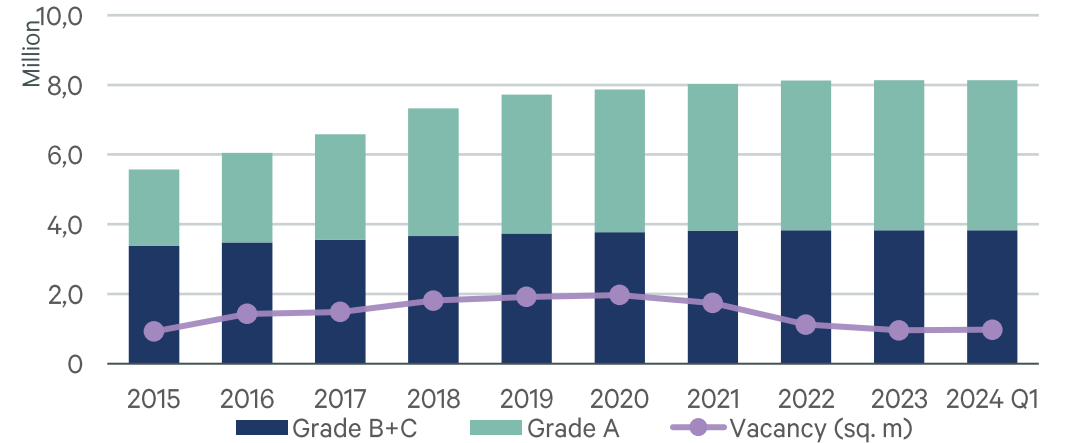
The primary yield decreased to 7.00% by the end of the quarter, and the secondary yield decreased to around 8.00%. However, the purchase of the Torun Tower Office building, which is in the portfolio of Torunlar GYO and used as the headquarters building by Denizbank, for 11.6 billion TL plus VAT by Denizbank has created some movement in the long-stagnant sales market. Despite this, it is worth noting that there are not many office portfolios available for sale and the sales market is not active.

## Prime Rents & Vacancy

The vacancy rate in MIA decreased to 20.75% by Q4 2023. Since the Istanbul 205 Tower project is marketed as a complete building and the absence of a suitable tenant/buyer has been identified, the majority of the vacancy rate is located in Levent. Excluding this project, the vacancy rate can be considered as 6.50%.

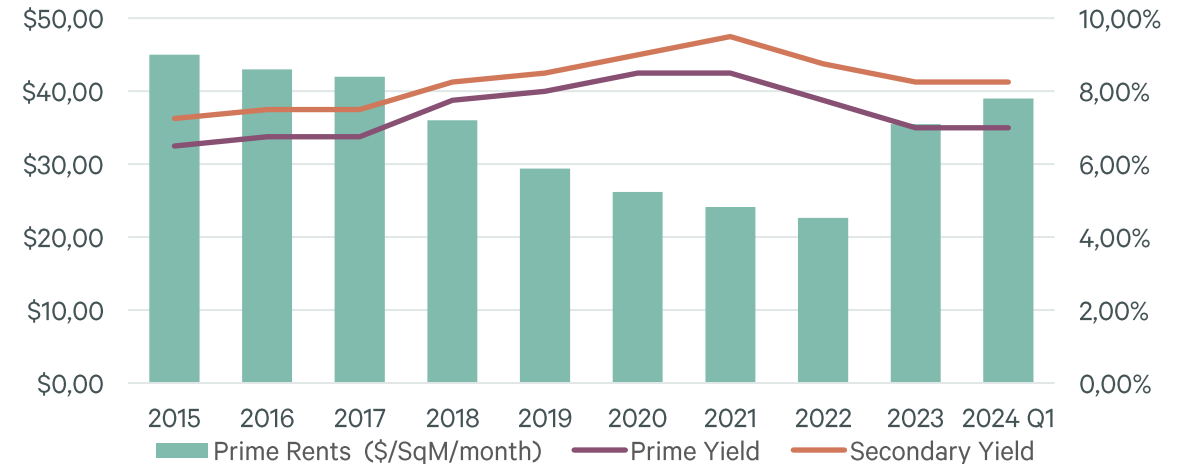
The prime achieved rent in Istanbul CBD increased to TRY 1,200/sqm/month (≈USD 39 sqm/month).

