

The Real Estate Sector in Turkey



REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



**YOUR ONE-STOP-SHOP
IN TURKEY**

invest.gov.tr



Investment Support and Promotion Agency of Turkey

Deloitte.

Disclaimer

Republic of Turkey Prime Ministry Investment Support and Promotion Agency (ISPAT) submits the information provided by third parties in good faith. ISPAT has no obligation to check and examine this information and takes no responsibility for any misstatement or false declaration. ISPAT does not guarantee the accuracy, currency, reliability, correctness or legality of any information provided by third parties. ISPAT accepts no responsibility for the content of any information, news or article in the document and cannot be considered as approving any opinion declared by third parties. ISPAT explicitly states that; it is not liable for any loss, negligence, tort or other damages caused by actions and agreements based on the information provided by third parties.

Deloitte accepts no liability to any party who is shown or gains access to this document. The opinions expressed in this report are based on Deloitte Consulting's judgment and analysis of key factors. However, the actual operation and results of the analyzed sector may differ from those projected herein. Deloitte does not warrant that actual results will be the same as the projected results. Neither Deloitte nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements thereof have been made. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice and may become outdated.



Glossary of Terms

Acronym	Definitions
ADR	Average Daily Room Rate
AGR	European Agreement on Main Traffic Arteries
AYD	The Council of Shopping Centers
BIST	Borsa Istanbul
BMI	Business Monitor International
BOT	Build, Operate and Transfer
BRIC	Brazil, Russia, India and China
BRSA	Banking Regulation and Supervision Agency
CAGR	Compound Annual Growth Rate
CBD	Central Business District
CBRT	The Central Bank of the Republic of Turkey
dwt	Deadweight
EATL	Trans-Eurasia Highway / Eastern Alberta Transmission Line
EIU	Economist Intelligence Unit
ENR	Engineering News-Record
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GLA	Gross Leasable Area
GYODER	The Association of Real Estate and Real Estate Investment Companies
ha	hectare
IBB	Istanbul Metropolitan Municipality
IMF	International Monetary Fund
M&A	Mergers and Acquisitions

Acronym	Definitions
N/A	Not Available
OECD	Organization for Economic Co-operation and Development
REIT	Real Estate Investment Trust
S&P	Standard and Poor's
SC	Shopping Center
sqm	square meter
TBD	To be decided
TC	Republic of Turkey
TCDD	Turkish State Railways
TL	Turkish Lira
TOBB	Union of Chambers and Commodity Exchanges of Turkey
TEM	Trans-Europe North-South Motorway
TOKİ	Housing Development Administration of Turkey
TRACECA	Transport Corridor Europe-Caucasus-Asia
TurkStat	Turkish Statistics Institute
UK	United Kingdom
UN	United Nations
UNECE	United Nations Economic Commission for Europe
URD	Urban Renewal and Development
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WB	World Bank



Table of content

Executive Summary	5
I. Global Highlights and Turkish Macroeconomic Indicators Related to Real Estate	6-12
II. Turkey's Competitive Landscape	13-27
III. The Real Estate Sector in Turkey	28-80
A. A Snapshot of the Market	29-36
B. Real Estate Investment Trusts in Turkey	
C. Property Market Overview	
D. Retail Market Overview	47-54
E. Office Market Overview	54-62
F. Warehouse Market Overview	63-71
G. Hotel Market Overview	72-80
VI. Related Sectors in Turkey	81-87



Executive Summary

- Turkey is the **17th largest economy** in the world and 6th largest economy in Europe with a GDP of approximately USD 786 billion. The real estate sector in Turkey represents **19.5%** of the total GDP and offers great investment potential.
- In 2012, FDI inflow rose to **USD 12.5 billion** with real estate and construction receiving USD 1.6 billion of the total FDI.
- Following the enactment of the reciprocity law, sales of real estate to foreigners started to increase and reached **USD 2.64 billion** in 2012. The Ministry of the Environment and Urbanization declared that real estate sales to foreigners increased from 2% to 5-6% in the last 10 months of 2013.
- Its advantageous geographical position, its youthful population and demographic advantage, the increase in income per capita, large-scale urban renewal and development and ease of doing business are the drivers of the real estate sector in Turkey. Special focus has been given to Istanbul to present opportunities for the investors who wish to close the gap between supply and demand.
- The number of construction licenses and occupancy permits were 225,000 and 177,000 respectively in 2012. The total number of houses sold in the **property market** reached **290,000** in 2012.
- Targets are being set and development also continues in urban renewal projects. The Turkish government has decided to renew and retrofit buildings that are prone to destruction during natural disasters including **6.5 million residences** with a budget of **USD 400 billion**.
- **299** shopping centers with a total gross leasable area of **8.2 million sqm** are open all over Turkey. 91 shopping centers located in Istanbul represent 46% of the total leasable area for shopping centers in Turkey. There is still room for investment in the **retail market** since only 54 Turkish cities out of 81 have shopping centers.
- Office construction licenses obtained throughout Turkey increased by 27% and reached **6.84 million sqm**. Istanbul office stock grew at a CAGR of 10.6% from 2003 to 2012.
- The Marmara region is an important hub for industry and logistics due to its geographical position. It is by far Turkey's most developed **warehouse market**. According to TCDD's investment program, TCDD plans to spend **TL 514.9 million** on building logistics centers.
- The number of tourists is expected to reach **60 million by 2023**. As of 2012, there were a total of **2,870 licensed hotels** with a total bed capacity of **more than 700,000** and there is still a gap between supply and demand, especially in Istanbul.



I. Global Highlights and Turkish Macroeconomic Indicators Related to Real Estate

- A. An Overview of the Turkish Economy and Real Estate Sector
- B. FDI in Turkey
- A. M&A Review for the Real Estate Sector



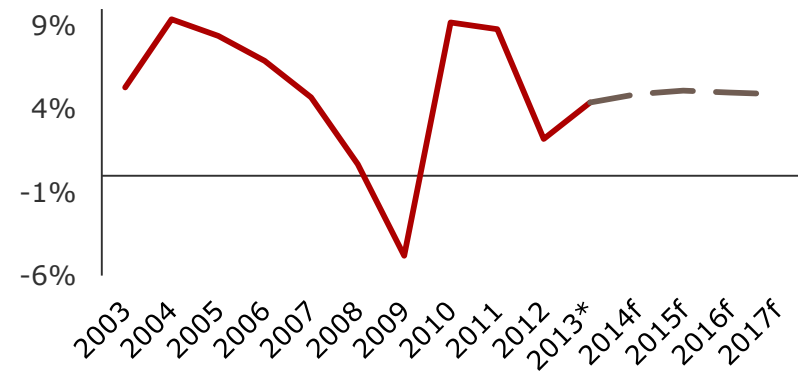
Global Highlights of the Real Estate Sector



Turkey's fast-growing economy is expected to attract more investment in the future.

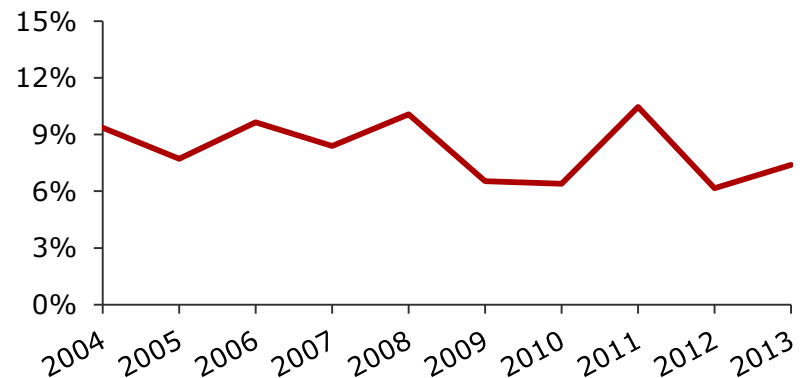
- Turkey has undergone profound economic transformation over the last decade and its economic foundation is quite solid. It is the 17th largest economy in the world and the 6th largest economy in Europe with a current GDP of approximately USD 786 billion in 2012.
- Having boomed as fast as 9.3% and 8.8% in real terms in 2010 and 2011, OECD projects a real GDP growth of around 4% in 2014 and 2015, while the EIU projects on average 5% growth until 2017.
- Monetary policy played a vital role in reining in inflation in recent years. Turkish inflation has stayed under 10% since 2004 and year-end inflation was 7.40% in 2013. EIU forecasts that average inflation will further ease to 4% by 2018.

Figure 1: GDP Growth Rate (Constant Prices)



Source: TurkStat, OECD, EIU
*Q3 2013, f: forecasts

Figure 2: Inflation, 2004-2013

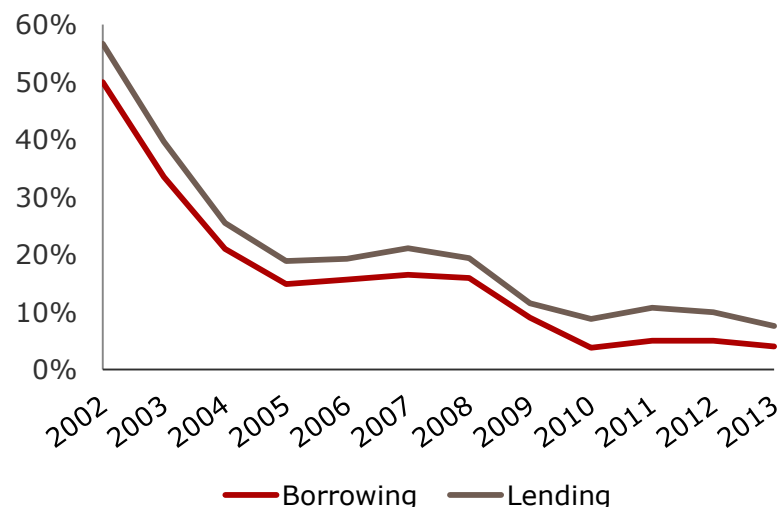


Source: TurkStat



Capitalizing on its economic policies, the investment environment in Turkey has become increasingly more welcoming to foreign investors.

Figure 3: The Central Bank of the Republic of Turkey O/N Interest Rates



- The overnight lending rates have been steadily decreasing over the years and were around 7.5% in September 2013, which is a 500 basis point decrease from 2002.
- Fitch Ratings announced Turkey's investment grade rating of BBB in November 2012 and Standard & Poor announced a BB+ rating in March 2013. These events signal further upgrades and are expected to boost the inflow of institutional funding.
- Moody's raised Turkey's government bond ratings to Baa3 and revised its outlook to stable from positive in May 2013.

Table 1: Turkey's Credit Ratings

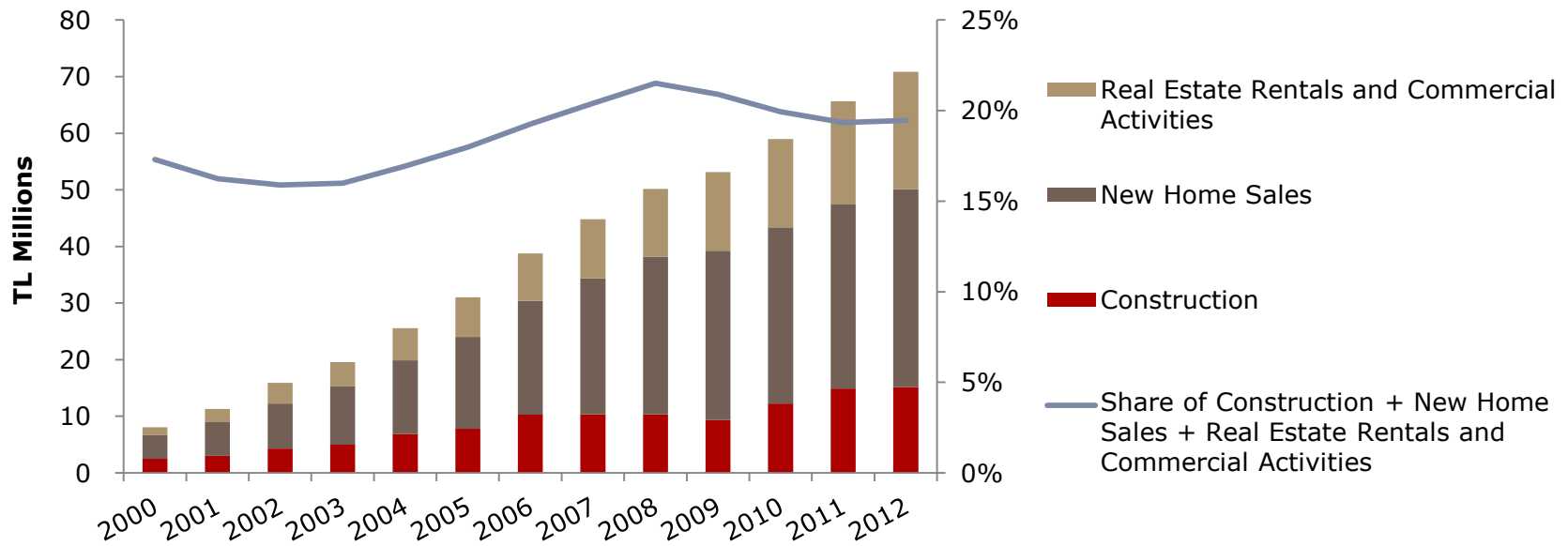
	Rating (Local Currency)	Outlook (Local Currency)	Rating (Foreign Currency)	Outlook (Foreign Currency)
Standard & Poor's	BBB	Stable	BB+	Negative
Fitch	BBB	Stable	BBB-	Stable
Moody's	Baa3	Stable	Ba1	Positive
JCR	BBB-	Stable	BBB-	Stable

Source: Moody's (May 2013), S&P (February 2014), Fitch (December 2013), JCR (May 2013)



The real estate sector is 19.5% of the total GDP and exceeds TL 364 million.

