

REAL ESTATE SECTOR IN THE VISION FOR 2023





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MESSAGE OF THE CHAIRMAN

Turkey is among the big players of the world with its stable growth in economy as well as its social and political developments. National and international specialists agree that Turkey will reach even more important positions in future. The role that the real estate sector, one of the locomotive sectors of the economy, will assume becomes more important in this future projection for Turkey. Moreover, an important process is experienced in real estate sector in Turkey, with huge and positive developments in its own dynamics.

GYODER, being the “Real Estate Platform of



Turkey”, continues guide the sector in this process through summits, fairs, conferences, seminars and training organizations as well as periodical indexes and reports.

The Report “Real Estate Sector in the Vision of 2023”, which was prepared by GYODER, and shared for the first time at the 12th Real Estate Summit and ISTANBUL REstate Real Estate and Investment Fair organized on 10th and 11th May at Hasköy Thread Factory, is of huge importance in terms of real estate sector with its scope, content and the mission that it will assume. The 100 page report prepared in light of existing scientific data and developments throws light on the next 11 years -on 2023 vision of the real estate sector- from all perspectives. Being the first and the only in its field, the report lays down realistic approaches to the future of the real estate sector in Turkey through comprehensive analyses and three different scenarios. The Report “Real Estate Sector in Vision of 2023”, which was prepared in the light of intense work and scientific data, will remain as an important source of data in national and international realm for long years, and will be the compass of the real estate sector in Turkey on the route to the vision of 2023.

Yours faithfully,

Işık Gökçaya

GYODER Chairman



PRESENTATION BY THE AUTHOR

Under the conditions introduced by the economic stability, Turkey has become able to make and implement long-term estimations and plans. Public authorities and private sector reveal their goals for year 2023, the centenary of the Republic, and make plans to achieve such goals.

Real estate sector of Turkey has also started to develop considerably starting from the first half of 2000's and has become an attractive market, country for foreign investors by gradually getting closer to international standards.

Within this framework, it is important to lay down the Vision, goal and estimations extending over to year 2023 in conformity with the goals in other realms of Turkey.

Based on this importance, a study “**Real Estate Sector in the Vision of 2023**” has been issued.

The study consists of four main parts. The first part lays down the estimations regarding economic and social indicators, which are determinant in the real estate sector; in the form of scenarios. The estimations relating to the real estate sector are provided in two groups. The estimations for the housing sector and the markets constitute the second part of the study. The commercial real estates consisting of Shopping Centers, Offices, Hotels and Logistic Areas, on the other hand, are included in part three of the study. The fourth and last part, on the other hand, lays down the vision for development of the real estate sector.

We wish that the study will contribute to the goals of year 2023 and the real estate sector.

Yours faithfully,

Dr. Can Fuat Gürlesel
Economy and Strategy
Consulting Services
Istanbul, May 2012

Part I.

ECONOMIC AND SOCIAL ASSUMPTIONS AND SCENARIOS

In the study of forecasts for real estate sector in Turkey 2023, before the real estate sector forecasts, presumptions about the economic and social development trends and indicators of Turkey are being made. Economic and social development and indicator forecasts that will be put forward based on these presumptions will directly or indirectly affect the developments in the real estate sector.

In this context, economic and social presumptions and scenarios are included in the first section of the study. Economic growth, national income, per capita income and income distribution as well as demography, urbanization and migration scenarios are included. While presumptions regarding human developments and social life conditions are put forward under the social developments and trends, global environment and climate agreements and their deterministic sanctions and impacts are also evaluated within the presumptions.

I.1 SCENARIOS OF ECONOMIC GROWTH, NATIONAL INCOME, PER CAPITA INCOME AND INCOME DISTRIBUTION

Developments that will be lived through to 2023 regarding economic growth, national income, per capita income levels and income distribution are also deterministic on developments in the real estate sector. Therefore the developments that will be experienced in economic indicators in the process till 2023 are put forward.

I.1.1 GROWTH PERFORMANCE OF TURKISH ECONOMY 2001-2011

Turkish economy has entered a period of normalization and upturn after the economic crisis that it went through in 2001. Several structural reforms that provided the economic normalization and upturn were brought to life. Accordingly significant growth in national income and per capita income were achieved. Turkish economy had a growth performance of 6 percent between 2001-2011 and when the two crisis years were excluded, at 4.4 percent when these years are included and at 5.4 percent when 2001 is excluded.

TABLE.I ECONOMIC GROWTH, NATIONAL INCOME AND PER CAPITA INCOME

YEARS	GROWTH %	NATIONAL INCOME BILLION DOLLARS	POPULATIONS MILLION	PER CAPITA INCOME DOLLARS
2001	-5.7	196.1	64.8	3.037
2002	6.2	230.5	65.8	3.505
2003	5.3	304.9	66.8	4.563
2004	9.4	390.4	67.8	5.757
2005	8.4	481.5	68.7	7.000
2006	6.9	526.4	69.7	7.550
2007	4.5	658.8	70.6	9.333
2008	0.7	742.1	71.5	10.436
2009	-4.8	626.7	72.6	8.560
2010	9.2	731.6	73.7	10.021
2011	8.5	772.3	74.7	10.444

Turkish economy has an average growth performance of 5.0 percent annually. Based on this growth performance achieved in the years 2001-2011 the national income increased from 196.1 billion dollars to 772.3 billion dollars, and per capita income increased from 3,037 dollars to 10,444 dollars.

1.1.2 TURKISH ECONOMY GROWTH SCENARIOS 2012-2023

There are three different growth presumption and national income scenarios based on growth in Turkish economy and the respecting national income size. For 2012 a growth rate of 4 percent and a national income of 822 billion dollars were used in the Medium Term Program of the Government. The first presumption that is used for 2013-2023 period is that Turkish economy will grow at a rate of 5 percent which has been the average for many years. The second presumption is that the annual growth performance will increase by 1 point to 6 percent. And the third presumption is the government's compatible growth presumption with a national income target of 2.0 trillion dollars in 2023.

5 percent annual growth rate presumption is the first growth scenario (Pessimistic Scenario). In this growth scenario the national income reaches 1.39 trillion dollars in 2023. With the second growth scenario (Reference Scenario) a growth rate of 1.55 trillion dollars is reached in 2023. And the third growth scenario (Potential Scenario) is the one with the government's target for 2 trillion dollars national income forecast for 2023 and the average annual growth rate in this scenario is 8.3 percent.

TABLE.2 ECONOMIC GROWTH AND NATIONAL INCOME FORECASTS 2023

YEARS	SCENARIO 1 Pessimistic Scenario		SCENARIO 2 Reference Scenario		SCENARIO 3 Potential Scenario	
	GROWTH %	NATIONAL INCOME BILLION DOLLARS	GROWTH %	NATIONAL INCOME BILLION DOLLARS	GROWTH %	NATIONAL INCOME BILLION DOLLARS
2012	4.0	822	4.0	822	4.0	822
2013	5.0	860	6.0	870	8.3	895
2014	5.0	895	6.0	920	8.3	975
2015	5.0	939	6.0	975	8.3	1.060
2016	5.0	986	6.0	1.035	8.3	1.147
2017	5.0	1.035	6.0	1.096	8.3	1.240
2018	5.0	1.087	6.0	1.161	8.3	1.341
2019	5.0	1.141	6.0	1.230	8.3	1.450
2020	5.0	1.198	6.0	1.305	8.3	1.570
2021	5.0	1.260	6.0	1.383	8.3	1.700
2022	5.0	1.325	6.0	1.466	8.3	1.847
2023	5.0	1.390	6.0	1.555	8.3	2.000

I.1.3 PER CAPITA INCOME AND INCOME DISTRIBUTION FORECASTS FOR TURKISH ECONOMY

Forecasts on per capita income and income distribution developments are being made based on the three growth scenarios put forward on the growth of Turkish economy. Another indicator that is used in per capita income forecasts is the population indicators over the years. The population forecasts that are used by calculating per capita income are more detailed under the heading of demography, population, urbanization and immigration scenarios. Accordingly Turkey's population of 74.72 million in 2011 will be 84.4 million by the end of 2023. And while the mid-year population that is used for per capita income calculation is 73.95 million in 2011, it will be 84.05 in 2023. Population forecasts by years and related per capita income scenarios are presented below.

TABLE.3 PER CAPITA INCOME FORECASTS 2023

YEAR	POPULATION MID-YEAR (Million)	SCENARIO 1 Pessimistic Scenario	SCENARIO 2 Reference Scenario	SCENARIO 3 Potential Scenario
		PER CAPITA INCOME BASED ON 5% GROWTH DOLLARS	PER CAPITA INCOME BASED ON 6% GROWTH DOLLARS	PER CAPITA INCOME BASED ON 8.3% GROWTH DOLLARS
2012	74.86	10.834	10.940	11.168
2013	75.81	11.225	11.450	11.940
2014	76.71	11.654	11.993	12.775
2015	77.60	12.100	12.565	13.660
2016	78.48	12.564	13.188	14.615
2017	79.34	13.045	13.814	15.630
2018	80.17	13.560	14.480	16.727
2019	80.98	14.090	15.190	17.905
2020	81.78	14.650	15.807	19.198
2021	82.56	15.237	16.750	20.590
2022	83.33	15.853	17.590	22.165
2023	84.05	16.500	18.500	23.795

In 2023, per capita income reaches 16.500 dollars based on 5 percent, 18.500 dollars based on 6 percent and 23.795 dollars based on 8.3 percent economic growth scenarios.

Another important indicator which develops based on economic growth scenarios is the income distribution. Independent of economic growth data, income distribution also takes shape with the economic growth model that is being followed, social policies applied and the efficiencies of production factors and the shares that these take up in national income.

TABLE .4 INCOME DISTRIBUTION FORECASTS 2023

INCOME GROUPS	2002 SHARE %	2006 SHARE %	2010 SHARE %	5% GROWTH SCENARIO	6 %GROWTH SCENARIO	8.3% GROWTH SCENARIO
1st %20 GROUP	5.29	6.05	5.80	6.00	6.50	8.00
2nd %20 GROUP	9.81	11.05	10.60	11.00	12.00	13.00
3rd %20 GROUP	14.02	15.95	15.30	16.00	16.50	18.00
4th %20 GROUP	20.87	22.85	21.50	21.00	21.00	21.00
5th %20 GROUP	50.05	44.10	46.40	46.00	44.00	40.00

Within this framework it is observed that there has been some improvement in the income distribution across the 20% income groups starting with 2002, within the framework of growth scenarios for the period until 2023 it is foreseen that the relative improvement in the income distribution will continue.

Accordingly when moved towards scenarios with higher growth rate it is expected that the number of poor will decrease, the middle class (2nd, 3rd and 4th Groups) will expand and the income share of the uppermost income group will drop.

I.2 DEMOGRAPHY, POPULATION, URBANIZATION AND MIGRATION SCENARIOS

The developments in the indicators of demography, population, urbanization and migration form another deterministic dynamic for the real estate sector. In this respect 2023 forecasts regarding these deterministic dynamics are presented. The forecast studies of Turkish Statistical Institute are used regarding demography, population, urbanization and migration indicators.

I.2.1 FORECASTS REGARDING DEMOGRAPHIC INDICATORS

In the absolute population developments the basic deterministic elements are demographic indicators. Demographically Turkey is in the second period which is expected to last until 2035-2040 The most important characteristic of the second period is the significant decline experienced in the crude birth rate, net refresh rate and population increase rate.

According to this the net refresh rate of 1.01 percent in 2010 is expected to go down to 0.95 in 2023. 17.5 per mille crude birth rate in 2010 will go down to as low as 14.8 per mile in 2023. And the crude mortality rate of 6.3 per mile in 2010 will go up to 6.9 per mile in 2023. Parallel to these demographic developments the 1.3 percent population increase rate in 2010 is expected to go down to 0.83 percent in 2023.

TABLE.5 FORECASTS FOR BASIC DEMOGRAPHIC INDICATORS

YEARS	NET REFRESH RATE (PER WOMAN)	CRUDE BIRTH RATE 0%	CRUDE MORTALITY RATE 0%	POPULATION INCREASE RATE 0%
1990	1.32	24.1	7.1	17.0
2000	1.11	20.4	6.6	13.8
2010	1.01	17.5	6.3	13.0
2011	1.00	17.3	6.3	12.8
2012	0.99	17.0	6.3	12.5
2013	0.99	16.8	6.3	11.8
2014	0.98	16.6	6.3	11.7
2015	0.98	16.4	6.3	11.4
2016	0.98	16.2	6.4	11.1
2017	0.98	16.0	6.4	10.8
2018	0.97	15.8	6.5	10.2
2019	0.97	15.6	6.6	9.9
2020	0.97	15.4	6.6	9.7
2021	0.96	15.2	6.7	9.4
2022	0.96	15.0	6.8	9.1
2023	0.95	14.8	6.9	8.3

SOURCE: TURKISH STATISTICAL INSTITUTE

1.2.2 FORECASTS REGARDING POPULATION INDICATORS

Forecasts related to absolute population sizes are made in accordance with the development expectancy in basic demographic indicators. In regards to the assumption of slowdown in the absolute population increase rate the mid year population of 73.95 million (74.72 million at year end) in 2011 is expected to be 84.05 million (84.7 million at year end) in 2023.

TABLE.6 POPULATION FORECASTS 2023

YEARS	TOTAL POPULATION (THOUSAND)	MALE POPULATION (THOUSAND)	FEMALE POPULATION (THOUSAND)
2011	73.950	37.062	36.888
2012	74.885	37.528	37.357
2013	75.811	37.993	37.818
2014	76.707	38.426	38.281
2015	77.601	38.863	38.738
2016	78.478	39.296	39.182
2017	79.337	39.718	39.619
2018	80.173	40.142	40.031
2019	80.983	40.535	40.448
2020	81.778	40.919	40.859
2021	82.558	41.298	41.260
2022	83.328	41.674	41.654
2023	84.053	42.023	42.030

SOURCE: TURKISH STATISTICAL INSTITUTE

I.2.3 FORECASTS REGARDING CITY POPULATIONS AND MIGRATION INDICATORS

Demography and population indicators in Turkey continue to present significant differences across regions and cities and will continue to do so for the period until 2023. Urban population increase rates of cities show significant differences according to the development levels of cities. In addition all cities continue to import and export migration. In accordance with these trends population of some cities will increase significantly in the period until 2023 while the population of a group of cities will almost remain the same with limited increases and decreases and the population of some cities will significantly decrease.

The population will increase (by 15,000 people and above) in 45 cities until 2023 however these cities are divided into 4 groups depending on the increase rates. In the first group there are 6 cities that will have population increase of over 500 thousand people and above. There are 5 cities that will have population increase of 250 thousand – 499 thousand people. The number of cities that will have a population increase of 100 thousand -249 thousand people is 18. And 16 cities will have population increase of 15 thousand-99 thousand people.

TABLE.7 CITIES THAT WILL HAVE POPULATION INCREASE

CITIES	POPULATION 2011	POPULATION 2023	ABSOLUTE INCREASE	INCREASE 0%
İSTANBUL	13.624.240	15.507.202	1.882.962	13.82
BURSA	2.652.126	3.501.713	849.587	32.03
ANKARA	4.890.893	5.601.445	710.552	14.53
İZMİR	3.965.232	4.632.232	667.000	16.82
ANTALYA	2.043.482	2.664.195	620.713	30.38
KOCAELİ	1.601.720	2.161.048	559.328	34.92
TEKİRDAĞ	829.873	1.289.730	459.857	55.41
VAN	1.022.532	1.404.952	382.420	37.40
ŞANLIURFA	1.716.254	2.032.961	316.707	18.45
GAZİANTEP	1.753.596	2.061.769	308.173	17.57
K.MARAŞ	1.054.210	1.352.484	298.274	28.29
ŞİRNAK	457.997	700.184	242.187	52.88
MUĞLA	838.324	1.052.108	213.784	25.50
HATAY	1.474.223	1.864.543	210.320	14.27
AYDIN	999.163	1.205.746	206.583	20.68
DIYARBAKIR	1.570.943	1.769.677	198.734	12.65
KAYSERİ	1.255.349	1.437.348	181.999	14.50
YALOVA	206.535	383.866	177.331	85.86
MANİSA	1.340.074	1.516.193	176.119	13.14
HAKKARİ	272.165	447.538	175.373	64.44
ESKİŞEHİR	781.247	952.256	171.009	21.89
KONYA	2.038.555	2.197.584	159.029	7.80
SİİRT	310.468	459.796	149.328	48.10
SAKARYA	888.556	1.032.724	144.168	16.23
BATMAN	524.499	665.913	141.414	26.96
BALIKESİR	1.154.314	1.293.274	138.960	12.04
MERSİN	1.667.939	1.775.289	107.350	6.44
DENİZLİ	942.278	1.047.666	105.388	11.18
OSMANIYE	485.357	589.437	104.080	21.44
ADANA	2.108.805	2.190.041	90.236	4.28
NİĞDE	337.553	421.417	83.864	24.84
DÜZCE	342.146	394.649	52.503	15.35
MARDİN	764.033	815.737	51.704	6.77
KARAMAN	234.005	284.480	50.475	21.57
AKSARAY	378.823	424.709	45.886	12.11
BİNGÖL	262.263	305.344	43.081	16.43
SAMSUN	1.251.729	1.293.251	41.522	3.32
BARTIN	187.291	224.285	36.994	19.75
ÇANAKKALE	486.445	518.887	32.442	6.67
ISPARTA	411.245	440.422	29.177	7.09
MALATYA	757.930	785.884	27.954	3.69
GİRESUN	419.498	446.502	27.004	6.44
KİLİS	124.452	149.217	24.765	19.90
ÇANKIRI	177.211	193.157	15.946	9.00
NEVŞEHİR	283.247	299.035	15.788	5.57

SOURCE: TURKISH STATISTICAL INSTITUTE

The population of 17 cities will differentiate within 15 thousand until 2023 and remain almost the same as their population today.

TABLE.8 CITIES THAT WILL HAVE ROUGHLY THE SAME POPULATION

CITIES	POPULATION 2011	POPULATION 2023	ABSOLUTE DECREASE INCREASE	INCREASE DECREASE 0 %
KARABÜK	219.728	216.393	-3.335	-1.52
KASTAMONU	359.759	358.328	-1.431	-0.40
KIRKLARELİ	340.199	344.264	+4.065	1.19
ORDU	714.390	723.111	+8.721	1.22
RİZE	323.012	322.628	-384	-0.12
TOKAT	608.299	610.281	+1.982	0.33
TRABZON	757.353	767.535	+10.782	1.34
UŞAK	339.731	331.563	-8.168	-2.40
ZONGULDAK	612.406	620.576	+8.170	1.37
SİNOP	203.027	212.053	+9.026	4.45
TUNCELİ	85.062	97.025	+11.963	1.34
AFYON	698.626	687.484	-11.142	-1.59
EDİRNE	399.316	386.209	-13.107	-3.28
ERZİNCAN	215.277	203.576	-11.701	-5.44
ELAZIĞ	558.556	545.303	-13.253	-2.73
BİLECİK	203.849	193.699	-10.150	-4.98
GÜMÜŞHANE	132.374	146.065	+13.691	10.34

SOURCE: TURKISH STATISTICAL INSTITUTE

The population of 19 cities will significantly decrease until 2023 It is certain that Burdur among these cities with 15.906 thousand people will have the least population decrease while Erzurum with 287.654 people will have the most population decrease.

TABLE.9 CITIES THAT WILL HAVE POPULATION DECREASE

CITIES	POPULATION 2011	POPULATION 2023	ABSOLUTE DECREASE	INCREASE 0%
ERZURUM	780.847	493.193	287.654	-36.84
MUŞ	414.706	243.896	170.810	-41.19
SİVAS	627.056	507.823	119.233	-19.01
YOZGAT	465.696	296.220	169.476	-36.39
KÜTAHYA	564.264	473.116	91.148	-16.15
KIRIKKALE	274.992	216.578	58.414	-21.24
KARS	305.755	219.824	85.931	-28.10
ADİYAMAN	593.931	569.112	24.819	-4.18
AĞRI	555.479	484.397	71.082	-12.80
ÇORUM	534.578	462.212	72.366	-13.54
BİTLİS	336.624	288.992	47.632	-14.15
ARTVİN	166.394	134.396	31.998	-19.23
ARDAHAN	107.455	74.154	33.301	-30.99
BAYBURT	76.724	49.812	26.912	-35.08
BOLU	276.506	253.923	22.583	-8.17
İĞDIR	188.857	166.981	21.876	-11.58
AMASYA	323.079	302.860	20.219	-6.26
BURDUR	250.527	234.621	15.906	-6.35
KIRŞEHİR	221.015	199.912	21.103	-9.55

SOURCE: TURKISH STATISTICAL INSTITUTE

CITIES THAT WILL HAVE POPULATION INCREASE



CITIES THAT WILL HAVE THE SAME POPULATION



CITIES THAT WILL HAVE POPULATION DECREASE



I.3 SOCIAL DEVELOPMENTS AND TRENDS

Expectations and indicators regarding social and human developments are also evaluated within the dynamics that will affect and shape the real estate sector. Within this framework forecasts that will directly or indirectly affect the real estate sector in Turkey are presented.

1. DOMESTIC MIGRATION WILL CONTINUE

Domestic migration will continue in Turkey. Three important trends will occur in domestic migration until 2023.

- a. Cities of fast immigration; Until 2023, Istanbul, Kocaeli, Bursa, Eskisehir, Tekirdag, Mugla, Antalya and Ankara will continue to receive migration from all over Turkey in a significantly large scale.
- b. Cities of fast emigration; Erzurum, Kars, Cankiri, Corum, Kirikkale, Ardahan, Tokat, Kirsehir, Bitlis, Yozgat, Mus, Nigde, Ordu, Siirt, Sivas, Bayburt, Bitlis will be the cities with high emigration rates until 2023.
- c. Migration will be to nearby cities within the region and to cities that are newly developing and becoming attraction centers in Anatolia. Cities in this category are Diyarbakir, Sanliurfa, Mardin, Batman in Southeast Anatolia, Van and Erzincan in East Anatolia, Samsun and Trabzon in the Black Sea Region, Kahramanmaras in the Mediterranean Region.

2. URBANIZATION WILL INCREASE

Urbanization rate will continue to increase in Turkey. As of 2011 the urbanization rate has reached 76.8 percent. Based on the presumption that the urbanization rate will increase in rates close to that of past years, it is expected to be 84.0 percent in 2023.

TABLE. 10 URBANIZATION AND URBAN POPULATION FORECASTS

YEARS	POPULATION (THOUSAND)	URBANIZATION RATE %	URBAN POPULATION (THOUSAND)	RURAL POPULATION (THOUSAND)
2008	71.517	74.97	53.611	17.906
2009	72.561	75.33	54.807	17.754
2010	73.723	76.26	56.222	17.501
2011	74.724	76.80	57.386	17.338
2012	75.658	77.40	58.559	17.099
2013	76.550	78.00	59.709	16.841
2014	77.445	78.60	60.872	16.573
2015	78.328	79.20	62.036	16.292
2016	79.197	79.80	63.199	15.998
2017	80.053	80.40	64.363	15.690
2018	80.869	81.00	65.504	15.365
2019	81.670	81.60	66.642	15.028
2020	82.462	82.20	67.784	14.678
2021	83.237	82.80	68.920	14.317
2022	83.994	83.40	70.050	13.994
2023	84.692	84.00	71.141	13.552

According to this forecast based on urbanization rate the 57.4 million urban populations in 2011 increases to 71.14 million in 2023. And the rural population ratio decreases while its absolute number also decreases down to 13.55 million in 2023. We think that migration related housing needs will be saturated only by 2025. It can be said that the period in between presents an opportunity for a good urbanization.

3. HOUSEHOLD STRUCTURE CHANGES

Significant change trends has been occurring in the urban household structure for the last 10 years and these trends are expected to continue in the period ahead. Based on these changes on the urban household structure the size of the urban household is also decreasing. The share of households with three-four children and two children are decreasing. In the meanwhile the share of households with one child and couples with no children is increasing. While a limited decline is observed in the share of families with one adult, the share of large patriarchal families remain about the same. Another important trend is the increase in the number of people living together. The share of household in this nature has reached 4.2 percent. The people living together are comprised of students, working people and the elderly as well as couples.

