

Cities Research Center, 2016

# *Istanbul on the World Stage*

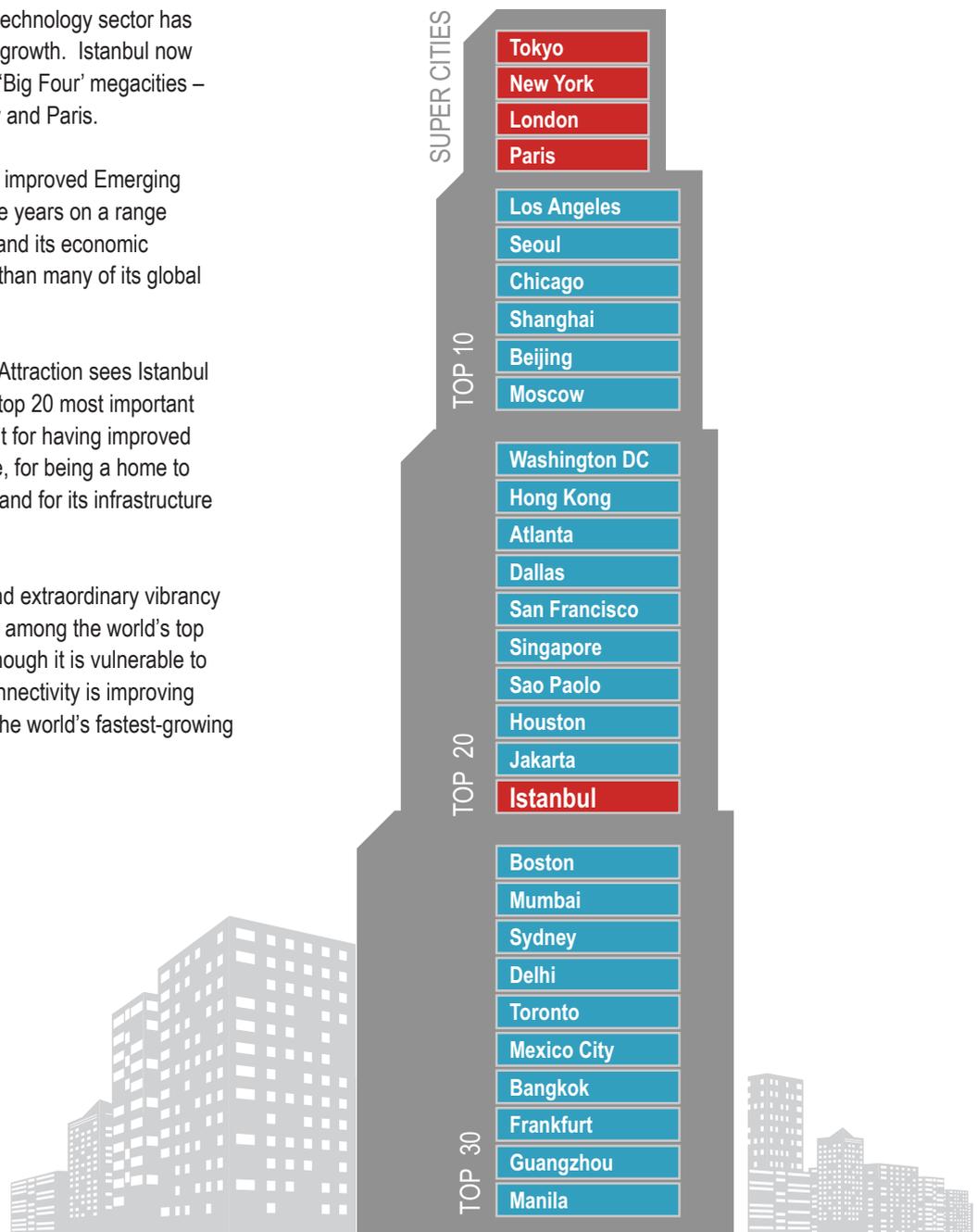
## *Key Highlights*



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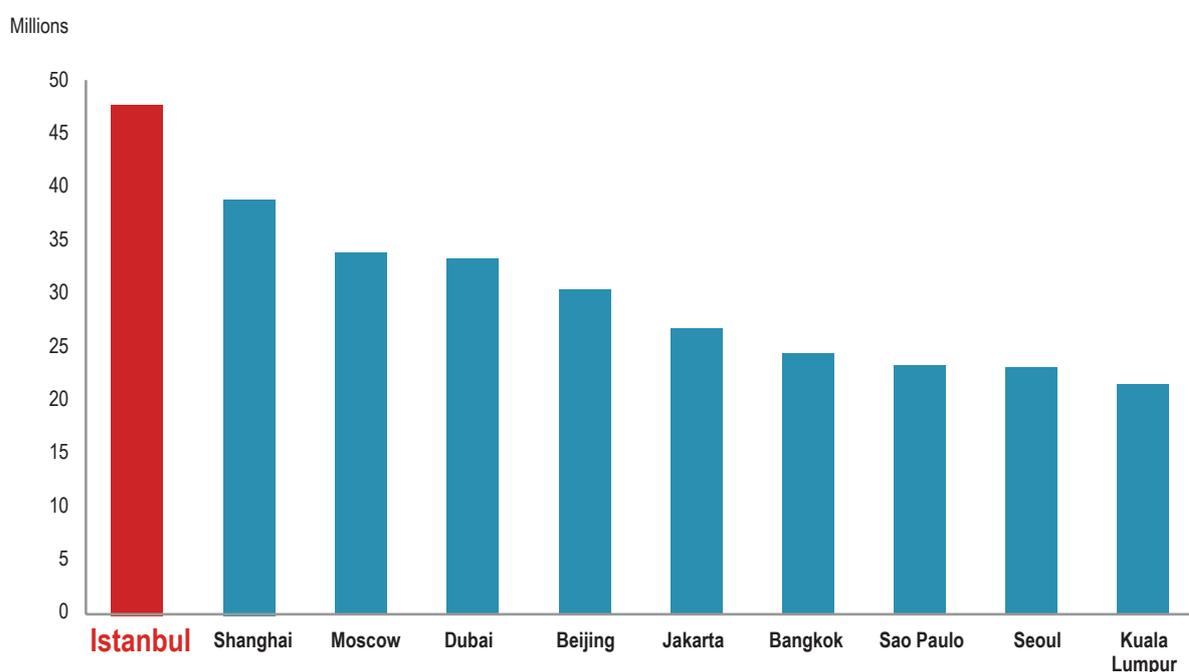
- Istanbul is a dynamic and increasingly successful 'Emerging World City', despite a background of rising geopolitical risks. A combination of growing consumption, a strong demographic profile and an economy driven by the expansion of financial and business services and the technology sector has fuelled robust metropolitan growth. Istanbul now sits firmly among Europe's 'Big Four' megacities – alongside London, Moscow and Paris.
- Istanbul has been the most improved Emerging World City over the past five years on a range of performance indicators, and its economic fundamentals are stronger than many of its global peers.
- JLL's Index of Commercial Attraction sees Istanbul ranking among the world's top 20 most important business hubs. It stands out for having improved as a trusted financial centre, for being a home to innovation and commerce, and for its infrastructure improvements.
- A unique cultural identity and extraordinary vibrancy supports Istanbul's position among the world's top five visitor destinations, although it is vulnerable to security threats. Global connectivity is improving rapidly and the city is now the world's fastest-growing air passenger hub.

