PROPERTY
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3

THIRD
QUARTER
2017 № 43

ISTANBUL OFFICE MARKET GENERAL OVERVIEW

We represent more than 500,000 m² office area.

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Giving us a call makes your office searching process easier

- You can visit the building as soon as possible.
- You can reach technical and architectural documents rapidly.
- You can reach lease or purchase offers in written!
- You can proceed in legal phases easily during contract process.

Responsibility for payment of the agency service fee * rests with the landlord!

FOR LEASE / FOR SALE — STOREY — UNIT

Istanbul / Levent

FERKO SIGNATURE

Total Office Area	: 75,000 m²
Floor Area (Gross /Net)	: 1,722 /1,291 m² (Tower)
	: 6,140 /4,514 m² (Podium)
Completion Date	: 4th quarter of 2017

FOR LEASE — STOREY — UNIT

Istanbul / Atasehir

ALLIANZ TOWER

Total Office Area	: 43,000 m²
Vacant Office Area	: 4,962 m²
Floor Area (Gross /Net)	: 1,338 /1,086 m²
	1,210 /959 m²
	1,297 /1,046 m²
Floors	: 23, 24 and 25th Floors

FOR LEASE / FOR SALE — STOREY — UNIT

Istanbul / West Atasehir

MY NEWWORK

Total Office Area	: 29,031 m²
Vacant Office Area	: 13,212 m²
Floor Area (Gross /Net)	: 1,468 /1,282 m²
Floors	: 9, 11, 12, 13 and 18th Floors
Completion Date	: 3rd quarter of 2017

For the rest of the list please visit **www.propin.com.tr**

AGENCY SERVICE FEE:

In any case of leasing or purchasing the properties which are marketed by us, clients don't pay PROPIN in exchange for the service given to your company. This service will be provided to make the process easier and faster for you by the authorization vested in by landlord.

For further information, please don't hesitate to contact us. We would be more than happy to help.

T. 0212 217 8555

We do our work **diligently.**

PROPIN has been providing highly-specialized agency and consulting services with a focus on Turkey's Office Market to office users, investors, developers and property owners, with a comprehensive range of real estate services since 2005. PROPIN's customers can rely on professional assistance in property scouting, advisory services and property marketing. PROPIN is also preparing the most up-to-date Office Market reports for your investment decisions

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SUMMARY AND FORECASTS

The summary of the latest data from the Istanbul Office Market in the third quarter of 2017 can be found below.

- The vacancy rate for Class A office buildings in the Central Business District (CBD) increased to 31% and to 15.1% for Class B office buildings. The average rent for Class A office buildings in the CBD was $US 25 /m^2 /month and $US 13.6 /m^2 /month for Class B office buildings.

- For Class A office buildings in Out of CBD-Europe, the vacancy rate was determined to be 21.8% and average rent was $US 15.5 /m^2 /month.

- The vacancy rate for Class A office buildings in Out of CBD-Asia was at a level of 20.6%. The average rent for Class A office buildings was $US 18.3 /m^2 /month.

- The top prime rent ($US 44 /m^2 /month) in the third quarter of 2017 was observed in Levent, which is located in the CBD.

The Istanbul Office Market experienced a hectic period in the third quarter of 2017. Stock kept increasing. In addition to the rise in stock, the demand side was also intense and some transactions were executed for office areas where advantageous financial terms were bargained for. Despite the occurrence of some leasing transactions, the vacancy rate still rose due to this overall increase in stock.

Istanbul Class A office stock experienced a 457.000 m^2 increase, demonstrating the fastest growth in the last two years. New buildings in Kağıthane, Maslak and the Airport District constituted half, 27% and 16% respectively of the recently added stock in a single quarter. Considering the total stock size, it has been observed that the stock share of the CBD, Out of CBD-Europe, Out of CBD-Asia and Developing Office Districts (Kagithane, Bomonti-Piyalepasa, Kartal-Maltepe, West Atasehir) was measured at 36%, 20%, 25%, and 19% respectively.

Formerly owned by Bosphorus Capital, the 24,680 m^2-sized Nidakule Ataşehir West Building's purchase by Is Investment was the biggest procurement transaction in the third quarter of 2017. Furtheremore, the 19,000 m^2-sized Ciner Office Building acquisition by a private university in Zincirlikuyu-Esentepe-Gayrettepe was the biggest leasing transaction seen in this period. Some other leasing activity in West Atasehir and Kagithane, both part of the Developing Office District, were also remarkable. Propin will be publishing all the leasing and purchasing transactions executed in the Istanbul Office Market throughout 2017 in the Istanbul Office Market General Overview Report at the end of next quarter.

In the CBD, the vacancy and average rental rates showed striking changes. The vacancy rate climbed to 31% from 25.7, while the averate rental rate dropped to $US 25 /$m^2$ /month from $US 27.6 /$m^2$ /month. The third quarter of 2017 was also a busy period, especially for Maslak when compared to the other districts. Plenty of transactions were completed in the district and particularly the lease transaction of Asseco SEE, which was mediated by Propin, in a 1,313 m^2 office areas in Spine Tower was a remarkable one. The vacancy rate in Maslak soared up to 33.7% in the third quarter of 2017, whereas it was 27.8% in the previous quarter. The impact of the recently added office areas in Maslak 1453 to stock was also significant in this upsurge.

A fall in the average rental rates in Class A office buildings in Istanbul, also observed in the previous quarters, continued during the third quarter of 2017 as well. With regard to this fall, the declaration of listing prices in Turkish lira in various districts by the landlords is considered as a new phase for long-standing renting practises.

In the Istanbul Office Market, where the competition is getting more and more intense due to increasing stock, demand intensity on the buildings with architectural features preferred by users and built by reputable developers has grown, as they have gained currency within the marketplace. The office buildings where Turkish lira is asked as the currency are expected to see higher demand compared to those where foreign currency is asked.

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BOUNDARIES OF ISTANBUL CENTRAL BUSINESS DISTRICT

When analyzing the office areas with respect to international standards, the city is divided into a "Central Business District" (CBD) and "Out of Central Business Districts" (Out of CBD). The CBD is a district category densely populated with office buildings and a service sector, where pedestrian-vehicle traffic is hectic, and the demand is the highest.

In Istanbul, there are twelve main districts with a high office building density. In this report, these office districts are delineated and determined by taking the location and user profiles into account.