FIGURE 1: Total Stock & Vacancy



Source: CBRE Research

FIGURE 2: Prime Rent & Prime -Secondary Yields



Source: CBRE Research

**Also, in terms of completed transactions in the prime office regions, achieved rates remained relatively flat across Grade A office buildings at 660 TRY/sqm/month levels.**

- Due to high office rental demand and rising inflation, rents increased in both Turkish Lira and US Dollar terms throughout the first quarter of 2024. With the office markets turning in favour of landlords, landlord incentives have decreased.
- In the first quarter of 2024, most leasing activities took place on the European side, particularly in the Levent and Mecidiyeköy-Sisli areas.
- On the Anatolian side, due to very high occupancy rates and the lack of tenant movement for a long time, the first quarter was the least active it has been in many years.
- In Q4, interest in the Kozyatağı-Ataşehir region on the Anatolian side continued. There is not enough supply left in the region, except for the Grade A building stock, which is marketed as a complete building with no suitable tenant/buyer interested parties. As a result of the transactions carried out, the vacancy rate of the region in the actively rented Grade A buildings decreased to 2.00%
- The inactivity in the Media Highway (Basin Express) continued. However, activity has increased in the Kartal-Pendik region on the Anatolian side with the leasing of the Maya Anatolium Tower.

FIGURE 3: Asking & Achieved Rates

	Asking Rates (TL/sq. m/month)		Achieved Rates (TL/sq. m/month)	
	Min	Max	Min	Max
Levent	1100	1400	900	1200
Esentepe – Gayrettepe – Zincirlikuyu	800	1000	600	800
Atasehir – Kozyatagi	700	800	600	700
Maslak	700	1000	550	800
Mecidiyekoy – Sisli	800	1000	600	800
Alltunizade – Camlica – Goztepe	550	650	400	500
Kagithane - Kavacik	500	600	400	500
Umraniye	525	600	350	400
Media Highway (Basin Express) – Kartal	400	500	300	400

Source: CBRE Research

## Quarter Take-ups

In the 2024 first quarter, the total leasing transaction volume for Class A and B office buildings was approximately 11,000 sqm, with the lease renewal transaction volume reaching 35.000 sqm. About 10% of transactions occurred on the Asian side, and 90% on the European side.

The Financial Services sector ranked the highest transaction volume in the 1st Quarter of 2024.

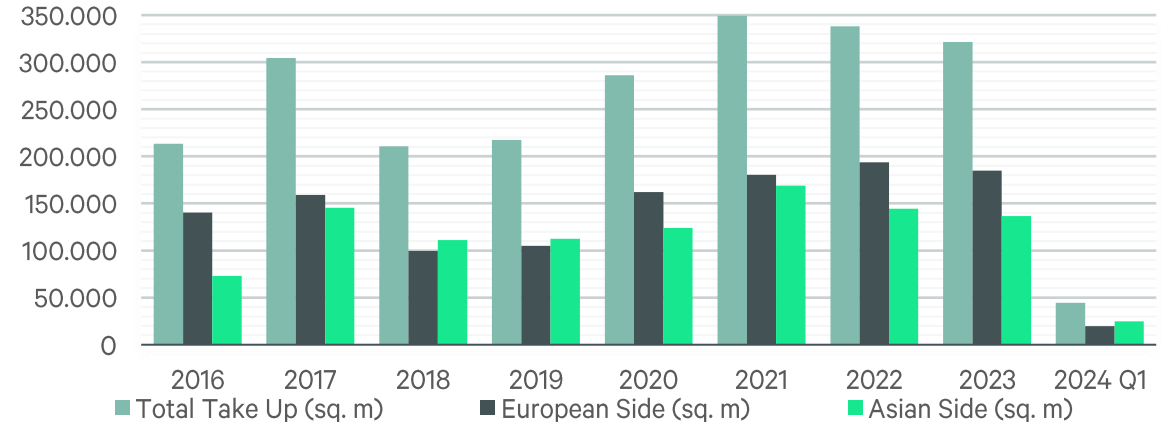
Approximately 17.00% of the transactions realized in the 2024 first quarter were related to Serviced/Flex office leases. Companies that prefer Serviced/Flex offices are among the associations that provide computer and high technology services.

## Expectations

In the office market, which is unable to meet the current demands, the demand is expected to concentrate on high-quality office buildings in the coming period. The landlord-favorable real estate cycle is expected to continue for a while due to insufficient supply. However, the impact is anticipated to decrease with the opening of the IFC.

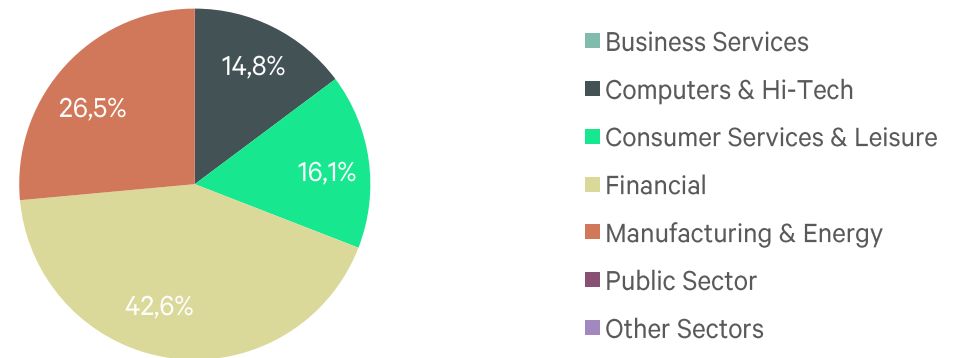
Serviced office providers seem to be focusing on the enterprise model to bridge the gap between users looking for capital-light solutions and landlords wanting to provide turnkey solutions.

