Economists who have been working on economic geography (Krugman, 1991; Porter, 1994) have emphasized that space should be taken into account as local rather than national as a mainstream of the studies of economic geography. Therefore, the relationship between the geographic location and industrial concentration and their performance has become the main concern (Malmberg, Sölvell and Zander, 1996). The studies which are looking at the relationship between the firm size and concentration indicate that small plants are concentrated in central locations and bigger ones have moved to peripheral cities, while another one points out “the relationship between establishment size and clustering is roughly characterized by an inverted u-shape, which means clustering increases up to some size threshold and then decreases”.

The aim of this paper is to explore intra-metropolitan distribution of manufacturing firms in Istanbul Metropolitan Area, while there has been an economic structural change in the metropolitan city. Ripley’s K function is used to analyse whether the firms clustered or dispersed weighted by employment. The K function provide analysing co-location between firms of different industries. As a result of the analysis, mostly the concentration of manufacturing firms is in the central and first ring on the European side. Being in the center seems to provide the advantages of supplier, market and deep networks through the traditional structure of manufacturing activities. Further, the firms locating in the first ring use the positive impacts of transportation infrastructure. Another result indicates that there is a relationship between the firm size and its location; while the small and medium sized firms are clustered in the center, the big ones move to the periphery.