TABLE.II DEVELOPMENTS IN THE URBAN HOUSEHOLD TYPES

URBAN HOUSEHOLD TYPES	SHARE% 2002	SHARE% 2006	SHARE% 2010
TOTAL	100.00	100.00	100.00
FAMILIES WITH SINGLE CHILD	17.34	20.30	21.60
FAMILIES WITH TWO CHILDREN	26.07	26.60	24.66
FAMILIES WITH THREE OR MORE CHILDREN	20.83	18.21	13.87
COUPLES WITH NO CHILDREN	10.74	11.70	13.00
PATRIARCHAL OR LARGE FAMILIES	13.33	16.00	14.06
FAMILIES WITH ONE ADULT	10.64	6.42	8.62
PEOPLE LIVING TOGETHER (*)	1.05	0.77	4.21

SOURCE: TUIK (CONSUMER RIGHTS ASSOCIATION), HOUSEHOLD CONSUMER SPENDING SURVEY

(*)People living together signifies the population that are not married, students and the elderly.

4. WORKING AGE POPULATION EXPANDS

As an important indicative for economic and social development the absolute number of working age population will continue to increase until 2023. While the working age population for 15-64 age groups will expand by 8.5 million people between 2010-2023, the working age population for 20-54 age groups will expand by 5.5 million people during the same period. The expansion of working age population means increase in the number of working people and the size of total purchasing power. The expansion of urbanization and working age population together will create an important economic and social dynamism. The capacity to create employment will determine the scale of this dynamism.

TABLE.12 WORKING AGE POPULATION AND ITS PERCENT SHARE IN THE TOTAL POPULATION

YEARS	15-64 AGE GROUP		20-54 AGE GROUP	
	POPULATION THOUSAND	SHARE % IN POPULATION	POPULATION THOUSAND	SHARE % IN POPULATION
2010	48.983	67.1	37.317	51.1
2023	57.450	68.4	42.853	51.0

5. EMPLOYMENT AND EMPLOYMENT PARTICIPATION RATE OF WOMEN ARE INCREASING

With urbanization in Turkey, the working age population and employment is increasingly assembling in the industrial and service sectors. The share of employment in agriculture is decreasing. With urbanization while employment expands on one hand the participation of women in the employment and their employment rate also increase. When the employment participation rate of women in the urban areas was 17.7 percent in 2004, it increased to 24.8 percent in 2011. And the employment increased from 3 million to 4.65 million.

The employment participation rate of women is expected to be 35 percent and their employment number in urban areas is expected to be 7.3 million in 2023. The participation of women in the work force brings about changes and developments in the family lives and social life as well.

TABLE.13 EMPLOYMENT PARTICIPATION RATE IN CITIES AND THE WORK FORCE

YEARS	MALE		FEMALE	
	WORK FORCE THOUSAND	EMPLOYMENT PARTICIPATION RATE%	WORK FORCE THOUSAND	EMPLOYMENT PARTICIPATION RATE%
2004	11.432	69.1	3.039	17.7
2005	11.811	70.0	3.236	18.7
2006	11.978	69.3	3.413	19.5
2007	12.122	69.3	3.513	19.8
2008	12.323	69.5	3.735	20.8
2009	12.501	69.9	4.084	22.3
2010	12.079	70.4	4.396	23.7
2011	12.939	71.0	4.655	24.8

SOURCE: TUIK (CONSUMER RIGHTS ASSOCIATION), HOUSEHOLD WORK FORCE SURVEY

TABLE.14 PERCENT EMPLOYMENT INDICATORS BASED ON MARITAL STATUS OF WOMEN (URBAN AREAS)

MARITAL STATUS	2004	2007	2011
NEVER MARRIED	23.5	28.1	29.3
MARRIED	12.3	13.4	18.7
DIVORCED	31.2	33.4	40.0
WIDOWED	4.7	4.3	5.9

SOURCE: TUIK (CONSUMER RIGHTS ASSOCIATION), HOUSEHOLD WORK FORCE SURVEY

The employment participation rate of women based on their marital status also shows significant development trends. Among married women the number of working raised from 12.3 percent to 18.7 percent. Among the never married the number of working women reached 29.3 percent. Among the divorced every 4 women out of 10 are working. The employment participation rate of women will increase rapidly.

6. THE FIRST MARRIAGE AGE IS GETTING OLDER

The first marriage age is getting older and this trend will continue in the period ahead. When the first marriage age in women was 22.2 in average in 2001 it raised to 23.2 in 2010. And among men the average first marriage age which was 25.5 raised to 26.5 in 2010.

Based on this trend among the population with 15 years of age and above the share of those who never married increases while the share of married ones decreases. The divorce rate also increases. This trend is expected to continue and it is expected to shape economic and social developments starting with the demand for housing.

TABLE.15 POPULATION RATE PERCENT BASED ON MARITAL STATUS FEMALE POPULATION WITH 15 YEARS OF AGE AND ABOVE

YEARS	NEVER MARRIED	MARRIED	WIDOWED	DIVORCED
1980	20.2	70.0	9.0	0.8
1990	22.5	68.4	8.1	0.9
2000	23.8	66.5	8.2	1.5
2010	24.0	64.0	8.6	3.4

SOURCE: TUIK (CONSUMER RIGHTS ASSOCIATION), ADDRESS-BASED POPULATION REGISTRATION SYSTEM

TABLE.16 AVERAGE FIRST MARRIAGE AGE

YEARS	WOMEN	MEN
2001	22.2	25.5
2002	22.7	25.9
2003	22.7	25.9
2004	22.8	26.0
2005	22.8	26.1
2006	22.8	26.1
2007	22.8	26.1
2008	22.9	26.2
2009	23.0	26.3
2010	23.2	26.5

SOURCE: TUIK (CONSUMER RIGHTS ASSOCIATION), MARRIAGE STATISTICS

7. CHILDBEARING AGE IS INCREASING

The average childbearing age of women is increasing. It is observed that while the share of childbearing rate for ages 15-19 and 20-24 decreases the share of it for ages 25-29 and especially for 30-34 increases. This trend will continue in the period ahead.

TABLE.17 BIRTH RATE BASED ON THE MOTHER'S AGE GROUP

AGE GROUP	2001	2006	2010
15-19	11.7	9.5	7.8
20-24	33.0	30.3	27.4
25-29	28.2	31.4	31.7
30-34	14.9	18.3	20.9
35-39	8.6	7.2	9.3
40+	3.5	3.3	2.8

SOURCE: GENERAL DIRECTORATE OF CIVIL REGISTRATION AND NATIONALITY

This trend confirms that the participation of women in the economic and social life increases while the marriage age is also getting older. At the same time it is being observed that by having children in older ages, the necessities of life with children (bigger housing etc) occur in older ages as well.

8. OLD AGE POPULATION AND LIFE EXPECTANCY AT BIRTH IS INCREASING

Turkey's population has increasingly trending towards getting older in the second phase of its demographic course. While the number of people with 65 years of age and older increase their share in the total population also increases. When the population of 65 years and older was 5.06 million in 2010, it will increase to 7.82 million in 2023 and their share in total population will increase from 6.94 percent to 9.31 percent. The increase of life expectancy at birth also has an effect on the increase of the population of the old age. When the life expectancy at birth in 2010 was 73.9 years, it will increase to 75.7 years and 78.7 years in women in 2023.

TABLE.18 OLD AGE (65+) SIZE AND SHARE

YEARS	SIZE THOUSAND PEOPLE	SHARE %
2010	5063	6.94
2015	5741	7.40
2020	6944	8.49
2023	7825	9.31

SOURCE: TURKISH STATISTICAL INSTITUTE POPULATION FORECASTS

TABLE.19 LIFE EXPECTANCY AT BIRTH (YEARS)

YEARS	TOTAL	FEMALE	MALE
1990	67.4	69.5	65.4
2000	71.0	73.1	69.0
2010	73.9	76.3	71.6
2023	75.7	78.7	73.0

SOURCE: TURKISH STATISTICAL INSTITUTE POPULATION FORECASTS

9. SCHOOLING RATES AND AVERAGE EDUCATION LEVEL IS INCREASING

An important trend in Turkey regarding human development is the increase in schooling rates. With the 8-year compulsory primary education the schooling rate in primary education has reached 100 percent. The schooling rate has reached 69.3 percent in secondary education and it has reached 33 percent in higher education.

In the period ahead it is expected that the schooling rate in secondary and higher education and especially of female students is expected to increase. When the quality of education is set aside the increase of schooling rates also increases the average education level. This way the education level of working age population which is an important indicator of economic and social development as of 2011 and is 6.5 years at the moment is expected to increase in the process ahead.

TABLE.20 SCHOOLING RATES PERCENT

	1997/1998	2010/2011
PRIMARY EDUCATION	84.74	98.41
MALE	90.25	98.59
FEMALE	78.97	98.22
SECONDARY EDUCATION	37.87	69.33
MALE	41.39	72.35
FEMALE	34.16	66.14
HIGHER EDUCATION	10.25	33.06
MALE	11.28	33.44
FEMALE	9.17	32.65

SOURCE: MINISTRY OF NATIONAL EDUCATION, NATIONAL EDUCATION STATISTICS

10. CHANGE IN LIFE STYLES

With the effect of economic, social and human development trends put forward and as a result of developments in technology and in the intellectual area, important changes are occurring in the family and in individual and social lives.

Being able to reach all kinds of information and data supplied by information and communication technologies and having mobile access opportunities provided by mobile communication affect life styles and bring in individualization. With flexible working conditions, flexible life styles emerge. Liberal and individualized product and service demands of individuals are increasing.

In relation to all these effects, in spite of income and purchasing power differences the life styles of individuals and households are resembling each other and this eliminates the classic status and segment discriminations.

I.4 GREEN AND SUSTAINABLE BUILDINGS WITH GLOBAL CLIMATE CHANGE

While the global climate change affects all global life, it also has direct and indirect effects on the real estate sector. Both the international agreements and rules applied against global climate change threat and also the changes and forecasts that occur in the real estate sector in this regard are evaluated within this framework.

I.4.1 GLOBAL CLIMATE CHANGE: AGREEMENTS AND SANCTIONS

UN climate change framework convention and Kyoto Protocol form the base of international rules applied against the risk of global climate change. To prevent an average of 2 degrees of global temperature increase until 2050 is targeted against the global climate change threat, and all international rules are arranged based on this target. When the global temperature increase exceeds the 2 degrees threshold, global sustainability starts to diminish.

In this regard, after the Kyoto agreement that was applied in a limited scale, the resolutions adopted in the summit in Durban South Africa in December 2011 held for the control of the new period, will be deterministic.

Accordingly, the start date for restrictions for Annex I countries of the Kyoto is set as January 1st 2013. However, Russia, Canada, Japan and USA will not be participating in the second commitment period of the Kyoto Protocol. In the second commitment period in which only the EU and Norway is participating, only 20% of the carbon emissions will be controlled and restricted. Countries like China and India did not participate in the second commitment period either.

Nevertheless, all parties agreed on a road map until 2015 in order to arrange a new climate change agreement. However, the obligations will take effect as of 2020 even if an agreement is reached.

Therefore, 2012 to 2020 will be a lost period in regards to prevention of global warming. In this period the voluntary carbon emission restrictions of countries and public and private sector will be the only effective factor.

A green climate fund has been established in order to meet the losses that will be created by restrictions incurred by the developing countries due to global climate change. While it is targeted to transfer funds up to 100 billion dollars to developing countries every year, the uncertainty as to what the source of the fund will be remains.

Turkey is not participating in the second commitment period of the Kyoto Protocol. Therefore for Turkey, international rules will apply earliest in 2020 and in the case that all international parties come to an agreement.

In this regard Turkey is in need of voluntary applications by its public and private sector. Without waiting for the possible international agreement that will come into effect in 2020, public and private sector have important duties in order to prevent losses that will be incurred due to time loss. Without affecting the fast growing rate and competition power of the Turkish economy it must be targeted to decarbonizes the economic and vital functions and this must be supported by voluntary applications. All kinds of existing and new buildings must be provided with qualities that are compatible with and are supporting the subject.

Besides, with the National Statement put forth while participating in the UN climate change framework convention in the previous period, Turkey has declared the precautions and targets that it will apply until 2020 in regards to the restriction of carbon emissions. In order to reach these targets the most important two sectors will be industry and housing sectors. Precautions put into application in both sectors will be determinant in the real estate and construction sectors. On top of the list is the energy efficiency regulation of buildings under the content of project ENVER which is put into application by the Ministry of Energy.

TABLE 21 FORECASTS OF FINAL ENERGY CONSUMPTION OF TURKEY (TTOE)

SECTORS	2010	2020 REGARDLESS OF PRECAUTIONS	2020 IF PRECAUTIONS WERE TAKEN
INDUSTRY	41.646	76.408	64.930
HOUSING	29.015	47.542	42.785
TRANSPORTATION	19.915	34.037	34.037
AGRICULTURE	4.368	6.751	6.751
NON- ENERGY	2.514	3.220	3.220
OTHER	5.967	8.593	8.593
TOTAL	110.425	176.551	160.300

SOURCE: UNCCFC (UNITED NATIONS CLIMATE CHANGE FRAMEWORK CONVENTION) NATIONAL STATEMENT OF TURKEY 2008

I.4.2 SUSTAINABLE AND GREEN BUILDINGS

Housing or buildings in greater definition are on top of the list of most important areas where carbon emissions can be restricted against global climate change threat. Therefore the physical conditions and characteristics of buildings are increasingly becoming more dependent on precautions and applications against global climate change threat.

The main targets in buildings are to increase energy efficiency, to become friendly with the ecological environment, to have low carbon emissions, to consume very small amount of fossil fuels or not to consume fossil fuels at all or to even produce self energy (of own waste), to consume least amount of water and to produce least amount of waste (to process own waste).



In accordance with these targets the projects of buildings and the materials used are also changing. Projects are gaining qualities to make more use of natural heat and light, to use natural air for conditioning, to follow and adjust carbon emissions automatically. At this stage effective insulation becomes inevitable.

And the construction material will increasingly consist of durable, recyclable, resolvable in nature, not harmful to the environment, light, composite, smart products. It will also be important that these materials are produced in eco-friendly conditions.

Another important result of this change in buildings against global climate change threat is the green buildings. Green buildings are entirely environment and climate change threat sensitive buildings. The main characteristics of green buildings;

- To project with green building standards at designing stage
- To use materials and construction technologies compatible with natural environment
- To have heating, cooling and ventilation systems that are used in green buildings
- To self-produce electricity
- To obtain energy savings by use of efficient insulation systems
- To obtain energy savings by insulation systems
- To have smart lighting, air conditioning, etc systems
- To focus on lighting with natural light, to use wind power and solar energy
- Green roof applications, landscaping with less water consuming plants and trees

Green buildings are classified in several certificates under international standards. Green buildings with cost ranging between 1-2 to 7-10 percent more compared to regular buildings make up for their cost in middle to long term with the energy savings they obtain.

The actualization of national certification in green buildings which is also a new application area for Turkey, the promotions both at constructing and buying stages with the support of tax, duty, etc incentives and exceptions and the various housing loan advantages provided will all contribute to the development of green buildings.

SPECIAL PART: GREEN BUILDING FORECASTS 2023

Green buildings will be one of the most important development areas of the period ahead. In this regard forecasts for the period until 2023 regarding green buildings are being made. The fundamental presumptions used in these forecasts are legal regulations and voluntary certificate applications and the basic economic and social presumptions of the study.

1. Forecasts within the scope of legal regulations

a. Mandatory applications under the scope of Energy Identification Document (EKB) and Energy Strategy Document (ESB) ;

- All new buildings must obtain and EKB as of 2011
- All existing stock in 2017 will obtain EKB (regardless of the class)
- In new buildings the EKB must be obtained before settlement
- New buildings must be in minimum class "C".
- According to Energy Efficiency Strategy Document SA.02:
 - Energy efficiency applications will be implemented in commercial buildings 10.000 m² and bigger until 2023
 - In 2017 there will be serious sanctions against CO₂ emissions.
 - Of the building stock in 2010 will be in conditions sustainable until 2023

b. Green Building Forecasts in Housing and Commercial Real Estate in the scope of Mandatory Applications;

Forecasts for Housing

The housing number forecasts stated in the study are used for the 2023 housing stock presumptions. While forecasts are made, the definition "Sustainable Building" in the energy efficiency document is considered to be a "minimum class C EKB". Accordingly the data of 18 million in the study is used as the existing housing stock. The number of existing housing stock to be improved as per the Energy Strategy Document is one fourth of the existing stock which is 4.5 million. 7.56 million housing that is considered to be newly constructed will all be under "C" class EKB. In this case it is presumed that 12.06 million of the total 25.56 million housing stock that will be reached in 2023 will be energy efficient housing.

Forecasts for Commercial Real Estate

The existing commercial real estate stock is assumed to be 10.9 million m² with shopping centers across Turkey and the office stock existing in Istanbul taken into consideration. Most of the commercial real estate are considered to be able to fulfill the obligations that occur due to the definition 10.000m² and above covered in the Energy Strategy Document. The commercial real estate under this m² limit are assumed to have apply for renovation due to competition. Therefore the stock of commercial real estate to be renewed is calculated to be 10.9 million which is the total of existing stock. In addition the 9.3 million m² commercial real estate which is assumed to be newly built and will be comprised of shopping centers across Turkey and offices in Istanbul will also be built as energy efficient. In 2023 all commercial real estate will be energy efficient.

TABLE. A ENERGY EFFICIENT HOUSING AND COMMERCIAL REAL ESTATE FORECASTS

HOUSING STOCK (2011)	18,000,000	COMMERCIAL STOCK GLA M ² (2011)	10,975,720
HOUSING STOCK (2023)	25,560,000	COMMERCIAL STOCK GLA M ² (2023)	20,300,000
IMPROVEMENTS IN THE SCOPE OF ESB (1/4)	4,500,000	IMPROVEMENTS IN THE SCOPE OF ESB M ²	10,975,720
HOUSING TO BE NEWLY BUILT "MIN EKB C"	7,560,000	COMMERCIAL TO BE NEWLY BUILT BUILT GLA M ² WITH "MIN EKB C"	9,324,280
TOTAL HOUSING STOCK WITH ENERGY EFFICIENCY (2023)	12,060,000	TOTAL COMMERCIAL WITH ENERGY EFFICIENCY GLA M ²	20,300,000
TOTAL HOUSING STOCK WITH ENERGY EFFICIENCY RATE % (2023)	47.2	TOTAL COMMERCIAL WITH ENERGY EFFICIENCY GLA RATE %	100.0

2. Forecasts within the Scope of Certification Systems

In addition to mandatory legal regulations international and national certification systems will also promote and support the development of green buildings.

a. Certification Regulations and Applications;

- Some of the (C) buildings that meet the minimum EKB conditions are assumed to obtain voluntary certificates.
- In 2012 there are "27" certified buildings with 19 LEED and 8 BREEAM and all of them are commercial real estates.
- In 2012 50 LEED projects are certification candidates. The number of BREEAM candidates could not be obtained and is considered as 10, which makes the total "60 candidates"

b. Green Building Forecasts in Housing and Commercial Real Estate within the Scope of Certification Applications;

Forecasts for Housing

Rather than the possibility of personal certified residences, housing projects are considered to be certified. It is considered that an average housing project consists of 1000 residences. In 2012 there are no certified housing projects. In 2012 the number of candidate housing projects is 13

and these are assumed to obtain certificates within 2 years. It is presumed that domestic certification will actively be in place as of 2014. Accordingly it is considered that the number of projects that will receive certificates in the following years will increase by 5 each year. It is considered that housing projects that will receive foreign certificates will be 5 for each year. Based on all these considerations total 283 projects will receive certificates by 2023 and these projects will cover 283.000 residences.

Forecasts for Commercial Real Estate

The number of commercial projects that will receive certificates in 2012 is 5; for the following years, assuming there will be increasing interest, it is presumed that additional 2 projects will receive certificates every year. The leasable area of a commercial project is considered to be 25.000 m². Based on these considerations 192 projects will have received certificates and the total leasable area of these projects will be 4.8 million m² in 2023.

TABLE.B CERTIFIED HOUSING AND COMMERCIAL REAL ESTATE FORECASTS (NUMBER)

YEARS	COMMERCIAL REAL ESTATE PROJECT	COMMERCIAL REAL ESTATE GLA M ²	HOUSING PROJECT	NUMBER OF HOUSING	HOUSING WITH DOMESTIC CERTIFICATE	HOUSING WITH FOREIGN CERTIFICATE
2012	5	125.000				
2013	7	175.000	5	5.000	0	5
2014	9	225.000	8	8.000	3	5
2015	11	275.000	10	10.000	5	5
2016	13	325.000	15	15.000	10	5
2017	15	375.000	20	20.000	15	5
2018	17	425.000	25	25.000	20	5
2019	19	475.000	30	30.000	25	5
2020	21	525.000	35	35.000	30	5
2021	23	575.000	40	40.000	35	5
2022	25	625.000	45	45.000	40	5
2023	27	675.000	50	50.000	45	5
TOTAL	192	4.800.000	283	283.000	228	55

Conclusion

12 million of the total building stock that is presumed to be 25.5 million in 2023 will be in sustainable characteristics. 4% of the new buildings built after 2011 will be certified. 51% of the commercial real estate built after 2011 will be certified. The entire commercial stock which will be 20.3 m² in 2023 will be sustainable.

Part II

ESTIMATIONS FOR URBANIZATION AND HOUSING SECTOR

In the study of forecasts, the real estate sector of Turkey is being examined and assessed under two main titles, namely residential sector and commercial real estate. In this section of residential sector and residential market, the urbanization approaches of today and the future taken into the scope. Within this headline, the urbanization approach of the public, regulatory framework, urban transformation, modern urbanization, and architectural trends, together with new construction technologies in the residential sector; are encompassed. Under the headline of forecasts, regarding the residential sector; residential inventory, residential requirement, residential supply, and residential financing are covered.

II.1 URBANIZATION APPROACHES AND FORECASTS

The primary determining factor for mid- and long term development projections of the residential and commercial real estate sectors within the main real estate sector; the urban development and planning approaches of the public are being mentioned. Within this framework, while long term forecasts are effectuated for the real estate sector in Turkey, the urban development and planning approaches are highlighted.

II.1.1 URBAN DEVELOPMENT STRATEGY

The “Urban Development Strategy and Action Plan” has been prepared and put in force in the year 2010, with the purpose of increasing the spatial quality of life of the urban settlements in Turkey, to strengthen the economic and social structure and to fulfill the increasing need of restructuring the spatial planning system. At the same time, this plan fulfills the function of preparing an integrated urban development strategy, and action plan for the sustainable urban development within the transposition of the acquit EU of Turkey.

Within the framework of the principle of sustainability with respect to the integrated urban development strategy, with its short name (KENTGES), and action plan, it covers settlement and urbanization, together with settlement and spatial planning, which encompasses area, theme and dimensions and relates the sectors, with respect to residence with an integrated approach.

While KENTGES assigns priority to spatial planning studies with respect to the province, city, rural and settlement strategy on one hand, on the other hand it aims at compliance and coordination to the planning and studies within the development area in those regions, where the province are spread out.

KENTGES puts forward the principle, strategy, regarding the build up of a healthy, balanced, and habitable urban development and actions and delivers an action plan, which enables the implementation of these with regard to the solution of the structural problems of urbanization. Regarding the spatial planning, settlement and construction issues of Turkey, KENTGES puts forward an urbanization and zoning vision, targeting the year 2023.

In the preparation of KENTGES, primarily the current situation of the urbanization, settlement and spatial planning system has been presented. Within this framework, the problems, which have been encountered in the past, have been determined as uncontrolled growth and development in the cities, migration from the rural areas, shanty settlement, urbanization, which is not stable in case of a disaster, urban infrastructural and environmental problems, urban transportation problems, problems, which are due to planning system, and the limited capacities of the local administrations. As new phenomena with respect to urbanization, changes in climate, urban transformation, sustainable urban form, and energy efficiency issues have been taken into consideration.

The value system and basic principles, which have been revealed by KENTGES for sustainable urbanization, which have been prepared within this determination and assessments, are as the following:

1. Taking the ecological balance with respect to the usage of the natural resources,
2. Protection, keeping alive and development of the cultural assets,
3. Creation of healthy, safe, and qualified residential areas, which have been purified from natural and technological dangers and risks,
4. Providing access to safe drinking water; adequate infrastructure, and transportation opportunities for the residents,
5. Ensuring equal opportunity regarding benefiting from the public services,
6. Effectuation of the economic, social and cultural uptake,
7. Development of the culture of social solidarity and integration, elevating urban poverty, and inequalities,
8. Protection and development of the local cultural values,
9. Building multi-centered, preventing accumulation, and focused on balanced spatial development, dynamic, attractive, and contesting settlements,
10. Development sustainable city form, directed towards decreasing the influences of climate change, sustainable transportation systems, and usage of renewable energy sources at the settlements,
11. In planning the settlements, acting in compliance with location choice with regard to population and economic activities and spatial distribution, and being adopted to environmental, natural, and ecological thresholds and transportation capacity,

12. In the settlements, encouragement of the methods, which would decrease the influences of consumption patterns on natural and cultural environment,
13. Development of the tools, directed towards developing the living and spatial quality at the settlements, to eliminate the spatial and social inequalities and tracking these with success indicators,
14. Decreasing the adverse influences of the economic, social and spatial developments on life support systems at the settlements, and to prevent the air, water and earth pollution,
15. Development of heritage methods for the cooperation and solidarity culture and assigning these a corporate framework,
16. Taking the transparency, accountability, participation, and efficiency in the delivery of local authorities services.