Figure 4: Construction, New Home Sales, Rental and Commercial Real Estate Activity in the GDP



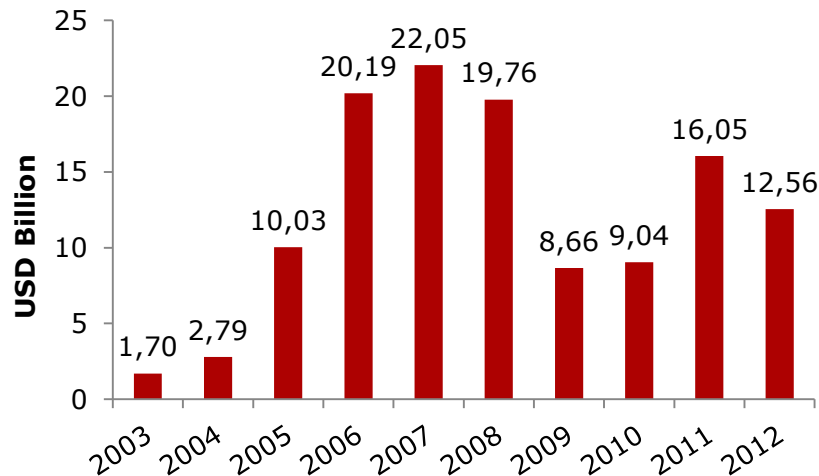
Source: Central Bank of Turkey

- The real estate sector's share in the GDP increased by 2.3% in 2000 and by 3.8% in 2012. It is important to note that real estate, including rental and commercial activity in the GDP increased from TL 1 million to TL 19 million in 2012.
- The average share of construction, new home sales, rental and commercial activity in the GDP increased by 16.7% between 2000 and 2005. However, the sharpest increase was observed between 2006 and 2009 with 20.5%.



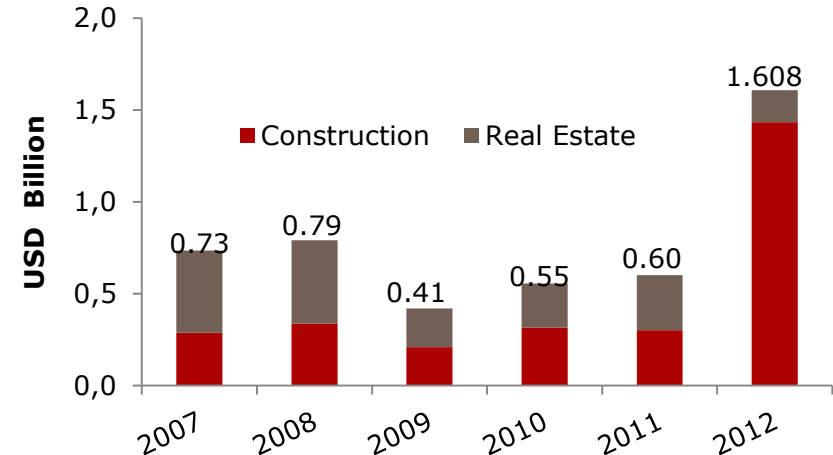
Turkey has been attracting significant FDIs in the last decade and the real estate sector's share reached 12% of FDI inflows in 2012.

Figure 5: FDI Inflows to Turkey, 2003-2012



Source: World Development Indicators, World Bank DataBank

Figure 6: FDI Inflows to Turkey in Real Estate and Construction, 2007-2012



Source: CBRT

- Turkey has become an attractive destination for FDI. After 2002, FDI inflows were weak, but began to increase incrementally, and climbed to reach a record level of USD 22 billion in 2007. The decrease in 2009 can be explained by the global economic crisis, which lowered FDI all around the world including Turkey. However, according to 2011 figures, Turkey has recovered satisfactorily from the global crises and has continued to attract large FDIs in 2012. In 2012, FDI inflow rose to USD 12.56 billion, compared to USD 8.66 billion in 2009.
- The share for the real estate and construction industry in total FDI to Turkey increased by 12% in 2012 compared to 2011.
- Following the enactment of the reciprocity law, sales of real estate to foreigners started to increase in the last two quarters of 2012. Real estate sales to foreigners increased by 30.9% and reached USD 2.64 billion in 2012.
- The Ministry of the Environment and Urbanization declared that real estate sales to foreigners increased from 2% to 5-6% in the last 10 months of 2013.



Turkey's potential is manifested in the M&A market with USD 1.5 billion worth of transactions between 2008 and 2012 in real estate. (1/2)

Table 2: Mergers and Acquisitions in Real Estate Sector

Date	Acquirer	Target	Deal Value USD Millions	Stake
2008	Hall Investments	Optiproje Optik Sanayi ve Ticaret	4.5	100%
2008	Ocean Real Estate Management	Logiturc	325	90%
2008	Corio	Adacenter	44.8	70%
2008	Hellenic Petroleum	Opet Aygaz Bulgaria	15.6	100%
2008	Corio	Act 4 Gayrimenkul	174.7	100%
2008	Corio	Iskenderun Shopping Center	181.7	100%
2008	Corio	Tarsus Gayrimenkul Geliştirme Yatırım Insaat	74.9	100%
2008	Metaltrade International	GKY Real Estate Investment	13.8	99.9%
2008	Manag Gayrimenkul	Atakule Gayrimenkul Yatırım Ortaklığı	77	51%
2008	Sinpaş GYO	Saf Gayrimenkul Geliştirme	41.6	7.4%
2008	Özderici GYO	Uğur Gayrimenkul	12.3	100%
2009	Malone Mitchell & Individual Investor	Gundem Resort Hotel	50	100%
2009	Ismail Tarman	Atakule Gayrimenkul Yatırım Ortaklığı	68	51%
2009	Emaar Properties	Emaar Turkey	N/D	40%
2010	Akfen Holding	Akfen GYO	97.8	32.5%
2010	Doğuş Holding	Doğuş GE GYO	28	25.5%
2010	Templeton Asset Management	Reysaş GYO	6	5.9%
2010	Turkey Properties	Aland Emlak	N/D	N/D



Source: Deloitte, Annual Turkish M&A Reports

Investment Support and Promotion Agency of Turkey

©2013 Deloitte Turkey, Member of Deloitte Touche Tohmatsu Limited

Turkey's potential is manifested in the M&A market with USD 1.5 billion worth of transactions between 2008 and 2012 in real estate. (2/2)

Date	Acquirer	Target	Deal Value USD Millions	Stake
2010	ECE Projektmanagement	ECE Türkiye Proje Yönetim	N/D	48%
2010	Corio	Bursa Anatolium Shopping Center	229	100%
2010	Union Investment	Forum Mersin Shopping Center	93	35%
2011	Shangri-La Asia Limited	Beşiktaş Emlak Yatırım	92	50%
2011	Doğuş Holding	Doğuş GE GYO	28	25.5%
2012	Eser Holding	EGS Park	28	100%
2012	Ozak Gayrimenkul	Artstate	17	100%
2012	Fervonia Holding	Mel 4 Gayrimenkul	10	50%
2012	Blackstone	Redevco Turkey Operations	N/D	100%
2012	Government of Singapore Inv. Corp.	Feriköy Gayrimenkul	N/D	50%
2012	Turkuaz Turizm	Sireo Gayrimenkul	N/D	100%
2012	CBRE Group	CBRE Turkey	N/D	100%



Source: Deloitte, Annual Turkish M&A Reports

Investment Support and Promotion Agency of Turkey

©2013 Deloitte Turkey, Member of Deloitte Touche Tohmatsu Limited

II. Turkey's Competitive Landscape

- A. Turkey's Advantageous Geographical Positioning
- B. Regional and Sectorial Potential in Turkey
- C. Ease of Doing Business in Turkey
- D. Special Focus: Buying Property in Turkey



Turkey's advantageous geographical position: Europe meets Asia, within a radius of a 4-hour flight or less.

- Turkey is situated between Europe and Asia, allowing the country to create a link between three continents with over 1.5 billion people and a GDP of USD 25 trillion.
- As major airway hubs in the region, the Istanbul and Ankara airports provide a practical route of travel with a maximum 4-hour direct flight to the capital cities in Europe, Western & Central Asia, the Middle East and Africa.
- Turkey's geographical location as well as its logistics capabilities, its unique positioning at the intersection of trade routes and its rapidly progressing investment environment are the major factors contributing to Turkey's strategic and regional importance.
- Its multicultural historic background and its young, highly skilled workforce are also significant indicators of its business power and potential.

Figure 7: Turkey's Geographical Position

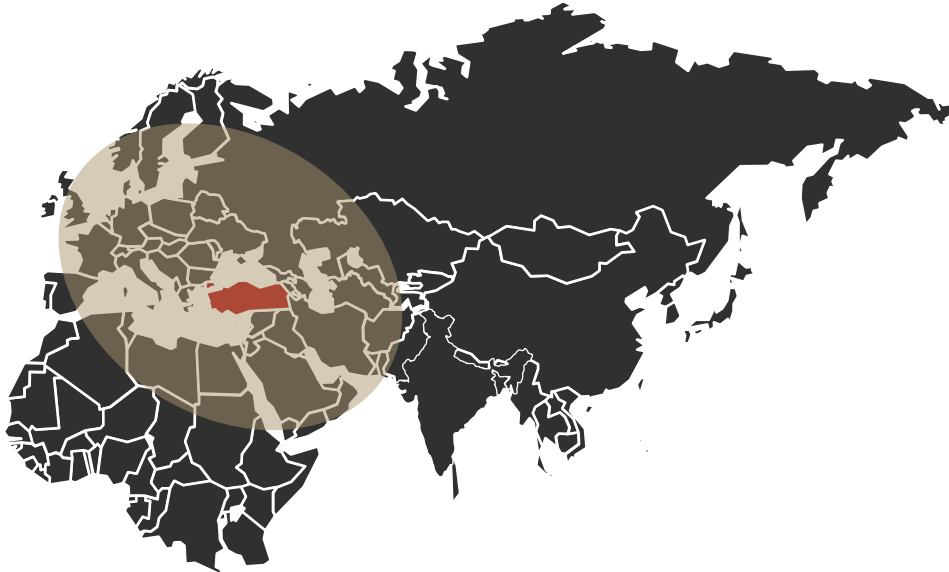


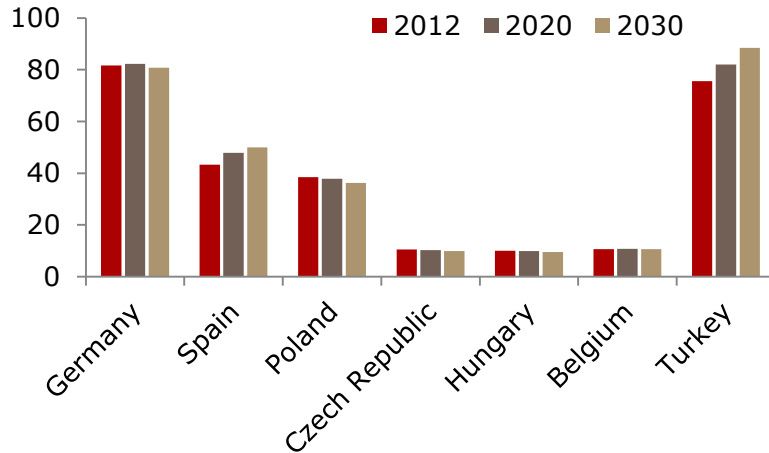
Table 3: Total Foreign Trade Volume by Regions

Regions	Trade Volume (USD billion)
Free Zones in Turkey	3.3
Europe (EU)	146.6
Europe (Non-EU)	51.7
North America	21.7
Central & South America	8.1
Middle & Near East	63.8
Africa	19.2
Asia & Pacific	61.5
Other	12.7
Total	389



Turkey's population in 2023 is expected to reach more than 84 million people and Istanbul will be home to almost 20% of them.