### JLL Global30 The World's Most Powerful, Productive and Connected Cities



## World's Fastest-Growing Air Hub

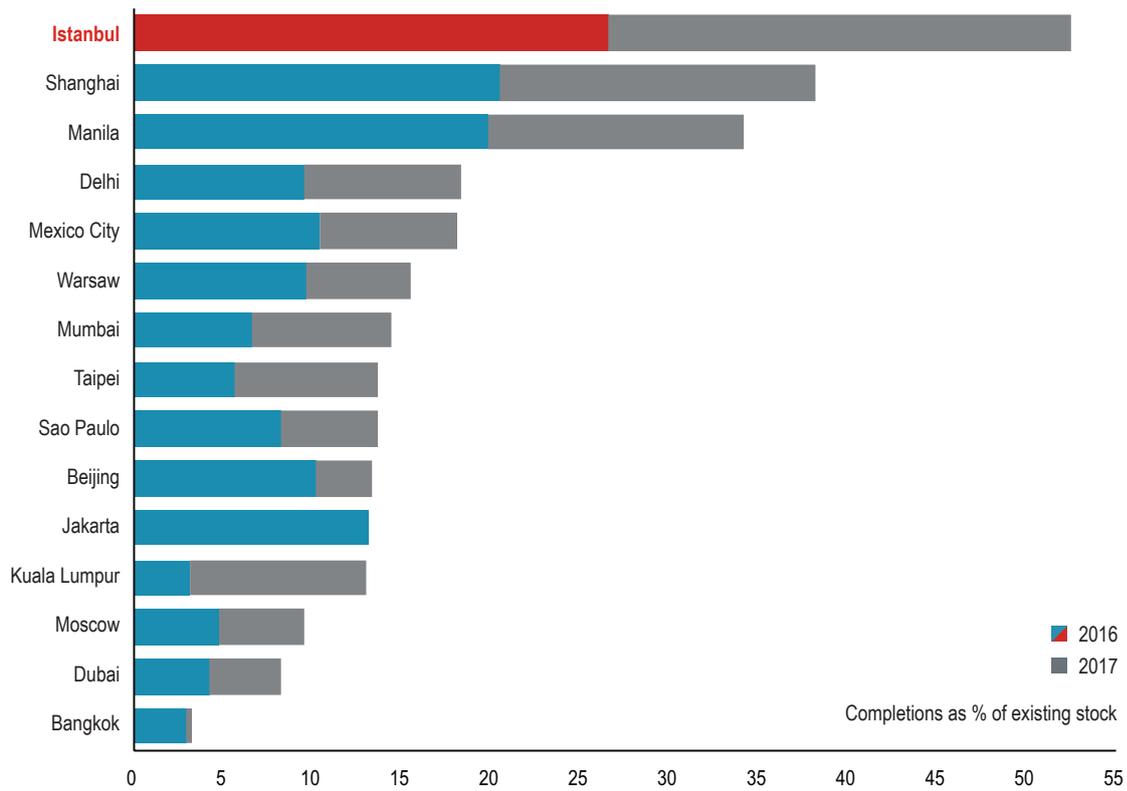
Air Passenger Growth, 2008-2014, Top 10 Cities



Source: ACI, JLL, 2015

- Expansion of the city's infrastructure is transforming Istanbul and playing a key role in its economic dynamism. An ambitious infrastructure pipeline, which includes metro line extensions, a third bridge and a third airport, augurs well for future growth and offers a means to spread and shape development.
- The real estate industry has responded with a bold and entrepreneurial approach to development. The city's new infrastructure is fundamentally changing the spatial footprint of Istanbul's real estate market.
- Istanbul is witnessing an impressive level of new construction. By the end of the current development cycle the city is likely to be home to:
  - over 5 million square metres of modern retail space, including several truly world-class shopping malls;
  - close to 7 million square metres of Grade A commercial office space, including new business districts such as the Istanbul International Financial Center;
  - around 9.5 million square metres of modern logistics space (across the Greater Istanbul area); and
  - in excess of 56,000 hotel rooms in over 500 graded hotels.

**Emerging World Cities Growing into their New Skins**  
Office Stock Growth in Emerging World Cities, 2016-2017



Source: JLL, February 2016. Covers all office submarkets in each city.