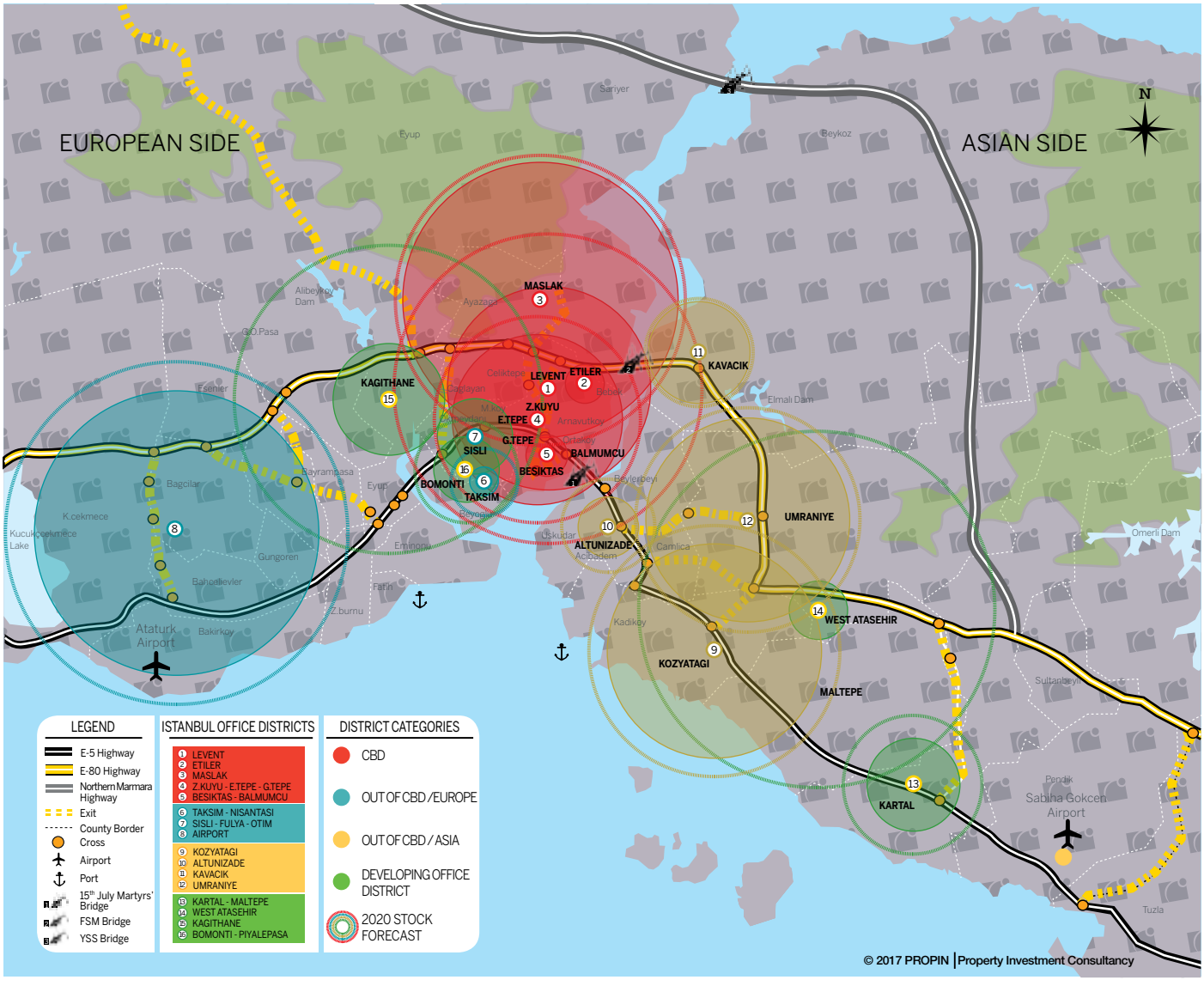
Istanbul's CBD starts at Barbaros Boulevard, continues along Buyukdere Avenue and finishes in the Maslak district. This axis, named the CBD, includes Levent, Etiler, Maslak, Zincirlikuyu-Esentepe-Gayrettepe and Besiktas-Balmumcu.

Office districts located outside of these areas are defined as Out of CBD. Due to the geographic layout of Istanbul, Out of CBD is divided into two main categories: Asia and Europe.

In this context, Out of CBD-Europe includes the districts of Taksim-Nisantasi, Sisli-Fulya-Otim and the vicinity surrounding the Airport. Out of CBD-Asia consists of Kozyatagi, Altunizade, Kavacik and Umraniye.

There are Developing Office Districts found on both the Asian and European sides of the city. While Kagithane and Bomonti-Piyalepasa are located in Europe, Kartal-Maltepe and Atasehir are located in Asia.

Four districts, shown in green circles on the map below, are the 'Developing Office Districts' in the Istanbul Office Market. The data related to these four districts will be illustrated with figures in the coming reports.



ISTANBUL OFFICE MARKET
DESCRIPTIONS

Explanation of some of the terms used in the Propin Office Market Overview are as follows

Class A Office Buildings:
These buildings have a modern technical and mechanical infrastructure, fire safety, generators, parking areas and professional building management. They have the best location and the highest rent value in the city's office market.

Class B Office Buildings:
When compared to Class A office buildings, Class B office buildings have a lower rent and sale value within the same market. If this type of building is new, it possesses an ordinary design; if the building is old, it has been enhanced to look better.

Unit Price:
This term represents the ratio of total asked rent value to gross areas for rent.

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

Take-up:
This is a gross figure representing the total floor area known to have been let or pre-let, sold or pre-sold, to tenants or owner-occupiers within a specified period of time. It does not include any area that is under offer. A property is taken up when the contract is signed.

Pipeline Projects:
This project refers to the supply of a particular type of real estate asset that is in the planning or construction phase, yet not ready for occupancy.

Closing Price:
This is the rental price which has been agreed upon between the property owner and the tenant and placed in the contract.

FOR LEASE

ATASEHIR **No.1**

ALLIANZ TOWER

- 4,962 m² total vacant office area
- Up to 85% floor efficiency
- View of the Princes' Islands
- 91% occupancy
- Total office area 43,000 m²
- Users: Allianz Insurance
  Ronesans Holding
  Daikin, Continental

No agency service charge
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FOR LEASE

LEVENT **No.2**

FERKO SIGNATURE

- 1,722 m² floor area
- Handover in 4th quarter of 2017
- On the Buyukdere Street
- 1-Minute walking distance to Levent Subway Station
- Total office area 75,000 m²
- Users: Ferko, Yemek Sepeti, Fiba Holding, Destek Factoring, MESS, Azerbaijan Cultural Centre Assembly

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Rentable Area:
This term refers to the total area which is currently being marketed during a certain time period. The term covers all sorts of areas, whether the land is vacant, occupied or suitable for subleasing in the future.

Rent Average:
The rental average is the weighted average of the rent of the vacant areas. The weight coefficient of the rental prices is calculated in accordance with the total office area and the vacant area. Listing prices are used in the calculations.

Users:
The companies of the current office users of the building.

Office User/Tenant Representation:
The mediator who represents the interests of the tenant in a typical renting operation is referred to as the tenant representative.

Listing Price:
The rental price requested by the property owner for the rental area is the listing price. The price can change as a result of negotiations.