KENTGES, taking these fundamental principles as the basis, has 19 strategic targets, which are aimed to be attained by the action plans;

1. To Strengthen the Spatial Planning System
2. To Assure a Sustainable Spatial Development at the Settlements
3. To be able to Effectuate the Sustainable and Diversified Land and Residence Production and to be able to Make their Presentation
4. Revitalization and Development of the Central Business Areas, Sub Centers and Centers of the districts with Sustainable Policies
5. To Establish a Sustainable Urban Transportation System
6. Integration of the Urban Infrastructure Plan, Project and Investments with Spatial Plans
7. Ensuring the a Balanced Social Dispersion of Hardware and Services at the settlements
8. Developing the Open and Green Areas in Spatial Plans within System Integration
9. ensuring the Protection of the Natural and Cultural assets and Values
10. Ensuring an Integrated Urban Renewal and Transformation with Social, Cultural, and Economic Dimensions
11. Decreasing the Natural Disaster and Settlement Risks
12. Creation of Safe Settlements with High Living and Venue Quality
13. Protection and Development of Urban Identity
14. Building an environmental friendly living environment in cities
15. Strengthening the Settlements, from which Migration is sourced and the Rural Segment and to Direct the Migration
16. Increase the Social Solidarity, Integration and Tolerance in Cities
17. To Take the Necessary Precautions in order for the people in need and those groups, with certain handicaps, for them to Access Urban Services
18. To ensure Participation and Audit for Spatial Planning Process and Decisions
19. Building Awareness Regarding Urban Culture, Urban Consciousness, Sense of Belonging and Urban Rights

The public sector envisages an urbanization within the framework of fundamental principles and strategic targets. In case the KENTGES would be implemented, a significant development and transformation potential is projected.

II.1.2 URBAN TRANSFORMATION

The urban transformation in Turkey has entered the agenda after the 1999 Marmara earthquake and has remained restricted with the implementations of the local administrations. The urban transformation is a significant tool to accelerate economic and social development and to create livable urban settlements for the household members and for individuals by eliminating the unplanned settlements and urbanization. Together with this, urban transformation is going to be a new and important factor for development of the real estate and construction sectors in Turkey. From this perspective, having an urban transformation strategy is highly critical. Within this scope, the “Draft Law Regarding the Transformation of the Areas, under the Risk of Disaster”, which is still at the stage of enactment, will be an important threshold within the process of urban transformation. With respect to this, the urban transformation, which takes its place as one of the determining factors of the development of the real estate sector in Turkey, evaluation of the current draft law, and suggestions, directed towards contributing to the development in the real estate sector, are encompassed in this study.

Within the framework of all of these evaluations, the conditions, related to the implementation of the urban transformation in such a way so that it would ensure contribution to the real estate sector, are as the following:

1. The urban transformation projects should be developed with sustainable planning approach,
2. Public and private sector project development and venture trust models should be adopted,
3. The plans of the cities with the scale of 1/100,000 should be prepared (2023 model) and all of the provinces must have borders of municipalities, the large scale zoning decisions should be taken by the provincial municipal council, and the district and first phase municipalities should work within the scope of this plan,
4. The zoning rights should be securitized and the transfer of zoning rights should be enabled,
5. The urban transformation projects should be in compliance with each other in terms of architectural perspective and should take the cultural texture of the city into consideration,
6. The income generated by the urban transformation, should be as much as the cost of the project, and the income/cost balance should be taken into account,
7. The models, which are going to be implemented in the urban transformation projects, should not be preventing the conciliation of differences by increasing the expectations of the members of the household, at the same time should have a value, which needs to be considering the participation and profitability of the private sector,

8. In the urban transformation projects, the land share prices should be determined by standard criteria and with a reasonable scale and in this respect the costs must be limited and the participation of the private sector needs to be encouraged,
9. For the urban transformation projects, in order for the household to have access to the right to use housing loan, for the low income households, there should be a preparation for the credit options/support packages,
10. All of the local administrations should prepare an inventory of those buildings, which are unlicensed, below a minimum standard and risky (with common criteria and standards),
11. Together with the effectuation of the required changes in the zoning law and property ownership, the urban transformation process should be accelerated,
12. In order to increase the private sector's participation in the urban transformation projects, the public sector should offer encouraging incentives (for example, for 1 residence right owner in the project, a +1, and for the developer and for 1.5 million residence to be transformed 3 million residences should be produced and sold -who will get the additional residences and how?)
13. For the at site transformation, the owners of rights should be provided proper housing where they can live throughout the project.
14. Together with urban transformation, implementation of urban renewal and urban rehabilitation (revitalization) projects, will prevent new areas to degrade,
15. The urban transformation and renewal processes should be implemented in a transparent way, being accountable versus the public,
16. The urban transformation should be regarded as the last chance for the creation of modern and livable cities, the planning and implementations should not lose the focus of creation of livable cities.

II.1.3 ASSESSMENT OF THE DEGRADED FOREST LAND (2B)

The arrangement, regarding the assessment of the degraded forest land, will influence the developments and projections in the real estate sector to a lesser degree as well as it affected the urban transformation. The arrangement aims at supporting the progress of the forest villagers and to assess the land, which exceeds the borders of the forest. Within this framework, the relation of the arrangement with the developments in the real estate sector and the expectations are as the following.

1. Within the urban transformation, with respect to the 2B lands, it is envisaged in general that these would be allocated to the Housing Development Administration of Turkey and that the owners of right would be given shares form the urban transformation project,
2. The 2B land, furthermore, can be transferred to the Metropolitan Municipality and District Municipalities and to the Housing Development Administration of Turkey in order to carry out urban transformation projects. Within this framework, the right owner will be given residences from the urban transformation projects,

3. The authority to announce urban transformation projects for 2B lands together with the authority to arrange is given to the Ministry of Environment and Urban Planning, to Municipalities, to the Housing Development Administration of Turkey, and the right to determine the borders of the project area is again assigned to Ministry of Environment and Urban Planning,
4. In case there would be uncontrolled shanty settlements on the 2B lands, which are to be sold, these lands might be transferred to the Housing Development Administration of Turkey for urban transformation,
5. There are going to be some land, on the 2B lands, for which zoning permit will be given. However, in case a zoning permit would be given, there is a risk that the forest lands in the surrounding area would be adversely affected by the infra- and superstructure investments.
6. When evaluated within this perspective, the lands, for which urban transformation projects can be implemented and those which would be given zoning permits amongst the 2B lands, will be a determining factor for the real estate sector.
7. Together with this, it is envisaged that such 2B lands would be remaining restricted.

TABLE.22 MAGNITUDE OF 2B LANDS IN THE PROVINCES

CITIES	2B LANDS HECTARE	PROVINCES	2B LANDS HECTARE
ANTALYA	45.548	KIRIKKALE	12.706
MERSİN	39.287	BURDUR	8.363
BALIKESİR	34.887	EDİRNE	4.122
ANKARA	31.706	KÜTAHYA	5.152
SAKARYA	29.643	DENİZLİ	4.265
MUĞLA	29.138	KONYA	4.895
İSTANBUL	18.233	ÇANKIRI	4.516
BOLU	16.095	MANİSA	6.848
SAMSUN	15.290	AYDIN	5.134
KIRKLARELİ	14.757	TOKAT	3.558
İZMİR	14.772	TEKİRDAĞ	2.991
BURSA	14.534	KOCAELİ	5.338
BOLU	16.095	AMASYA	3.602
ADANA	12.357	HATAY	3.856
AFYON	10.673	ISPARTA	3.174
ZONGULDAK	10.910	UŞAK	2.769
GAZİANTEP	9.960	MALATYA	2.645
ESKİŞEHİR	9.456	BURDUR	8.363
ÇANAKKALE	1.768	SİVAS	50
YALOVA	1.768	KAYSERİ	29
BİLEÇİK	1.516	OSMANİYE	1.552
KARAMAN	826	ŞANLIURFA	50
AKSARAY	512	DİYARBAKIR	135
NIĞDE	204	SİİRT	35
NEVŞEHİR	204	BİTLİS	1.825
YOZGAT	1.412	MUŞ	2
ÇORUM	181	BİNGÖL	35
SİNOP	1.760	TUNCELİ	28
BARTIN	1.014	ELAZIĞ	450
ORDU	956		
GİRESUN	50		
TRABZON	1005		
RİZE	14		
ARTVİN	41		
BAYBURT	6		
GÜMÜŞHANE	12		

SOURCE: GENERAL DIRECTORATE OF LAND REGISTRY AND CADASTRE

II.1.4 THE CITIES OF THE FUTURE, THEIR ARCHITECTURE AND BUILDINGS

Together with economic and social developments and needs, the advancements in the technology and climate change, affects and shapes the cities of the future, and their architecture and buildings. Within the period until the year 2023, while forecasts are made for the real estate sector, the transformations and trends, which may arise in the cities, architecture and buildings, are being evaluated.

I. CITIES OF THE FUTURE

In the phase ahead, all cities target to increase their power and influence, welfare levels, human capital and knowledge, to enrich their cultural lives and most importantly to form and strengthen their cross-border and global bonds. Within this framework, cities will be structuring and producing service in order to meet all needs of their citizens while preserving their historic and cultural fabrics.

In the cities of the future two prominent elements among the determinants are technology and climate change. In the coming period all cities will start becoming smart cities by using technological resources differently. In order for the services to be diversified, to be more accessible, to be used effectively and efficiently, technology oriented smart transportation and traffic systems, water and waste water systems, energy delivery and distribution, city security, electric networks and illumination, disaster management systems, communication infrastructures will be established and operated. While smart communication is provided by fiber infrastructures and wireless connections, the trend towards establishment of infrastructure for mobile communication and mobilization of all functions in cities is becoming prominent.

In the meanwhile climate change directs all planning and local functions in the cities towards green city criteria. Cities are becoming focused on limiting all kinds of waste starting with carbon emissions and using all resources effectively starting with energy.

However, it is not forgotten that the cities are for citizens and the contribution of citizens in city planning and management is being increased. While the citizens drift away from each other with technology, it is projected to concentrate on physical sites (large city parks) and city activities (social, cultural, artistic, sportive, etc.) that will bring citizens together.

Depending on climate change energy efficiency concept is becoming prominent. Within this scope, trends like insulation of buildings, self producing of materials used and energy, producing energy out of own waste, effective lighting, making use of day light and heat are emerging. 65% of the energy used in buildings is used for heating, cooling, hot water and air conditioning, 20% is used for lighting and 15% is used in electrical devices and equipment.

With the energy performance regulation and energy identification document application which is also implemented in Turkey, the increase of energy efficiency in buildings is targeted. However, to increase conformity to these regulations and reach the desired results, encouraging elements like inexpensive loans for construction and use, tax exemptions and deductions, expedited amortization, grants, VAT exceptions and such must be used.

2. ARCHITECTURE AND BUILDINGS OF THE FUTURE

With the resources provided by technological advancements a fast transformation both in architecture and building construction is being experienced.

As a result of materials used in buildings, the developments in building and construction technologies and the facilities provided by technological infrastructure at architectural drawing and project designing stages, very different trends in architecture and buildings that do not resemble each other are coming into life. While criteria like design, fashion, environment and sustainability continues to be deterministic in architecture, the trend of demanding a new architectural concept with every single new project and architecture becoming an important element in competition of buildings is getting stronger and this speeds up diversification in architecture. As architectural possibilities develop, a process where architectural diversification increases is being experienced. Nevertheless, harmony between architectural products which are innovative and successful within themselves is decreasing.

Technological advancements result in fast development in construction material and construction. Global climate change also shapes up this process. Within this scope, new buildings consisting of residential and non-residential buildings are becoming smart buildings by focusing on technological structure. The control of buildings are becoming focused on criteria like use of resources inside the buildings and residences and effective and efficient access to these resources externally. Buildings are becoming safer and more durable, friendlier with the environment, integrated into communication and information technology and more livable.

II.2 FORECASTS FOR THE HOUSING SECTOR

The assessment and forecasts, with respect to the current residential inventory, residential requirement, factor, affecting the residential demand, residential demand of the foreigners, residential supply, and residential financing in Turkey, are encompassed under the headline of forecasts for the residential sector.

II.2.1 ASSUMPTIONS RELATED TO THE RESIDENTIAL INVENTORY IN TURKEY

There are no official updated data regarding the residential inventory in Turkey. The last updated residential inventory data belongs to the year 2000, which has been obtained through building count. Therefore, forecasts are based on various assumptions, directed towards the residential inventory data for the year 2011 and the realization figures.

In the Building Count Study, which has been conducted in the year 2000 by the Turkish Statistical Institute, the residential inventory in Turkey has been measured as 16,235,830, where the share of the urban residential inventory has accounted to 83.75% and to 13,597,676 as the count. In the year 2000, only 63% of the residents in the urban settlements, which corresponds to 8,566,428 flat construction permit and only 33%, which equals to 4,524,170 flat has building usage permit. The number of residents, in the urban settlements as of the year 2011 is envisaged as 18,063,800. The number of building permits, received between the years 2000-2010, is 4,568,173 and amongst these, 4,431,128 households have assumed to be completed, which corresponds to 97% of the total. (The residents of the permits, which have been taken in the year 2000 have entered the inventory in the year 2001, and for the building permits, taken in the year 2011, it is assumed that the residents have not been completed yet).

The number of discarded residents has been estimated as 215,000 (65 thousand residents with permit, and 150 thousand without permit). It is envisaged that 0,15% of the current residential inventory is discarded.

The residents, constructed during the years 2001-2011, without obtaining the permit, has been envisaged as 250,000.

TABLE.23A RESIDENTIAL INVENTORY DEVELOPMENTS IN URBAN SETTLEMENTS DURING THE YEARS 2000-2011

2000 RESIDENTIAL INVENTORY (FLATS)	+13,597,676
BUILDING PERMITS OBTAINED AND COMPLETED BUILDINGS IN THE YEARS 2000-2010 (FLATS)	+4,431,128
NUMBER OF DISCARDED RESIDENTS (FLATS)	-215,000
SHANTY SETTLEMENTS (FLATS)	+250,000
2011 RESIDENTIAL INVENTORY	18,063,800

Within the framework of these assumptions, the residential inventory in the year 2011 in urban settlements, has amounted to 18,063,800 flats, the ratio of the residents with permits is projected as 71.6% and the number as 12,932,552. As of the end of 2011, the number of residents, which do not have a permit, is 5,131,248 flats.

TABLE.23 URBAN RESIDENTIAL INVENTORY IN TURKEY

INDICATORS	2000	2011
NUMBER OF RESIDENTS (FLATS)	13,597,676	18,063,800
NUMBER OF RESIDENTS WITH PERMIT	8,566,428	12,932,552
NUMBER OF RESIDENTS WITHOUT PERMIT	5,031,248	5,131,248
RATIO OF RESIDENTS WITH PERMIT %	63.0	71.6

Regarding the age of the current residents in Turkey, the last updated official data is again the Building Count Study, which has been conducted in the year 2000 by the Turkish Statistical Institute. According to this, the number of buildings, based on the count in the year 2000 until the year 2023, which will arrive at an age of 50, is 1,445,548. This number of buildings correspond to a number of 3.1 million flats.

It has been assumed that 215 thousand flats were discarded between the years 2000-2011 and a certain part of these were in those buildings, built until the year 1965. In this respect, it is assumed that 20 thousand buildings, equivalent to 50 thousand flats have been decreased from the data of the year 2000.

TABLE.24 BUILDING INVENTORY OF TURKEY ABOVE THE AGE OF 50 (UNTIL THE YEAR 2023)

DATE OF BUILDING COMPLETION	USED WHOLLY AS RESIDENTS	A MAJORITY IS USED AS RESIDENT	TOTAL
- 1929	119.023	14.401	133.424
1930-1939	76.971	10.437	87.408
1940-1949	154.989	21.729	176.718
1950-1959	320.277	42.880	363.157
1960-1969	605.305	79.536	684.841
TOTAL	1.276.565	168.983	1.445.548

SOURCE: TURKISH STATISTICAL INSTITUTE, BUILDING COUNT 2000

II.2.2 RESIDENT REQUIREMENT FORECASTS IN TURKEY

The residential requirement forecast in Turkey is being calculated based on three needs. These are population increase and urbanization based, urban transformation based and renewal based residential requirements.

I. Residential requirement as Population Increase and Urbanization

The forecasts related to the population increase and increase in urbanization in Turkey have been covered in previous sections of this study. Parallel to these forecasts, there are some further assumptions with respect to the urban population and number of urban households and increase regarding these figures.

The urban population, which accounts for 57.39 million in the year 2011, will increase to 71.14 million in the year 2023. Within the same period, the population per household will continue to decline. The population per household being 4.12 in the year 2010 will decline to 3.79 people in the year 2023.

Within the framework of these assumptions, the urban population households, which has been 13.93 million in the year 2011, this will reach 18.77 million in the year 2023. Between the years 2011-2023, the number of households will increase by 4.84 million. In this respect, depending on the increase in the household population, the residential requirement will be 4.84 million flats.

TABLE.25 URBAN POPULATION AND NUMBER OF HOUSEHOLDS AND HOUSEHOLD POPULATION FORECASTS

YEARS	URBAN POPULATION THOUSAND	URBAN HOUSEHOLD SIZE	URBAN NUMBER OF HOUSEHOLDS THOUSAND	URBAN INCREASE IN THE NUMBER OF HOUSEHOLD THOUSAND
2011	57.386	4.12	13.930	350
2012	58.559	4.10	14.283	353
2013	59.709	4.08	14.635	352
2014	60.872	4.06	14.993	358
2015	62.036	4.03	15.394	401
2016	63.199	4.00	15.800	406
2017	64.363	3.97	16.212	412
2018	65.504	3.94	16.625	413
2019	66.642	3.91	17.044	419
2020	67.784	3.88	17.470	426
2021	68.920	3.85	17.900	430
2022	70.050	3.82	18.340	440
2023	71.141	3.79	18.770	430

2. Residential Requirement due to Urban Transformation

The residential requirement due to urban transformation will constitute a significant part in the total residential requirement until the year 2023. The fact that the need for urban transformation has increased and formation of the related legal framework indicates that the urban transformation would be accelerated in the new period. Due to this reason the household requirement is going to be higher when compared to the previous years.

As of the year 2011, the number of resident, without permit, in urban settlements is envisaged as 5,131,248 flats. In addition to this, there is also a resident/flat inventory, which has permit, but which are carrying a higher risk, in case a disaster would take place. Together with adding up of these flats as well, a total of 5.3 million flats would be subject to urban transformation.

When the economic feasibility would be taken into account, the transformation of this residential inventory would be spread out through the time. According to this, it has been assumed that 40% of the 5.3 million residents would be subject to urban transformation until the year 2023 and after the year 2013 equal amount of flats are assumed to be produced.

Until the year 2023, it has been assumed that amongst 2.12 million flats, 30 thousand is assumed to be produced in the year 2012, 90 thousand in the year 2013 and the remaining as 200 thousand per year.

3. Renewal based residential requirements

The residential inventory in urban settlements is envisaged as 18.06 million flats as of the year 2011. 3.1 million flats amongst these will be over the age of 50 until the year 2023. There is a requirement of renewal for the building and residential inventory, which has completed its physical lifetime. When the calculations are based on the classically assumed rate of 0.5% over the total residential inventory, every year there is a requirement for 90 thousand residents to be renewed, and when the 50 age and over assumption is considered, where a ratio of 2% is used, the result is 60 thousand residents to be renewed.

With the assumption that a certain portion of the residents, which indicate a need for renewal, might be taking place in the scope of urban transformation, it is forecasted that each year there will be a need for renewal for 50 thousand residents. Total 600 thousand residents would require renewal.

4. Total residential requirement

The total residential requirement, which arise basically from three main sources, is envisaged as 7.56 million for a period of 12 years between the years 2012-2023. A 4.84 million of this increase is due to population increase and urbanization, and 2.12 million is due to urban transformation, and the total requirement for renewal is 600 thousand.

TABLE.26 RESIDENTIAL REQUIREMENT FORECASTS IN TURKEY 2023 (THOUSAND UNITS)

YEARS	DUE TO POPULATION INCREASE AND URBANIZATION	DUE TO URBAN TRANSFORMATION	DUE TO RENEWAL	TOTAL
2012	353	30	50	433
2013	352	90	50	492
2014	358	200	50	608
2015	401	200	50	651
2016	406	200	50	656
2017	412	200	50	662
2018	413	200	50	663
2019	419	200	50	669
2020	426	200	50	676
2021	430	200	50	680
2022	440	200	50	690
2023	430	200	50	680
TOTAL	4840	2120	600	7560

The prioritization of the residential requirement with respect to provinces has been presented as the following. According to this the provinces with increasing population and the provinces with highest number of buildings without permit, seems to be the provinces with relatively higher residential requirements.

TABLE.27 THE PROVINCES WITH HIGH RESIDENTIAL REQUIREMENT

CITIES WITH HIGH POPULATION INCREASE RATE	CITIES WITH HIGH RISK OF EARTHQUAKE (1. AND 2. DEGREE)	CITIES WITH HIGH SHANTY SETTLEMENTS
İSTANBUL	İSTANBUL(1)	İSTANBUL
BURSA	ANKARA (1)	ADANA
ANKARA	AYDIN (1)	GAZİANTEP
İZMİR	BALIKESİR (1)	DİYARBAKIR
ANTALYA	BİNGÖL (1)	
	ÇANAKKALE (1)	HATAY
KOCAELİ	DENİZLİ (1)	KONYA
TEKİRDAĞ	DÜZCE (1)	KOCAELİ
VAN	HAKKARİ (1)	MERSİN
ŞANLIURFA	HATAY (1)	SAMSUN
GAZİANTEP	İZMİR (1)	KAHRAMANMARAŞ
K.MARAŞ	MANİSA (1)	MALATYA
	MUĞLA(1)	TRABZON
MUĞLA	SAKARYA(1)	
HATAY		ŞANLIURFA
AYDIN	ANTALYA(2)	VAN
DİYARBAKIR	BURSA(2)	
KAYSERİ	DİYARBAKIR(2)	
YALOVA	ESKİŞEHİR(2)	
MANİSA	GAZİANTEP(2)	
ESKİŞEHİR	KOCAELİ(2)	
KONYA	MALATYA(2)	
SAKARYA	SAMSUN(2)	
BALIKESİR	TEKİRDAĞ(2)	
MERSİN	VAN(2)	
DENİZLİ		
OSMANİYE		

II.2.3 ELEMENTS AFFECTING DEMAND FOR HOUSING IN TURKEY

There are important elements affecting demand for houses in Turkey. The property status of the households, developments in household types, tendency for investing in real estate and developments in personal income are the essential elements with an impact on the demand for housing.

I. HOUSE OWNERSHIP OF HOUSEHOLDS

House owning is still at a comparatively low level at present in Turkey. When the qualities of the houses owned are also taken into consideration within the scope of house owning, it is seen that an important portion of the houses especially owned by the lower income groups are unlicensed houses below minimum standards.

In Turkey, 15.7 million people or 3.7 million households within the non-corporate population has the status of tenant. 925 thousand households from the low income group, 1.55 million households from the middle income group and 1.22 households from the upper income group have the status of tenant. There will be demand for housing from the people with the status of tenant in middle income group in near future. And there will be demand for housing from the low income group as well if affordable house prices occur. The high income group will also continue to have the potential for housing demands.