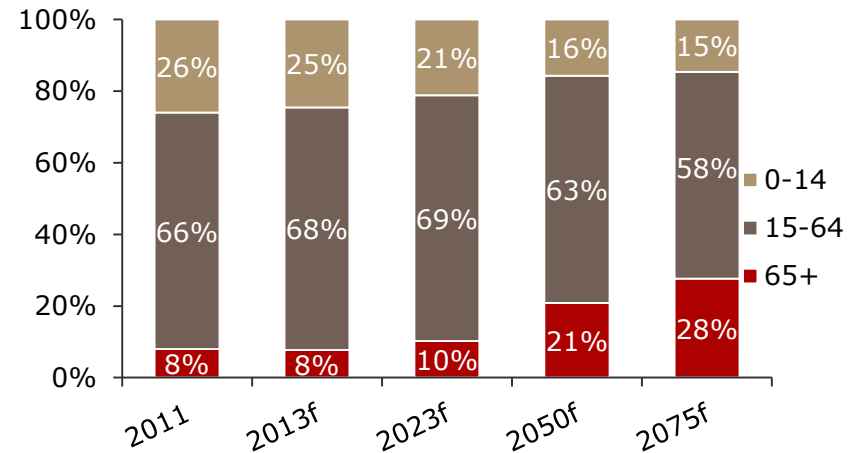
Figure 8: Population Growth in Selected Countries



Source: BMI forecast -Deloitte Analysis

- In 2030, Turkey's population will be approximately 88.5 million which demonstrates an increase at a CAGR of 0.88% between 2012 and 2030.
- Turkey has the highest population growth percentage compared to other European countries. Germany has negative population growth until 2030 and an estimated 1 million decrease in its current population. A significant decrease will also be noted in Poland with 2.2 million population decrease until 2030.

Figure 9: Turkish Population by Age Groups



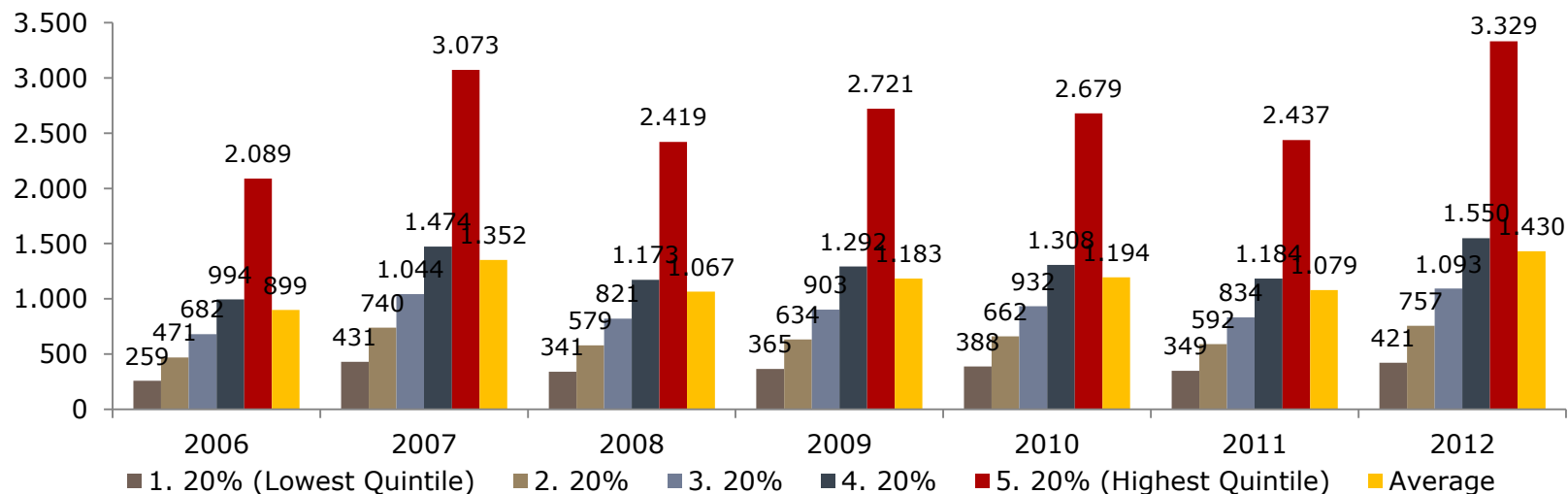
Source: TurkStat
f: forecast

- The growth in population is a significant indicator of an emerging economy. Indeed, Turkey has been experiencing continuous growth in its population over the last decade as an emerging economy. According to TurkStat, the population of Turkey is expected to reach 84.2 million in 2023, which corresponds to a CAGR of 1% increase from 2011.
- The percentage of the population that is between 15 to 64 years old will remain high over the coming years reflecting the promising potential for the future of both the economy and the real estate sector.



The average monthly disposable household income grew with a CAGR of 8% between 2006-2012

Figure 10: Monthly Disposable Household Income in Turkey



Source: TurkStat, Deloitte Analysis

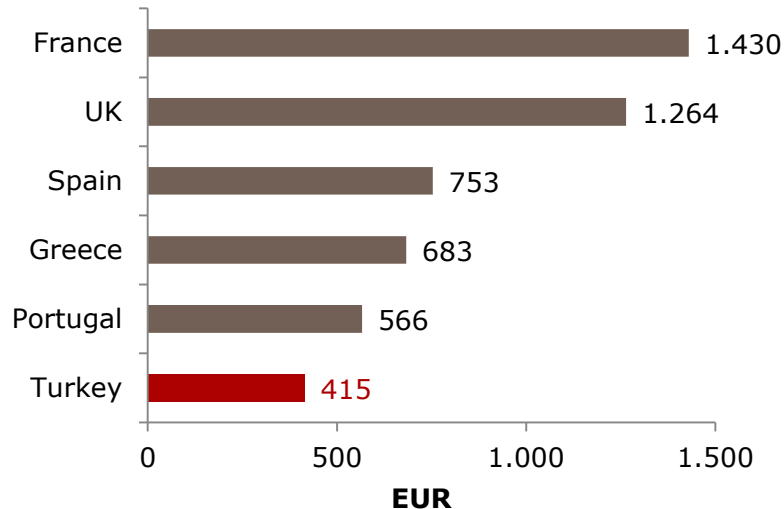
Note: Converted to USD using the FX rate at the end of 2012.

- Another pillar affecting the real estate market is the growth in local demand. Disposable income is a great way of analyzing growth in demand because consumers have greater purchasing power and are more willing to invest in the real estate market.
- The average monthly disposable income grew at a CAGR of 8% between 2006 and 2012 surpassing USD 1,430 in 2012.
- As of 2012, the highest 20% quintile held 46% of the total disposable income in Turkey.



Turkey offers a highly skilled labor force with competitive wages.

Figure 11: Minimum Monthly Salary, October 2013



Source: Eurostat

- Turkey has a young, dynamic and educated population. However, monthly wages are relatively lower than the EU or the US. In regards to minimum monthly wage, Eurostat reports that Turkey's minimum monthly wage was EUR 415 in October 2013.
- Each year, a total of 21,000 graduates from fields that include civil engineering, architecture, urban design, interior design and construction technology (in vocational, associate degree and undergraduate degree programs) enter the workforce.
- Along with educated professionals, there is a large experienced pool of construction workers who are officially categorized as 'unskilled workers'.

Investment Tip: Turkey has a competitive advantage over many European countries because of its highly skilled workforce and low labor costs.



For the second time, Turkey had the greatest improvement on the Global Real Estate Transparency Index.

- The Global Real Estate Transparency Index's 2012 edition analyzed 97 markets. The index measures real estate investment performance in regards to real estate ownership, public real estate securities and unlisted real estate funds.
- The Index evaluates fundamental markets, governance of listed vehicles/properties as well as regulatory, legal and transaction processes and performance measures.
- Turkey was listed as "most improved" on the transparency index. The potential of the market and clarity in the transaction process made Turkey the most improved for a second time among 97 markets.

Table 4: Global Real Estate Transparency Index, 2012

	Investment Performance	Market Fundamentals	Listed Vehicles/ Properties	Regulatory and Legal	Transaction Process	2012 Composite Score	Rank
Poland	3.0	1.7	2.4	1.7	1.9	2.11	19
Hungary	3.1	2.9	3.3	1.9	1.8	2.53	26
Brazil-T1	3.1	2.6	2.0	2.5	2.2	2.54	27
Turkey	3.6	3.1	1.7	2.1	2.9	2.76	31
China-T1	2.9	2.6	2.9	2.8	3.1	2.83	32
Russia-T1	3.5	2.5	2.9	3.1	2.0	2.90	37
India-T1	3.2	3.7	2.2	2.8	3.1	3.07	48
Egypt	4.0	4.8	3.1	3.7	3.4	3.88	77
Tunisia	4.7	4.9	4.3	3.9	4.1	4.38	89

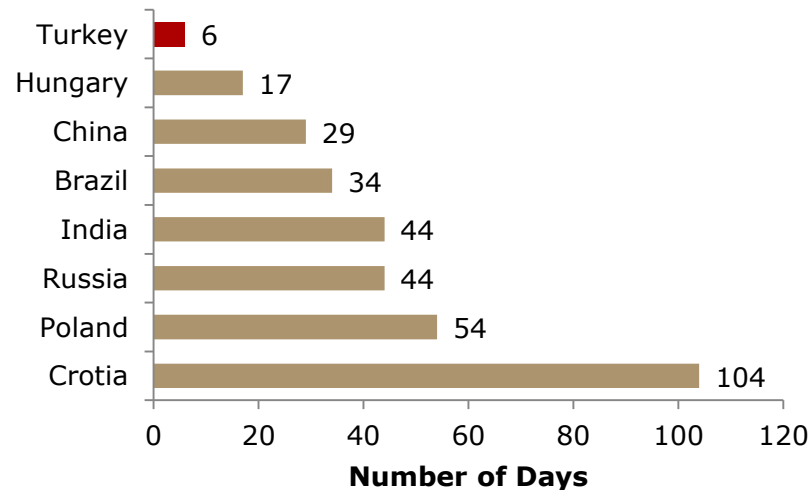
Source: Jones Lang Lasalle, 2012 Edition: Back on Track
T1: Tier 1
China, Russia and Brazil have 3 Tiers and India has 4 tiers.



Once bought, the number of days to register a property in Turkey is about 6 days, the shortest length of time among its peers.

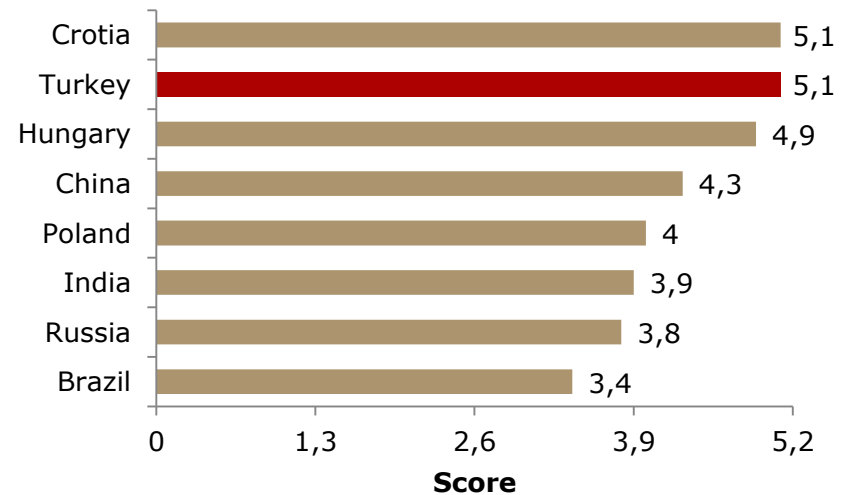
- Compared to BRIC countries and Hungary, Poland and Croatia, a property can be registered in 6 days in Turkey, a much shorter length of time than the aforementioned countries where the process takes much longer. It is also important to note that among these countries, Turkey shares highest score for "Overall Quality of Infrastructure" with Croatia at 5.1 out of 7.