Landlord Representation:
The mediator who represents the interests of the property owner in a typical renting operation is referred to as the property owner representative.

Common Areas:
All areas including the main lobby, lift lobbies on the floors, corridors between rentable areas, toilets outside of the offices, and fire exit stairs shared by the Occupiers in the building are the common areas.

Pre-Rented Area:
The amount of area in a building that has been rented prior to the end date of the construction and prior to occupancy permit date is the pre-rented area.

Completion Date:
This refers to the completion date of the construction of a building.

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ECONOMIC OVERVIEW

ECONOMIC INDICATORS	October '16	November '16	December '16	January '17	February '17	March '17	April '17	May '17	June '17	July '17	August '17	September '17
BIST-100 Index	78,536	73,995	78,139	86,296	87,478	88,947	94,655	97,542	100,440	107,531	100,190	102,651
Unemployment Rate (%)*	11.8	12.1	12.7	13	12.6	11.7	10.5	10.2	10.2	10.7	-	-
Exchange Rate** (USD/TRY)	3.11	3.42	3.53	3.79	3.61	3.64	3.56	3.54	3.52	3.53	3.45	3.56
Exchange Rate** (EUR/TRY)	3.41	3.64	3.72	4.06	3.83	3.89	3.88	3.96	4.02	4.14	4.15	4.20
Policy Rate (%)** (One-week Repo Rate)	7.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Inflation (%)* (End-Year)	7.16	7.00	8.53	9.22	10.13	11.29	11.87	11.72	10.9	9.79	10.68	11.2

TABLE NO.1 SOURCE: *TSI- ** CBRT

MACRO ECONOMY

The Turkish economy grew 5.1%, a level which meets the expectations in the second quarter of 2017. The recovery in domestic consumption and the precautions taken by the public contributed to this growth. Previously declared as 5%, the first quarter growth has been updated to 5.2%: therefore, the growth was measured at 5.1% on an annual basis in the first half of 2017. Additionally, growth in 2016, originally determined to be 2.9%, was revised to 3.2%.

While Gross Domestic Product (GDP) was measured at 863 Billion US Dollars in 2016, the sum of the last four quarters was at a level of 834 Billion US dollars by the second quarter of the year. Within the same period, per capita income deteriorated from 10.833 US dollars to 10.500 US dollars in Turkey. The increase in value of the US dollar vis-a-vis the Turkish lira constituted a vital factor in this deterioration.

The performance of the Turkish economy was the best in the last eight quarters period according to calendar adjusted data in the last quarter. When the data is evaluated according to calendar and season adjusted way, however, one can see that economic activity gained some momentum as compared to the previous quarter. Investment expenditures, measured at 2.9 points, was the top contributer to the growth in the second quarter. Based on a chain volume index, the rise in construction expenditures, which was 25% on annual basis, was crucial in the aforementioned performance.

The rising tension between the U.S. and North Korea rattled the markets in September as well. Despite rising concerns which increased the value of gold, prices started to reduce at the end of the month since US Dollar had gained strength. Besides, oil prices reached their peak of last two years in September. On the other hand, the FED did not amend the interest rates in the September 2017 meeting but declared they will downsize the balance sheet in October. For this reason, an interest rate hike expectation has arisen in markets.

INFLATION

On monthly basis in September 2017, the hike in CPI, 0.65%, was unable to surpass market expectations. According to the study conducted by Reuters, the bump in CPI was expected to be 0.76% in September 2017. A rise in CPI on an annual basis was measured at 11.2% in the same period. The continuation of a rise in the core inflation indicators increased the concerns about the persistence of two-digit inflation rates. Growth in NPPI, measured at 0.24% on a monthly basis, was relatively low. However, NPPI annual inflation in September was determined to be 16.3% and considered high.

MONETARY POLICY

At the September 2017 meeting, the Monetary Policy Committee did not amend the policy rate, which had been announced as 8% at the November 2016 meeting. The Committee also kept the upper limit of the interest corridor, the lower limit of the interest corridor and late liquidity window interest rates at the same levels, which were 9.25%, 7.25% and 12.25% respectively. In the statement released by the Committee, it has been stated that the high level of inflation and the events regarding core inflation indicators constitute risks towards pricing behaviours. In this framework, it has been stated that the Commitee's strict monetary policy stance will be preserved.

EXCHANGE RATES [October 2015 - September 2017]

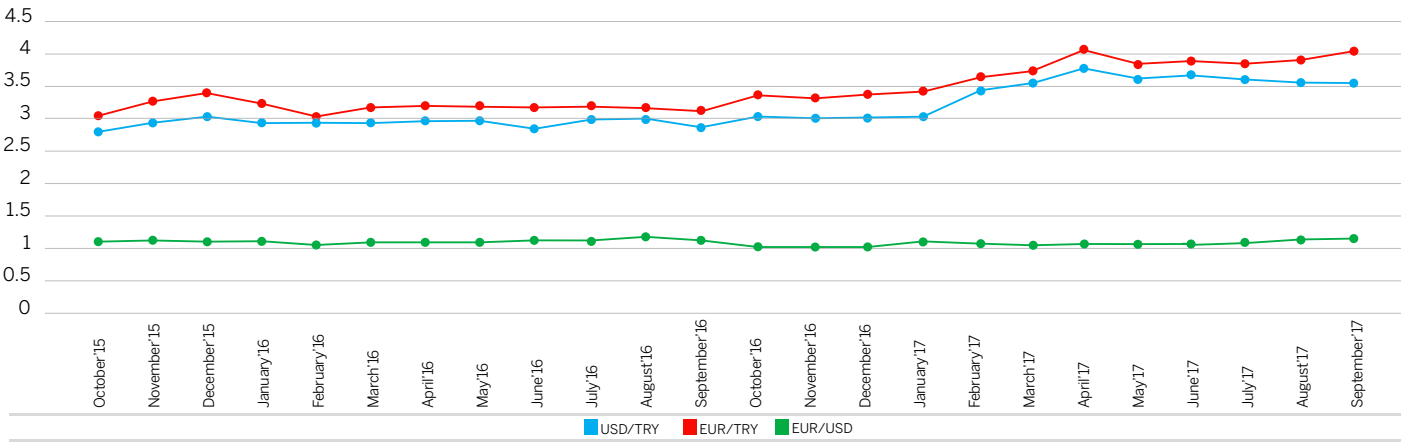

FIGURE NO.1 SOURCE: THE CENTRAL BANK

*TUIK (the Turkish Statistical Institute) revised their method of calculating the Gross Domestic Product. According to this new method, the growth figure is now calculated using a chained volume index (based on 2009 = 100) instead of fixed prices.