TABLE.28 OWNERSHIP STATUS OF HOUSEHOLDS IN TERMS OF HOUSING

OWNERSHIP IN HOUSING	THOSE BELOW 60% OF THE MEDIAN INCOME	THOSE BETWEEN 60 TO 120% OF THE MEDIAN INCOME	THOSE ABOVE 120% OF THE MEDIAN INCOME
2006			
NON-CORPORATE POPULATION THOUSAND PEOPLE	17.165	23.229	27.237
HOUSE OWNERS %	59.3	56.6	65.5
TENANTS %	25.0	26.0	20.5
LODGING %	0.0	0.9	2.0
OTHER %	15.7	16.5	12.0
2010			
NON-CORPORATE POPULATION THOUSAND PEOPLE	16.963	26.713	27.667
HOUSE OWNERS %	58.8	55.0	65.5
TENANTS %	29.2	24.6	18.8
LODGING %	0.2	1.2	1.8
OTHER %	17.8	19.2	13.9

SOURCE: TUIK INCOME AND CONDITIONS OF LIVING SURVEY

TABLE.29 EVALUATIONS OF THE HOUSEHOLDS REGARDING SPENDING IN HOUSING

SPENDING ON HOUSING	THOSE BELOW 60% OF THE MEDIAN INCOME	THOSE BETWEEN 60 TO 120% OF THE MEDIAN INCOME	THOSE ABOVE 120% OF THE MEDIAN INCOME
2006			
NON-CORPORATE POPULATION THOUSAND PEOPLE	17.165	23.229	27.237
BRINGS TOO MUCH BURDEN %	45.6	32.1	13.8
BRINGS A LITTLE BURDEN %	48.8	59.0	64.7
DOES NOT BRING ANY BURDEN %	5.7	8.9	21.5
2010			
NON-CORPORATE POPULATION THOUSAND PEOPLE	16.963	26.713	27.667
BRINGS TOO MUCH BURDEN %	47.8	31.5	16.4
BRINGS A LITTLE BURDEN %	47.3	59.8	65.4
DOES NOT BRING ANY BURDEN %	4.9	8.8	18.2

SOURCE: TUIK INCOME AND CONDITIONS OF LIVING SURVEY

2. CHANGE IN HOUSEHOLD TYPES AND DEMAND FOR HOUSING

In parallel with the social-economic developments, the number of households living alone in the house, people living together, families without children and families with a single child increases faster and their share in the population continues to rise. It is estimated that this trend will continue in near future. The urban household population decreases, the number of households with a single child and families without children is increasing. The number of people living together although they are not a family, such as students and the old, is increasing. The developments actually reveal the demand for housing as a determinant element. The development of housing points out to the need for more and smaller houses.

The fact that the number of households of this scale increases causes acceleration in the demand for housing. Demand for housing occurs in the form of leasing or purchasing. However, there will be a tendency increasing the demand for purchase of houses in near future.

TABLE.30 HOUSEHOLD TYPES AND SHARES

HOUSEHOLDS	2002		2010	
	TOTAL	SHARE	TOTAL	SHARE
TOTAL	16,446,644	100.0	18,808,172	100.0
SINGLE PERSON	665,749	4.05	1,141,319	6.07
SINGLE PARENT	926,865	5.63	578,918	3.08
FAMILY WITH A SINGLE CHILD	2,620,653	15.93	3,731,927	19.84
FAMILY WITH TWO CHILDREN	3,939,274	23.95	4,090,915	21.75
FAMILY WITH THREE AND MORE CHILDREN	3,103,774	18.87	2,560,804	13.61
FAMILY WITHOUT CHILDREN	2,155,506	12.86	2,709,183	14.40
PATRIARCHAL FAMILY	2,951,679	17.94	3,206,643	17.05
LIVING TOGETHER (*)	130,631	0.77	788,463	4.20

SOURCE: TUIK HOUSEHOLD SURVEY
(*) not married, student, old people living together.

TABLE.31 HOUSEHOLDS WITH A SINGLE PERSON

AGE GROUPS	2002	2010
TOTAL	665.749	1.141.319
TOTAL MALE	172.974	359.614
18-29	28.561	68.856
30-64	51.228	195.145
65+	93.185	95.614
TOTAL FEMALE	492.775	781.705
18-29	26.245	33.270
30-64	201.756	272.449
65+	264.774	475.986

SOURCE: TUIK HOUSEHOLD SURVEY

3. HOUSE AS AN INVESTMENT TOOL

House continues to be an important tool of investment in real estate in Turkey. In Turkey, gold and real estate are the top two investment tools of the investors. Gold and real estate are considered as the safest tools of investment, beyond their yield.

It is estimated that this strong investment tendency of the households will remain important in the medium to long run. House will remain in demand as an investment tool due to ambiguities and fluctuations and limited yield in other investment tools.

TABLE. 32 PREFERENCES OF HOUSEHOLDS REGARDING INVESTMENT TOOLS

INVESTMENT TOOLS	TOTAL INVESTORS	EXISTING INVESTORS	POTENTIAL INVESTORS	LOST INVESTORS	NO INVESTMENT
GOLD	41	38	39	45	46
REAL ESTATE	19	17	22	17	18
DEPOSITS	17	23	17	13	14
FOREIGN EXCHANGE	9	10	9	8	8
SHARE CERTIFICATES	2	4	2	2	1
OTHER	7	6	8	6	3
NO IDEA	5	2	3	9	10

SOURCE: TSPAKB, INVESTMENT AND PERCEPTION SURVEY 2010

4. INCREASE IN PERSONAL INCOME AND THE DEMAND FOR HOUSING

The increase in the available income of the households, increased capacity to save and increase in repayment opportunities for house loans are other important elements enhancing the demand for housing. The current household population of 4.12 is expected to decline to 3.79 in 2023. Accordingly, the urban household population is expected to rise to 19 million from 14 million.

According to the economic scenarios stipulated for the period until 2023, per capita income reaches \$16,500 by 5 percent growth, \$18,500 by 6 percent growth and \$23.795 by 8.3 percent by 2023.

Depending on the economic growth scenarios, the increase in per capita income will also extend the income, saving and loan repayment capacity aimed at enhancing demand for housing.

Depending on the expectations for improvement in the income distribution, it is foreseen that the housing demand of the medium income group will increase faster. When all data and developments are examined, the following conclusions are made in relation with the houses to be demanded during the next 10 years.

5. HOUSES TO BE DEMANDED

The estimations regarding the houses to be demanded in near future depending on the economic, social and demographic developments are as follows.

- The most preferable houses will be 2+1 and 3+1 houses with an area of 110-125 m². (The average area in m² of the houses (flats) constructed is actually declining; 161.8 m² in 2003, 155.6 m² in 2006 and 144.8 m² in 2011)
- Second preference will be for 1+1 and 2+1 houses between 75-90 m².

- c. Regarding price range, highest demand will be for the houses in the range between \$75 to 125 thousand (by prices of year 2011, TL 1.80 = \$1). As income increases, such range will go up to \$125 to 175 thousand in years.
- d. When buying a house, the most important source will continue to be bank loan. Therefore, the interest rates for house loans and loan repayment amounts will continue to determine the price and size of the house demanded.
- e. First hand (brand new) houses will be more preferable.
- f. The demand for flats in house complexes with security will be on the top of the list in cities and suburbs.
- g. The most demanded facilities and features will be, in the list of priority, green areas, security, playpen and market. Other social facilities will be secondary needs.
- h. While buying a house, its location, price, suitability for earthquake regulations, size of the house, brand new construction and proximity to public transport will be the criteria to be taken into consideration, in the respective order of priority.
- i. The demand for branded houses, residence-style houses, and detached houses in housing complexes in suburbs will be more limited and will be from upper middle-upper income group.

II.2.4 ESTIMATIONS FOR DEMAND FOR HOUSES FROM FOREIGNERS

A new and important factor to determine the demand for houses in Turkey will be demand from the foreigners.

Under the regulation of reciprocity, it is estimated that the foreign demand for and purchase of houses will increase depending on the facilitations for purchase of houses by foreigners. Under such regulation, citizens from 42 more countries will be able to buy houses from Turkey without seeking the principle of reciprocity. Although the regulation introduces some certain limitations, considerable potential is created for house demands from foreigners also considering the facilitations offered at permit stages.

With the regulation, considerable demand is expected from Russia, Turkic Republics, Azerbaijan, Iraq, Iran, S. Arabia, Qatar, United Arab Emirates and other Arab countries.

It is estimated that foreign house demand will arise through four channels;

1. Individual demand for use; demand for secondary and primary housing in shore cities, and for primary housing in large cities for purposes of use and living
2. Demand for individual investment and use; demand for luxurious houses, residence units and seaside residences in large cities for investment and use purposes and for luxurious and detached houses in shore cities for investment and use purposes
3. Demand from funds for investment purposes; the demands from foreign real estate funds to purchase houses as a block in order to resell or lease the same
4. Attempts for project development purposes; foreign real estate development companies purchasing land / plots and producing housing projects to sell to the foreigners (and locals)

In order to encourage sale of houses to foreigners, improvements and facilitations are needed in areas such as residence, work, education permits for foreigners, facilitations in visas while entering - leaving the country, availability of house loans from Turkish banks, house etc. insurance procedures, providing house as a guarantee, mortgage operations, house taxes, purchase and sale taxes, leasing and entering into contract, and taxation of income from lease in addition to the regulation for reciprocity.

TABLE.33 DISTRIBUTION OF FOREIGN NATURAL PERSONS OWNING REAL ESTATES IN TURKEY BY COUNTRIES

COUNTRIES	NUMBER OF MAIN IMMOVABLES	AREA OF MAIN IMMOVABLES M ²	NO OF CONDOMINIUMS	AREA OF CONDOMINIUM M ²	TOTAL NO OF REAL ESTATES	TOTAL AREA OF REAL ESTATES M ²	NUMBER OF PEOPLE
ENGLAND	3,059	2,751,455	22,231	4,106,336	25,290	6,857,791	35,824
GERMANY	20,075	50,105,929	18,616	1,898,340	38,691	52,004,269	29,288
GREECE(I)	6,281	2,648,859	3,672	193,389	9,953	2,788,248	10,833
IRELAND	218	167,279	4,920	649,088	5,138	816,367	6,816
HOLLAND	1,166	2,878,813	3,968	609,061	5,134	3,487,874	5,907
DENMARK	387	1,679,119	4,448	537,397	4,835	2,216,516	5,833
NORWAY	90	715,077	3,832	376,704	3,922	1,091,782	5,541
RUSSIA	150	346,427	4,853	517,327	5,003	863,754	5,415
AUSTRIA	4,113	12,237,769	2,591	201,019	6,704	12,438,787	4,470
BELGIUM	149	396,940	2,470	315,264	2,619	712,204	3,478
SWEDEN	151	344,965	1,461	143,188	1,612	488,153	1,978
FINLAND	42	129,789	929	78,293	971	208,081	1,297
FRANCE	463	797,864	623	67,516	1,086	865,381	1,189
USA	416	383,883	766	89,788	1,182	473,672	1,143
TRNC	275	527,360	753	68,251	1,028	595,611	1,008
ITALY	279	160,200	596	56,726	875	216,925	938
UKRAINE	33	18,573	476	64,865	509	83,4376	565
AUSTRALIA	167	364,942	160	19,033	327	383,975	292
SWITZERLAND	131	249,083	154	25,039	285	274,123	244
SERBIA	48	21,841	152	9,262	200	31,103	242
TOTAL	37,887	79,190,393	78,571	10,178,956	116,458	89,369,349	125,460

SOURCE: GENERAL DIRECTORATE OF TITLE DEED AND CADASTRE 12th APRIL 2102
(I) 8.420 OUT OF TOTAL 9.953 REAL ESTATES FOR GREEK CITIZENS OF TURKISH ORIGIN

TABLE.34 DISTRIBUTION OF REAL ESTATES OWNED BY FOREIGN NATURAL PERSONS IN TURKEY BY CITIES

CITIES	NO OF MAIN IMMOVABLES	AREA OF MAIN IMMOVABLES M ²	NO OF CONDOMINIUMS	AREA OF CONDOMINIUM M ²	TOTAL NO OF REAL ESTATES	TOTAL AREA OF REAL ESTATES M ²	NUMBER OF PEOPLE
ANTALYA	2.506	3.057.975	30.340	3.343.048	32.846	6.401.023	42.173
MUĞLA	2.504	2.995.626	12.453	2.945.344	14.957	5.940.969	20.657
AYDIN	1.501	2.011.878	11.666	1.908.892	13.167	3.920.770	18.089
İSTANBUL	4.406	3.068.665	8.402	564.454	12.808	3.633.118	13.002
BURSA	3.977	1.829.554	1.321	47.944	5.298	1.877.498	5.575
İZMİR	2.619	3.273.311	2.914	341.058	5.533	3.614.368	5.432
MERSİN	441	771.079	1.757	184.621	2.198	955.700	2.299
ANKARA	1.051	4.841.406	1.288	80.997	2.339	4.922.403	1.746
HATAY	1.480	3.814.518	551	37.431	2.031	3.851.969	1.425
BALIKESİR	630	1.229.822	642	87.729	1.272	1.317.551	1.123
YALOVA	419	318.127	562	21.851	981	339.978	1.059
KAYSERİ	687	2.026.594	601	44.456	1.288	2.071.030	911
KONYA	673	6.428.651	502	55.507	1.175	6.484.158	880
KOCAELİ	602	604.651	535	115.286	1.137	719.937	807
SAKARYA	489	1.038.150	319	29.387	808	1.067.537	635
ADANA	426	1.828.021	322	24.581	748	1.852.602	518
TEKİRDAĞ	624	1.929.919	208	14.921	832	1.944.840	540
MANİSA	473	1.015.163	184	10.322	657	1.025.488	499
NEVŞEHİR	661	2.086.476	81	8.505	742	2.094.981	418
SAMSUN	500	700.563	219	7.892	719	708.455	394
TOTAL	37.887	79.190.393	78.571	10.178.956	116.458	89.369.349	125.460

SOURCE: GENERAL DIRECTORATE OF TITLE DEED AND CADASTRE 12th APRIL 2102

As of April 2012, the number of houses in Turkey purchased by foreign natural persons within the scope of existing regulations is 78.571; with average size of such houses being 129.6 m² and the total area being 10.18 million m². It is seen that these houses are mostly purchased by the Europeans for use as the primary or secondary houses on shore cities mostly. Total land area sold to the foreigners is 89 km².

Among the two important example countries for sale of houses to foreigners, Spain sold average 35 thousand houses per annum to foreigners between the years 1990 and 2005. These houses are mostly secondary houses in nature and they are in shore cities. The second example, Dubai, on the other hand, is an example, where mostly luxurious houses are bought for investment and use purposes, and average 12 thousand houses were sold per annum to the foreigners before the crisis.

It is estimated that following the regulation of reciprocity, the house sale figure in Turkey will be 10-12 thousand items amounting to \$2.5-3.0 billion during the initial years and \$4-5 billion per annum for later years with the demand of foreign natural persons to arise for houses of various segments. Following initial years, average 20 thousand houses will be sold per annum to be distributed among various segments. 10 thousand houses can be in shore cities (\$125-150,000 / Item as average), 7500 houses at city centers (\$200-250,000 / Item as average) and 2500 houses (\$400-500,000 / Item as average) could be luxurious houses for investment and use purposes. For the creation of competitive and ethical market for sale of real estates and houses to foreigners, it will be beneficial if the assessment companies licensed by the Capital Market Board assess respective values.

II.2.5 HOUSE FINANCING SYSTEM AND HOUSE LOANS

House financing system and house loans constitute an important element of the housing sector. In this respect, estimations are provided regarding the development of house loans and housing financing system for the period until 2023.

I. ESTIMATIONS FOR HOUSE LOANS

As of late 2011, the size of house loans made available throughout Turkey is TL 74.59 billion, the number of house loans made available is 1.36 million, the average size of the house loans made available is TL 54,845, the share of house loans in total loans is 10.92 percent and the share of the house loans in national income is 5.76 percent.

The basic assumptions in estimations relating to the growth of house loans are economic growth scenarios as well as interest rates for house loans and the operational efficiency of the secondary markets in house financing system. Accordingly, the basic assumptions are that the monthly average rate of interest will be 1 percent and less for house loans until 2023 and that the domestic secondary markets will start to operate, providing financing.

Based on these assumptions, the house loans/national income rate is estimated as 12 percent (with an increase of 0.5 percent every year) with 5 percent growth rate scenario, 15 percent (with an increase of 0.75 percent every year) with 6 percent growth rate scenario and 21 percent (with an increase of 1.25 point every year) with the 8.3 growth rate scenario for year 2023. In 2023, the size of house loans reaches \$166.8 billion with 5 percent growth scenario, \$233.3 billion with 6 percent growth rate scenario and \$420 billion with 8.3 percent growth rate scenario.

TABLE.35 ESTIMATIONS FOR HOUSE LOANS \$ BILLION

YEARS	BY 5% GROWTH	BY 6% GROWTH	BY 8.3% GROWTH
2011	39.7	39.7	39.7
2015	70.4	87.8	126.2
2020	119.8	156.6	266.9
2023	166.8	233.3	420.0

It is estimated that the house loans/national income rate, which was 53 percent in 2011, will reach 100-110 percent in 2023. The size of bank loans and national income will be approximately the same in 2023. In this respect, the proportion of the house loans to the national income will also be equal/close to the total bank loans. The share of house loans in total bank loans was 10.92 percent in 2011, which is calculated to be 12 percent according to 5 percent growth rate

scenario, 16 percent according to 6 percent growth rate scenario and 21 percent according to 8.3 percent growth rate scenario in 2023. Such calculation shows the harmony between the growth of house loans and total loans.

The size of the average loan used as of 2011 is approximately \$30,000. When the increases in house prices are also taken into consideration until 2023, and with the assumption that the average loan size to be used will be \$50,000; the total number of house loans used in 2023 turns out to be 3.34 million items, 4.67 million items and 8.4 million items respectively for three different scenarios. Accordingly, it is estimated that additional 1.98 million items to 7.04 million items of house loans will be made available until 2023 (with average house size of \$50,000).

2. ESTIMATIONS FOR RATE OF INTEREST FOR HOUSE LOANS

The interest rates for house loans will continue to be the most important determinant in the use of house loans. The fact that interest rates for houses exceed monthly average 1.00 - 1.10 percent per month limits the payment capacity and demand for houses. The fact that interest rates for house loans fall below 1 percent per month, on the other hand, enhances demand for and use of house loans.

In this respect, in order for the house loan sizes estimated to be achieved by 2023, the average interest rate for house loans should be 0.80 and below as a necessary condition. It will not be possible to ensure the desired economic growth with interest rates remaining high.

TABLE.36 REPAYMENTS FOR HOUSE LOANS AMOUNTING TO TRL 100.000, 75.000 AND TRL 50.000

LOAN TERM	LOAN INTEREST RATES AND AMOUNTS OF INSTALLMENTS				TOTAL PAYMENT AMOUNTS			
	1.35	1.10	0.80	0.60	1.35	1.10	0.80	0.60
TRL 100.000								
60 MONTH	2.486	2.320	2.129	2.007	149.148	139.174	127.719	120.399
120 MONTH	1.739	1.470	1.326	1.190	208.633	176.353	159.113	142.818
180 MONTH	1.540	1.239	1.080	930	277.148	223.027	194.311	167.477
240 MONTH	1.468	1.143	970	809	352.215	274.367	232.879	194.224
TRL 75.000								
60 MONTH	1.865	1.740	1.597	1.505	111.861	104.381	95.789	90.229
120 MONTH	1.304	1.103	995	893	156.475	132.265	119.335	107.115
MONTH 180	1.155	929	810	698	207.861	167.270	145.733	125.608
MONTH 240	1.101	857	727	607	264.161	205.775	174.659	145.668
TRL 50.000								
60 MONTH	1.243	1.160	1.065	1.004	74.574	69.587	63.860	60.200
120 MONTH	870	735	663	595	104.317	88.177	79.557	71.409
180 MONTH	770	620	540	465	138.574	111.514	97.156	83.739
240 MONTH	734	572	485	405	176.108	137.184	116.440	97.112

3. CAPACITY OF HOUSEHOLDS TO USE HOUSE LOANS

Households are capable of saving depending on the share they receive from increase in income and the distribution of income and spending on consumption. The monthly and annual saving capacity of the households is also an important indicator for their ability to afford principal and interest of the house loan.

In this respect, monthly saving capacities are estimated for households for year 2023 depending on the assumptions regarding the distribution of the national income among household income groups and the distribution of spending on consumption with respect to economic growth scenarios.

The national income size for year 2023 found according to three different income scenarios is distributed to households in terms of special available income and special spending on consumption. In 2023, there will be total 21 million households and each income group will have 4.2 million households.

Accordingly, according to the 5 and 6 percent growth scenarios, the saving capacities of the middle, middle upper and upper class income groups will be sufficient for house loans in 2023. With a growth rate of 8.3, all income groups are found to have saving surplus, though still middle and upper class income groups will have sufficient savings to use house loans. Such calculation of saving capacity is for the savings of the households after the payment of their lease. When it is considered that the households will not pay lease once they own their own houses, there will be an additional saving capacity for each income group equal to the lease payment.

TABLE.37 DISTRIBUTION SHARES FOR HOUSEHOLDS AND CONSUMPTION SPENDING 2023

GROWTH		1st 20% GROUP	2nd 20% GROUP	3rd 20% GROUP	4th 20% GROUP	5th 20% GROUP
%5	INCOME SHARE %	6.00	11.00	16.00	21.00	46.00
	SHARE IN SPENDING %	9.00	14.00	17.00	22.00	38.00
%6	INCOME SHARE %	6.50	12.00	16.50	21.00	44.00
	SHARE IN SPENDING %	9.00	14.50	17.50	22.00	37.00
%8.3	INCOME SHARE %	8.00	13.00	18.00	21.00	40.00
	SHARE IN SPENDING %	9.00	15.00	19.00	22.00	35.00

TABLE.38 AVERAGE MONTHLY SAVING CAPACITY OF THE HOUSEHOLDS 2023 \$

ECONOMIC GROWTH	%20	%20	%20	%20	%20
%5	-385	-218	360	535	3.215
%6	-307	-99	416	575	3.395
%8.3	120	160	615	775	3.450

4. HOUSE FINANCING SYSTEM AND SECONDARY MARKETS

In order for the housing sector to attain the estimations for the use of house loans with sound and steady development of the house sector in Turkey, secondary markets should be established and operated within house financing system and long-term funds should be used. With the global crisis arising out of house financing system experienced after house financing system law was enforced in Turkey, the primary and secondary house financing markets have suffered damages on a global scale. Similarly, primary and secondary commercial real estate markets have also experienced distress.

In this respect, there is a need for recovery and improvement also for becoming operational again on a global scale for the house financing system.

It seems the global crisis that occurred when arrangements for this system were just provided in Turkey in a way protected Turkey. Still, as the secondary markets could not be established, the growth in house loan volume in Turkey remained below the estimations and reached 5.56 percent of the national income only in 2011.

When viewed through this framework, there is a need in Turkey to set up and operate secondary markets, to issue securities guaranteed by mortgage and securities guaranteed by assets, to create liquid points for the same, to set up house financing fund and asset financing fund tools and also to ensure that they invest in assets in secondary markets, creating long-term sources. Otherwise, the growth in house loan volume will remain below the estimations.

The indicators of the house financing systems of some picked European Union countries before the global crisis reveal the importance of the secondary markets.

TABLE.39 THE DEBENTURE SIZES BASED ON MORTGAGED HOUSE LOANS IN EU COUNTRIES 2008

COUNTRIES	TOTAL MORTGAGED HOUSE LOAN BILLION EURO	DEBENTURE STOCK RELYING ON TOTAL MORTGAGED HOUSE LOAN / BILLION EURO	SECURITIZATION RATE %
AUSTRIA	71.4	8.5	11.9
CZECH REPUBLIC	16.0	8.2	51.3
DENMARK	222.1	365.8	164.7
FINLAND	88.4	5.8	6.6
FRANCE	700.8	119.0	17.0
GERMANY	1147.9	216.7	18.9
HUNGARY	15.6	7.2	46.2
IRELAND	148.5	23.0	15.5
ITALY	311.8	6.3	2.0
LATVIA	7.2	0.1	1.4
LUXEMBOURG	15.9	0.3	1.9
HOLLAND	589.5	20.8	3.5
POLAND	56.5	0.7	1.2
PORTUGAL	105.2	15.3	14.5
SLOVAKIA	8.5	3.6	42.4
SPAIN	674.4	313.5	46.5
SWEDEN	199.1	126.4	63.5
ENGLAND	1458.9	186.6	12.8
EU-27	6,087.9	1,515.0	24.9
TURKEY	17.6	-	-

SOURCE: EUROPEAN MORTGAGE FEDERATION, ANNUAL REPORT, 2009

II.2.6 ESTIMATIONS FOR SUPPLY OF HOUSES

In Turkey, a very large portion of house supply is realized by the private sector. According to the distribution of construction licenses received as of 2011, the share of the private sector is 89.7 percent, the share of the public sector is 8.2 percent and the share of the cooperatives is 2.1 percent.