Figure 12: Number of Days to Register a Property, 2013



Source: Global Competitiveness Report 2013

Figure 13: Overall Quality of Infrastructure Score (1-7), 2013

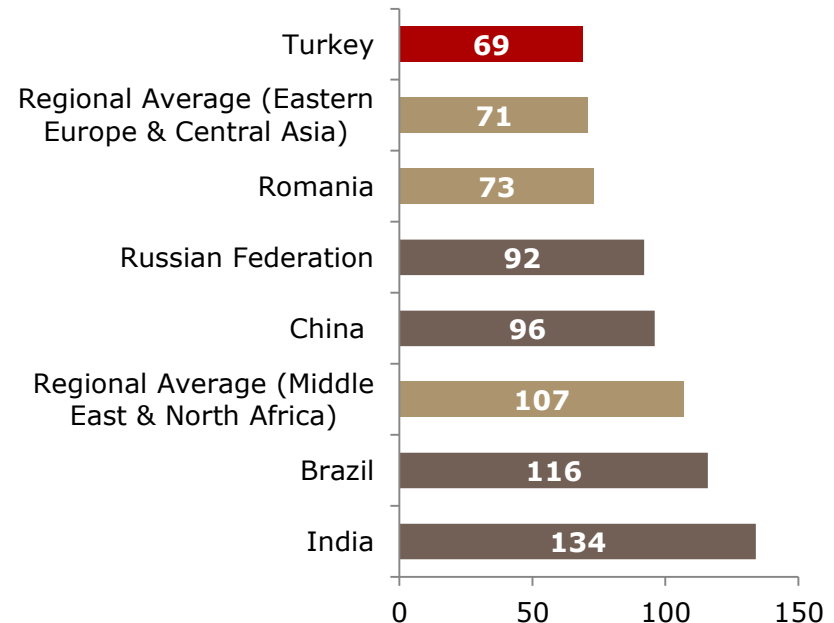


Overall, Turkey is 69th in the *Doing Business 2014* report.

- The Foreign Direct Investment Law in Turkey – which complies with international standards – was enacted in 2003. The objective of this law is to regulate the principles that encourage foreign direct investments; to protect the rights of foreign investors; to define investment and investor in line with international standards; to establish a notification-based system for foreign direct investments rather than screening and approval; and to increase foreign direct investments through established policies.
- With this law, unless stipulated by international agreements and other special laws:
 1. Foreign investors are free to make direct investments in Turkey.
 2. Foreign investors shall receive equal treatment to domestic investors.
- As a result, the number of expats has increased significantly. According to the Ministry of Labor and Social Security, the number of work permits given to foreigners increased by 86% in 2012 reaching 32,272. Since 2003, a total of 125,697 permits were provided to foreigners.
- It is also crucial to note that the availability for the free transfer of funds in Turkey adds positively to its investment friendly environment.

- According to the *Doing Business 2014* report by the World Bank, Turkey is ranked 69th among 189 countries on the ease of doing business.
- Turkey has a higher ranking compared to BRIC countries. Eastern & Central Asia and the Middle East & North Africa are ranked 71st and 107th respectively, below the rank of Turkey.

Figure 14: Ease of Doing Business Analysis Ranking, 2014



Source: Doing Business 2014, The World Bank

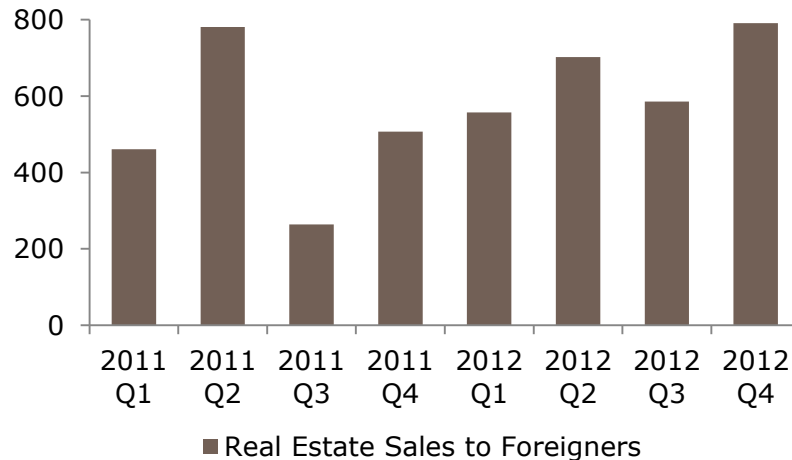


Special Focus: Buying Property in Turkey

There are many opportunities for foreigners who wish to buy property in Turkey.

- Having a residence permit is not a condition for a foreigner who wishes to buy property in Turkey. Likewise, buying a property does not grant the foreigner access to a residence permit in Turkey.

Figure 15: Real Estate Sales to Foreigners



Source: GYODER, Ministry of Foreign Affairs

- After the reciprocity law of 2012, the number of real estate sales to foreigners increased by 31% from 2011 reaching USD 2.64 billion in 2012. In 2012, more than 13,000 properties were sold to more than 14,000 foreigners.
- Foreign investors tended toward shopping center investments and procured over 2.6 million square meters of rentable shopping center space, which corresponds to an increase of 128% from 2007.
- According to a report by the Association of Real Estate Investment Companies (GYODER), the most active commercial real estate market was the office market in 2012. Foreign investors and developers are increasingly interested in the office market.

Investment Tip: New legislation has expanded the amount of property foreign investors can procure, providing one more reason for foreign investors to invest in Turkey.



Special Focus: Buying Property in Turkey

Important rules and regulations for the sector: Real estate acquisition by foreigners under Turkish law

The legal framework for the acquisition of real estate by foreigners in Turkey has changed with the amendments made to the Land Registry Law No. 6302 (Published in the Official Gazette dated 18 May 2012).

Before

- Reciprocity Principle
- Max. size of immovable property that can be acquired: 2.5 hectares
- Foreign persons and legal commercial entities may purchase land from the planned areas.

After

- Cancellation of Reciprocity Principle
- Max. size of immovable property that can be acquired: 30 hectares
- Foreign persons and legal commercial entities may purchase land and space, whether they are in the planned or unplanned area and classified as agricultural land or not.

Real estate acquisition by foreign companies

- Commercial companies, which are incorporated in foreign countries in accordance with the laws of their country of origin and which possess the status of a legal entity, may acquire immovable and limited right *in rem* only within the framework and provision of special statutes.
- No restrictions have been brought regarding immovable pledges. Mortgages shall be freely established in favor of foreign persons and foreign legal commercial entities, regardless of whether they are within the list specified by the Ministerial Cabinet or not.

Real estate acquisitions by foreign companies

- Foreign companies which have been established in Turkey and are registered in Turkish Commercial Registries are legally accepted "Turkish companies".
- Foreign companies can acquire real estate in Turkey.
- In order to acquire land, foreign companies have to apply to the Provincial Directorate of Planning and Coordination, which is an organizational unit of the Governorship.



III. Investment Opportunities in Real Estate Sector

- A. 2023 Targets for the Real Estate Sector
- B. Urban Renewal and Development
- C. Mega-Projects





Several factors are boosting the Turkish real estate market: From its advantageous geographic positioning and demographics and growing per capita income to the ease of doing business, each of these has increased the demand for real estate in Turkey.



From infrastructure to tourism, the 2023 national targets will have significant impact on the real estate sector.

- Turkey's emerging economy presents the need for infrastructure investments in various industries. The main industries include but are not limited to construction, residential and non-residential buildings, transportation, and energy.
- Some of Turkey's major targets for 2023 include:

General Targets

- Becoming one of the 10 largest economies
- Having an export volume of USD 500 billion
- Increasing export volume from USD 152 billion to USD 500 billion – which means that Turkey will have 1.46% share of world trade
- Major construction companies and investors related to the sector are setting their agendas in line with government targets.

Infrastructure

- Increasing the length of high-speed railway from 888 km to 10,000 km
- TCDD plans to spend TL 514.9 million on building logistics centers/villages.
- 16 more logistics centers will be built.

Property

- TOKİ plans to build a total of 1 million housing for the citizens of Turkey as a part of their 2023 goals, commemorating the 100th anniversary of Turkish Republic.

Urbanization

- Urban transformation and regeneration projects will spread to the Aegean and Eastern Anatolian regions after Istanbul.

Tourism

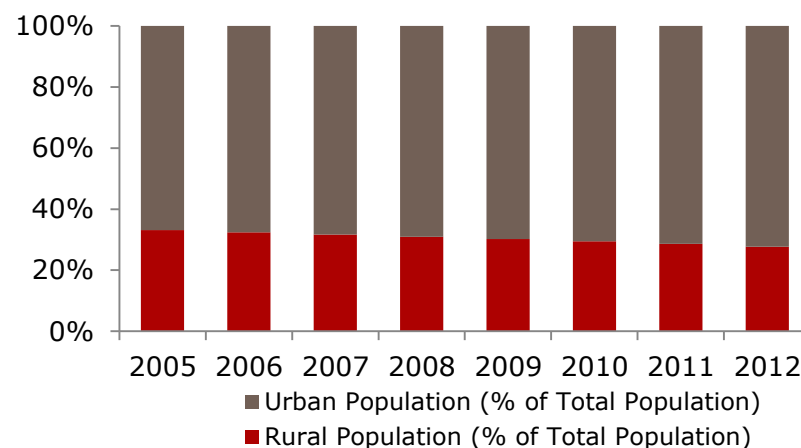
- The number of tourists is expected to reach 50 million by 2023 and the government is strongly focused on creating new infrastructure to accommodate them (from hotels, to health facilities, sports centers and the like.)



Turkey's growing population requires urban renewal and development.

- Turkey's population has been shifting from rural areas to urban areas. The rural area population decreased 5% from 2005 to 2012. In 2012 total rural population constituted only 28% of the total population. The population shift in turn increases the demand for new buildings for the urban population and also renewal of the existing ones.
- Within the scope of the Urban Renewal Project, 6.5 million residences will be included to total capacity. A budget of USD 400 billion is allocated for this initiative where the private sector will play the largest role.
- Population of Istanbul is expected to be 16.5 million in 2023 which is 20% of the total population.
- The 5 most populous cities in 2023 are expected to be Istanbul, Ankara about 6 million, Izmir about 4.5 million, Bursa 3 million and Antalya, Sanliurfa, Adana, Gaziantep, Konya and Kocaeli will follow respectively.
- The economic and demographic changes resulted in the geographical coverage of SCs and outlets to extend beyond the three large metropolis – Istanbul, Ankara and Izmir; expanding to many different cities in Anatolia.

Figure 16: Urban Population Percentage



Source: TurkStat

Table 5: Top 10 Most Populous Cities in 2023

Provinces	Population in 2023*	Provinces	Population in 2023*
Istanbul	16,568,500	Sanliurfa	2,339,322
Ankara	5,927,209	Adana	2,286,790
Izmir	4,405,279	Gaziantep	2,257,278
Bursa	3,073,486	Konya	2,175,214
Antalya	2,626,299	Kocaeli	1,938,591

Source: TurkStat
* TurkStat forecasts



Urban Renewal and Transformation Projects in Turkey: A Brief History

- Urban renewal and transformation projects, officially started in Turkey after the enactment of Law No. 6306, the Renewal of Regions that Are Prone to Disaster Risks in 2012. Under the scope of this law, 6.5 million residences will be included in the Urban Renewal and Development initiative. A budget of USD 400 billion was allocated for this initiative with the private sector playing the largest role.
- Currently, there are a total of 19 million residences in Turkey, and according to the Ministry of the Environment and Urbanization, 14 million residences are prone to natural disasters. The Urban Renewal and Development Plan will take action on these residences. Many projects have been started after the enactment of the law.
- The Ministry of the Environment and Urbanization decided that urban transformation projects will start in the areas of the highest risk. The cities most at risk are located on the seismic fault. The Ministry announced that since the cities of Istanbul, Koceli, Sakarya, Bursa and Izmir are on the seismic fault, major projects will begin in these cities.

Table 6: Urban Development Expenditures

Urban Development	Cost (USD billion)
Urban Regeneration	400
Istanbul Finance Center	5
Health Campuses	11
Kanal Istanbul	30

Source: Unlu & Co.

Investment Tip: Turkey's ambitious targets for urban renewal and development projects offer many opportunities for investors, especially in the construction and real estate sector.