VACANCY RATES
IN THE ISTANBUL OFFICE MARKET

VACANCY RATES BY DISTRICT CATEGORY
2017 The Third Quarter

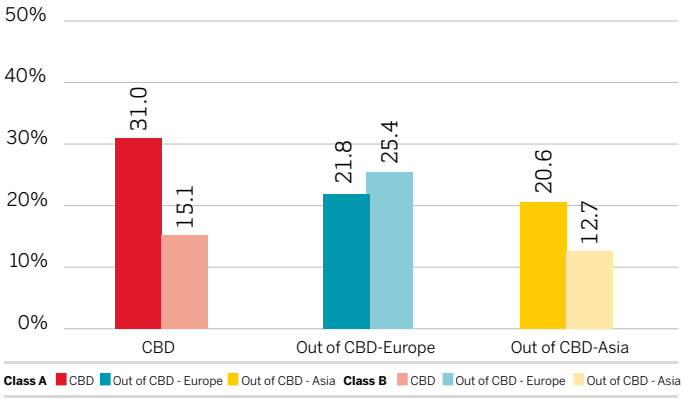

FIGURE NO.2 SOURCE: PROPIN

The Vacancy Rates by District Category in the Istanbul Office Market in the third quarter of 2017 are shown in Figure 2.

While the vacancy rate for Class A office buildings in the CBD was 31%, the rate for Class B office buildings was measured at 15.1%.

The vacancy rate for Class A office buildings in the Out of CBD-Europe was at level of 21.8% and 25.4% for Class B buildings.

For Class A office buildings in the Out of CBD-Asia, the vacancy rate was measured at 20.6%. It was 12.7% for Class B office buildings in the district.

FOR LEASE

KUCUKYALI **No.3**

HILLTOWN OFFICE

- Floor sizes vary from 1,729 m² to 2,047 m²
- Handover in 4th quarter of 2017
- Stand alone offices with terraces and Prince Islands view
- 10-Minutes walking distance to Kucukyali Subway Station
- Total office area 9,460 m²
- Mall, restaurants, gym, meeting and seminar rooms

No agency service charge
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VACANCY RATES BY DISTRICT
2017 The Third Quarter

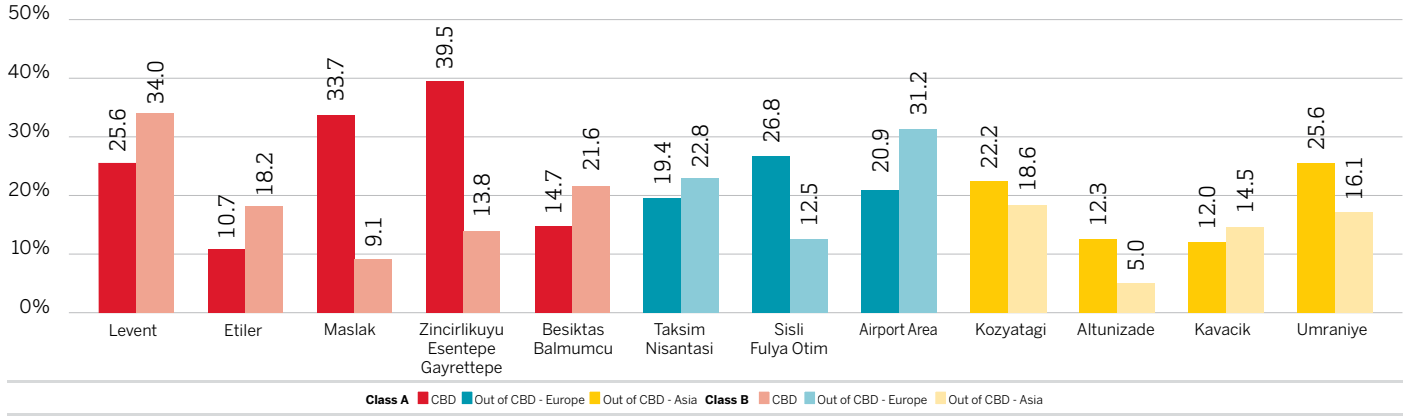

FIGURE NO.3 SOURCE: PROPIN

Vacancy Rates for Class A and Class B buildings in the twelve business districts of Istanbul are illustrated in Figure 3.[1]

The vacancy rate for Class A office buildings in Levent went up, ending up at a level of 25.6% in the third quarter of 2017. Relocation of the companies that had occupied Kanyon and Levent Office Building to outside of the district was the main reason of this hike in the vacancy rate.

While the third quarter of 2017 was a little bit more hectic for Maslak compared to other districts, a number of leasing transactions have been observed there. However, because of the office areas in Maslak 1453 being added to stock, the vacancy rate for Class A office buildings in the district increased to 33.7%.

The 19,000 m²-sized Ciner Office Building, located in Zincirlikuyu-Esentepe-Gayrettepe, was leased by a private university. Moreover, TTNet moved out from Karamancı Blocks, which are also located in the district. The vacancy rate in Class A office buildings in Zincirlikuyu-Esentepe-Gayrettepe was measured at 39.5% in the third quarter of 2017.

Due of the openings of Balance Gunesli (52,000 m²) and Selenium Retro (23,000 m²) in the Airport District, a remarkable increase in stock was observed. These projects, built by well-known developers and showcasing efficient architectural features, witnessed intense demand even before their opening dates. One could also see significant occupancy rates since some pre-lease contracts were signed for these buildings in the previous quarters. As the result of the other leasings in Class A office buildings of the district, the vacancy rate for Class A office buildings in the Airport District fell to the level of 20.9%.

The vacancy rate for Class A office buildings in Kozyatagi decreased to 22.2% in the third quarter. The leasing transactions in Kozyatagi by the companies that had been located out of the district were the main reason for this drop. Completed transactions in AND Plaza particularly by IMCD Turkey and Stanley Black & Decker were the prominent ones during the third quarter of 2017.

Relocation decisions by some companies that were located in Class A office buildings in Kavacik were also noteworthy. As the result of these relocations, the vacancy rate for Class A office buildings in Kavacık climbed to 12%.

[1]When Tat Towers are excluded from the stock, Class A office stock in Zincirlikuyu-Esentepe-Gayrettepe decreases to a level of 30%.

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CHANGES IN VACANCY RATES IN THE ISTANBUL OFFICE MARKET

CHANGES IN VACANCY RATES OF CLASS A BUILDINGS

The Last Four Quarters

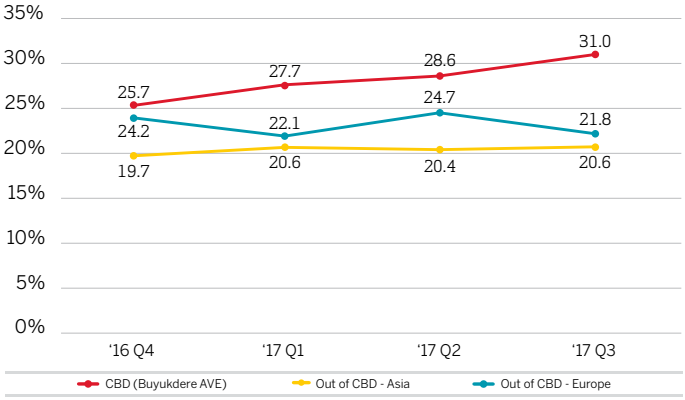

FIGURE NO.4 SOURCE: PROPIN

Changes on a quarterly basis in the Vacancy Rates between the fourth quarter of 2016 and the third quarter of 2017 for Class A office buildings in the Istanbul Office Market are given in Figure 4.