And private sector will also meet a considerable portion of the needs and demands for housing in Turkey during the period until 2023. However, improvements and regulations are needed on 5 important topics during the process ahead of us in relation with supply of houses.

1. Meeting the need for land

The needs and demands for houses are gradually shifting to the middle segment. There will be saturation in housing demands of the upper group and also partially of the upper middle group. The demand for housing in the middle and lower middle segment, on the other hand, will be towards standard middle class houses. The distress over land and high land prices in Turkey continue to yield high costs. The prices of the land to arise due to urban transformation will also remain high. Therefore, in near future, it is necessary to ensure;

- a. That local governments produce low cost land in zones to be announced as housing areas in their 1/100,000 plans,
 - b. That treasury lands are made to conform to zoning for housing and are especially made available for use for the construction of middle class houses (allocation, sale by low price)
 - c. That VAT received from land prices is reduced from 18 percent to 1 percent
2. Reducing taxes, levies and fees and similar public burden included in construction costs, evaluating not only building construction but also infrastructure and relevant social equipping and other superstructures within the same scope,
 3. Transformation of TOKI to a Housing Financing Fund Organization within house financing system, acting as a dealer for house financing markets and creating and making available long term sources, withdrawal of TOKI from actual production of houses and buildings, and producing or causing production of affordable house only,

4. Ensuring maximum supervision for issuing construction licenses and building permits in house production and preventing recorded or unrecorded unfair competition,
5. Encouraging the implementation of mandatory standards introduced for houses and buildings (such as energy efficiency etc) through taxes and similar tools and making the public meet some of the costs.

TABLE.40 DISTRIBUTION OF HOUSE CONSTRUCTION LICENSES AMONG PRODUCER SEGMENTS

YEARS	TOTAL NUMBER OF FLATS	PRIVATE SECTOR	COOPERATIVE	PUBLIC SECTOR
2002	161.431	131.149	23.534	6.748
2003	202.239	171.914	20.346	9.979
2004	329.777	284.410	27.209	18.158
2005	545.336	456.491	34.844	54.001
2006	597.786	521.115	51.501	25.170
2007	581.029	503.514	40.570	36.945
2008	501.005	410.342	31.979	58.684
2009	516.229	430.797	31.917	53.515
2010	911.672	775.909	53.872	81.891
2011	642.972	576.627	13.777	52.568

SOURCE: TURKISH STATISTICS INSTITUTION, CONSTRUCTION PERMIT STATISTICS

TABLE.41 DISTRIBUTION OF HOUSE CONSTRUCTION LICENSES AMONG PRODUCER SEGMENTS BY PERCENTAGE

YEARS	TOTAL NUMBER OF FLATS	PRIVATE SECTOR	COOPERATIVE	PUBLIC SECTOR
2002	100.0	81.2	14.6	4.2
2003	100.0	85.0	10.0	5.0
2004	100.0	86.2	8.3	5.5
2005	100.0	83.7	6.4	9.9
2006	100.0	87.2	8.6	4.2
2007	100.0	87.3	7.0	5.7
2008	100.0	81.9	6.4	11.7
2009	100.0	83.4	6.2	10.4
2010	100.0	85.1	5.9	9.0
2011	100.0	89.7	2.1	8.2

SOURCE: TURKISH STATISTICS INSTITUTION, CONSTRUCTION PERMIT STATISTICS

Part III.

COMMERCIAL REAL ESTATE SECTOR

The real estate sector consists of commercial real estate sector along with housing sector. In this respect, the third part of the study of estimations for real estate sector in Turkey in 2023 contains the estimations for the commercial real estate sector following the housing estimations contained in the second part. The determining element for estimations in commercial real estate sector is the level of economic and social development depending on the economic growth scenarios.

Three separate economic growth indicators used in the first part of the study are also determining for the commercial real estate sector. Within this scope, commercial real estate sector is evaluated under the topics retail market and shopping centers, office sector and market, tourism sector and hotel market and industrial and logistic areas and estimations are offered.

III.I RETAIL MARKET AND SHOPPING CENTERS

Shopping centers and other retail channels acting as dealers for retail trade, which are the elements of modern retail market, are the first in the commercial real estate sector. The main factor, which will determine the growth trend and estimations for shopping centers and other retail channels, will be, on the other hand, economic sizes, and special consumption spending related thereto and the sizes of retail spending. Therefore, first of all estimations relating to these basic indicators are offered.

III.I.I SPECIAL CONSUMPTION RETAIL SPENDING AND RETAIL MARKET ESTIMATIONS

While making estimations for special consumption expenses and retail spending, the economic growth scenarios and national income estimations calculated as based thereon provided for in the first part of the study shall be used. Accordingly, with the assumption of 5 percent economic growth, national income amounts to \$1.39 trillion in 2023, with the assumption of 6 percent it amounts to \$1.6 trillion and with the assumption of 8.3 percent it amounts to \$2.0 trillion.

TABLE.42 SCENARIOS FOR NATIONAL INCOME SIZE, \$ BILLION

YEARS	WITH 5% GROWTH	WITH 6% GROWTH	WITH 8.3% GROWTH
2011	772	772	772
2012	811	819	836
2013	851	868	905
2014	894	920	980
2015	939	975	1060
2016	986	1035	1147
2017	1035	1096	1240
2018	1087	1161	1341
2019	1141	1230	1450
2020	1198	1305	1570
2021	1258	1383	1700
2022	1321	1466	1847
2023	1390	1555	2000

Special consumption spending arise depending on special available income, which in turn arises depending on the size of the national income. The share of special available income within national income has changed between 85.4 to 88.6 during the last seven years. Accordingly, 85 are used as the ratio for calculating the period until 2023.

Special consumption spending indicate the spending on consumption within special available income. The processes for the growth of population, demography and economy in Turkey strengthen the tendency for special consumption. Therefore, meeting the domestic savings deficit arising is also among the economy priorities of the Government. Within this framework, the rate 85 percent is used to calculate the special consumption spending/special available income rate the period until 2023, which rate has varied between 82.3 percent and 87.7 percent during the last 5 years.

TABLE.43 SPECIAL AVAILABLE INCOME AND CONSUMPTION SPENDING

	2005	2006	2007	2008	2009	2010	2011
GNP \$ Billion	481.5	526.4	658.8	742.3	616.7	731.6	772.3
SPECIAL AVAILABLE INCOME / GNP %	85.6	85.4	87.0	87.4	88.6	86.7	85.4
SPECIAL AVAILABLE INCOME \$ Billion	412.2	449.5	573.2	648.8	546.4	637.9	659.5
SPECIAL CONSUMPTION SPENDING / GNP %	71.7	70.5	73.9	72.2	74.6	74.4	74.9
SPECIAL CONSUMPTION SPENDING \$ Billion	345.2	371.1	486.9	535.9	460.7	547.4	578.5
SPECIAL CONSUMPTION SPENDING / SPECIAL AVAILABLE INCOME %	83.7	82.6	84.9	82.3	84.2	85.8	87.7

SOURCE: TURKEY STATISTICS INSTITUTION, STATE PLANNING ORGANIZATION

Depending on these assumptions, below are the estimations for special available income and special consumption spending found for the period until 2023 depending on three different economic growth scenarios.

With the 5 percent growth scenario, special available income amounts to \$1.18 trillion in year 2023 and special consumption spending amount to \$1.0 trillion.

With the 6 percent growth scenario, special available income amounts to \$1.32 trillion in year 2023 and special consumption spending amount to \$1.12 trillion.

With the 8.3 percent growth scenario, special available income amounts to \$1.7 trillion in year 2023 and special consumption spending amount to \$1.44 trillion.

When special consumption spending by year 2023 are compared to year 2011, 5 percent growth scenario yields \$426 billion, 6 percent growth scenario yields \$546 billion and 8.3 percent growth scenario yields \$866 billion of additional special consumption spending.

TABLE.44 ESTIMATIONS ON SPECIAL AVAILABLE INCOME AND SPECIAL CONSUMPTION SPENDING (2023) \$ BILLION				
INDICATORS	WITH 5% GROWTH Pessimistic Scenario	WITH 6% GROWTH Reference Scenario	WITH 8.3% GROWTH Potential Scenario	2011
NATIONAL INCOME	1.392	1.555	2.000	772
SPECIAL AVAILABLE INCOME/NATIONAL INCOME	85	85	85	85.4
SPECIAL AVAILABLE INCOME \$ Billion	1.182	1.322	1.700	660
SPECIAL CONSUMPTION SPENDING / SPECIAL AVAILABLE INCOME %	85	85	85	87.7
SPECIAL CONSUMPTION SPENDING	1.005	1.125	1.445	579

SOURCE: TURKISH STATISTICS INSTITUTION, CONSTRUCTION PERMIT STATISTICS

Retail spending consist of the spending of the households on goods and services subject to retail trade. Retail spending are generally divided into two as food and non food retail spending. Non food retail includes many retail products and services ranging from clothing and footwear, furniture, electronic goods, white goods, household goods, house maintenance services, entertainment and cultural services and various goods and services covering personal care products, non food fast consumption products, jewelry, accessories, ornaments and many similar goods and services.

TABLE.45 SHARE AND SIZES OF RETAIL SPENDING \$ BILLION

YEARS	NATIONAL INCOME	SPECIAL CONSUMPTION SPENDING	SPENDING ON RETAIL	SPENDING ON RETAIL / NATIONAL INCOME %	SPENDING ON RETAIL/ SPECIAL CONSUMPTION SPENDING %
2005	481.5	412.2	180.2	37.4	43.7
2006	526.4	449.5	188.0	35.7	41.8
2007	658.8	573.2	228.1	34.6	39.8
2008	742.3	648.8	248.1	33.4	38.2
2009	616.7	546.4	207.7	33.7	38.0
2010	731.6	637.9	250.9	34.3	39.3
2011	772.3	659.5	266.6	34.5	40.4

In Turkey, the percentage of the spending on retail to the national income has varied between 33.4 to 37.4 during the last seven years. The share of spending on retail within special consumption spending, on the other hand, varied between 38 percent and 43.7 percent.

Special consumption spending also include spending on housing, water, electricity, gas, transport-communications, health, education and also tourism activities not included in spending on retail and spending on various goods and services. The households divide their special consumptions between spending on retail and non-retail spending.

Based on the economic, social, demographic and urban estimations for the period until 2023, the share of spending on retail within national income is estimated as 35 percent and the share of spending on retail within special consumption spending is estimated as 40 percent.

Depending on these assumptions, the estimations for spending on retail within the scope of the three economic growth scenarios are provided below. Accordingly, the size of spending on retail, which was \$266.6 billion in 2011 reaches \$402 billion in 2023 with 5 percent growth scenario, \$450 billion with 6 percent growth scenario, and \$578 million with 8.3 percent growth scenario. Per capita spending on retail, on the other hand, reaches \$4785, \$5355 and \$6878 respectively according to 3 separate economic growth scenarios.

TABLE.46 ESTIMATIONS FOR RETAIL SPENDING 2023 (\$)

INDICATORS	2011	WITH 5% GROWTH Pessimistic Scenario	WITH 6% GROWTH Reference Scenario	WITH 8.3% GROWTH Potential Scenario
SPECIAL CONSUMPTION SPENDING \$ Billion	659.5	1.005	1.125	1.445
SPENDING ON RETAIL / SPECIAL CONSUMPTION SPENDING	40.4	40	40	40
SPENDING ON RETAIL \$ Billion	266.6	402	450	578
POPULATION MILLION PEOPLE MID YEAR	73.95	84.05	84.05	84.05
PER CAPITA SPENDING ON RETAIL \$	3.605	4.785	5.355	6.878

Spending on retail are divided into two, as food spending and nonfood spending. The spending on retail, including food spending and nonfood spending, also increase in parallel with the special consumption spending. However, the rising trend for good spending is limited to the personal food consumption. Depending on such limitation, the share of retail spending on food starts to decline next period, while the share of nonfood retail spending starts to incline. As personal income increases, household starts to emphasize retail spending other than the obligatory - optional spending on food.

However, when the income distribution in Turkey and the spending of income groups on consumption are taken into consideration, it is estimated that the increase in available personal and household income will increase the spending on food for another term. Still, it is estimated that the shares of retail spending on food and non-food retail spending, which were 53.7 percent and 46.3 percent, respectively, in 2011, will improve to the favor of non-food retail spending until 2023. It is estimated that the share of non-food retail will reach 47 percent in 2023 with 5 percent growth scenario, 50 percent with 6 percent growth scenario and 55 percent with 8.3 percent growth scenario.

Depending on these estimations, the size of non-food retail market will reach \$188.9 million in 2023 according to 5 percent growth scenario, \$225 million according to 6 percent growth scenario and \$317.9 million according to 8.3 percent growth scenario. Retail spending on food, on the other hand, amount to \$213.1 billion, \$225 billion and \$260.1 billion respectively according to the three growth scenarios.

TABLE.47 FOOD AND NON-FOOD RETAIL SPENDING

INDICATORS	2011	WITH 5% GROWTH Pessimistic Scenario	WITH 6% GROWTH Reference Scenario	WITH 8.3% GROWTH Potential Scenario
RETAIL SPENDING \$ BILLION	266.6	402	450	578
SHARE OF NONFOOD RETAIL SPENDING %	46.3	47.0	50.0	55.0
NONFOOD RETAIL SPENDING, \$ BILLION	123.4	188.9	225.0	317.9
SHARE OF RETAIL SPENDING ON FOOD %	53.7	53.0	50.0	45.0
RETAIL SPENDING ON FOOD \$ BILLION	143.2	213.1	225.0	260.1
PER CAPITA NONFOOD RETAIL SPENDING \$	1739	2247	2677	3782
PER CAPITA FOOD RETAIL SPENDING \$	1936	2535	2677	3095

The indicator that is important within the retail sector and that provides a link with the real estate sector; on the other hand, is the distribution of the retail market between the modern retail market and traditional market.

The retail channels included in the real estate sector; especially including shopping centers, technology markets, construction markets, and house-decoration markets, and also retail channels such as hypermarkets and supermarkets for food and fast moving consumer goods constitute modern retail channels.

In this respect, there is a close relationship between the modern retail market and the elements constituting its retail channels and the modern retail market also grows with the development of modern retail channels.

The share of modern retail within retail market varies by years depending on economic growth, increase in personal income, urbanization and change in lifestyles. The share of modern retail in European Union has reached rates varying between 75 to 85 depending on the country.

The share of modern market within retail market has increased swiftly in Turkey during the last decade. As of 2011, the share of modern retail has reached 43 percent. Its size reached \$ 114.6 billion. Although the size and share of the traditional market are higher, the share of modern retail market will continue to rise.

TABLE.48 RETAIL MARKET AND DEVELOPMENT \$ BILLION

MARKETS	2005	2006	2007	2008	2009	2010	2011
RETAIL MARKET	180.2	188.0	228.1	248.1	207.7	250.9	266.6
SHARE OF MODERN RETAIL MARKET %	30	32	34	37	38	40	43
SHARE OF TRADITIONAL MARKET %	70	68	66	63	62	60	57
MODERN RETAIL MARKET	54.7	60.5	77.6	91.7	79.4	100.4	114.6
TRADITIONAL MARKET	125.5	127.5	150.5	156.4	128.3	150.5	152.0

SOURCE: CALCULATIONS BY TASK TEAM

Modern retail market also different developments and shares in food and nonfood retail markets. As of year 2011, share of modern market in food market is 30 percent and its size is \$43.0 billion, while its share in nonfood market is 57.0 percent and its size is \$71.6 billion.

TABLE.49 THE SIZE OF MODERN RETAIL MARKET IN TURKEY 2011 SPENDING ON TRADEMARK

MARKETS	RETAIL SPENDING (\$ BILLION)	MODERN MARKET SHARE	MODERN RETAIL MARKET SPENDING \$ BILLION
FOOD MARKET	143.2	30.0	43.0
NONFOOD MARKET	123.4	57.0	71.6
CLOTHING AND FOOTWEAR	30.6	45.0	13.8
FURNITURE AND HOUSEHOLD APPLIANCES	44.6	60.0	26.8
HOUSE MAINTENANCE SERVICES			
ENTERTAINMENT AND CULTURE	21.2	70.0	14.9
COMMUNICATION			
RESTAURANTS AND HOTELS	7.0	100.0	7.0
MISC. GOODS AND SERVICES	20.0	45.0	9.0
TOTAL	266.6	43.0	114.6

Depending on the basic assumptions regarding economic and social development in Turkey, the increase in modern retail market share will continue until year 2023. It is estimated that the share of modern retail market in nonfood market, which was 57 percent in 2011, will increase by years, reaching 75 percent in 2023, and that the share of modern retail market in food market will reach 50 percent from 30 percent.

Depending on these estimations, the estimations for market sizes for modern food, nonfood and total retail are provided below for year 2023 and depending on three economic growth scenarios. Accordingly, the share of the modern retail market is estimated to be 62 percent and its size is estimated to be \$249 billion for 2023 according to the 5 percent growth scenario, \$281 billion according to the 6 percent growth scenario and \$368 billion according to the 8.3 percent growth scenario.

TABLE.50 ESTIMATIONS FOR MODERN RETAIL MARKET SIZE

	YEARS	SHARE %	WITH 5% GROWTH Pessimistic Scenario	WITH 6% GROWTH Reference Scenario	WITH 8.3% GROWTH Potential Scenario
NONFOOD MODERN RETAIL \$ BILLION	2011	57.0	71.6	71.6	71.6
	2023	75.0	142	169	238
FOOD MODERN RETAIL \$ BILLION	2011	30.0	43.0	43.0	43.0
	2023	50.0	107	112	130
TOTAL MODERN RETAIL \$ BILLION	2011	43.0	114.6	114.6	114.6
	2023	62.0	249	281	368

III.1.2 ESTIMATIONS FOR SHOPPING CENTERS AND OTHER MODERN RETAIL CHANNELS

The elements within the retail sector that are related with the real estate sector are Shopping Centers and other modern retail channels. Development of modern retail channels also means the expansion of modern retail market.

In this study, the locations referred to as Shopping Centers are considered as SCs even if they are smaller than the size 5000 m². Therefore, some figures disclosed in the sector and the figures in our report may be different.

In Turkey, while the share of the modern retail market was 30 percent and its size was \$44.2 billion in 2004, the size of leasable SC area was 2.0 million m² for the same year. In year 2011, on the other hand, the share of modern retail market was 43 percent, while its size was \$114.6 billion. In year 2011, the size of leasable SC area was 7.33 million m².

TABLE.51 SHOPPING CENTER INDICATORS

YEARS	TATOL SL	TOTAL LEASABLE AREA M ²	LEASABLE AREA PER THOUSAND PEOPLE M ²
2002	66	1.639.589	25.0
2003	85	1.891.322	28.3
2004	100	2.052.368	30.2
2005	119	2.357.329	34.2
2006	144	2.824.536	40.6
2007	172	3.747.173	53.0
2008	214	4.708.219	65.9
2009	238	5.526.659	76.2
2010	262	6.290.341	85.4
2011	298	7.561.886	101.2
2011 STOCK	279	7.333.170	98.1

The estimations for the growth of the spending on retail and the modern retail market in Turkey are presented according to three growth scenarios. Accordingly, the share of the modern retail market is estimated as 62 percent for year 2023 and its size is estimated as \$249 billion according to 5 percent growth scenario, \$281 billion according to the 6 percent growth scenario and \$368 billion according to the 8.3 percent growth scenario.

Within the framework of such sizes for modern retail spending, estimations are provided regarding shopping centers and other modern retail channels. Accordingly, first assessments are presented about shopping centers.

As of the end of year 2011, there were 279 SCs and total 7.33 million m² of leasable SC area. The leasable area size per one thousand people was 98.1 m² and the modern retail spending per leasable area was \$15.635. As we have already mentioned before, such SC stock includes all SC without any limitation in terms of size in m².

With the realization of the SC projects currently in progress by late 2014, it is expected that 82 more SCs will be opened and additional leasable area of 3.28 million m² will be added. Thus, by late 2014, the number of SCs will have reached 361 and total leasable area will have reached 10.61 million m².

Depending on three growth scenarios relating to year 2023, the estimations are 13.3 million m² leasable area for \$249 billion of modern retail spending to be achieved according to the 5 percent economic growth scenario, 15 million m² leasable area for \$281 billion of modern retail spending to be achieved according to the 6 percent economic growth scenario and 19.6 million m² leasable area for \$368 billion of modern retail spending to be achieved according to the 8.3 percent economic growth scenario.

TABLE. 52 ESTIMATIONS FOR SHOPPING CENTERS

INDICATORS	BY GROWTH OF 5%	BY GROWTH OF 6%	BY GROWTH OF 8.3%
MODERN RETAIL SPENDING \$ BILLION 2011	114.6	114.6	114.6
LEASABLE SC AREA MILLION M ² 2011	7.33	7.33	7.33
LEASABLE AREA PER ONE THOUSAND PEOPLE M ² 2011	98.1	98.1	98.1
RETAIL SPENDING PER LEASABLE M ² \$ 2011	15.635	15.635	15.635
MODERN RETAIL SPENDING BILLION \$ 2023	249.0	281.0	368.0
LEASABLE SC AREA MILLION M ² 2023	13.30	15.00	19.6
LEASABLE AREA PER ONE THOUSAND PEOPLE M ² 2023	158.2	178.5	233.2
RETAIL SPENDING PER LEASABLE M ² \$ 2023	18,735	18,730	18,730
PER CAPITA INCOME \$ 2023	16,500	18,500	23,795

Within the framework of such estimations, the modern retail spending per leasable area for 2023 turns out to be \$18,730. The leasable area sizes per one thousand people, on the other hand, turn out to be 158.2 m², 178.5 m² and 233.2 m².

In addition to these numerical estimations relating to shopping centers, the other trends expected are as follows:

- a. The return period for SC investments are extending to average 9-12 years from average 5-6 years.
- b. SC projects will be of large scale and/or medium scale for combined projects. For cities of medium or large scale, on the other hand, medium scale SC projects will be preferred as the yields will remain comparatively higher.
- c. Competition between the SCs will rise, and the investments with the nature of multipurpose living centers will stand out. In Anatolian cities, SCs will continue to meet the socialization need. Living concepts such as shopping, cinema, food, entertainment, child activities will coexist.
- d. The fact that Istanbul is becoming a regional shopping center for countries neighboring and nearby Turkey will influence the existing and new SC communications, trademark combinations and price policies.
- e. Foreign retail trademarks will continue to access Turkey. However, the need for new Turkish trademarks to meet the needs of the modern retail market needs will rise.
- f. The store sizes of retail trademarks increases in m2. However, there will be a need for SC revision and larger scale stores for new SCs.
- g. The demand for avenue stores will continue. However, as the leases remain high for avenue stores and as the existing store stock of proper size is limited, the development will remain limited.
- h. Foreign investment in SCs will continue. Foreign purchase, on the other hand, may start with the facilitation of global financing opportunities. Turkish banks will also start financing domestic and foreign purposes.
- i. The average return on new SC investments, which varied between 7 and 8 percent in 2011, will decline down to the level of approximately 6 percent due to the decrease of risk premiums in Turkey and market saturation. However, it will still be possible to access yields of 7-8 percent in specialized projects and in projects in Anatolia.
- j. Electronic trade, online shopping, consumption tendencies and preferences of generation Y and mobile communication and mobile shopping will constitute an important alternative shaping the retail market.

The distinction between food and nonfood retail within modern retail sizes involves hypermarkets, supermarkets and market chains, the modern retail channels selling food and fast moving consumer goods. Accordingly, the size of modern food retail market, which was \$43 billion in 2011, reaches \$107, 112 and 130 billion respectively in 2023 according to three separate growth scenarios. Modern food retail market share is assumed to rise 50 percent from 30 percent. Within the framework of such assumptions, an estimation of expansion arises in modern retail channels for food and fast moving consumer goods.

Fast growth and expansion will continue in retail channels constituting the modern food market. However, the tendencies for intensive competition, consolidation, acquisitions of local market chains, regional cooperation and limited profitability will continue. New foreign chains can only access the market through acquisitions, there can be those reaching regional and national scale from local chains.

The clothing, footwear and accessory market included in nonfood modern retail market is finding its places in channels of SCs and avenue store operation.

Another important group in nonfood retail market, on the other hand, is constituted by products of technology, consumer electronics, electronic and digital devices, construction and house maintenance materials and stationery and office supplies. An important portion of such products are sold in retail channel such as techno markets, construction markets, office markets, house-decoration markets, which are also included in the elements of modern retail.