- This additional supply will test the market, but will provide the essential bandwidth for Istanbul to grow into its new skin as an international business, retail, logistics and leisure hub.
- Despite high levels of construction and development, Istanbul remains a market of untapped potential in terms of commercial real estate investment. Given the city’s size, status and maturity, there is much headroom for a significant increase in investment before it matches levels seen in other Emerging World Cities.



## Istanbul at a Crossroads

- Istanbul's progress has been remarkable, yet its transition to a 'World City' is only partly complete and the city still faces many of the challenges and constraints of a rapidly-expanding megacity.
- The city now needs to plan for its next cycle of development, where it will have to:
  - manage further growth and an expanding urban footprint;
  - build its economic, social and environmental resilience;
  - grow its innovation capacity; and
  - project itself more confidently on the international stage.
- The city and national government have a broad vision for Istanbul which rests on two pillars:
  - i. **A major gateway.** Its gateway status is to be built on its growing financial sector, vibrant tourism and cultural offer, and its role as a regional logistics hub.
  - ii. **A leading knowledge hub.** There is clearly an ambition to move to higher-value production and knowledge, driven by innovation and technology.
- This will require a focus on a number of key priorities:
  - Create more robust and enforceable long-term planning powers, as Established World Cities have been doing for the past 20-25 years.
  - Facilitate the development of a polycentric metropolis with multiple CBDs, by shifting the centre of gravity of economic growth towards newly-emerging business districts like the Istanbul International Financial Center.
  - Continue the transition to higher-value activities. The huge potential of Istanbul's creative and media sector will be constrained unless there is a process of liberalisation.
  - Maintain the pace of improvement in mass transit capacity and network development to avoid locking the city into car dependency.
  - Optimise the logistics network, with the Third Airport providing a crucial new focus for development.
  - Identify opportunities for Istanbul's rich civic and business networks to feed into the vision and strategic thinking of the city.
- Other great cities - like New York, London, Paris, Tokyo and Hong Kong – have made the transition from megacity to successful Established World City by making similar improvements to their infrastructure, economic functions, planning powers and strategic thinking. These cities provide valuable lessons for Istanbul on practical interventions to address its growth challenges.