There are many major urban renewal and development projects in progress in Istanbul.

- With the enactment of Law No. 6306 for the renewal of regions, many urban renewal and development projects are underway in Turkey, especially in Istanbul.

Zeytinburnu Sümer Project

Under the scope of this project, 455 apartments and 29 offices in the Sümer neighborhood were delivered to property owners. According to the information given by the municipality, 500 independent units will be removed to initiate the second phase. The second stage of the project is valued at TL 200 million. The municipality is planning to complete the whole project in Zeytinburnu in 20 years.

Maltepe – Urban Renewal in 4 Regions

There are many 30- to 40-year old buildings in Maltepe. Renewal and development projects are much needed for certain neighborhoods. In the Esenkent neighborhood, some homeowners have started renewal projects on their own through contractors. Renewal and development projects are approved for the transformation of slums in Başbüyük. TOKİ, IBB, and the Maltepe municipalities have signed a protocol for the transformation of 90 ha. The Gülsuyu and Gülsusu neighborhoods are awaiting approval from IBB for the beginning of their renewal projects.

Ayazağa Project

URD projects continue within Kuştepe, Ayazağa Village, and Küçük Sanayi, which includes places such as Levent Oto Sanayi, Atatürk Oto Sanayi and so on. As of today, 180 slum areas have been removed. Geological /geotechnical research reports and ground maps (for a building area of 13.08 km²) were approved by the Ministry of the Environment and Urbanization (previously known as Ministry of Public Works and Settlement). This area excludes military areas and the forests in Sarıyer.

Fener-Balat Project

A renewal project was planned for the area of 80,000 square meters and involving 534 buildings, that includes an area between Fener Rum Church and Ayvansaray. This was tendered in 2007 and approved. The project will be undertaken on apartment for land basis. Also, the number of registered cultural assets will increase from 256 to 324 for the area. The project will be completed in 2014.



Kanal Istanbul and two new 'cities' in Istanbul will transform the real estate sector...

Kanal Istanbul

- Upcoming: Kanal Istanbul, a mega-project that will make an artificial sea-level waterway between the Black Sea and Sea of Marmara.
- Kanal Istanbul will be 25 meters deep and 145 to 150 meters wide.
- The canal is planned to be around 45 km and is projected to be in service by the Turkish Republic's 100th anniversary in the year 2023.
- The projected cost of Kanal Istanbul is USD 10 billion.
- The project's aim is to minimize sea traffic on the Bosphorus. Moreover, the project will minimize the risks associated with crude oil carrying tankers that pass along this route.
- The capacity of the Bosphorus is currently 140 ships per day. With Kanal Istanbul, this capacity will increase to 160 ships per day.
- The Bosphorus is currently able to handle ships with 260 dwt and with the completion of Kanal Istanbul it will be able to handle ships that are 300 dwt. This is expected to decrease the waiting cost of ships.

Two New 'Cities' Will Be built in Istanbul

- In accordance with Turkey's 2023 targets, two new 'cities' are being planned to be built in Istanbul. One is in Kemerburgaz, on the European side of Istanbul, and other in Tuzla, on the Anatolian side.
- The Anatolian part of the project will be in Tuzla, adjacent to Sabiha Gökçen International Airport, TEM, the E-5 highway and a subway that will connect the city to the heart of Istanbul.
- The European part of the project will also include an airport. Istanbul's new airport project will be adjacent to this new settlement site.
- A port will be constructed near the site to increase trading activities in the city and will increase the area's economic value. Real estate projects and the resulting demand for construction and construction related businesses are expected to be lucrative and create more opportunities than are presently available in Istanbul.
- These cities will have a capacity to handle a population of 1 million, which is expected to reduce the population density in the city center of Istanbul as well as creating new investment and employment opportunities.



....as well as the new airport project and the Yavuz Sultan Selim Bridge.

The 3rd Bosphorus (Yavuz Sultan Selim) Bridge

- As the part of the North Marmara highway, the bridge will be constructed by İçtaş İnşaat Sanayi ve Ticaret A.Ş. – Astaldi Partnership Enterprise Group with a total investment of USD 2.5 billion. The tender type was built-operate-transfer and the bridge will be operated by the partnership for approximately 10 years and is planned to completed by 2015.
- The bridge will be 59 meters wide and 320 meters high. It will be the biggest suspension bridge, 1,408 meters, that has a railway network in the world.
- Apart from freight vehicles passing, the project will also provide extra railroad networks through the Bosphorus, therefore supporting the transportation of goods throughout the span of the Trans-Asian Railways.
- After the Bosphorus Bridge was built in 1973 and the Fatih Sultan Mehmet Bridge built in 1988, the third bridge will highlight advanced technology and engineering.
- The bridge will have 8 lanes and 2 lanes of railway on the same level and will be one of the few examples with this technical and architectural design.

The New Airport Project in Istanbul

- The airport is a part of a larger urban development plan. A new settlement area will be built to the south of the third airport which will cover about 42,000 hectares of land, of which 9,400 hectares will be covered by the airport, and the rest will be home to 1-1.5 million people.
- The airport will be constructed by the Turkish joint venture consortium of Cengiz-Kolin-Limak-Mapa-Kalyon with a total bid of EUR 26 billion including value added tax for a 25-year lease starting from 2017.
- The airport is planned to be one of the largest airports in the world, with a yearly capacity of 150 million passengers.
- The airport will be constructed in 3 phases. The first phase will have 2 independent parallel runways, 1 cross runway and 3 parallel taxiways. The second phase will be built on the Tayakadın-Yeniköy front. There will be 1 independent parallel runway, and 1 parallel taxiway. In the southern region of the airport, there will be 1 cross runway and 1 parallel taxiway.
- The airport will be integrated into the North Marmara Highway and the 3rd Bosphorus Bridge as well as the high-speed railway.



The North Marmara Highway and Marmaray will boost land value in Istanbul.

North Marmara Highway

- The North Marmara Highway is the **largest BOT** (built-operate-transfer) project in Turkey to date with **300 km** of new highway and a bridge construction with an estimated cost of **USD 4 billion**.
- A joint venture between the Turkish construction firm İçtaş and Italian construction group Astaldi was created for the construction of the bridge.
- The project is designed to reduce traffic and ease freight and passenger transportation time in Istanbul.
- The project will help alleviate the transit cargo traffic passing through **Istanbul**.
- The North Marmara Highway will save **USD 1.45 billion** in energy consumption costs and **USD 355 billion** in workforce expenditure by cutting time spent in traffic, thereby increasing efficiency.
- By bypassing the city center of Istanbul, trucking companies will save considerable time and money.

Source: ww.3kopru.com

Marmaray Project

- This project is providing the non-stop transport of goods via railway from China to London.
- The length of the tunnel is 13.5 km and the total length of the Marmaray is 76.6 km with an hourly capacity of 150,000 passengers.
- The route connects to Istanbul's subways. It operates from Halkalı (an important logistics village) to Gebze from 5 stations.
- The Marmaray Project started operating on 29 October 2013.
- The Japanese International Cooperation Agency (JICA), the Council of Europe Development Bank and the European Investment Bank invested in this project.



Major international highway projects will further expand the sector.

TRACECA

- TRACECA is an interstate program designed to support political and economic development in the Black Sea region, the Caucasus and Central Asia by means of international transportation.
- The project was started in May 1993 and until 2012 the European Union financed 62 technical assistance and 14 investment projects.
- The map shows the highways and roads that have been built under the scope of the project. The total length of TRACECA roads is approximately 8,365 kilometers.
- 10 different ports connect TRACECA roads to Europe and the Balkans with more than 11 maritime routes.
- Additionally, there are 12 airports in Turkey that have connection to TRACECA.



International E-ways Network

- The E-ways network was started by AGR and UNECE after World War II. There are two main roads that interconnect Turkey with Europe. They are E-80 from the Bulgarian border and E-90 from the Greek border.
- Turkey provides connection to Asia and the Middle East through its southern and eastern borders.
- The total length of E-ways is 9,361 kilometers

Trans-Europe North-South Motorway (TEM)

- TEM is the oldest and most developed project in Europe's transportation history. There are 15 members and 4 observer countries that are part of this project. Turkey connects Europe to Asia and the Middle East with TEM roads. The total length of TEM roads are 6,970 kilometers.

Trans-Eurasia Highways (EATL)

- The EATL project plans to connect Pan-Europe corridors with the main regions of Asia.
- Turkey's EATL roadway covers a distance of 5,663 kilometers. Moreover, 208 kilometers leading to the Filyos and Çandarlı ports will also connect to the EATL.

Source: The Intergovernmental Commission (IGC) TRACECA



The Galata and Haliç ports and the Eurasia Tunnel will enhance Istanbul's hub capacity

Eurasia Tunnel

- The Eurasia Tunnel is a twin-deck tunnel project that will be built underneath the seabed of the Istanbul Strait, the Bosphorus. This tunnel will be the sixth largest tunnel in the world. The motorway will be 14.6 km, including the 5.4 km tunnel connecting the European and Asian side of Turkey's financial capital, Istanbul. 3.3 km of the tunnel will be below sea level.
- The tender was made in 2009 and the construction is planned to be finished in 55 months. The total investment in the project is USD 1.1 billion.
- It is projected that the tunnel will be used by 120,000 cars going in both directions every day and will decrease the standard 100-minute travel time for the crossing to 15.
- The construction of the tunnel will be done by a Turkish-Korean joint venture between ATAŞ and the Eurasian Tunnel Operation Construction and Investment. ATAŞ won the build-operate-transfer tender and will be responsible for design, construction and operation of the tunnel for approximately 26 years.

Galata Port

- The build-operate-transfer tender for the project was held in May, 2013 and won by the Doğuş Group for USD 702 million.
- The tender was for 100,000 sqm covering 1,200 kms of coastline on the Golden Horn (Haliç) of the Bosphorus in Istanbul. The Doğuş Group is planning to make an investment of USD 400 million to complete the project in 3 years.
- The aim is to make Istanbul a hub for cruise tourism. Currently, Istanbul is 10th biggest cruise port in the world with 500,000 passengers a year. It is projected that the potential for the new port will serve 3 million passengers and challenge Barcelona, the world's leader.

Haliç Port

- The build-operate-transfer tender was completed in July, 2013 and was won by Sembol-Ekopark Turizm-Fine Hotel OGG consortium for USD 1.34 billion.
- More than TL 1 billion will be invested in the project. The construction is planned to be finished in less than 3 years.
- The whole project will cover a 250,000 square meter area of land comprising 2 marinas (with a 70 yacht capacity each), 2 hotels (of 500 rooms each), a mosque, a car park and a shopping area.



Source: galataport.org

And many other major infrastructure projects will contribute to the sector as well.

Çanakkale Bridge

- A three-lane suspension bridge is being planned between Lapseki and Gelibolu in Turkey's northwestern Çanakkale region and would become the country's longest bridge at 3,623 meters.
- The bridge will be a part of the Çanakkale-Tekirdağ-Kınalı-Balıkesir highway project.
- The Çanakkale Bridge will increase the prominence of Turkey's Thrace region and will significantly lessen the load and traffic on Istanbul's bridges. It will also facilitate access to Izmir.
- Tekfen Holding has already begun designing the bridge after winning the design tender. The construction tender is expected to be offered in 2015, after which work can begin. The exact location of the bridge has not yet been decided.

Istanbul-Izmir Highway

- The highway will reduce travel time between Istanbul and Izmir from **six hours, 30 minutes to about three hours** when it is completed in 2017.
- The **USD 11 billion** mega-project will include the world's second-longest suspension bridge built over the Gulf of Izmit.
- The consortium – consisting of Turkish construction firms Nuro, Özalp, Makyol, Yüksel and Gökçay and Italian-based Astaldi – for this BOT project will transfer the highway to government control in roughly 22 years, which would include construction time.

Izmir, Çeşme Airport

- The airport will enable an easier transfer process to one of the major tourism destinations of Turkey.
- The airport will have **1 runway that is 2,100 meters**, a **150 x 120** meter apron and a **200 x 24** meter taxiway.
- It will ease transportation to tourism destinations and is projected to be commissioned in 2014-2015.

Izmir, Vecihi Hürkuş Airport

- The airport will be built in the northern districts of Izmir, in close proximity to tourism destinations and industrial zones.
- The airport will be the second airport in Izmir.
- It will have **1 runway that is 3,000 x 45** meters, an apron of **240 x 120** meters and a taxiway of **265 x 24** meters.
- The project is included in Turkey's the investment program and the airport will be commissioned in 2014.