As of 2011, the size of this product group amounted to \$44.6 billion, while the share of the modern retail market was 60 percent and its size was \$26.8 million.

For 2023, the modern retail market size for this product group is estimated as \$56.8, 71.0 and 107 billion respectively according to three different economic growth scenarios. Within the framework of these estimations, it is seen that there is a considerable realm of growth for techno markets, construction markets, office markets, home-decoration markets etc., which include such product group.

III.2 OFFICE SECTOR AND MARKET

In the commercial real estate sector, office sector and market are considered as the second sub-market and estimations are made for the future. Office market mostly exists in the cities that are business, trade and service centers of their country.

In Turkey, office market is created in Istanbul, being the business, trade and service center, and it develops on a regional basis. In addition to Istanbul, office markets are also coming into being in Ankara and Izmir, with a tendency to grow. Within this framework, the estimations for office sector and market are mostly aimed at Istanbul and the expectations and estimations for other cities are also included.

III.2.1 ISTANBUL OFFICE MARKET INDICATORS

The office supply reached 3.41 million square meters by later 2011. During the last decade, an important growth has come into being in the office supply. This stock covering class A and B offices is focused on three main zones. This zone, which is the central business area (CBA), has office stock of 1.29 million m². Other than CBA, European side has office stock of 935 thousand m² and Anatolia side has office stock of 1.19 million m². The office spaces mentioned herein are calculated without including the owner occupied offices.

The office market in Istanbul grew 128% in 8 years from 1,5 million square meters to 3,4 million square meters.

TABLE.53 OFFICE STOCK IN ISTANBUL

YEARS	OFFICE STOCK M ²	CHANGE AS COMPARED TO THE PREVIOUS YEAR %
2003	1.496.565	
2004	1.578.820	5,5%
2005	1.657.688	5%
2006	1.839.767	10,98 %
2007	2.086.385	13,40 %
2008	2.657.524	27,37%
2009	2.877.024	8,26%
2010	3.073.024	6,81%
2011	3.413.834	11,09%

SOURCE: PEGA JONES LANG LASALLE FOR YEAR 2002–2007, NORTHWEST SAVILLS FOR 2008, TASK TEAM FOR 2009, 2010 AND 2011

The stock covering A and B office market in Istanbul is focused mostly on the following 3 main zones as listed below.

TABLE.54 DISTRIBUTION OF ISTANBUL OFFICE STOCK 2011

GROUPS	ZONES	OFFICE STOCK M ²	OFFICE STOCK M ²
CBA	LEVENT	531.270	1.286.191
	ETİLER	68.271	
	BEŞİKTAŞ-BALMUMCU	121.742	
	MASLAK	419.355	
	ZİNCİRLİKUYU-ESENTEPE-GAYRETTEPE	145.553	
OTHER THAN CBA IN EUROPE	TAKSİM-NİŞANTAŞI-BEYOĞLU	120.574	935.114
	ŞİŞLİ-FULYA-OTİM-OKMEYDANI	162.446	
	AIRPORT:GÜNEŞLİ, MERTER, ŞİRİNEVLER,	652.094	
	TOPKAPI YENİBOSNA YEŞİLKÖY ATIŞALANI		
OTHER THAN CBA IN ASIA	KOZYATAĞI, ATAŞEHİR, KÜÇÜKYALI, BOSTANCI, ACIBADEM	332.604	1.192.478
	ALTUNIZADE, ÇAMLICA	176.422	
	ÜMRANIYE	446.017	
	KAVACIK	237.485	
TOPLAM			3.413.834

SOURCE: TASK TEAM

It is seen that the office supply increasing recently is met to a considerable extent and that the office demand is strong. In connection with this trend, the vacancy rates declines in Istanbul office market despite global crisis and office leases increase.

TABLE.55 VACANCY RATES FOR ISTANBUL OFFICE MARKET, PERCENTAGE

PERIODS	CLASS A OFFICES			CLASS B OFFICES		
	CBA	OTHER THAN CBA IN EUROPE	OTHER THAN CBA IN ASIA	CBA	OTHER THAN CBA IN EUROPE	OTHER THAN CBA IN ASIA
2007 First half	5.4	30.9	16.2	9.5	30.9	16.2
2007 Second half	5.2	32.0	15.9	6.8	32.4	15.9
2008 First half	4.8	28.2	17.9	5.2	32.2	19.3
2008 Second half	9.7	23.7	14.6	6.9	29.2	17.1
2009 First half	11.7	21.3	15.9	16.7	29.2	17.7
2009 Second half	12.3	19.5	13.9	14.7	31.2	15.6
2010 First half	11.7	18.9	14.5	12.0	33.7	19.8
2010 Second half	11.3	18.6	14.4	9.2	33.9	15.1
2011 First half	9.8	16.9	16.2	7.2	30.4	15.5
2011 Second half	11.1	10.3	16.9	6.6	28.3	17.2

SOURCE: PROPIN INVESTMENT CONSULTANCY, ISTANBUL OFFICE MARKET 2011

TABLE.56 AVERAGE LEASE PAYMENTS FOR ISTANBUL OFFICE MARKET \$/M²/MONTH

PERIODS	CLASS A OFFICES			CLASS B OFFICES		
	CBA	OTHER THAN CBA IN EUROPE	OTHER THAN CBA IN ASIA	CBA	OTHER THAN CBA IN EUROPE	OTHER THAN CBA IN ASIA
2007 First half	16.2	9.5	13.3	10.8	6.5	9.4
2007 Second half	19.6	9.7	14.0	11.4	6.5	9.2
2008 First half	29.1	14.1	19.0	15.3	8.9	11.0
2008 Second half	31.6	17.4	20.1	15.5	9.2	12.5
2009 First half	26.6	17.6	18.5	15.7	9.8	12.3
2009 Second half	26.6	17.6	18.8	15.7	10.0	12.0
2010 First half	26.5	17.7	18.7	15.9	9.4	12.3
2010 Second half	28.2	18.0	20.3	16.7	9.7	13.0
2011 First half	27.6	18.3	19.5	17.0	9.6	13.5
2011 Second half	29.3	19.4	18.9	14.9	10.3	12.9

SOURCE: PROPIN INVESTMENT CONSULTANCY, ISTANBUL OFFICE MARKET 2011

III.2.2 ELEMENTS TO SHAPE THE ISTANBUL OFFICE MARKET

The basic trends to shape the need and demand for and supply of offices in Istanbul shall be as follows based on the future estimations of the office markets.

1. Comparatively strong growth expectations in the economy of Turkey,
2. The economic activities in Istanbul becoming more and more focused on business, trade and services,
3. Industrial zones being transformed into service and trade zones in 1/100,000 planning for Istanbul,
4. Istanbul becoming regional management center for international and multinational companies,
5. Service sector becoming more emphasized in foreign capital investments and Istanbul being picked as the administrative center;
6. Implementation of Istanbul Financial Center project,
7. Istanbul starting to transform into a regional center for shopping, culture, art, science and technology and the need of the relevant organizations for medium duty buildings,
8. Growth in the scales of Turkish companies,
9. Start of urban transformation and education for combined projects,

Depending on these basic dynamics and trends, it is estimated that the need and demand for offices in Istanbul will continue to rise on every scale with regards to both local and foreign organizations.

III.2.3 INTERNATIONAL POSITION OF ISTANBUL

Istanbul, as a regional center; develops and triggers the demand and need for offices. Also, international comparisons and evaluations relating thereto contribute to the estimations for Istanbul. A detailed study by a foreign organization ⁽¹⁾ regarding the global positions of the cities starting from year 2008 measures the means that cities have to provide for the investment opportunities and reflects the existing developments and conditions. This study evaluates and lists the cities according to the criteria of economic activities, political power, quality of living and information capacity.

While New York was on top on the list of year 2011, Istanbul regressed down two positions as compared to year 2010 to no 27.

⁽¹⁾ The Knight Frank

TABLE.57 GLOBAL POSITIONS OF THE CITIES 2011

POSITION	CITIES	POSITION IN ECONOMIC ACTIVITIES	POSITION IN POLITICAL POWER	POSITION IN QUALITY OF LIVING	POSITION IN INFORMATION CAPACITY	2010-2011 CHANGE OF POSITION
1	NEW YORK	1	2	9	1	-
8	BEIJING	9	4	22	16	+1
18	SHANGHAI	5	17	29	22	+1
19	MEXICO CITY	29	10	23	25	+2
21	MOSCOW	16	31	19	21	+1
25	SAO PAULO	19	21	24	29	-1
26	BUENOS AIRES	34	11	26	23	+1
27	ISTANBUL	28	9	36	27	-2
32	DUBAI	22	37	37	18	-1
37	DELHI	39	28	38	33	-1
38	MUMBAI	32	40	34	35	+1
39	JAKARTA	33	34	40	36	-1

SOURCE: THE KNIGHT FRANK GLOBAL CITIES SURVEY, 2011

The development and positions of the cities as the center for business and financing constitute an important indicator for the development of office market. In this respect, the Global Financial Centers Index issued by Long Finance organization every year reveals the development and positions of the cities in this realm.

The Global Financial Centers Index includes the positions of the picked cities similar to Turkey as of 2011. Istanbul is listed in 71st place.

TABLE.58 CITIES THAT ARE GLOBAL BUSINESS AND FINANCING CENTERS 2011

CITIES	GLOBAL LISTING	GLOBAL SCORE	CHANGE OF POSITION	NATURE
MOSCOW	68	506	-	[f0Developing Global
WARSAW	59	538	+8	Local
PRAGUE	55	547	+4	Local
BUDAPEST	72	468	-	Local
SHANGHAI	5	694	+1	Global Specialization
BEIJING	17	650	-1	Global Specialization
MUMBAI	58	541	-1	Multinational
JAKARTA	63	532	-1	Local
RIYADH	70	500	-1	Local
DUBAI	28	605	-	Global Specialization
DOHA	30	597	4	Local
SAO PAULO	44	574	-	Local
BUENOS AIRES	64	525	+1	Local
MEXICO CITY	52	561	-2	Local
ISTANBUL	71	494	-1	Local

SOURCE: THE GLOBAL FINANCIAL CENTERS INDEX 9, 2011 MARCH, LONGFINANCE

TABLE. 59 THE CITIES YOU ARE NOT PRESENT - YOU PLAN TO BE PRESENT DURING THE NEXT 5 YEARS

CITIES	NUMBER OF COMPANIES PLANNING TO BE PRESENT	CITY	NUMBER OF COMPANIES PLANNING TO BE PRESENT
SHANGHAI	29	SANTIAGO	6
NEW DELHI	29	BANGKOK	6
SAO PAULO	28	BOGOTÁ	6
BEIJING	22	ABU DHABI	5
MUMBAI	19	SIDNEY	5
RIO DE JANEIRO	16	CAPE TOWN	5
NEW YORK	14	JAKARTA	5
TOKYO	13	WASHINGTON	5
CAIRO	12	CARACAS	5
SINGAPORE	11	TORONTO	4
BUENOS AIRES	10	LOS ANGELES	4
MEXICO CITY	9	MELBOURNE	4
JOHANNESBURG	9	CHICAGO	4
HONG KONG	8	KUALA LUMPUR	4
SEOUL	8	BANGALORE	4

SOURCE: CUSHMAN WAKEFIELD, GLOBAL CITIES MONITOR 2010

Another study regarding the global positions of the cities is the “Global Cities Monitor” by Cushman Wakefield. This study, which monitors the global positions of the cities, undertakes studies with the representatives of international and multinational firms. Above is the listing of the cities in top 30 in the listing of cities, where 500 large international and multinational firms do not have any offices and plan to be present within the next 5 years. Istanbul is not included among the top 30 cities planned for presence through opening an office. And Istanbul rises in the listing of the best business cities among European cities by Cushman Wakefield Company over the years and it rose to 22nd position in year 2011.

TABLE.60 THE BEST BUSINESS CITIES IN EUROPE

POSITION	CITIES	NUMBER 2010	SCORE 2011	SCORE 2010
1	LONDON	1	0.84	0.85
2	PARIS	2	0.55	0.55
3	FRANKFURT	3	0.32	0.36
4	AMSTERDAM	6	0.26	0.25
5	BERLIN	7	0.26	0.24
6	BARCELONA	5	0.25	0.27
7	MADRID	8	0.25	0.22
8	BRUSSELS	4	0.25	0.29
9	MUNICH	9	0.19	0.22
10	ZURICH	13	0.14	0.12
11	GENEVA	14	0.12	0.12
12	MILAN	11	0.12	0.13
13	STOCKHOLM	16	0.12	0.11
14	DÜSSELDORF	10	0.11	0.14
15	HAMBURG	15	0.11	0.11
16	MANCHESTER	12	0.10	0.12
17	LISBON	17	0.09	0.10
18	BIRMINGHAM	18	0.09	0.09
19	LION	19	0.08	0.09
20	DUBLIN	20	0.07	0.08
21	WARSAW	24	0.07	0.06
22	ISTANBUL	26	0.07	0.06
23	VIENNA	22	0.06	0.06
24	COPENHAGEN	25	0.06	0.06
25	PRAGUE	21	0.06	0.07
26	HELSINKI	31	0.06	0.04
27	BUCHAREST	35	0.06	0.02
28	LEEDS	23	0.06	0.06
29	BUDAPEST	30	0.05	0.04
30	GLASGOW	29	0.05	0.04
31	EDINBURGH	27	0.04	0.05
32	BRATISLAVA	32	0.04	0.04
33	MOSCOW	33	0.04	0.03
34	OSLO	34	0.03	0.03
35	ROME	28	0.03	0.04
36	ATHENS	36	0.03	0.02

SOURCE: CUSHMAN WAKEFIELD, EUROPEAN CITIES MONITOR, 2011

Within the framework of these international comparisons, it is estimated that Istanbul needs to make important advances in the administrative, legal, infrastructural, technological and human capital realms in order for Istanbul to be able to benefit from the potential that she is considered to have. And indeed, Istanbul is in a race with other cities and the use of her potential will remain limited if no improvements are made.

III.2.4 ESTIMATIONS REGARDING OFFICE SUPPLY AND INVESTMENTS IN ISTANBUL

Above are the comparisons relating to the basic trends and dynamics to shape estimations regarding office supply and investments in Istanbul and her current international position. Another important element regarding the office supply in Istanbul is the investment in progress. By the end of year 2011, Istanbul has 682,000 m² of office construction going on. These offices are expected to be completed by 2012 and 2013 and to be included in the existing stock. With such additions, the office stock in Istanbul will have reached 4.1 million m² by late 2013. As a conflict with the general course, we see the option of selling the offices based on each independent section rather than leasing following development. However, there is a risk that the buildings of the offices developed as such or sold as mentioned may not be classified as class A. The sector needs investors that develop class A offices for leasing purposes.

Another indicator to be used in estimations regarding the supply of offices in Istanbul is the existing stock of offices in cities that are considered as international or regional service and financing centers. For example, London has office stock of 8.93 million m² in the financing center (City), Germany, where European Central Bank is located, has office stock of 11.62 million m² in Frankfurt, Moscow has office stock of 12.94 million m², Switzerland has office stock of 10.65 million m² in her financing center, Zurich, Singapore has office stock of 4.82 million m², Hong Kong has office stock of 2.2 million m² and the Dubai has office stock of 5.72 million m² and Doha has office stock of 3.67 million m², the latter being the two important financing centers of the Gulf. The office stock in Istanbul having the same standards is specified as 2.56 million m².

TABLE.61 OFFICE STOCK IN PICKED CITIES

CITIES	OFFICE STOCK M ² 2009	OFFICE STOCK M ² 2010	OFFICE STOCK M ² 2011	OFFICE CONSTRUCTION M ² 2011
LONDON	7,921,553	8,984,052	8,929,866	276,897
FRANKFURT	11,690,000	11,800,000	11,617,000	471,168
WARSAW	3,248,000	3,380,000	3,505,035	431,255
BUDAPEST	2,400,000	2,400,000	2,559,933	50,000
BUCHAREST	1,240,000	1,520,000	1,530,000	135,000
MOSCOW	11,210,000	12,500,000	12,940,000	1,823,000
BRATISLAVA	1,320,000	1,400,000	1,380,000	95,000
PRAGUE	2,730,000	2,690,000	2,714,424	191,000
KIEV	1,090,000	1,210,000	1,230,000	480,000
ISTANBUL	2,316,514	2,361,883	2,557,514	368,841
DUBAI	3,813,370	4,700,000	5,712,004	549,246
DOHA	2,720,000	3,400,000	3,670,000	380,000
HONG KONG	2,085,150	2,106,407	2,159,649	42,400
SINGAPORE	4,420,500	4,650,685	4,820,747	366,133
ZURICH	10,100,000	10,600,000	10,650,000	200,000

SOURCE: COLLIER'S, GLOBAL OFFICE REAL ESTATE REVIEW, 2009-2010-2011

TABLE.62 CLASS A PRIME OFFICE LEASES IN PICKED CITIES

CITIES	OFFICE LEASE 2008 M ² /MONTH/\$	OFFICE LEASE 2009 M ² /MONTH/\$	OFFICE LEASE 2010 M ² /MONTH/\$	OFFICE LEASE 2011 M ² /MONTH/\$
LONDON	67.2	62.9	79.7	77.2
FRANKFURT	53.2	48.6	56.9	54.0
WARSAW	40.6	31.2	27.5	38.6
BUDAPEST	30.8	28.4	23.8	33.1
PRAGUE	32.2	29.8	24.0	33.2
BUCHAREST	29.4	27.7	25.5	29.2
MOSCOW	108.3	58.3	57.5	83.3
BRATISLAVA	25.2	24.1	22.6	27.7
KIEV	80.0	33.3	45.0	35.0
ISTANBUL	38.3	35.0	42.3	43.9
DUBAI	95.0	52.8	46.4	43.9
DOHA	68.0	60.0	52.0	55.0
HONG KONG	249.0	251.0	247.7	236.0
SINGAPORE	64.5	66.0	67.7	66.8
ZURICH	76.0	71.0	74.4	84.1

SOURCE: CUSHMAN&WAKEFIELD, OFFICE SPACE AROUND THE WORLD, 2010–2011

Within the framework of these evaluations, estimations are provided regarding the supply of offices in Istanbul. Accordingly, with the completion of the existing investments in progress, the office stock will have reached 4.1 million m² by late 2013. In future years, with the completion of the Istanbul Financing Center project and with the new supply included in urban transformation projects and with supply in new business areas to be announced, the office stock estimations are 4.5 million m² for 2015, 6.0 million for 2020 and 7.0 million for 2023.

TABLE.63 ESTIMATIONS FOR OFFICE SUPPLY IN ISTANBUL

YEARS	MILLION M ² OFFICE SUPPLY
2011	3.4
2013	4.1
2015	4.5
2020	6.0
2023	7.0

In Istanbul, office investments will continue to yield income above saturated markets such as London, Frankfurt, Zurich, Hong Kong and Singapore. Office markets such as Moscow, Dubai, Doha and Kiev, on the other hand, will continue to be the competitors of Istanbul in near regions.

TABLE.64 OFFICE INVESTMENT (PURCHASE) INCOME IN THE CITIES OF THE REGION

CITIES	2007	2008	2009	2010	2011
LONDON	6.00	6.00	6.75	5.75	5.25
FRANKFURT	5.50	5.40	5.40	5.30	5.20
WARSAW	5.25	5.50	6.75	6.80	6.50
BUDAPEST	5.75	7.00	7.75	7.50	7.75
PRAGUE	5.50	6.75	7.50	7.00	6.50
BUCHAREST	5.75	7.75	8.50	8.00	7.75
MOSCOW	10.00	8.50	12.00	10.50	9.50
BRATISLAVA	7.50	7.00	7.75	7.00	7.50
KIEV	14.00	15.00	16.00	11.00	11.00
ISTANBUL	7.00	7.75	8.25	7.00	7.00
DUBAI	8.50	9.00	11.00	9.00	10.70
DOHA	9.00	9.00	9.00	9.00	9.00
HONG KONG	3.50	3.50	3.40	3.30	3.22
SINGAPORE	4.20	4.30	4.20	4.20	4.30
ZURICH	4.00	4.20	4.10	4.10	4.10

SOURCE: COLLIERS INTERNATIONAL, GLOBAL OFFICE REAL ESTATE REVIEW 2009-2010-2011

III.2.5 OFFICE MARKET EXPECTATIONS IN OTHER CITIES

Ankara is the leading city with development potential in office market outside Istanbul. Ankara will develop with an international character depending on the domestic and foreign office needs and demands. Izmir, Antalya, Bursa, Kocaeli, Adana and Mersin will be cities of the second group, while Konya, Gaziantep, Denizli and Kayseri will be the cities of the third group. The cities in the second group will especially have their needs and demands within the framework of industry, foreign trade and foreign capital investments. Third group cities, on the other hand, will face office demand focused on international trade with regional production and trade centers and neighboring countries.

TABLE.65 THE CONSTRUCTION PERMITS WITH OFFICE WORKPLACE BUILDINGS PURCHASED BY CITIES M²

CITIES	2005	2006	2007	2008	2009	2010	2005-2010
İSTANBUL	905.291	1.324.021	1.472.134	1.129.628	992.697	1.531.152	7.354.923
ANKARA	316.331	447.035	245.064	627.109	375.161	843.439	2.854.139
KOCAELİ	64.298	358.541	380.452	445.859	167.821	148.831	1.565.802
ANTALYA	126.173	258.410	207.916	142.437	119.493	86.714	941.143
ADANA	90.535	73.418	199.745	116.011	180.489	91.657	751.855
İZMİR	31.430	130.294	192.339	138.409	64.440	85.457	642.369
BURSA	27.735	145.705	105.098	79.422	119.226	99.453	576.639
MERSİN	4.784	79.820	68.694	93.988	141.699	68.209	457.194
KONYA	39.123	106.768	46.921	63.655	76.386	86.308	419.161
DENİZLİ	9.009	49.618	166.420	60.803	88.942	41.321	416.113
K.MARAŞ	86.034	81.912	92.519	63.615	25.363	70.258	419.701
SAKARYA	27.971	55.556	109.867	60.865	49.871	20.224	324.354
GAZİANTEP	27.735	73.861	56.017	85.079	37.694	34.597	314.983
VAN	10.869	33.375	56.869	77.300	59.422	177.758	415.593
KAYSERİ	4.784	64.288	35.073	26.654	103.132	54.127	288.058
TEKİRDAĞ	9.022	40.993	92.925	41.537	38.002	31.431	253.910
HATAY	19.472	49.092	52.988	33.153	78.090	37.821	270.616
ESKİŞEHİR	9.022	52.771	55.258	14.012	72.677	46.388	250.128
SAMSUN	21.462	46.034	80.614	20.202	43.225	53.351	264.888
MUĞLA	12.993	53.507	40.995	36.416	40.480	56.847	241.238
TURKEY	2.368.295	4.574.876	4.788.842	4.115.098	3.483.742	4.727.377	24.058.230

SOURCE: TURKEY STATISTICS INSTITUTION STATISTICS REGARDING CONSTRUCTION PERMITS

III.3 TOURISM SECTOR AND HOTEL MARKET

The third submarket examined and assessed in commercial real estate sector with respect to estimations regarding year 2023 is the hotel market and related tourism sector. This section first lays down the axes and components of development in the tourism sector in parallel with the Turkey's Tourism Strategy 2023 Document. Then estimations regarding tourists, accommodation and tourism activities and the need for accommodation facilities depending thereon. Finally, there are estimations regarding hotels and tourism facilities as real estate investments.

III.3.1 TURKEY'S TOURISM STRATEGY FOR 2023; AXES AND COMPONENTS FOR DEVELOPMENT

Turkey's Tourism Strategy 2023 Document, which was issued and put into effect by the Ministry of Culture and Tourism in 2007, has the nature of a roadmap for Turkish tourism in the long run and the strategic targets in the document are for the Turkish tourism sector.

As the Vision for the Strategy document, it is adopted to take on the sustainable tourism approach, carrying tourism to the position of a vanguard sector in increasing employment rate and in regional development, and to make Turkey an important destination and an international in top five countries with respect to number of tourists and tourism income in the international market until 2023.

Strategy document sets the target as 63 million tourists with \$86 billion of foreign tourism income and also 20 million local tourists with \$1,350 spending per tourist. These targets make it necessary to increase the share that Turkey receives from world tourism within the framework of global tourism estimations.