The vacancy rate of Class A office buildings in the CBD exhibited an upward trend between the fourth quarter of 2016 and the third quarter of 2017. While the vacancy rate for Class A office buildings in the CBD was 25.7% in the fourth quarter of 2016, it increased to 31% in the third quarter of 2017. Consequently, an almost 21% increase was observed in the vacancy rate of Class A office buildings in the CBD over the last four quarters. A stock increase in Maslak in the third quarter of 2017 played a role in the hike in vacancy rate for Class A office buildings in the CBD.

In Out of CBD-Asia, the vacancy rate for Class A office buildings fluctuated between 22% and 25% over the last four quarters. The vacancy rate, measured at 24.2% in the fourth quarter of 2016, declined to 21.8% in the third quarter of 2017.

The vacancy rate for Class A office buildings in Out of CBD-Asia was measured at 19.7% in the last quarter of 2016. This rate, which increased to 20.6% in the first quarter of 2017, remained at the same level in the following two quarters.

FOR LEASE

UMRANIYE **No.4**

ANEL BUSINESS CENTER

- 3,217 m² vacant office area
- 4,684 m² vacant retail area
- 1,873 m²-sized offices in a single floor
- Office options starting from 265 m²
- Total office area 19,110 m²
- Terrace, food hall, gym, meeting rooms
- Users: Sigortam.net, Anel Group, Celebi Holding, Pierre Fabre, SAP, RedBull, Orange Business Services, Watsons, Kariyer.net

No agency service charge
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FOR SALE-LEASE

WEST ATASEHIR **No.5**

MY NEWWORK

- 13,212 m² vacant office area
- 1,468 m²-sized floor
- Handover in 3rd quarter of 2017
- Close to the Istanbul Financial Center [IFC], at the intersection of the E-5 and TEM highways
- Walking distance to Yenisahra Subway Station
- Total office area 29,000 m²

No agency service charge
Please click on www.propin.com.tr for other properties we represent and for detailed information

CHANGES IN VACANCY RATES OF CLASS B BUILDINGS

The Last Four Quarters

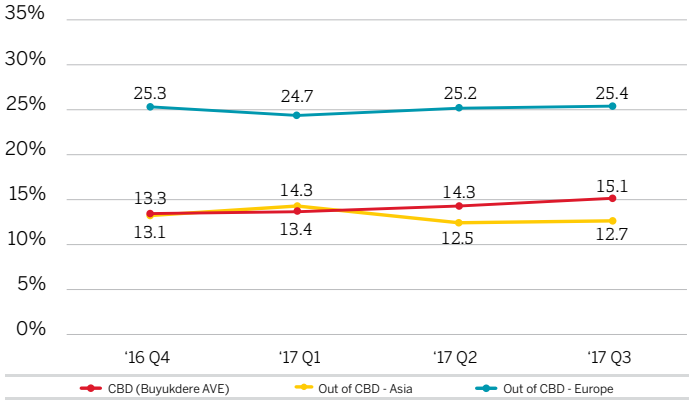


FIGURE NO.5 SOURCE: PROPIN

The Vacancy Rates of Class B office buildings in the District Categories over the last four quarters are illustrated in Figure 5.

The vacancy rate for Class B office buildings in the CBD was 13.3% in the last quarter of 2016. While it managed to maintain its level from the previous quarter, it started to rise in the second quarter. The vacancy rate for Class B office buildings in the CBD ended up at 15.1% in the third quarter of 2016.

With the exception of the first quarter of 2017, the vacancy rate for Class B office buildings in Out of CBD-Europe was stable over the course of the last four quarters; the vacancy rate, having decreased to 24.7% in the first quarter of 2017, bounced back in the following quarters. The vacancy rate for Class B office buildings in Out of CBD-Europe in the third quarter of 2017 was measured at 25.4%.

The vacancy rate for Class B office buildings in Out of CBD-Asia, measured at 13.1% in the last quarter of 2016, soared up to 14.3% in the first quarter of 2017. While it decreased to 12.5% in the second quarter of 2017, it maintained its level in the third quarter.

AVERAGE RENTAL RATES IN THE ISTANBUL OFFICE MARKET

AVERAGE RENTAL RATES BY DISTRICT CATEGORY

2017 Third Quarter

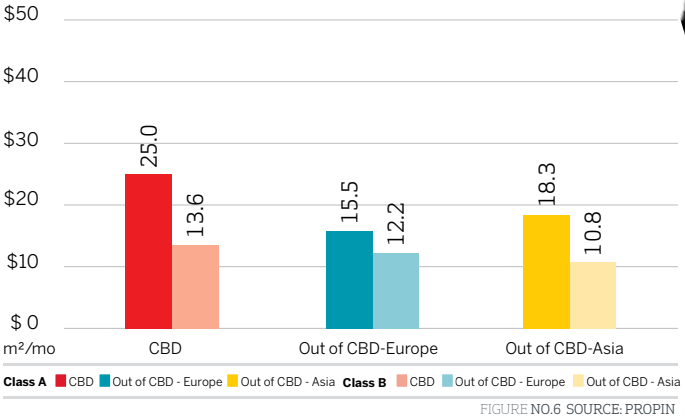


FIGURE NO.6 SOURCE: PROPIN

In Figure 6, the average Rental Rates by District Category in the Istanbul Office Market in the third quarter of 2017 are given.

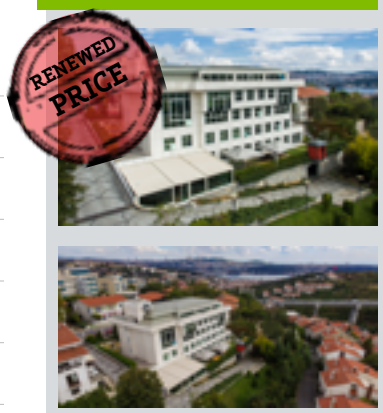
In the CBD, the rent average for Class A office buildings was seen at $US 25 /m² /month and $US 13.6 /m² /month for Class B office buildings.

In Out of CBD-Europe, the rent average for Class A office buildings was at a level of $US 15.5 /m² /month and $US 12.2 /m² /month for Class B office buildings.