IV. The Real Estate Sector in Turkey

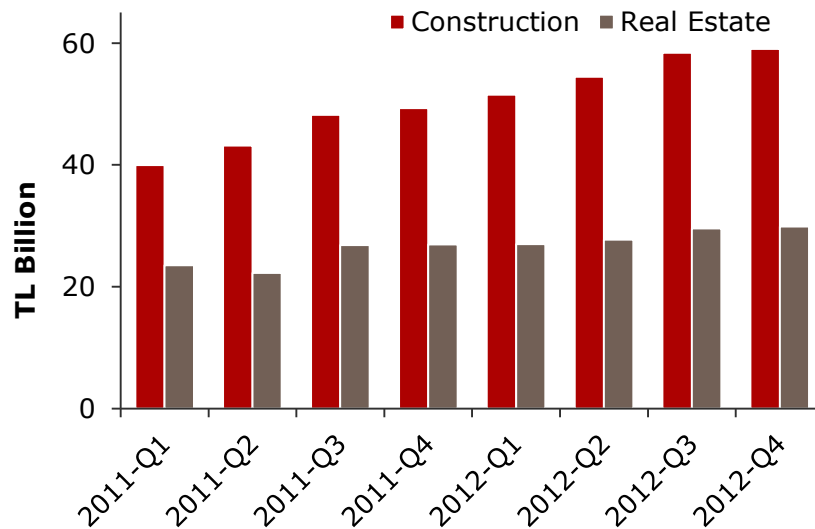
- A. A Snapshot of the Market
- B. Real Estate Investment Trusts in Turkey
- C. The Property Market Overview
- D. The Retail Market Overview
- E. The Office Market Overview
- F. The Warehouse Market Overview
- G. The Hotel Market Overview



Commercial loans for construction and real estate exceeded TL 89 billion in total with an increase of 40% from 2011 to 2013.

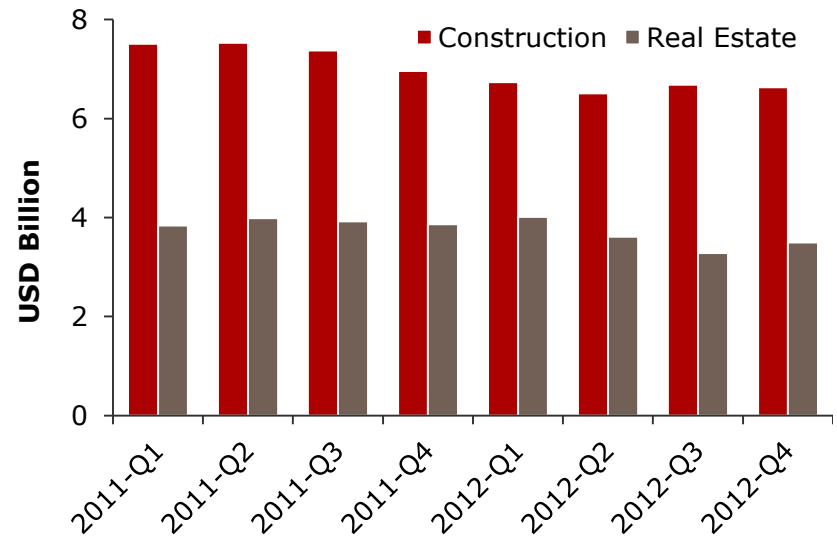
- Domestically obtained loans for the construction and real estate sector have been increasing significantly in the last couple of years.
- For instance, loans for the construction sector grew by 50% in 2012 compared to 2011 reaching TL 59 billion, whereas real estate sector loans increased by 27% reaching TL 30 billion during the same time.

Figure 17: Commercial Loans in the Construction and Real Estate Sector



Source: GYODER

Figure 18: Overseas Loans in the Construction and Real Estate Sector

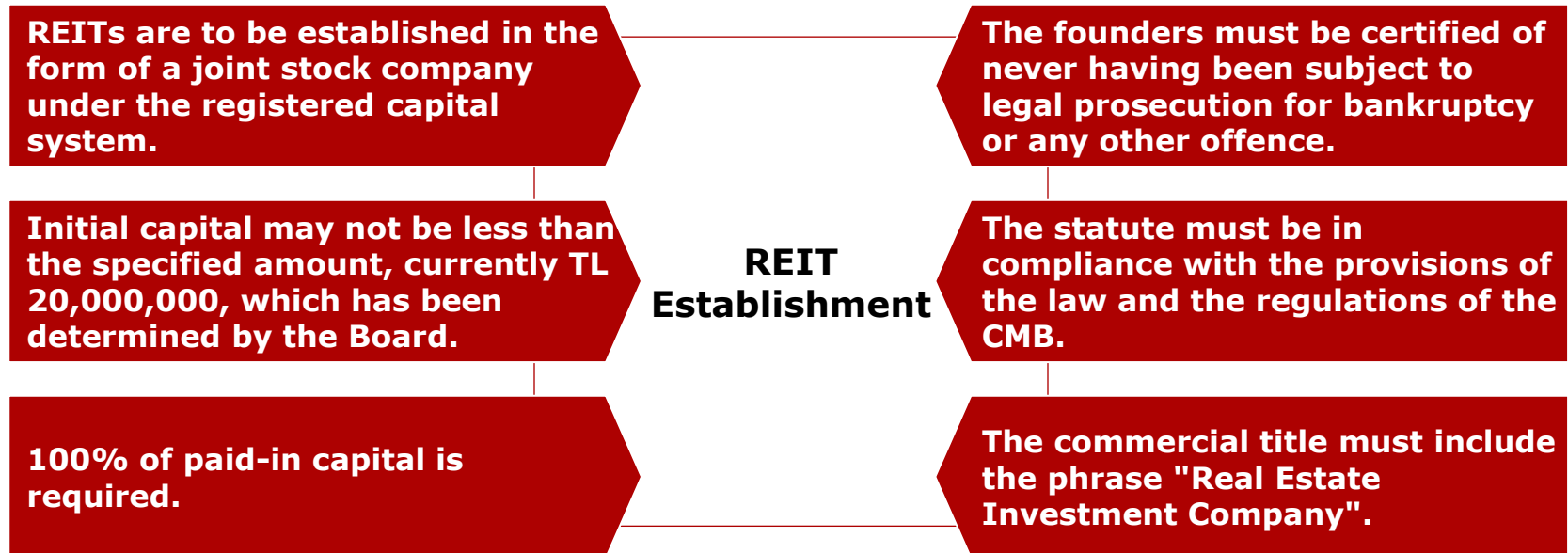


Source: GYODER



29 REITs have been accepted for trading on the BIST and 3 REITs are waiting for permission.

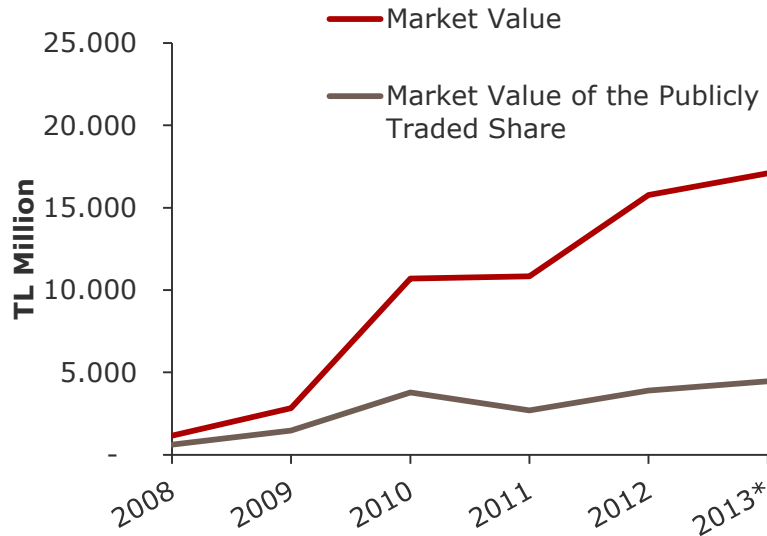
- REIT (Real Estate Investment Trusts) exist in Turkey primarily under the administrative supervision of the CMB (Capital Markets Board), a regulatory and supervisory agency.
- REIT practices started in Turkey in 1995. REIT shares have been traded on the Istanbul Stock Exchange since 1997.
- Currently there are 29 REITs that are quoted on Borsa Istanbul (BIST) and 3 REITs that are awaiting permission to be traded.



The increase of the market value of the 29 REITs traded on the BIST clearly shows the growth of the sector.

- As of November 2013, the market value of Real Estate Investment Trust Index was approximately TL 21.5 billion and the market value of publicly-traded stock was approximately TL 8 billion. The share of the above sectors in the stock market accounted for 3.8% and 5.0% of the total, respectively.

Figure 19: Market Values of REITs in 2013



Source: Borsa Istanbul, GYODER, Bloomberg

* As of Q3 2013

Investment Tip: The number of REITs increased from 13 with a market value of USD 1.8 billion in 2009 to 29 with a market value of USD 8.3 billion in 2013.

Real Estate Investment Trusts in Turkey



Taxation of REITs, Real Estate Taxes, Financing Issues

Declaration and payment of VAT and Reverse VAT

- All income for the REIT including capital gains, portfolio management income, interest and dividend income are exempt from Turkish corporate tax. Furthermore, the REIT may distribute dividends without withholding tax.
- REIT incomes are exempt from corporate tax and withholding tax that result from dividend distribution. Moreover, investors that trade REIT shares pay 10% tax or even 0% tax if they hold the shares for more than one year. Overseas investors that trade REITs in Turkey have 0% tax burden.

Table 7: Real Estate Sales to Foreigners

Transactions Type Subject to Withholding VAT	VAT Rate	Withholding Rate	Responsible for Withholding VAT
Transactions made by non-resident	18%	10/10	All buyers
Labor procurement (including security service)	18%	9/10	VAT taxpayers, specified buyers
Project planning, consulting, auditing and related services	18%	9/10	VAT taxpayers, specified buyers
Maintenance and repair services for machinery & equipment	18%	5/10	Specified buyers
Cleaning, environment and garden maintenance services	18%	7/10	VAT taxpayers, specified buyers
Construction, architectural, engineering, project planning work	18%	2/10	Specified buyers

Source: GYODER, Ministry of Foreign Affairs



Taxation of REITs, Real Estate Taxes, Financing Issues

Real Estate Taxes

Municipality Taxes

- The real estate tax is levied annually by the relevant municipality. It is to be paid in two installments during the year (the end of May and November) at the following rates :
 - Buildings used for housing: 0.1% (0.2% for those located in greater municipalities)
 - Other buildings (i.e. those used as factories, offices): 0.2% (0.4% for those located in greater municipalities)
 - Land ("Arazi"): 0.1% (0.2% for those located in greater municipalities)
 - Plots of land ("Arsa"): 0.3% (0.6% for those located in greater municipalities)
- These rates are applied (twice as much) if the relevant real estate is located within the boundaries of large cities like Istanbul, Izmir, Ankara, etc.

Stamp Tax

- If a sales agreement is concluded between a buyer and a seller, which includes a certain monetary amount, the agreement is subject to a 0.948% stamp tax. There is cap of TL TL 1,487,397.70 for the stamp tax, which sets the maximum amount payable in the original sale document.
- Both parties to the agreement are jointly liable for the stamp tax.

VAT

- Sale or rental of immovables by a resident company is subject to 18% VAT.
- The delivery of materials (e.g., cement, roofing materials, etc.) used for construction of buildings is subject to 18% VAT.
- Delivery of apartment with a net area of up to 150 m2 is subject to 1% VAT. Others subject to 18 % standard VAT.
- Construction work delivered to cooperatives established for the purpose of housing is subject to 1% VAT.
- Sale of real estate that is not held as inventory is exempt from VAT if the holding period exceeds 2 years.
- The tax value of houses calculated between TL 500 and TL 1,000 are subject to 8% VAT. Those valued at more than TL 1,000 are subject to 18% VAT when the houses are sold in a metropolitan municipality



Taxation of REITs, Real Estate Taxes, Financing Issues

Real Estate Taxes – Other Topics

Of Note
Regarding Real
Estate Taxes

- 2% of the real estate value: Payable by both the seller and buyer.
- Total Burden: 4% of the Real Estate Value
- Base Price for Title Deed Charge Calculation: Acquisition value of the immovable.
- There is also a compulsory contribution to be paid to the Title Deed Office (the amount changes every year depending on geographical location).
- The new Law No. 6361 has enabled financial leasing of the asset not only from third parties, but also from the lessee. Hence, the sell - lease back system, which is a widely preferred financing method in many countries has been adopted.
- A cash-strapped company can sell its real estate to a financial company and lease it back afterwards.
- Under the law, transactions (sell, lease and passage of title) that are made by lease, factoring and financing companies are exempt from VAT and stamp duty.
- Gains on the sale of assets is exempted from corporate tax.
- At the end of the leasing period, the transferring of ownership to the renter is not subject to title of deed fees.