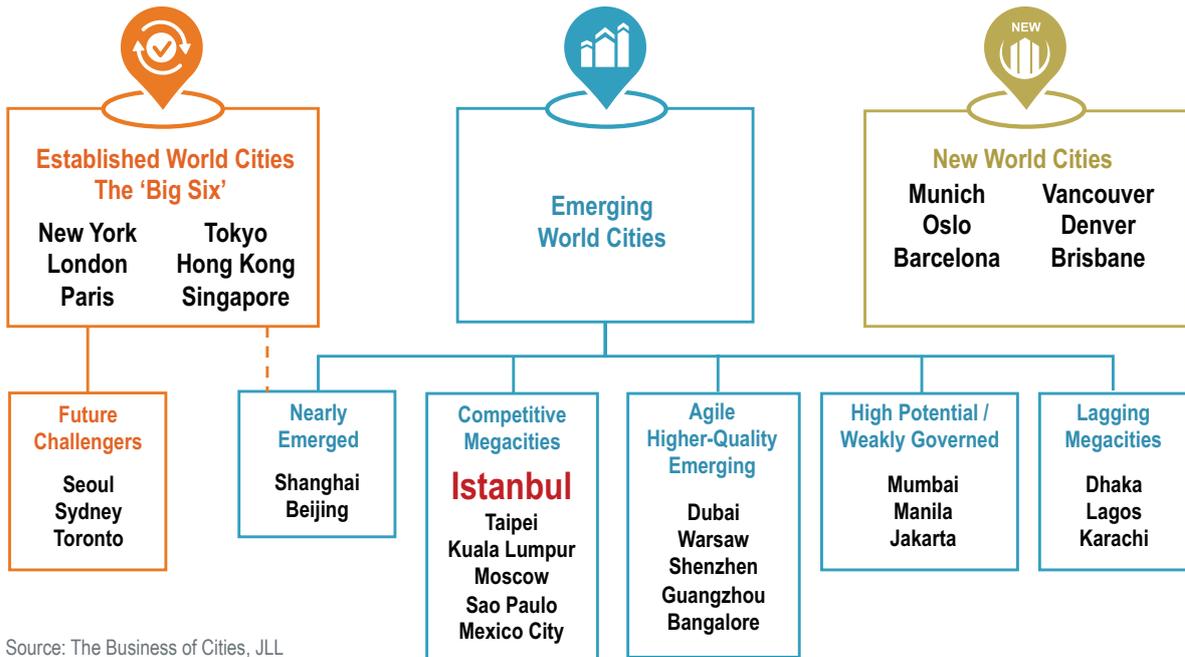


## Real Estate Shaping Istanbul's Future Success

- Real estate is a contributor to, rather than a consequence of a successful city. Istanbul must provide the infrastructure and environment for productive activity that facilitates creativity, innovation and entrepreneurship, while retaining the city's cultural identity and fostering a sense of community. This will require an ever more flexible and collaborative real estate industry that:
  - **Embraces transparent real estate practices.** Improvements are needed in key areas of market tracking, performance measurement, regulatory oversight and transaction processes.
  - **Is liquid and open to international capital.** Given its economic size, status and maturity, Istanbul should be directly transacting US\$3-4 billion in commercial property per year (rather than an average of US\$500 million per year in each of the past five years).
  - **Preserves Istanbul's uniqueness.** The city is facing a difficult balancing act of growing its role as an international business centre while preserving its unique natural and cultural identity. Owners and developers need to activate their physical real estate assets in ways that build on Istanbul's strong sense of place, vibrancy and buzz.
  - **Fosters innovation and sense of community.** Istanbul must respond to the new spatial geography of innovation with more mixed-use, compact, well-connected neighbourhoods that promote connectivity, collaboration and innovation, while cultivating a sense of community and well-being for its citizens.
  - **Responds to the need for a healthier and sustainable environment.** The imperative for sustainability is mounting, and real estate must play a part in providing a new generation of efficient, sustainable and green buildings.
  - **Provides high-quality, affordable and accessible housing.** To improve the city's liveability, Istanbul must continue to regenerate and invest. Ongoing infrastructure projects and renewal projects are already reshaping residential submarkets and providing housing across a range of income groups. This is the hallmark of cities that are successful, and that attract talent and business.



**Istanbul in The New World Order of Cities**



Source: The Business of Cities, JLL

To learn more about cities and real estate, visit:  
[www.jll.com/cities-research](http://www.jll.com/cities-research)

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Our City Comparison Toolkit will help you visualise the position of individual cities and compare one city against another.



*JLL Cities Research Contacts*



**Rosemary Feenan**  
Global Research, JLL  
rosemary.feenan@eu.jll.com



**Jeremy Kelly**  
Global Research, JLL  
jeremy.kelly@eu.jll.com



### *JLL Regional Headquarters*

#### **Chicago**

200 East Randolph Drive  
Chicago IL 60601  
USA  
+1 312 782 5800

#### **London**

30 Warwick Street  
London W1B 5NH  
United Kingdom  
+44 20 7493 4933

#### **Singapore**

9 Raffles Place  
#39-00 Republic Plaza  
Singapore 048619  
+65 6220 3888

### *JLL Turkey*

MM Plaza Nispetiye District  
Baslik Street No.3 Floor 1  
34340 Levent – Istanbul  
Tel: +90 (212) 350 0800  
Fax: +90 (212) 350 08 06

### *Contacts*



#### **Burçin Yıldırım Sezen**

Associate Director  
Advisory Services  
+90 (212) 350 08 23  
burcin.sezen@eu.jll.com



#### **Yavuz Can Parlar**

Senior Analyst  
Advisory Services  
+ 90 (212) 350 08 08  
yavuz.parlar@eu.jll.com

For a full copy of the Istanbul on the World Stage publication, please contact JLL Turkey

#### **The Business of Cities**

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