In Out of CBD-Asia, the rent average for Class A office buildings was measured at $US 18.3 /m² /month and $US 10.8 /m² /month for Class B ofice buildings.

FOR LEASE

BALMUMCU **No.6**



BALMUMCU #1

- 3,271 m² indoor area
- 1,700 m² land area
- 2,310 m² office area
- 452 m² floor area
- Decorated
- Opportunity to be rented detachedly
- Bosphorus view
- Food hall and garden

No agency service charge
Please click on www.propin.com.tr for other properties we represent and for detailed information

AVERAGE RENTAL RATES BY DISTRICT

2017 The Third Quarter

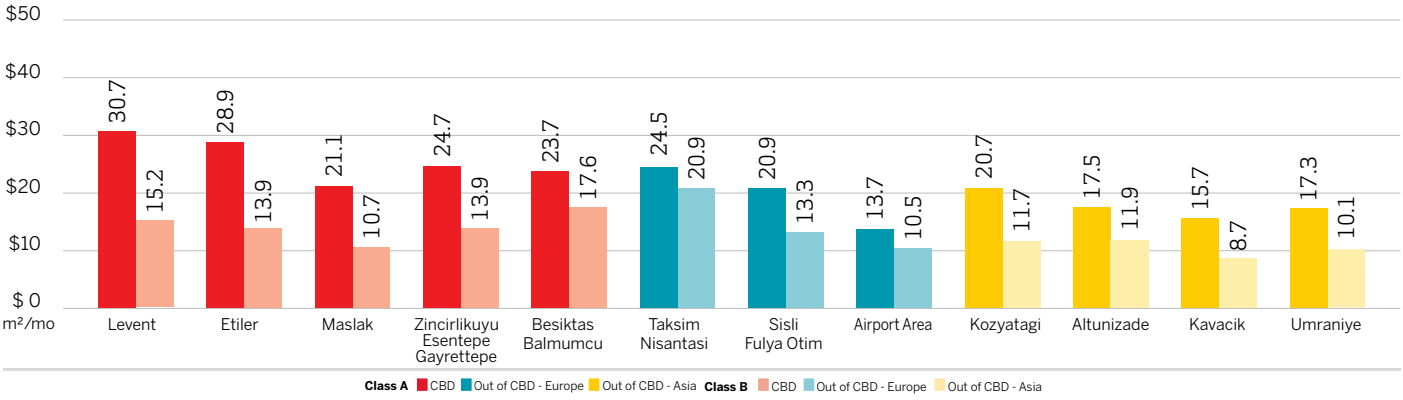


FIGURE NO.7 SOURCE: PROPIN

A comparison of the average rental rates for Class A and Class B office buildings in the twelve business districts of Istanbul is given in Figure 7. [2]

In the third quarter of 2017, the average rental rate of Class A office buildings in Levent deteriorated to $US 30.7 /m2 /month. It has been observed that landlords continued to grant remarkable discounts on listing prices. Furthermore, it was striking that some landlords who had declared the listing prices in foreign currency previously switched them to Turkish Lira in this quarter.

The average rental rate for Class A office buildings in Zincirlikuyu-Esentepe-Gayrettepe decreased to $US 24.7 /m² /month. Two main factors contributed to this decline: the buildings where more than the average rental rate was asked being leased and the discounts provided by the landlords.

Some departures from Class A office buildings in Taksim-Nisantasi by a few companies were observed. Since the listing prices asked for these vacated office areas were equal to the average rental rate of the district, the overall rental rate of the district was stable in the third quarter of 2017.

The average rental rate for Class A office buildings in Taksim-Nisantasi was measured at $US 24.5 /m² /month in the third quarter of 2017.

The average rental rates for Class A office buildings in Besiktas-Balmumcu decreased to $US 23.7 /m² /month. The completed transactions in BJK Plaza, where above-average rental rates were asked, were the main reason for this fall.

In the third quarter of 2017, some leasing transactions were completed in contemporary Class A office buildings in Kozyatagi. As the result of the deals signed for these contemporary office buildings where above-average rental rates were asked, the average rental rate for Class A office buildings in Kozyatagi deteriorated to $US 20.7 /m² /month.

It has been observed that the Turkish lira was the currency of the listing prices for most Class A office buildings in Umraniye. Although landlords had discounted the rents in Turkish lira, these discounts did not have any particular impact on listing prices because of the devaluation of the Turkish lira against the US dolar during that period. In the third quarter of 2017, the average rental rate for Class A office buildings was measured at $US 17.3 /m² /month in the third quarter of 2017.

[2]The districts' average rental rates are calculated by landlords on the basis of listing prices declared by landlords to the market. Rooms for negotiation were not taken into the account in the evaluations.

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PRIME RENT RATES IN THE ISTANBUL OFFICE MARKET

LISTING PRICES OF PRIME RENT BY DISTRICT IN ISTANBUL

The Last Four Quarters

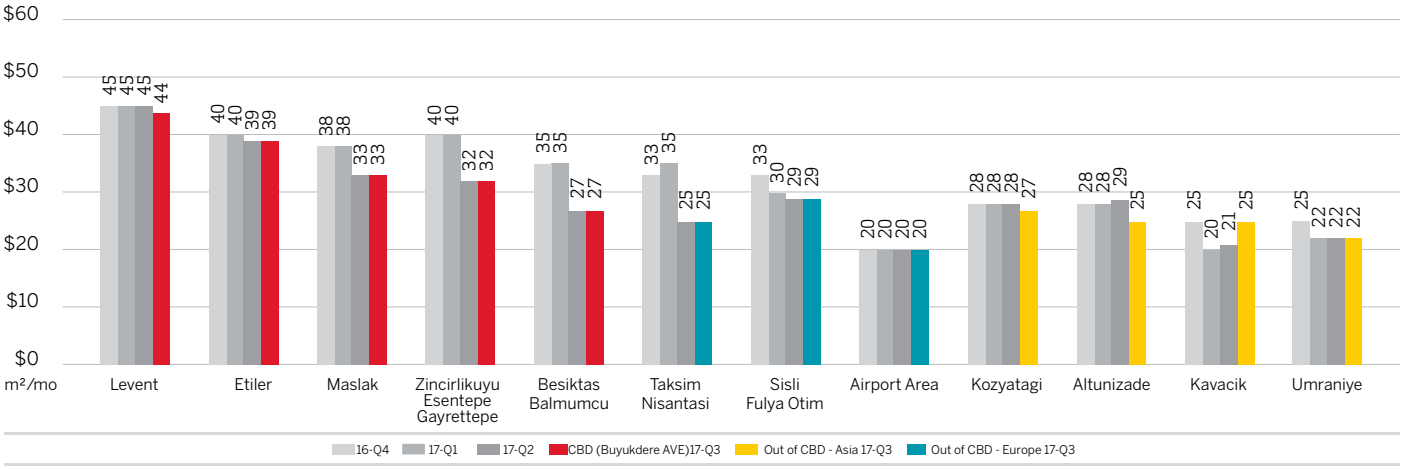

FIGURE NO.8 SOURCE: PROPIN

The Listing Prices of Prime Rent by District in Istanbul over four quarters in the Istanbul Office Market are compared in Figure 8. [3] These figures are the listing prices declared by the landlords to the market.