In world tourism, the number of foreign tourists turned out to be 932 million people in 2010. It is foreseen that this figure will rise to 1.56 billion people in 2020. Accordingly, both tourism spending and tourism investments seem to increase in tourism sector until 2020. The total accommodation spending by local and foreign tourists are expected to reach \$8 trillion in 2020.

TABLE.66 ESTIMATIONS IN WORLD TOURISM SECTOR 2020

INDICATORS	2010 \$ BILLION	2020 \$ BILLION
PERSONAL TOURISM LOCAL ACCOMMODATION SPENDING	3.111	5.793
BUSINESS TOURISM SPENDING	819	1.589
PUBLIC SECTOR SPENDING	436	744
CAPITAL INVESTMENTS	1.241	2.757
FOREIGN ACCOMMODATION SPENDING	1.086	2.160
FOREIGN TOURISM OTHER SPENDING	850	1.908

SOURCE: WORLD TRAVEL TOURISM COUNCIL, 2010

The strategic targets laid down in Turkey's Tourism Strategy for 2023 Document reveal the tourism development regions and also the types of tourism to develop.

1. City tourism cities;

Istanbul on a global and regional scale, followed by Izmir, Antalya and Ankara are the cities where city tourism will be developed.

Adiyaman, Amasya, Bursa, Edirne, Gaziantep, Hatay, Konya, Kütahya, Manisa, Nevşehir, Kars, Mardin, Sivas, Sanliurfa and Trabzon cities have also been determined as cities, where city tourism will be developed as focused on cultural tourism.

2. Congress and fair tourism cities;

Istanbul, Ankara, Antalya, Izmir, Konya, Bursa and Mersin have been determined as cities for congress and fair tourism with first level priority and Adana, Gaziantep and Trabzon have been determined as cities with the second level priority and they will be supported within this framework.

3. Cities for health tourism and thermal tourism;

South Marmara; Balıkesir, Canakkale, Yalova

South Aegean; Aydın, Denizli, Manisa, İzmir

Phrygia; Afyon, Ankara, Uşak, Eskişehir, Kütahya

Central Anatolia; Aksaray, Kırşehir, Niğde, Nevşehir, Yozgat

Have been determined as cities for health tourism and thermal tourism. In these zones, development of infrastructure and superstructure for health and thermal tourism will be supported.

4. Diversifying the existing areas of tourism and extending activities throughout the year;

Holiday tourism intended for mass tourism on shores in Antalya, Muğla and Aydın, consisting of sea-sand-sun, is at its saturation point. For this reason, other activities to get the tourists out of the hotels, increasing secondary spending, and to ensure that the existing facilities are operated throughout the year will be supported.

5. New tourism development zones;

For the purposes of expansion of tourism activities to inner regions and expansion of the tourism season throughout the year, 9 thematic regional tourism development zones have been determined. The cities covered by such zones and their themes are as follows;

1. Phrygia cultural and thermal tourism development zone, Eskişehir, Afyon, Kütahya and Uşak
2. Troia cultural and thermal tourism development zone, Canakkale and Balıkesir
3. Aphrodisia cultural and thermal tourism development zone; Aydın and Denizli
4. Söğüt cultural tourism development zone; Bursa and Bilecik and Iznik district
5. Cappadocia cultural tourism development zone; Bursa and Bilecik and Iznik district
6. Söğüt cultural tourism development zone; Aksaray, Kayseri, Kırşehir and Nevşehir
7. The region of lakes ecotourism development zone; Konya, Isparta, Afyon and Burdur (nature tourism, trekking, camping with tools and tents, paragliding, mountaineering, speleology, hunting, horse riding, bicycle, surfing etc.)
8. Hittite cultural and tourism development zone; Çorum and Yozgat
9. Urart cultural and tourism development zone; Van and Bitlis
10. GAP cultural and tourism development zone; Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa and Şırnak

6. Tourism development corridors;

It is suggested that 7 thematic tourism development corridors are developed. The cities covered by such corridors and their themes are listed below:

Olive Corridor; Covers the territory including Bursa city Gemlik and Mudanya districts, Balıkesir city Gönen, Bandırma and Erdek districts, shore area up to Canakkale city Ezine district and surroundings, Erdek Kapidag Peninsula and Avsa, Pasalimani, Ekinli Islands to the north thereof and Marmara Island under Marmara district. The zone will be developed as a destination for health and gastronomy. The accommodation capacity existing in the zone will be enhanced for thermal, cultural and ecotourism.

Winter Corridor; Covers cities Erzincan, Erzurum, Agri, Kars and Ardahan. In these cities, and in Erzurum Konaklı and Gez Regions and Ilica Thermal Center, new areas will be created for accommodation. The city texture existing in Kars city center and Sarıkamis will be evaluated as accommodation units. Winter, cultural, thermal and city tourism accommodation units and the quality of the accommodation capacity existing in the region will be enhanced and accommodation capacity will be developed.

Faith Tourism Corridor; starts at Tarsus and covers Hatay, Gaziantep, Sanliurfa and Mardin. Restoration will be ensured for historical structures and it will be ensured that pension operation and small hotels are supported. Accommodation capacity in the region will be enhanced for cultural tourism and ecotourism purposes.

Silk Road Tourism Corridor; covers Ayas-Sapanca Corridor, Adapazari, Bolu and Ankara cities, Sapanca, Geyve, Taraklı, Göynük, Mudumu, Beyazari; Güzül and Ayas districts, one of the parts of the historical Silk Road route in Anatolia, reaching Europe through Istanbul. Accommodation capacity will be developed in the region emphasizing pension operation and focusing on cultural tourism and ecotourism. It is intended to enhance the number of qualified facilities and bed capacity in the region.

Western Black Sea Corridor; It is foreseen to develop approximately 500 km between Sile and Sinop in the Western Black Sea Shore Corridor as local tourism development corridor especially to serve metropolises such as Ankara and Istanbul. Arrangements will be made to enable auto, caravan and tent camping in preserved areas that may serve as a focus for the development of ecotourism throughout the corridor, such as forest stopovers etc. and boutique hotels, pension operation, rural tourism facilities will be developed through planning efforts.

Plateau Corridor; This corridor, stretching from Samsun to Hopa, includes centers that stand out in plateau and nature tourism in our country. Within the scope of Plateau Corridor, planning efforts will be undertaken for adventure sports such as camping, golf, ski, speleology, paragliding, rafting, horse riding, balloon, fishing, photo safari and bungee jumping in order to diversify tourism in these localities. The accommodation capacity existing in the region will be enhanced through planning and practices aimed at cultural tourism and ecotourism. Planning and implementation efforts will be undertaken in the region for the development of auto, caravan and tent camping.

Thrace Cultural Corridor; covers cities Edirne, Kırklareli and Tekirdağ. In addition to the boutique hotels and accommodation facilities with special certificates serving throughout the corridor, there are also facilities enabling camping. While adding new beds to the existing bed capacity, the tourism diversity foreseen will be taken into consideration. Edirne houses will be used as accommodation facilities such as boutique hotels or pensions for tourism purposes.

III.3.2 ESTIMATIONS REGARDING TOURIST AND ACCOMMODATION CAPACITY

Turkey needs additional accommodation facility capacity in order to meet the numerical targets given in the tourism strategy for 2023. According to the date of 2010, Turkey has 2.647 facilities, 299.621 rooms and 629.465 bed capacity with operational certificate issued by the Ministry of Culture and Tourism. In 2010, 29.76 million people visited these accommodation facilities, 17.42 million being foreigners and 12.34 million being locals. The staying overnight figures, on the other hand, was total 98.16 million, 74.32 million being foreigners and 23.83 million being locals. Average time the foreigners stayed was 4.3 nights and average time the locals stayed was 1.9 night.

TABLE.67 TOURISM INDICATORS

YEARS	ACCOMMODATION FACILITIES			NUMBER OF PEOPLE VISITING THE FACILITY (000)			STAYING OVERNIGHT NIGHTS (000)		
	NO OF FACILITIES	NO OF ROOMS	NO OF BEDS	FOREIGNER	LOCAL	TOTAL	FOREIGNER	LOCAL	TOTAL
2002	2.124	190.327	396.148	9.872	7.917	17.788	43.312	15.202	58.515
2003	2.240	202.339	420.697	8.991	8.430	17.421	40.866	16.234	57.100
2004	2.357	217.664	454.290	10.981	9.725	20.706	49.728	18.357	68.085
2005	2.412	231.123	483.330	12.953	10.458	23.411	56.108	18.819	74.927
2006	2.475	241.702	508.632	11.897	11.570	23.467	46.640	21.503	68.143
2007	2.514	251.987	532.262	14.794	12.039	26.833	56.540	22.248	78.788
2008	2.566	268.633	567.470	13.648	11.286	24.934	56.918	20.832	77.751
2009	2.625	289.383	608.765	14.389	12.138	26.527	59.987	22.929	82.916
2010	2.647	299.621	629.465	17.415	12.339	29.754	74.326	23.832	98.158

SOURCE: REPUBLIC OF TURKEY MINISTRY OF CULTURE AND TOURISM

For year 2023, the tourist target is 63 million foreign tourists and 20 million local tourists. Below are the estimations regarding the number of people being accommodated and staying overnight, with the assumption of 4 nights for foreign tourists for 2023 -which first increases and then starts to decline, and 2 nights for local tourists.

The number of people to be accommodated for year 2023 is estimated as 63 million people. With the assumption of 4 days of accommodation as average (the average period for staying will be shortened for tourism activities extending over the year and becoming diversified), the staying overnight figure for foreigners is found as 252 million. With the target of 20 million local tourists and with average 2 nights of accommodation, the figure 40 million is found for staying overnight for year 2023. Thus, the figure for staying overnight, which was 98.1 million in 2011, increases by years and is estimated as 298 million for year 2023.

TABLE.68 ESTIMATIONS FOR PEOPLE BEING ACCOMMODATED AND STAYING OVERNIGHT 2023

YEARS	NUMBER OF PEOPLE BEING ACCOMMODATED MILLION			STAYING OVERNIGHT MILLION		
	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL
2010	17.4	12.3	29.7	74.3	23.8	98.1
2011	19.1	13.5	32.6	82.1	25.7	107.8
2012	22.0	14.0	36.0	99.0	28.0	127.0
2013	26.0	14.5	40.5	130.0	29.0	159.0
2014	29.0	15.0	44.0	145.0	30.0	175.0
2015	33.0	15.5	48.5	165.0	31.0	196.0
2016	37.0	16.0	53.0	174.0	32.0	206.0
2017	41.0	16.5	57.5	184.0	33.0	216.0
2018	45.0	17.0	62.0	188.0	34.0	222.0
2019	49.0	17.5	66.5	195.0	35.0	230.0
2020	53.0	18.0	71.0	212.0	36.0	248.0
2021	57.0	18.5	75.5	228.0	37.0	265.0
2022	60.0	19.0	79.0	240.0	38.0	278.0
2023	63.0	20.0	83.0	252.0	40.0	292.0

As an alternative to the estimation of the Ministry of Tourism for 83 million total tourists for year 2023, a second scenario is foreseen for 2023 with the assumption of total 60 million tourists, 40 million foreign tourists and 20 million local tourists. For total 60 million tourists in year 2023, total figures for staying overnight are calculated as average 4 nights for foreigners and 2 nights for local tourists, yielding 200 million.

TABLE.68A ESTIMATIONS REGARDING PEOPLE BEING ACCOMMODATED AND STAYING OVERNIGHT 2023

YEARS	NUMBER OF PEOPLE BEING ACCOMMODATED MILLION			STAYING OVERNIGHT FIGURES MILLION		
	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL
2010	17.4	12.3	29.7	74.3	23.8	98.1
2011	19.1	13.5	32.6	82.1	25.7	107.8
2012	20.0	14.0	34.0	81.0	28.0	109.0
2013	21.0	14.5	35.5	84.0	29.0	113.0
2014	22.0	15.0	37.0	88.0	30.0	118.0
2015	24.0	15.5	39.5	96.0	31.0	127.0
2016	26.0	16.0	42.0	104.0	32.0	136.0
2017	28.0	16.5	44.5	112.0	33.0	145.0
2018	30.0	17.0	47.0	120.0	34.0	154.0
2019	32.0	17.5	49.5	128.0	35.0	163.0
2020	34.0	18.0	52.0	136.0	36.0	172.0
2021	36.0	18.5	54.5	144.0	37.0	181.0
2022	38.0	19.0	57.0	152.0	38.0	190.0
2023	40.0	20.0	60.0	160.0	40.0	200.0

Depending on the estimations for staying overnight in two separate scenarios, below are the estimations for number of beds in two scenarios. Accordingly, the first scenario contains the estimation for bed capacity for 292 million as the figure for staying overnight. In addition, there is an estimation for a second scenario for total 60 million tourists, 40 million being foreigners and 20 million being locals.

TABLE.69 ESTIMATIONS FOR NUMBER OF BEDS 2023

YEARS	SCENARIO 1 83 MILLION TOURISTS			SCENARIO 2 60 MILLION TOURISTS		
	STAYING OVERNIGHT MILLION	NO OF BEDS WITH TOURISM OPERATIONAL CERTIFICATE	BED OCCUPATION RATE %	STAYING OVERNIGHT FIGURE MILLION	NO OF BEDS WITH TOURISM OPERATIONAL CERTIFICATE	BED OCCUPATION RATE %
2010	98.1	629.465	42.8	98.1	629.465	42.8
2011	107.8	680.329	43.4	107.8	680.329	43.4
2012	127	769.697	45.2	109	660.685	45.2
2013	159	935.295	46.6	113	664.355	46.6
2014	175	1.000.000	48.0	118	673.515	48.0
2015	196	1.088.890	49.4	127	704.345	49.4
2016	206	1.113.510	50.7	136	734.920	50.7
2017	216	1.136.840	52.1	145	762.495	52.1
2018	222	1.138.465	53.4	154	790.110	53.4
2019	230	1.150.000	54.8	163	814.920	54.8
2020	248	1.210.000	56.1	172	840.000	56.1
2021	265	1.261.900	57.6	181	860.920	57.6
2022	278	1.293.000	58.9	190	883.785	58.9
2023	292	1.325.000	60.0	200	913.245	60.0

In year 2010, the bed capacity was 629,465 as compared to staying overnight figure of 98.1 million, and the bed occupation rate was 42.8 assuming that the entire bed capacity was available for 365 days. It is calculated that an additional bed capacity of 1,325,000 will be needed for 292 million staying overnight figure based on the assumption that the bed occupation rate will increase over years and will reach 60 percent by 2023. Accordingly, it is considered that new capacity of 652 thousand will be needed between 2012 and 2023.

In the second reference scenario, which assumes the total number of tourists as 60 million in 2023, the bed capacity is 913.245 in 2023, with the need for additional bed capacity calculated as 232.916.

II.3.3 ESTIMATIONS REGARDING THE NEED ACCORDING TO ACCOMMODATION AND TOURISM FACILITY TYPES

While attaining the numbers estimated for year 2023, being 63 million foreign and 20 million local tourists, considerable diversification is intended in tourism activities and tourism regions. The tourism activities, which are extended throughout the year and which are diversified, other than holiday tourism that is saturated will create a need for accommodation facilities. The second scenario that includes 60 million tourists also reveals the same needs.

A portion of the additional bed capacity of 652 thousand (232.916 in the second scenario) foreseen for the period between 2012 and 2023 will be used for holiday tourism, while the rest will be used for other tourism activities, especially including city tourism. Accordingly, below are our estimations for accommodation facility needs depending on tourism types to stand out in cities with due consideration of the axes and components of tourism development.

TABLE. 70 ESTIMATIONS FOR ACCOMMODATION FACILITIES IN CITIES

CITIES	CITY HOTEL 4-5 S	BOUTIQUE/ 3S CITY HOTEL	CONGRESS FAIR HOTEL	BUSINESS HOTEL	HEALTH THERMAL HOTEL	HOLIDAY HOTEL	ALTERNATIVE TOURISM FACILITY
İSTANBUL	+	+	+	+			
ANKARA	+		+	+			
İZMİR	+		+	+		+	
ANTALYA	+		+			+	+
BURSA	+		+	+			+
EDİRNE		+					
GAZİANTEP		+	+	+			
HATAY		+		+			
KONYA		+	+	+			+
MANİSA		+			+		
MARDİN		+					
TRABZON		+	+				+
ŞANLIURFA		+		+			
MERSİN			+	+		+	
MUĞLA						+	
AYDIN		+				+	
BALIKESİR					+	+	
ADANA			+	+			
KAYSERİ		+		+			
SAMSUN		+		+			
DENİZLİ		+		+	+		+
ESKİŞEHİR		+		+	+		
YALOVA					+		+
NEVŞEHİR		+			+		
AFYON		+			+		
KÜTAHYA		+			+		
ÇANAKKALE		+					
ISPARTA							+
ADİYAMAN		+		+			
DIYARBAKIR		+		+			
ERZURUM							+
BOLU							+
SAKARYA					+		+

III.3.4 ESTIMATIONS FOR HOTELS AS AN INVESTMENT IN REAL ESTATE

The hotel market will be the submarket within commercial real estate to grow faster and to yield comparatively high income in Turkey in near future. As real estate investments, 4 and 5 star hotels in cities like Istanbul, Ankara, Izmir and Bursa and luxurious hotels and city and business hotels in secondary cities will stand out.

Metropolises, especially including Istanbul, develop fast as trade-service, shopping, congress-fair, entertainment-rest and cultural centers and the number of tourists is increasing. Istanbul is also developing as a regional center for financing and business.

Therefore, it is observed that many international hotel chains access Istanbul and metropolises and the trend will continue to rise. The interest and investments of the 5 star hotel management chains for the big cities and medium segment hotel management companies for the secondary cities will continue to rise.

Depending on these general trends, room prices and income per room increase considerably in Istanbul and metropolises. Below are the developments in Istanbul regarding room prices, per room income and changes in occupation for 4 and 5 star hotels.

TABLE.71 LUXURIOUS HOTEL PRICES AND PER ROOM INCOME IN ISTANBUL			
YEARS	PER ROOM INCOME EURO	AVERAGE ROOM PRICES EURO	OCCUPATION RATE %
2005	105	150	80
2006	117	170	77
2007	129	180	80
2008	143	205	79
2009	130	196	74
2010	157	210	80
2011	180	240	78

SOURCE: STR GLOBAL HOTEL REVIEW

Istanbul is transforming into an important regional destination for city tourism. The need for bed capacity and accommodation facilities in Istanbul increases in parallel with the number of people being accommodated arising out of the diversified tourism activities in Istanbul.

TABLE.72 ISTANBUL ACCOMMODATION INDICATORS

YEARS	NO OF BEDS	NO OF PEOPLE BEING ACCOMMODATED MILLION	ROOM OCCUPATION RATE %
2003	50.699	3.0	71.8
2004	53.940	3.7	74.1
2005	53.074	4.7	73.4
2006	54.944	4.5	75.2
2007	57.123	4.8	76.3
2008	60.926	4.4	75.1
2009	61.239	4.3	72.5
2010	62.841	4.5	73.5
2011	64.400	5.3	77.0

SOURCE: PROVINCIAL DIRECTORATE OF CULTURE AND TOURISM IN ISTANBUL

The average room prices in Istanbul are compared to the room prices in similar cities. Accordingly, it is estimated that the interest in hotel investments will continue in near future due to the rising trend in room prices in Istanbul in addition to the existing potential of Istanbul.

TABLE.73 AVERAGE ROOM PRICES STERLING

CITIES	2008	2009	2010	2011
MOSCOW	232	148	149	164
WARSAW	79	66	70	76
BUDAPEST	73	70	65	66
PRAGUE	71	65	67	71
SOFIA	81	78	64	62
SHANGHAI	71	69	91	76
BEIJING	79	73	90	70
MUMBAI	111	103	106	111
DELHI	96	87	98	84
JAKARTA	95	90	95	88
RIYADH		110	115	112
ABU DHABI	168	159	116	104
DUBAI	132	122	120	120
DOHA	185	160	169	122
SAO PAULO	96	84	118	126
BUENOS AIRES	88	79	90	96
MEXICO CITY	68	88	96	80
SANTIAGO	95	90	103	98
ISTANBUL	109	93	95	102

SOURCE: THE HOTEL PRICE INDEX, 2011

TABLE.74 HOTEL INVESTMENTS (PURCHASE) INCOME

CITIES	2010 (%)	2011 (%)
MOSCOW	8.75	8.00
WARSAW	9.0	7.30
BUDAPEST	10.0	7.75
PRAGUE	8.25	7.60
SHANGHAI	7.75	7.80
BEIJING	8.0	8.00
MUMBAI	10.50	9.25
DELHI	11.00	9.20
JAKARTA	10.75	8.60
RIYADH		8.75
ABU DHABI	8.15	8.75
DUBAI	9.75	8.90
DOHA	8.10	8.25
SAO PAULO	11.00	9.40
BUENOS AIRES	12.00	9.75
MEXICO CITY	11.00	11.25
SANTIAGO	11.50	9.75
ISTANBUL	8.50	8.50

SOURCE: JONES LANG LASALLE, HOTEL INVESTOR SENTIMENT SURVEY 2010

Three important developments in terms of real estate investment arise in parallel with the increase in room prices, per capita income and total hotel income. The first of these is the period for return on investment becoming shorter. Second is the increase in investment yields, and the third is the increase in the asset values of the hotels along with the demand created. Therefore, the investments in hotels will be the area of priority for investment within the real estate sector despite the increase in the supply in near future. Trend for hotel investments will raise as saturation is in question for SC yields and periods for return on investment extend and also due to the very fast expansion in office investments squeezed within a very brief period of time.

TABLE.75 HOTEL CONSTRUCTION COSTS PER ROOM (EXCLUDING LAND)

COUNTRIES	3 STAR THOUSAND EURO	4 STAR THOUSAND EURO	5 STAR LUXURIOUS THOUSAND EURO
CZECH REPUBLIC	24-43	67-124	100-162
HUNGARY	26-49	87-128	128-219
POLAND	28-41	85-124	120-197
ENGLAND	42-52	130-158	188-239
SPAIN	39-51	116-138	157-228
PORTUGAL	29-38	82-93	111-145
RUMANIA	19-25	59-93	105-158
RUSSIA	33-40	105-128	141-211
DUBAI	38-50	90-123	158-272
SAUDI ARABIA	35-50	90-119	140-239
TURKEY	29-33	47-62	76-127

SOURCE: CUSHMAN&WAKEFIELD, EMEA HOTELS MONITOR, 2010

The difference between the price asked by the seller and the price considered by the international investor in attempts to purchase in relation with hotel buildings remains as a problem in the real estate market. Therefore, some international investors prefer to be a partner for hotel projects during construction period. And indeed, the fact that hotel investment (construction) costs remain low in Turkey as compared to the other countries also strengthens this trend.

TABLE.76 ESTIMATIONS FOR HOTEL INVESTMENTS 2011

CITIES	PURCHASE	SELECTIVE PURCHASE	WATCH
MOSCOW		+	
WARSAW		(+)	
BUDAPEST			(+)
PRAGUE			+
SOFIA			(+)
BRATISLAVA			(+)
SHANGHAI	+		
BEIJING	+		
MUMBAI	+		
DELHI	+		
JAKARTA			+
RIYADH			(+)
ABU DHABI		+	
DUBAI		+	
DOHA			+
SAO PAULO	+		
BUENOS AIRES			+
MEXICO CITY		+	
SANTIAGO		+	
ISTANBUL		(+)	

SOURCE: JONES LANG LASALLE HOTEL INVESTMENT OUTLOOK 2011

Istanbul hotel market and the hotel markets of other cities will bring higher income for real estate hotel investors as compared to other commercial real estate. Therefore, the foreign and local real estate investors will have high level of interest and participation for purchase in hotel market. However, selective investment approach will be adopted among high number of accommodation facilities. And indeed, when compared to similar cities, selective purchase trend is revealed for Istanbul hotel market.

III.4 LOGISTIC AREAS AND BUILDINGS

As the last market in the commercial real estate sector, Logistic Areas, and buildings are being examined and evaluated and development recommendations are proposed. The dynamics, which are determining factors for logistic areas and buildings, are long terms planning for the development expectations in the Turkish economy together with the long term planning for the transportation infrastructure and superstructure of Turkey. In this framework, primarily within the economic development expectations, Turkey's long term transportation and delivery plans are taking place. In connection with this, forecasts are made with respect to logistic regions and areas and they are evaluated in terms of real estate investments.

III.4.1 TRANSPORTATION STRATEGY OF TURKEY 2023

The Transportation Strategy 2023 has been put into force in February 2011 and puts forward the transportation targets and plans, which are constituting the basis for Logistic investments.