Major Players of Real Estate Sector (1/3)

Selected Players

Soyak

Since 1961, Soyak has been providing modern living units to its customers through various projects. One of their priorities is to maintain high standards of quality for everything it does.

Some of their ongoing and recently completed projects include:

- Soyak Mavişehir Optimus First, Gold
- Soyak Evostar
- Soyak Park Apartments
- Soyak Siesta 1,2,3



Ağaoğlu

Ağaoğlu Corporate Group constructs high quality living spaces designed for today and for the future. The company's residence and office projects are:

- Ağaoğlu My Home Maslak
- My Towerland
- Ağaoğlu My Town
- Ağaoğlu My Office Gold
- Ağaoğlu My Office 212



Dumankaya

Since 1980, Dumankaya has been one of the market leaders in property construction. Dumankaya has expanded its urban portfolio offerings to city dwellings and new urban projects. Dumankaya's projects include:

- Gümüş Vadi Villa
- Dragos Drive
- Yenışehir Evleri
- Çekmeköy Evleri
- Gizli Bahçe Konakları
- Dragos Drive 34
- Kelebek Vadi



Suryapı





Suryapı builds living spaces and have created more than 2 million sqm. Their major projects include:

- Corridor
- Exen Istanbul
- Sur Plaza
- Kağıthane Shopping Mall
- Çekmeköy Tilia



Major Players of Real Estate Sector (2/3)

Selected Players

Tahincioğlu	Nurol	Torunlar	Renaissance
<p>Tahincioğlu focuses on construction and development of high-quality retail, office and residential projects as well as first-class hotels.</p> <p>Some of Tahincioğlu's major ongoing and completed projects include:</p> <ul style="list-style-type: none"> • Palladium Tower • Palladium Antakya Mall • Palladium Ataşehir • Swiss Otel Grand Efes 	<p>Nurol Construction and Trading Co. Inc., which is the nucleus company of the Nurol Group, was established in 1966, as a general international contracting company. Since that time the company has pursued large scale, hi-tech transnational projects. Some of those include:</p> <ul style="list-style-type: none"> • Nurol Club Salima Renovation & Restoration Works • Nurol Ayazağa Project • Nurol Tower • Beylikdüzü Mass Housing Complex 	<p>Torunlar GYO commenced development of their first shopping mall, Zafer Plaza, in Bursa in 1996. Since that time, they have developed and invested in several other commercial and residential projects in various parts of Turkey. Their ongoing and completed and ongoing are:</p> <ul style="list-style-type: none"> • Zafer Plaza • Deepo Outlet • Ankamall & Crowne Plaza • Mall of Istanbul 	<p>Since 1993, Renaissance has successfully completed more than 430 turnkey projects over a total area of seven million square meters. Renaissance specializes in design and construction of shopping centers, offices, hotels, mixed-use facilities, heavy industry plants, infrastructure facilities, light manufacturing plants, automotive and construction machinery plants, public buildings and other facilities. Some of their projects include:</p> <ul style="list-style-type: none"> • Sochi International Airport – Sochi/Russia • Tripoli Stadium Project – Trablus/Libya • Five New Airport Terminal Buildings – Trablus/Libya 



Major Players of Real Estate Sector (3/3)

Selected Players

Corio

Corio is a retail property company formed in 2000 through a merger between VIB and WBN. Corio entered the Turkish market by acquiring a 46.9% interest of the IPO of Akmerkez GYO. As of the end of 2012, Corio has 7 operational shopping centers with a total area of 250,000 m² and a value of USD 715 million*. Corio's portfolio includes:

- Akmerkez Shopping Center, İstanbul
- 365 Shopping Center, Ankara
- Tekira Shopping Center, Tekirdağ



Emaar

Emaar is a global property developer which has a portfolio of mega-projects including the Burj Khalifa, Dubai Mall and Armani Hotel Dubai. It has been investing in Turkey since 2006 and describes Turkey as one of its key markets. Emaar currently manages the development Tuscan Valley in Istanbul's Büyükçekmece Lake Valley. The community development is set in an area of over 1.7 million sqm. Emaar's portfolio includes:

- Tuscan Valley, Istanbul
- Emaar Square, Istanbul



St Martins Property

St Martins, established in 1924, now has a portfolio comprising of 31 prime assets with a total area of 800,000 sqm. St Martins entered the Turkish market by acquiring a 50% stake in Cevahir Shopping Center for USD 422 million in 2006. Later, in 2007, it acquired the rest of Cevahir's shares for USD 328 million. This was the largest single investment by St Martins in its history. St Martins' portfolio includes:

- Cevahir Shopping Mall, İstanbul



Tulip

Tulip, established in 2006, is a foreign real estate development company. With 111 years of business experience, Tulip's corporate structure includes international partners such as the Van Herk Group and Panagro, as well as TOKİ-EMLAK REIT. Tulip, whose current and planned portfolio will reach 4 million sqm in the next 5 years, is the initiator of the first foreign capital and TOKİ collaboration in Turkey. Tulip's portfolio includes:

- Tulip Turkuaz
- Tulip Towers



*Converted using 2012 year-end USD/EUR exchange rate of 1.3193.

Property Market Overview



Construction licenses and occupancy permits, which indicate the addition of stock to the property market, continue to rise in 2013.

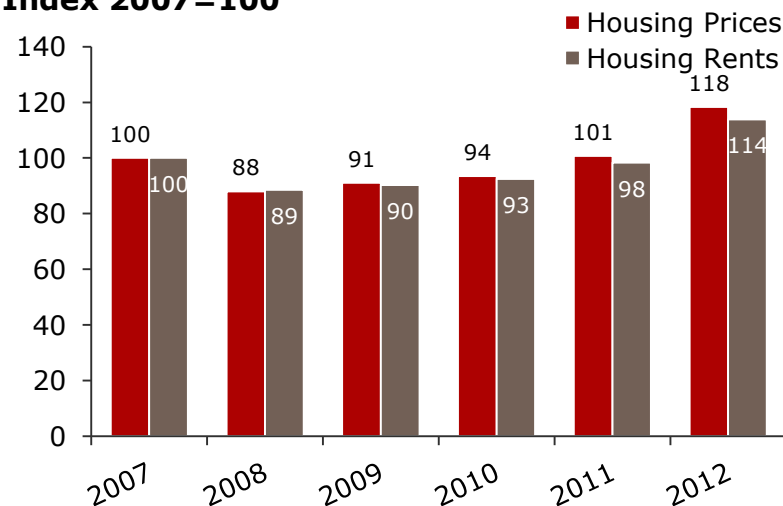
- A staggering increase of 15% was observed in the number of construction licenses and occupancy permits obtained in the last quarter of 2012. The number of construction licenses and occupancy permits were 225,000 and 177,000, respectively.
- Also, it is important to note that number of construction licenses in the third quarter of 2013 demonstrated an increase of 18% compared to the same period the previous year. Occupancy permits also increased by 53% during the aforementioned time.

Table 8: Building Permit Statistics (Number of Apartments)

	Construction Licenses	Occupancy Permits
2011-Q1	110,619	105,973
2011-Q2	164,694	144,694
2011-Q3	154,923	139,341
2011-Q4	220,049	165,155
2012-Q1	115,637	108,798
2012-Q2	231,966	129,562
2012-Q3	168,116	123,645
2012-Q4	225,873	177,980
2013-Q1	157,769	148,812
2013-Q2	232,574	151,207
2013-Q3	198,432	189,212

- The economic crisis in 2008 affected housing prices, but then remained stable until 2011.
- A critical increase was observed in both housing sales and rental prices in 2012, with a growth of 17% and 20%, respectively.

Figure 20: Housing Prices and Housing Rents Index 2007=100



Source: TurkStat

Investment Support and Promotion Agency of Turkey

Source: GYODER

©2013 Deloitte Turkey, Member of Deloitte Touche Tohmatsu Limited

Housing sales increased significantly in 2012 and 2013 and there is still room for growth...

- House sales exhibited an increase of 5.9% compared to the same quarter of the previous year. Throughout the year housing sales increased by 2.9%.

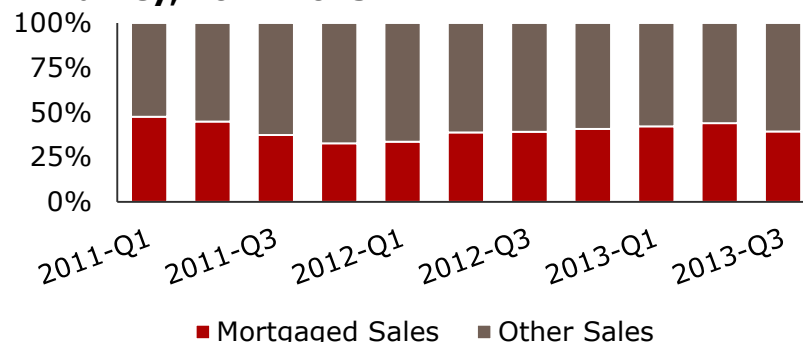
Table 9: Housing Sales

	Turkey	Istanbul	Top 3	Other Cities
2011-Q1	173,949	43,030	85,556	88,393
2011-Q2	194,888	47,918	93,891	100,997
2011-Q3	162,648	35,921	71,907	90,741
2011-Q4	176,790	42,146	80,445	96,345
2012-Q1	144,845	35,926	67,269	77,576
2012-Q2	173,515	43,022	81,478	92,037
2012-Q3	170,333	38,081	74,196	96,137
2012-Q4	212,928	50,081	96,615	116,313
2013-Q1	273,826	58,682	111,070	162,756
2013-Q2	295,010	62,119	118,513	176,497
2013-Q3	293,318	54,034	106,243	187,075

Source: TurkStat

Note: Mortgaged sales are included.
The top 3 cities are Istanbul, Ankara and Izmir.

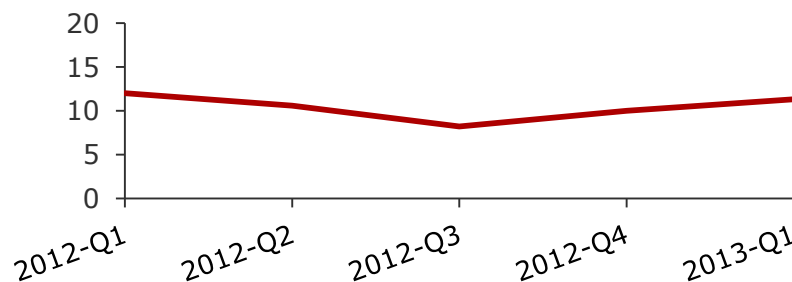
Figure 21: Breakdown of Housing Sales in Turkey, 2011-2013



Source: TurkStat

- In the third quarter of 2012, the tendency to purchase houses hit its lowest level with 8.2 basis points. However, it started to increase in the last quarter of 2012 and the increase trend continued throughout the first quarter of 2013 as well.

Figure 22: Home Purchasing Tendency of Customers



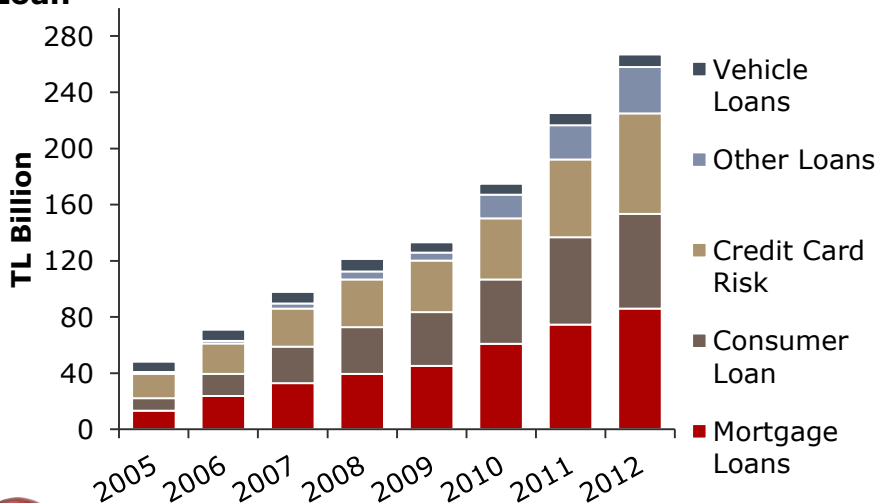
Source: CBRT



New products offered by banks increased and consumer loans reached more than TL 257 billion in 2012.