Once again, Levent was the district where the highest rent was demanded in Istanbul in the third quarter of 2017. While the highest rent demanded in Levent was $US 44 /m² /month, this figure is $US 1 lower than the figure asked in the previous three consecutive quarters.

With the exception of Levent, the prime rent asked in other districts located in the CBD remained same.

As in the previous quarter, the top prime rent asked in Out of CBD-Europe was observed in Sisli-Fulya-Otim as $US 29 /m² /month. The prime rents in Taksim-Nisantasi and the Airport District, both located in Out of CBD-Europe, remained same as in the previous quarter.

In Out of CBD-Asia, Kozyatagi was the district where $US 27 /m² /month was asked as the top prime rent.

[3] Rental rates in the chart are the list prices stated by the landlords to the market. The figures related to the buildings which have been constructed and added to the stock are reflected as well. The average rental rates in the districts are shown on page 11.

FOR LEASE

MASLAK **No.7**

MASLAK LINK PLAZA

- 4,800 m² vacant office area
- 960 m² floor area
- 5 minutes walking distance to ITU-Ayazaga Subway Station
- Total office area 16,000 m²
- Users: Groupama Insurance, Astelas, Havas Media, JLL

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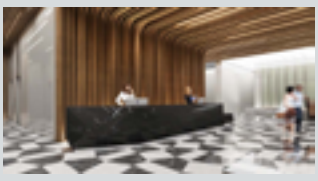
FOR SALE-LEASE

ATAKOY **No.8**



SELENIUM RETRO

- 1,036 m² vacant office area
- 2,663 m² vacant retail area
- 786 m²-sized floor
- 1 minute walking distance to Yenibosna Subway&Metrobus Station
- Total office area 23,000 m²
- Handover in 3rd quarter of 2017

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CHANGES IN AVERAGE RENTAL RATES IN THE ISTANBUL OFFICE MARKET

CHANGES IN AVERAGE RENTAL RATES OF CLASS A BUILDINGS

The Last Four Quarters

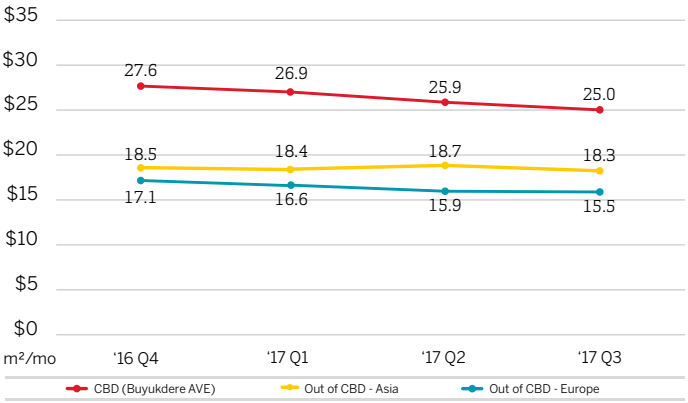


FIGURE NO.9 SOURCE: PROPIN

Changes in the Average Rental Rates of Class A Office Buildings from the fourth quarter of 2016 to the third quarter of 2017 are given in Figure 9.

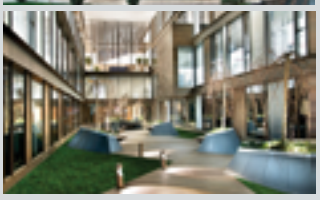
Throughout the last four quarters, the average rental rate for Class A office buildings in the CBD was on the wane. The average rental rate for Class A office buildings in the CBD, measured at $US 27.6 /m² /month in the last quarter of 2016, was determined to be $US 25 /m² /month in the third quarter of this year. A 10% decline over the last four quarters was witnessed in the in the Class A office buildings in the CBD.

The average rental rate for Class A office buildings in Out of CBD-Europe showed a downward trend starting in the fourth quarter of 2016. The average rental rate for Class A office buildings in Out of CBD-Europe, measured at $US 17.1 /m² /month in the fourth quarter of 2016, ended up at $US 15.5 /m² /month in the third quarter of 2017.

The average rental rate for Class A office buildings in Out of CBD-Asia fluctuated between $US 18 - 19 /m² /month between the last quarter of 2016 and the third quarter of 2017. The average rental rate for Class A office buildings in Out of CBD-Asia was determined to be $US 18.3 /m² /month in the third quarter of 2017.

FOR LEASE

MECIDIYEKOY **No.9**



RONESANSBIZ MECIDIYEKOY

- 2,117 m² vacant office area
- Decorated, garden floor
- In the center of Mecidiyekoy
- Total office area: 15,000 m²
- Users: Adidas, Arkeme, Axa Insurance, ManPower, Nexans, Walmart-Asda

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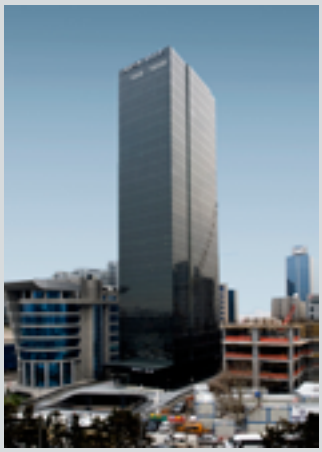
FOR SALE-LEASE

LEVENT **No.10**



APA GIZ

- 2,570 m² vacant office area
- 570 m²-sized floors in tower 1,000 m²-sized floors in podium
- Decorated
- On Buyukdere Street
- 1 minute walking distance to Levent Subway Station
- Total office area 18,000 m²

No agency service charge
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CHANGES IN AVERAGE RENTAL RATES OF CLASS B BUILDINGS

The Last Four Quarters

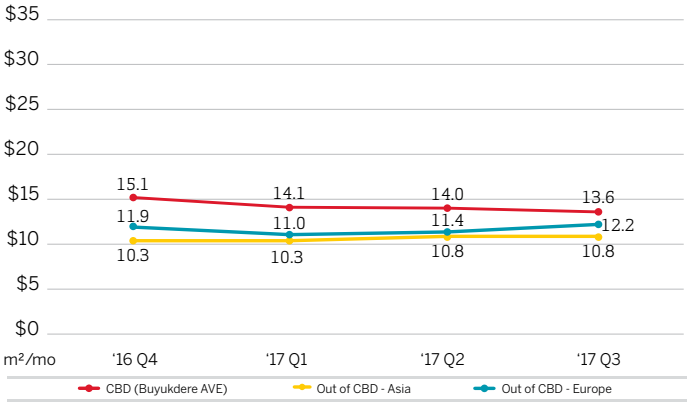

FIGURE NO.10 SOURCE: PROPIN

The Changes in the Average Rental Rates of Class B Buildings grouped in District Categories over the last four quarters are illustrated in Figure 10.