I. The Assumptions used in the Strategy Document

The basic assumptions, which are being used in the Turkey's transportation strategy, related to the macroeconomic indicators are as the following;

Population: Based on the projections of the Turkish Institute of Statistics, the population in the year 2023 will be 84.5 million. In the year 2025, the population will reach 86.5 million.

Foreign Trade: In the year 2023, there is going to be export, amounting to 500 billion dollars, import 600 billion dollars and 1.100 billion dollars foreign trade volume. The foreign trade volume will reach 1.800 billion dollars in the year 2030.

Domestic Trade: It is calculated that the trade, effectuated within the borders of the country, will account for 80% of the total national income. The share of the domestic trade is projected to decline to 70% in the year 2023, and when these data are taken into consideration it is estimated that the domestic trade volume would reach a level of 1.19 billion dollars.

National Income: In the year 2023, it is envisaged that the national income will be between 1.7 and 2.0 trillion dollars.

Tourism: 63 million foreign tourists and 20 million local tourists are forecasted for the year 2023.

2. The Vision of the Transportation Strategy

The Vision of the Transportation Strategy; It has been defined as contributing to enhance the competitiveness of Turkey and the quality of life in Turkey, building a safe, accessible, economical, comfortable, fast, environmentally sensitive, continuous, balanced, contemporary transportation services are presented to create a sustainable transport system.

3. Development Forecasts for Transportation Types

It is targeted that the share of the railway transportation would be increased in the transportation strategy and that it will increase to 15% in the year 2023. Similar to this, the share of the seaway transportation will increase to 10% from a level of 2.66% in the year 2023. In this respect, until the end of the year 2023, the share of the land roads will be decrease to a level of 60%.

TABLE.77 DEVELOPMENT FORECASTS FOR TRANSPORTATION TYPES

TRANSPORTATION SHARES TON-KM DOMESTIC LOAD	2011 % SHARE	2023 % SHARE
LAND ROADS	80.63	60.0
RAILWAYS	4.76	15.0
AIRWAYS	0.44	1.0
SEA WAYS	2.66	10.0
PIPE LINES	11.51	14.0

4. Land Road Sector and Land Transport

2023 transport strategy aims to reduce the share of freight transport by road. Together with this, domestic economic activities, transit position of Turkey in terms of trade, and the international connections of the roads, the investments, related to the improvement of the roads will continue.

Primarily, automotive, petroleum, logistics, construction and retail sectors, all of these sectors would be aiming at increasing efficiency with respect to freight transportation.

Turkey gains strategic importance due to its transitory position between Asia, Europe, Middle East and Caucasus; and allows the passage of the road connections, coming from Europe and Asia. Furthermore, considering the population in the geography, as being 350 Million, indicates a very important market for Turkey. Due to this reason, Turkey takes part in the development projects with respect to the regional and inter regional land roads for a vast number of land road connections. These projects continue their operations within the scope of EU (European Union), UN (United Nations), BEC (Black sea Economic Cooperation), ECA (Economic Cooperation Association) and TRACECA (Europe Caucasus Transportation Corridor). Within the scope of these projects, the total length of the international land roads, which pass through Turkey, reaches 10.000 km. International road corridors in the territory of Turkey to access ports, airports, railway stations and logistics centers to achieve a high standard, provided by the transcontinental highway connection will highlight the feature of Turkey that it provides intercontinental land road connection.

Accordingly, Turkey, having the position of a bridge that connects Europe, the Caucasus, the Middle East and Central Asia, linking the West and East, Turkey will offer seamless access to the motorway network in 2023 with the land transportation objectives. With the build operate transfer model, a motorways is targeted, at a length of 5.250 km. In this respect the length of the motorway network will reach 7.500 km. It is aimed that in the year 2023, divided motorways will reach a length of 36.500 kilometers. And the total length of the motorway network will reach to until the year 2023.

FIGURE.1 MOTORWAYS IN TURKEY 2023



FIGURE.2 INTERNATIONAL LAND ROADS CORRIDORS, IN WHICH TURKEY TAKES PART



5. The Railroad Sector and Railroad Transportation

The target for the railroad passenger transportation has been determined as 10% share in the year 2023, and for the freight transport this share is targeted as 15%. In order to achieve these targets, the existing railroad network needs to be enlarged and the standards of the lines would be improved. In this respect, construction of fast railroad lines, and conventional railroad lines will be accelerated.

Turkey plays an important role due to being transit country and also being the origin and destination of freights. As directed towards the transportation sector, the country's development reflected the importance of geographical location, infrastructure requirements, but depends on a strong transit networks and integration of all modes of transportation. It would be summarized as the transportation system's contribution to this process which is a part of existing networks of railways and all rail lines to new modernized infrastructure. Furthermore, with the conclusion of a high-speed railway lines and conventional lines, the capacity derived from there will decline with respect to the passenger transportation and this will be shifted as primarily for freight transports. Together with this, it would be ensured that those goods, which are suitable for high speed transportation, would be carried on the high speed railway lines.

In order to facilitate the role, undertaken by Turkey being a bridge, the Euro-Asian important railway projects will be implemented to ensure the continuity of the alternative corridors.

Istanbul-Basra Railway Corridor: Within the scope of the Istanbul – Basra Railway Corridor, the cooperation with surrounding countries will be enhanced, also it will be ensured that the improvement of existing roads along the corridor; increasing the capacity of the standard and be provided with the completion of gaps will be effectuated and a continuous railway access will be maintained from Basra to Europe.

North Railway Corridor: In order to offer an alternative approach to the Kars-Baku-Kazakhstan-China corridor and to eliminate the Caucasian Sea transit, cooperation will be developed with surrounding countries in the region, and for the continuation of this railway, the Erzincan-Trabzon-Hopa (Batumi) railway project will be initiated within the borders of Turkey.

Hejaz Railway Corridor: The revitalization of this major corridor is bringing about the feature to connect Africa, the Arabian Peninsula, which is a center of energy, and Indian Ocean to Turkey. In order to ensure the continuity of the Konya-Adana-Gaziantep-Aleppo route will be incorporated into projects with Istanbul-Konya high-speed railway line which is currently at the completion stage. This project will reach out to Hejaz on one hand and to North African countries over Alexandria.

South East Asia Railway Corridor: This is the corridor, which connects Turkey to India, which is the third largest economy of the world, over Iran and Pakistan. At the Turkey leg of the corridor, north of Lake Van, with the passage from here to Iran, Turkmenistan to China via Uzbekistan and Tajikistan, Pakistan, India, South-east Asian countries will be provided uninterrupted over the railway connection. The cooperation will be enhanced to assure continuity between the countries on the corridor route.

Trans-Anatolia Railway Corridor: This is the railway project, which starts from Edirne and connects Istanbul, Ankara, Sivas, Erzurum, Kars-Tbilisi-Baku. The project is divided into two in Erzincan and leads to Ufa over Erzincan-Trabzon- Batumi and from here to Vladivostok over the Trans-Siberia line. With this project, it is aimed at improving economic and cultural cooperation between the northern countries.

Samsun-Antalya Corridor: A vertical direction will be established, which would provide access to Samsun from the Northern countries and to Western and Southern coasts of Turkey with the Havza-Kirikkale connection.

West-Vertical Corridor: This is a new corridor, following the Kiev-Riga- Bucharest-Sofia-Canakkale-Candarli direction, which is going to connect the Northern countries to Aegean coasts.

East-Vertical Corridor: This corridor, which connects Erzincan to Gaziantep, connects the Northeast to Southeast and ensures fast access to the Middle East for the northern countries.



6. Airway Sector and Airway Transport

The airway transportation infrastructure in Turkey has shown a significant expansion in recent years. It has been determined as a priority area to create an accessible airway transportation, in every direction, carrying passengers at affordable prices. In terms of freight transportation, important targets have been set.

Within this framework, it will be ensured that airport in at least twelve provinces, which are located at the coast line, will be complemented by combining the modes of transportation. The airports, which are not on the coast line, will be connected with land roads and railways. In Istanbul an airport of 60 Million passenger capacities in Turkey two airports with 30 Million passenger capacity and three airports with 15 Million passenger capacities will be built.

Physical improvements will be made to the airport, primarily for the Atatürk Airport regarding the areas of passengers and cargo transportation and new cargo centers will be built in the 7 regions of Turkey, at least two airports will be built per region, from which every kind of airway vehicle can make any operation and it will be ensured that these airports will take their positions as being very important cargo centers of the world from the north to the south. Besides this, these airports will become duty-integrated facilities (free zone), where high technology products at appropriate standards are gathered from the East and Far East countries (China, India), and including fresh fruit and vegetable type products particularly from Africa packaged and marketed to the developed countries.

7. Maritime Sector and Maritime transport

Based on the 2023 foreign trade volume targets, the total handling, which would take place at our ports, will be broken down into the following segments, 500 Million ton dry freight, 350 Million ton liquid freight, a total of 850 Million ton, and that the container handling will reach 32 Million TEU. In order to attain these targets, the following infrastructural and superstructure investments are planned.

Port and marine facilities will be integrated into the national transport and trans-European networks. In order to receive a greater share from the transit ports in the Mediterranean, Aegean and Black Sea ports, logistics centers will be established to and will linked to trans-European networks with respect to the transport infrastructure will be enhanced. It will be ensured that at least one port will take its place, amongst the top ten leading ports of the world.

Ensuring a competitive advantage amongst the countries in the region by providing a commercial sense, to reduce bureaucracy and the administrative and legislative arrangements in order to increase the volume of maritime trade and port districts, featuring free zone will be encouraged to be built.

Strengthening the national and international transit connections, and building fast transit systems in harmony with other modes of transportation, it will be encouraged to build Ro-Ro terminals, which has a multi-mode rapid loading and unloading facilities in the north-south and east-west lines in Marmara.

With respect to the national transportation, the share of maritime will be increase to 10% (Ton/km) and the rate of containerization will increase to 15% (TEU). In order for the freight transportation to be shifted from the land transport to maritime transport, maritime highways are going to be built between ports of Mediterranean, Aegean, Marmara and Black sea for national freight transportation.

Turkey has the potential to forward the cargo to Middle Asia and Middle East via sub (feeder) lines. In this scope, it is important to build at least one main transit port (hub-port) in the Mediterranean, Aegean and Black sea.

FIGURE.4 MAIN PORTS OF TURKEY AND INTERNATIONAL TRANSPORTATION CONNECTIONS



8. LOGISTICS AND COMBINED TRANSPORTATION SECTOR

The Transportation Strategy of 2023 has devoted a direct place for the logistics sector, and it is considered as a combined transportation sector. Within this framework, the most important targets are as the following.

Rational and efficient transport infrastructure will be created, wherever it would be for optimal usage in terms of technical and economical perspectives. Integration of logistics will be provided throughout the country, sector efficiency and effectiveness will be increased by infrastructure investments.

Logistic centers will be built on a global scale. Logistic centers will be designed as value added centers, in which customs, warehousing, transportation, etc. will take place.

Railway and divided motorway connections to ports and to the centers of OSB will be provided. By promoting our ports, it will be ensured that our ports would become a logistics base.

By building (renting) warehousing premises in foreign countries, our competitive advantage will be further enhanced.

Logistic integrations will be enabled throughout the World and European Union and global logistics networks will be joined.

As a result of assigning the necessary importance to the combined transport, both contribution will be enhanced for the transport sector; and for national economy, and as a result of advancement of the international transportation network, the socioeconomic relations between countries will be strengthened. By using the combined transportation effectively, parallel to the economic growth in the year 2023, Turkey will become the logistic base of the region and will establish at least 10 companies, which would become world brands.

Furthermore, it is targeted to build 16 logistic towns by the Turkish State Railways. These are; Eskisehir (Hasanbey), Izmit (Köseköy), Kayseri (Boğazköprü), Istanbul (Halkalı/Ispartakule), Samsun (Gelemen), Balıkesir (Gökköy), Mersin (Yenice), Uşak, Erzurum (Palandöken), Konya (Kayacık), Kalkık (Denizli), Bilecik (Bozüyük), Kahramanmaraş (Türkoglu), Mardin, Kars and Sivas logistics centers.

FIGURE.5 LOGISTIC TOWNS



III.4.2 FORECASTS, RELATED TO THE LOGISTICS CENTERS

The Transportation Strategy 2023, which has been prepared based on Turkey's economic and social development targets, together with transportation plans, is a determining aspect for the Logistics centers, which will be developed in the next period.

According to this size different types of logistics centers, which will be operating in Turkey, have been summarized as the following.

TABLE.78 LOGISTIC CENTERS

LOGISTICS CENTERS WITH A FOCUS ON FOREIGN TRADE AND MARITIME TRANSPORTATION	ISTANBUL, IZMİR, MERSİN, İSKENDERUN, SAMSUN, FİLYOS, KOCAELİ, BALIKESİR-BANDIRMA, TEKİRDAĞ
LOGISTICS CENTERS WITH A FOCUS ON DOMESTIC TRADE WITH FORWARDING ASPECT	KONYA, KAYSERİ, DENİZLİ, ERZURUM, KAHRAMANMARAŞ, KARS, ANKARA, ERZİNCAN
LOGISTICS CENTERS WITH A FOCUS ON FOREIGN TRADE WITH CLOSE REGIONS AND LAND/RAILWAY TRANSPORTATION	GAZİANTEP, SANLIURFA, KARS
LOGISTICS CENTERS WITH A FOCUS ON AIR CARGO TERMINAL	ISTANBUL, ÇUKUROVA (FROM MERSİN TO ADANA) ESKİŞEHİR, KOCAELİ, KAYSERİ, ISTANBUL, SAMSUN, BALIKESİR, MERSİN, USAK, ERZURUM, KONYA, DENİZLİ, BİLECİK, KAHRAMANMARAŞ, MARDİN, KARS, SİVAS
TURKISH STATE RAILWAYS LOGISTICS TOWNS	
LOGISTICS CENTERS WITH A FOCUS ON TRANSIT TRADE/ TRANSPORTATION	İSKENDERUN, MERSİN, TRABZON, ISTANBUL, SAMSUN, ANTALYA, TEKİRDAĞ

The construction permits, which are obtained for the construction of the industrial buildings and depot premises are constituting an important indicator for assessing the capacity of the industrial and depot areas in the provinces. Especially after the year 2005, it is observed that there is a significant expansion in the investments for industrial buildings and depot premises. In Turkey, the total size of the industrial buildings and depot premises licenses amount to 10.6 million m² in the year 2007, 7.0 million m² in the year 2008. Together with the impacts of the economic crisis in the year 2009, the magnitude of the total licenses of the industrial buildings and depot premises has decreased to 4.4 million m². In the year 2010, due to a recovery in the economic situation, the figures of the total licenses of the industrial buildings and depot premises have increased to 7.3 million m².

TABLE.79 CONSTRUCTION LICENSES OF THE INDUSTRIAL AND DEPOT PREMISES BASED ON PROVINCES M²

CITIES	2005	2006	2007	2008	2009	2010	2005-2010
ISTANBUL	2.376.800	1.577.348	1.819.025	1.629.179	639.929	452.720	8.495.001
KOCAELİ	947.349	1.193.505	845.105	579.469	432.495	327.823	4.325.746
BURSA	652.238	1.093.485	1.030.071	426.943	260.994	376.085	3.839.816
İZMİR	489.798	726.981	810.057	618.436	285.103	328.355	3.258.730
ANKARA	332.439	478.191	592.994	505.832	475.469	346.056	2.730.981
TEKİRDAĞ	339.167	493.205	712.728	227.644	290.038	188.995	2.251.777
KONYA	132.714	254.622	366.822	260.672	119.095	419.087	1.553.012
MANİSA	161.609	236.608	276.919	120.438	122.822	218.424	1.136.820
K.MARAŞ	100.042	413.727	194.707	66.220	43.459	220.074	1.038.229
HATAY	96.730	158.817	195.360	357.877	76.226	223.176	1.108.186
AFYON	61.726	85.789	412.413	96.998	27.346	97.545	781.817
MERSİN	176.352	53.176	111.806	136.300	141.132	269.670	888.436
SAKARYA	118.952	107.694	193.727	128.778	126.506	83.407	759.064
ADANA	77.182	112.111	168.677	151.781	149.888	123.259	782.898
DENİZLİ	191.836	107.027	103.418	156.608	77.154	59.741	695.784
ANTALYA	242.512	136.124	82.852	34.084	23.489	69.447	588.508
SAMSUN	122.260	51.228	71.674	145.201	41.169	289.220	720.752
BALIKESİR	89.895	43.545	121.352	53.893	42.028	68.496	419.209
GAZİANTEP	56.015	130.551	166.204	38.510	24.466	111.592	527.338
KAYSERİ	7.200	44.781	279.598	40.634	38.434	85.649	496.296
ŞANLIURFA	20.113	40.925	22.973	65.315	98.232	104.251	351.809
ESKİŞEHİR	32.207	38.151	198.564	15.245	25.983	7.728	317.878
TURKEY	7.966.094	8.721.263	10.608.756	6.992.750	4.418.828	7.273.526	45.981.217

SOURCE: TURKISH STATISTICAL INSTITUTE, CONSTRUCTION LICENSE STATISTICS

One condition, which is a prerequisite for Turkey to exploit its current potential in the logistics sector, is to improve the infrastructure. With respect to this, Turkey is ranking 39th on the world logistics performance index as of the year 2010.

TABLE.80 WORLD LOGISTICS PERFORMANCE INDEX

COUNTRIES	SCORE	2010 RANKING	2007 RANKING
GERMANY	4.11	1	3
SWEDEN	4.08	3	4
NETHERLANDS	4.07	4	2
CZECH REPUBLIC	3.51	26	38
POLAND	3.44	30	40
SLOVAKIA	3.24	38	50
TURKEY	3.22	39	34
HUNGARY	2.99	52	35
GREECE	2.96	54	29
ROMANIA	2.84	59	51
BULGARIA	2.83	63	55
CROATIA	2.77	74	63
SERBIA	2.69	83	115
RUSSIA	2.61	94	99

SOURCE: WORLD BANK, 2010

III.4.3 LOGISTIC AREAS AND BUILDINGS AS A REAL ESTATE INVESTMENT

Despite the current logistic potential of Turkey, the logistic areas could not indicate the expected progress.

Although the logistic buildings have been cumulated in Istanbul and in the metropolitan areas to a great extent, the logistics depot inventory with international qualifications is still limited. Given this reason, although the logistics depot inventories are expanding, the inventory, which could be subject to real estate investments, remain quite restricted.

The most important aspect, as to why the large scale logistic depots at international standards remain restricted, is the fact that the land prices are very high and that the logistics investments are not profitable within the scope of current earnings.

In the period ahead of us, within the facts, which have been envisaged as it has been stated before, there will be a need for high amounts of logistic areas. While the logistics area / depot requirements are fulfilled in various provinces of Turkey with logistics center of different sorts, it is important to establish dept inventory, which are at international standards and which can be subject to real estate investments.

The encouraging factor in this respect would be allocation of land for building logistics centers, opening of private areas, long term leases, and similar incentives. Thereby the land costs would be decreased and the logistics depot investments could be encouraged. Otherwise the desired logistic depot conditions would not be attained and the logistics services would become very costly.

Part IV.

CONCLUSION “VISION FOR REAL ESTATE SECTOR OF 2023”

Following the estimations regarding numerical developments of the real estate sector in Turkey, the last part of the study offers a vision consisting of the suggestions for the sound and consistent growth of the real estate sector. It is necessary to address and define the vision for the under 8 basic topics when summarizing the journey to 2023.

1. Priorities for development
2. Highly qualified sector
3. Efficient financing
4. Market conditions
5. Participation by foreigners
6. Real Estate Investment Trusts
7. Governance
8. Contribution to Economy and Life

IV.I. PRIORITIES FOR DEVELOPMENT

For the development of the sector, it should first aim to create cities that are healthy, qualified, planned, environment friendly and livable and that are in harmony with the social texture.

The buildings that do not conform to the license project should not be allowed for construction.

The urban transformation should be seen as one last chance to erase the marks of the unplanned urbanization. If the need for housing cannot be met in parallel with urbanization, then illegal housing may not be prevented.

Local governments should be actively involved in transformation processes. Proper mechanisms are needed for the local governments and the state to allocate land or permit zoning in exchange for housing accessible in terms of pricing.

Developments that lack architectural harmony and that do not protect and develop the historical textures of cities should not be implemented for commercial concerns. Failure to observe registration and legal requirements and standards, which causes loss of

credit for the sector, should not be left behind.

The issue of “acquired right” should be defined fully in law, and the problem caused by canceled plans, canceled licenses etc., making the end users suffer and creating uncertain market conditions, should be solved radically.

The balance between using and protection should be maintained well, new areas of depression should not be created through protection.

Urban accumulation should be prevented throughout the country through planning in harmony with the region and the cities and the Turkish people should now be freed from migrating. Within this framework, the importance of the new “Developing Cities” will increase.

IV.2. HIGHLY QUALIFIED SECTOR

It should not be forgotten that the real estate is a highly qualified sector. The sector should be provided with definitions, classifications and criteria of international standards. Standard definitions with global validity should be provided.

Transparency should be enhanced at all stages in the sector, and it should be possible to make correct and sound assessments regarding the sector through transparency.

The sector should produce maximum data and information by international standards and criteria. For this purpose, real estate indexes should be developed meeting international standards.

IV.3. EFFICIENT FINANCING

Efficient financing is a necessity.

The sector should become able to use resources with longer terms, domestic long term resources should be developed. The capital markets should be used more efficiently, and security valuation tools for real estate assets and loans should be enriched. Markets should be created and deepened for financial tools used in real estate financing in capital markets.

It should not be possible to provide loans for illegal areas and there should be no compromise in this respect.

IV.4. MARKET CONDITIONS

The market should develop with the participation of and as focused on the private sector, and the public-private sector partnerships should be employed for areas not considered profitable by the private sector. The public should be regulating and should produce only accessible housing.

The public should be regulating and should produce only accessible housing. If illegal housing has become widespread, they cannot be demolished easily with the administrative decisions made. It will be proper to issue title-deeds to housing and their owners if they reinforce the building and also to encourage them to make their buildings legal; and to develop house improvement and reinforcement loans. In many places around the world, many illegal houses with high quality construction standards have become legal. Supply and demand balance should be observed, the trap of price bubbles should be avoided, and auto-control mechanisms should be employed.

The income from real estate investments should be measured and monitored by international standards.

IV.5. FOREIGN INVOLVEMENT

Foreign institutionalized firms should be encouraged to be involved in the sector, Transparent information should be created for corporate investors, assets and liquid markets of international standards should be created.

There should be facilitating and encouraging practices for project developers, Sufficient and high quality supply should be developed for individual investors and users. In addition to the regulation of reciprocity in sale of housing, improvements and facilitations should be created in all aspects such as residence, working and education permits for foreigners, ease of visa in entrance and exit, ability to use loans from Turkish banks, and house insurance transactions.

IV.6. REAL ESTATE INVESTMENT TRUSTS

If course, Real Estate Investment Trusts is one of the most important financial instruments on the way to 2023.

Opportunities should be made available so that Real Estate Trusts can be established and can engage in activities in different categories, especially including infrastructure RETs. Their

numbers and asset sizes should be increased.

The transition of RETs from housing portfolio to commercial real estate portfolio should be encouraged and liquid assets with high yield should be created.

Opportunities should be made available so that Real Estate Trusts can be established and can engage in activities in different categories, especially including infrastructure RETs.

IV.7. GOVERNANCE

The channels for mutual consultation, dialogue and cooperation between the central public authority and local governments and sector players should be kept at a maximum level. Sound dialogue mechanisms should be established with urban dwellers. Scientific accumulation and data should be referred to a maximum extent and should be respected for decisions that respect the past and preserve the future.

Social media is now intertwined with life; information and news are shared within seconds. In future, social media, public relations, marketing will become even more important in the real estate sector as is the case with the other sectors.

IV.8. CONTRIBUTION TO ECONOMY AND LIFE

The arrangements we mention will provide momentum to the sector and contribution to the economy. If proper conditions are provided, our sector will contribute 1.5-2 points every year to economic growth.

If the necessary improvements are made in the sector in terms of both duties and taxes to encourage competitive environment to be fully registered, the tax capacity to be created by the sector will be much higher.

Especially systems should be established to prevent tax losses arising out of transfer of title deeds in real estates and the necessary fair adjustments should be made. Tax evasion is widespread in real estate sector. The practices such as double pricing for real estates, short declarations in invoices and low prices for cash payments caused by non-institutional producers should be prevented and institutionalization should be encouraged. If the above-mentioned developments take place, it will be possible to create LIVABLE CITIES for individuals.



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