

CONSTRUCTION

THE CONSTRUCTION INDUSTRY PICKS UP

The Reciprocity Law that cleared the path for foreign investors who wish to acquire property in Turkey is enlivening Turkey's construction industry, too.

BY ESRA ERDOĞAN BY ABDULKADIR DEMİR

HOUSING DEMAND in Turkey is continually rising with the Reciprocity Law that came into effect in May and cleared the way for citizens of forty-two countries to acquire property in Turkey. The projects that have been begun recently in Turkey, which has become a favorite of Middle Eastern investors especially, are drawing great attention, with residences and luxury real estate being popular investments.

Turkey's diverse range of climates, natural wealth, geographic position, and important commercial hubs like Istanbul are just a few of the factors drawing investors to real estate in Turkey. Işık Gökçaya, Chairman of the Association of Real Estate Investment Companies (GYODER), said on the subject, "Turkey is a safe and attractive country for investment with the political and economic stability it has secured. And the real estate industry, one of Turkey's economy's bellwether industries, accounts for a significant interest in this investor preference whether with the attractive opportunities it presents or with its strong potential." Gökçaya points out the fact that the turmoil that began in the Middle East with the Arab Spring continues and says, "With the new legislation, foreign capital input in the real estate industry is expected to be roughly five billion dollars annually, and in the long term this figure is expected to reach around ten billion dollars."



Foreigners are observed to generally prefer larger housing.

With the projects they have been producing in this period, Turkish construction companies are evaluating requests from foreign investors as well. Temel Bulut, CEO of Bulut İnşaat, said on the law's contribution to the construction industry, "I can say that the real estate industry in Turkey has, with its infrastructure and projects, been preparing for the reciprocity law for two years. Foreign currency input will be provided for Turkey with the law; and the currency that enters will never leave.

Turkish contractors will go abroad more easily and it will be easier for them to be successful with better knowledge of foreign demands and expectations. I am of the opinion that because the construction industry and, in time, all our industries will be enlivened with the reciprocity law, it is a very productive move."

THE BOSPHORUS AN INVESTOR FAVORITE

Industrial Development Bank of Turkey (TSKB) Real Estate Appraisal General

Manager Işıl Dinçer says, "The demand coming from the Gulf countries especially is giving hope to the industry. In this sense, upon seeing the views provided by industry representatives, the idea that investors will wish to use their money in safer markets following the chaos that occurred in the Middle East becomes more apparent. We are of the view that Turkey will become a center of attraction when the reciprocity law is being applied in full and that the processes will remain as lively as they were on the first day for quite some time." Resources from the Minister of Environment and Urban Planning show that 1,299 have acquired real estate in the districts of Sarıyer, Beşiktaş, Beykoz, and Üsküdar, in Istanbul, which are covered by the Bosphorus development law. Specifically, foreign nationals own 398 properties totaling 99,028 square meters in Üsküdar, 261 properties totaling 114,768 square meters in Sarıyer, and 454 properties totaling 42,564 square meters in Beşiktaş. Middle Eastern investors prefer the provinces of Istanbul and Bursa most of all, while Europeans favor houses in Turkey's coastal regions. Makro Construction & Akyapı Joint Venture Executive Committee Chairman Ercan Uyan says, "Foreigners are showing interest toward housing with greater qualities. Housing with social facilities is their top prefer-

ence. On a country basis, one sees that Arabs and Middle Easterners mostly buy houses in Istanbul, while Europeans buy from the Aegean and Mediterranean coast.

VARYING HOUSING PREFERENCES

It's not only luxury projects in Turkey that are drawing the interest of foreign nationals—summer residences are, too. Dinçer says preferences in housing purchases exhibit variance by region and adds, "While one generally observes interest in residence-type housing in Istanbul, purchases in coastal and summer-home areas can shift toward detached housing. Although changing depending on the intended use, foreigners are observed to generally prefer large housing when compared to the rest of the world, too. For investment purposes, however, smaller spaces can be preferable to attain higher numbers of units." According to Dinçer, variances can occur depending on the projects presented and the projects' concepts as

well. Generally, in summer home or villa-style secondary housing, factors such as being at walking distance to the shore and having a private garden are popular preferences. Recently, high-quality metropolitan apartment units and residences are being preferred, too.

Dinçer states that construction firms started preparing after the reciprocity law passed parliament by opening offices abroad in order to promote their projects or by signing agreements with companies that offer international real estate agency services. Construction companies are expected to further focus on promotion in the period ahead. GYODER Chairman Işık Gökçaya says GYODER has been conducting activities geared toward promotion in international markets. "We conducted the first of the projects after the new legislation at Cityscape Global 2012, which was held October 2-4 in Dubai and featured Turkey as this year's 'Guest of Honor.' At



A safe and attractive country, Turkey is receiving heavy interest from investors.

this international event, the most important in its field, we as GYODER prepared significant opportunities for the promotion and representation of the real estate industry of Turkey. Also, as GYODER, we will be holding

the first of the road shows we will organize with the purpose of, again, the 'promotion of Turkey's real estate industry in international markets' in important international finance centers with high concentrations of large investment funds, in association with the Prime Ministry Investment Support and Promotion Industry and with the support of the Capital Markets Board of Turkey and the Istanbul Stock Exchange, in London this November. 'The other destinations are hubs where there are powerful foreign funds, like Qatar, Indonesia, and Malaysia.'

Turkey has drawn the attention of foreign investors with its reciprocity law, and with the urban transformation projects that have been launched, it is becoming an attractive nexus for the construction industry. Considered as a whole, all of this information appears to indicate that a good deal of Turkey's accumulated stock of high-quality housing will quickly be sold away.



ASSOC. PROF. FEVZULLAH YETGIN, PHD
General Manager, Çalık Real Estate

"With its position that connects east to west, its continually developing economy, and its stable growth, Turkey is a country that has the distinction of being a leader. It is therefore the strongest candidate for drawing foreign investment. Istanbul, which has become a center of attraction for the real estate industry with the new law, will come to stand out centrally for foreign nationals' investments."



TEMEL BULUT
CEO, Bulut İnşaat

"With the law that makes real estate sales to foreigners easier, the construction industry has undergone further stimulation. We have become better able to satisfy the demands of our customers abroad. Our foreign customers choose their type of housing as per their own needs."



ERCAN UYAN
Executive Committee Chairman, Makro Construction & Akyapı Joint Venture

"Before this law, the citizens of forty-two countries were unable to acquire property in Turkey. This problem has now disappeared. Foreign nationals buy fifty thousand housing units from Turkey annually. With the legislation of this law, this figure is expected to reach one hundred thousand."



IŞIK GÖKÇAYA
Chairman, GYODER

"A number of complementary elements are required for the law to be applied in a way that suits the purpose of its legislation. These are such elements as conveniences various permits for foreigners; visa conveniences; ability to use housing credit issued by Turkish banks; insurance operations for housing etc.; the ability to use real property as security; the taxation of income from rent; and improvements and conveniences in areas such as taxes on purchasing and sales."



IŞIL DİNÇER
General Manager, TSKB Real Estate Appraisal

"Azeri, Kazakh, Kyrgyz, Iranian, Russian, and Gulf-nations' citizens who got snagged on the reciprocity principle will especially show interest in brand-name luxury projects in Istanbul's central locations, with views and facing the sea (or at the very least having good transport infrastructure). Additionally, new projects to be presented in the area surrounding Istanbul, in the province of Bursa and on the shores of the south and the Aegean region.