A decline was observed in the average rental rates in Class B office building between the last quarter of 2016 and the third quarter of 2017. The average rental rate for Class B office buildings in the CBD, determined to be $US 15.1 /m² /month in the last quarter of 2016, plunged to $US 13.6 /m² /month in the third quarter of 2017.

The average rental rate for Class B office buildings in Out of CBD-Europe was $US 11.9 /m² /month in the last quarter of 2016. The average rental rate, which started to decline in the first quarter of 2017, demonstrated an upward trend in the following quarters. The average rental rate for Class B office buildings in Out of CBD-Europe soared up to $US 12.2 /m² /month in the third quarter of 2017.

The average rental rate for Class B office buildings in Out of CBD-Asia saw a period of fluctuation between the last quarter of 2016 and the second quarter of 2017. The average rental rate for Class B office buildings in Out of CBD-Asia ($US 10.8 /m² /month) remained stable.

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CLASS A STOCK COMPARISON OF THE ISTANBUL OFFICE DISTRICTS

DISTRIBUTION OF CLASS A OFFICE STOCK BY DISTRICT CATEGORY

2017 The Third Quarter

The Distribution of Class A Office Stock by District Category in the third quarter of 2017 is illustrated in Figure 11.

CBD [Levent, Etiler, Maslak, Zincirlikuyu-Esentepe-Gayrettepe, Besiktas-Balmumcu]: Maslak's office stock grew in the third quarter of 2017. In spite of this growth, the stock share of the CBD dropped to 36% in the third quarter of 2017 due to more remarkable growth witnessed in other districts.

Out-Of-CBD-Europe [Taksim-Nisantasi, Sisli-Fulya-Otim, Airport District]: A rise in stock was observed in the Airport District and Sisli-Fulya-Otim in the third quarter of 2017. In parallel to this rise, the stock share of Out of CBD-Europe grew to 20%.

Out-Of-CBD-Asia [Kozyatağı, Altunizade, Kavacık, Ümraniye]: In the second quarter of 2016, it's been observed that stock share of Out of CBD-Asia declined to %25 in spite of the stock increase in Umraniye.

Developing Office Districts [Kagithane, Bomonti-Piyalepasa, Maltepe-Kartal, West Atasehir]: The stock share of the Developing Office Districts increased to 19% in the third quarter of 2017. Growth in Kagithane office stock as the result of postponed openings of office projects had a massive impact on this increase.

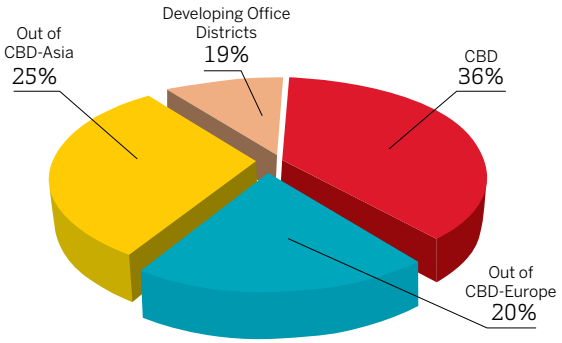

FIGURE NO.11 SOURCE: PROPIN

DISTRIBUTION OF CLASS A OFFICE STOCK BY DISTRICT

2017 The Third Quarter

* Areas remarked with dark colour indicate the vacancy rate.

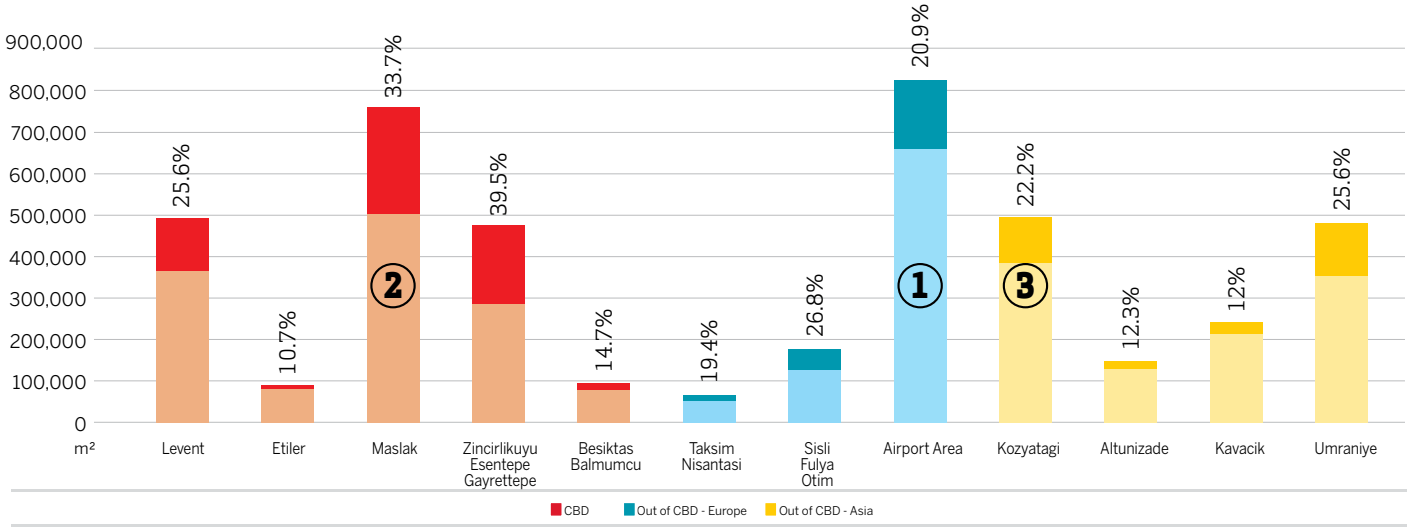

FIGURE NO.12 SOURCE: PROPIN

In Figure 12, the Distribution of Class A Office Stock by District in the third quarter of 2017 is illustrated.

Even with some delays of openings for some office projects in the Istanbul Office Market, office stock grew rapidly thanks to the openings of big-scale office projects, especially those located in Maslak and the Airport District. Due to openings of office areas in Vadistanbul and Seba Office, both located in Kagithane (in the Developing Office District Category), the most remarkable boost in last two years was observed in the third quarter of 2017.

With the help of the stock increase witnessed in the Airport District, office stock in the district surpassed 800.000 m² in the third quarter of 2017. In terms of supply, the fact that stock surpassed 750.000 m² through a stock increase in Maslak, which already has the second largest office stock in Istanbul, was also noteworthy in the third quarter of 2017.

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