FIGURE 4: Total Take-Ups



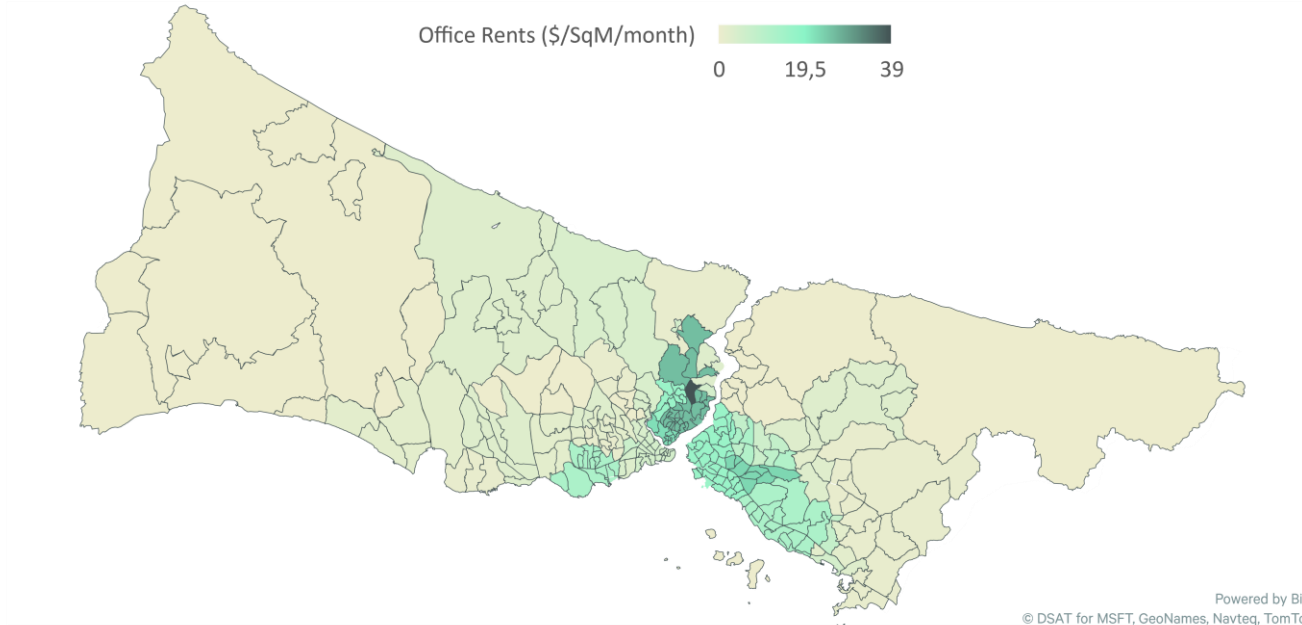
Source: CBRE Research

FIGURE 5: Sectoral Distribution of Transactions



Source: CBRE Research

## Market Area Overview



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## Definitions

**ASKING RATE:** Rate determined by multiplying the asking lease rate for each building by its vacant available space, summing the products, then dividing by the sum of the available space with asking net rents for all buildings in the summary. **ACHIEVED RATE:** Includes all lease types whereby the tenant pays an agreed rent upon by the tenant and landlord, excluded estimated average monthly costs of the operating expenses and taxes for the property, utilities, insurance and/or maintenance expenses. **TAKE UP:** The total lease, expansion and renewal transactions announced quarterly by international real estate brokerage companies. **NET RENTABLE AREA:** The gross building square meter minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas. **GROSS RENTABLE AREA:** The gross building square meter including the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas excluding car parks. **UNDER CONSTRUCTION:** Buildings that have begun construction as evidenced by site excavation or foundation work. **PRIME RENT:** Achieved lease Rate at CBD of Istanbul. **PRIME VACANCY RATE:** The available building in the Levent area that is either physically vacant or marketed divided by the total gross rentable area in Levent as the CBD of Istanbul. **VACANT AREA (SQ. M.):** Existing building area that is physically vacant or immediately available.

## Survey Criteria

Includes all office buildings in the data set prepared by CBRE for the Istanbul Office Market.

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