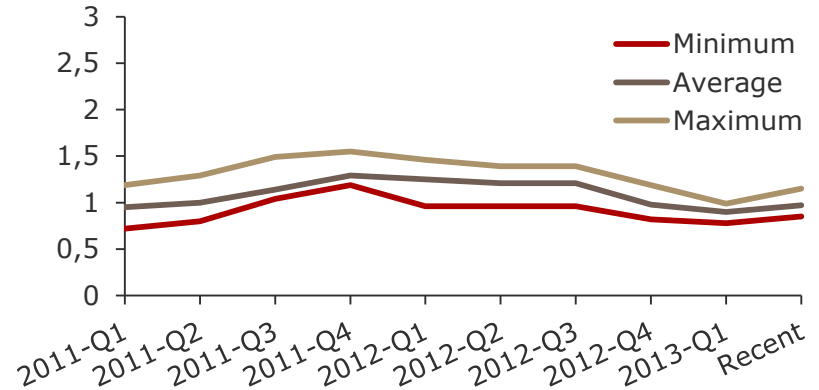
- A rapid decline was observed in interest rates for housing loans in the last quarter of 2012. The decline continued in the first quarter of 2013. The average monthly interest rate for housing loans with a term of 5 years was 0.97% in the last quarter of 2013.
- Interest rates declined from 1.29% to 0.90% in 2012, leading to a 15.4% increase in mortgage loans. 55.3% of mortgages are medium-term loans with the duration of 5 to 10 years.
- The research shows that 5-10 year housing loans are the preferred type of loans.

Figure 23: Consumer Loan Breakdown by Type of Loan



Source: BRSA

Figure 24: Monthly Interest Rates for Housing Loans (%)



Source: GYODER, CBRT

- Total consumer loans increased substantially at a CAGR of 30% from 2005 to 2012, exceeding TL 257 billion.
- The variety of loans and the terms and conditions offered by banks have increased consumer loans. The share of mortgage loans for total consumer loans is 30% and increased at a CAGR of 30% between 2005-2012 reaching TL 86 billion.



Average sale prices for homes have increased over time, reaching over USD 10,000 per sqm in some regions.

- The average unit sale price per sqm on Istanbul's European side is USD 6,725, while it is around USD 3,500 per sqm on the Asian side for urban regions.
- Suburban regions have relatively lower sale prices with USD 1,950 on the European side and USD 2,300 on the Asian side per sqm as is indicated below where price ranges in Istanbul are exhibited by regions.

Figure 25: Average Sale Price for A-Class Residence Projects, Urban Regions

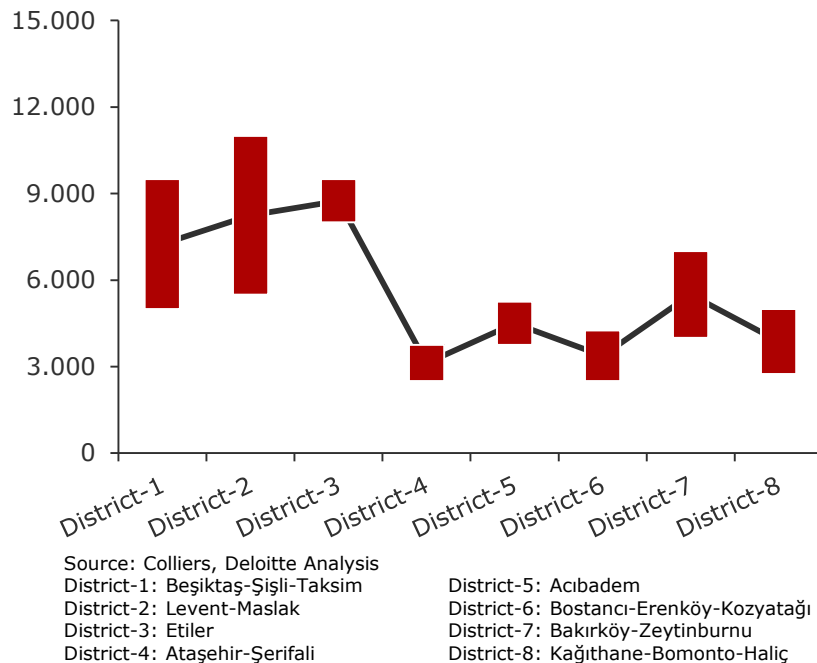
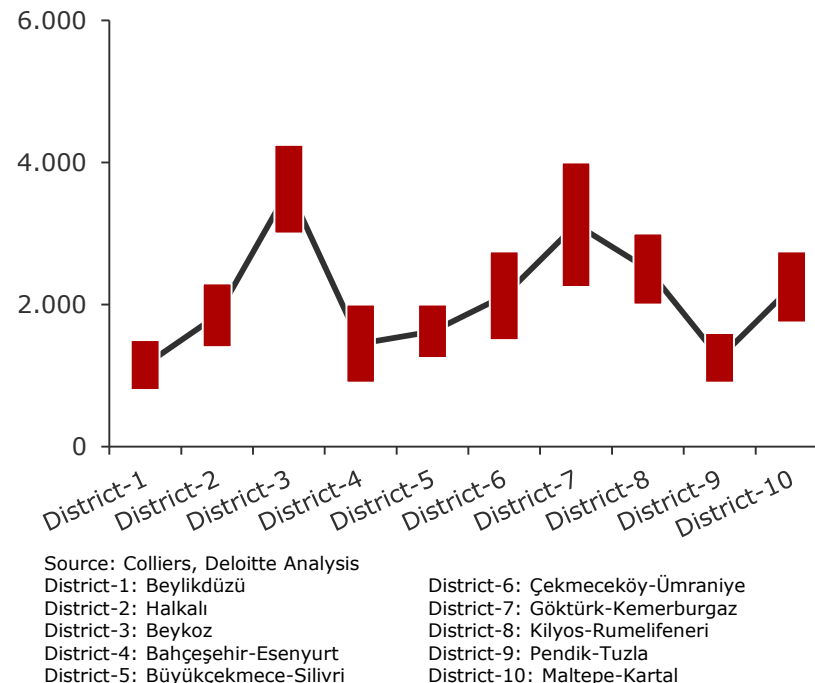


Figure 26: Average Sale Price of A-Class Residence Projects, Suburban Regions

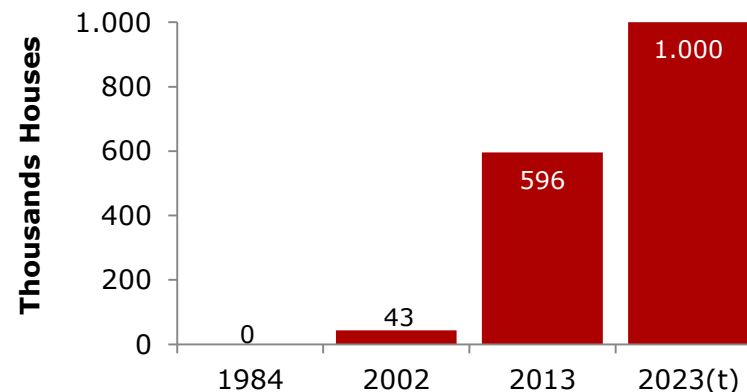


Case Study

Housing Development Administration of Turkey - TOKİ

- To deal with fast urbanization and rapid population growth, TOKİ was founded in 1984 to solve the problems of distorted urbanization and housing. It also undertakes construction projects of facilities such as schools, trade centers, hospitals, libraries, and sports arenas.
- As of the last quarter of 2013, TOKİ has built more than 615,000 houses in 800 different towns including every city in Turkey.
- TOKİ finalized more than 5,000 tenders worth over TL 6 billion including construction and planning phases.
- TOKİ's main mission is social housing and it targets low and middle-income people who cannot buy housing under existing market conditions. 85% of their current housing projects are social housing projects constructed on TOKİ-owned lands.
- 39.7% of social housing projects are for middle-income people. 25.4% are for the low-income population and the poor.
- Urban transformation projects in Turkey account for 12.4% of TOKİ's projects.

Figure 27: A Timeline of TOKİ's Projects



Source: TOKİ
t: targeted

- As noted on TOKİ's official website, existing demand far surpasses current supply. Even a pioneering agency such as TOKİ is not able to completely satisfy the demand for housing in Turkey.
- As a part of the 2023 goals in honor of the 100th anniversary of the founding of the Turkish Republic, TOKİ plans to build a total of 1 million housing units for the citizens of Turkey.



In 81 cities, more than 610,000 houses have been completed or are in the evaluation phase and over 250,000 new houses are being projected



Ankara	Completed Projects	Ongoing Projects
A total of 240 projects with 73,407 houses	76 projects have been completed	164 projects are in the evaluation phase



Konya	Completed Projects	Ongoing Projects
A total of 70 projects with 15,186 houses	26 projects have been completed	44 projects are in the evaluation phase



İzmir	Completed Projects	Ongoing Projects
A total of 49 projects with 13,946 houses	15 projects have been completed	34 projects are in the evaluation phase



Diyarbakır	Completed Projects	Ongoing Projects
A total of 46 projects with 10,600 houses	16 projects have been completed	30 projects are in the evaluation phase



Adana	Completed Projects	Ongoing Projects
A total of 62 projects with 13,986 houses	13 projects have been completed	49 projects are in the evaluation phase



Bursa	Completed Projects	Ongoing Projects
Total of 57 projects with 18,585 houses	20 projects have been completed	37 projects are in the evaluation phase

Source: TOKİ



Success Story

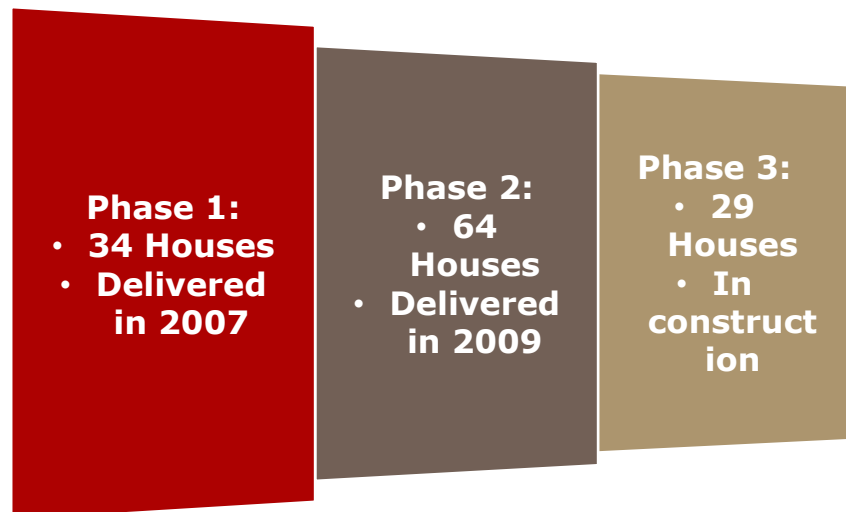
Berggruen Construction & Project Development

- Berggruen Construction & Project Development, a fully owned subsidiary of Berggruen Holdings, was established in 2005 to invest in development projects and the lucrative real estate sector in Turkey.
- Berggruen has two main projects in Turkey, namely, Berggruen Gümüşlük Houses and Bodrum Houses which are located in Bodrum, the premium holiday destination for Turks and foreigners on the Turkish coast.
- Berggruen Gümüşlük, a gated residential community consisting of 127 houses, has 3 phases. Phase 1 and 2 have been completed and over 75% of the houses have been sold to mostly Scandinavian buyers.
- Bodrum Houses, designed by the world renowned architect Richard Meier is located in Yalıkavak, one of the premium residential areas on the Bodrum Peninsula. The area covers 155,000 sqm. The project consists of 23 houses, each set within a 5,000 sqm plot overlooking the Yalıkavak Bay and Marina. Construction permits for the project have been secured and show house has been completed. Richard Meier has designed 5 different house types for this project.

" Berggruen's goal is to build environmentally sound, high quality, contemporary architecture in Turkey's growing real estate sector ."

A quote from Berggruen Construction & Project Development website

BERGGRUEN
CONSTRUCTION & PROJECT DEVELOPMENT



Major Property Projects in Istanbul (1/2)

Selected Projects

Vadistanbul <ul style="list-style-type: none"> Vadistanbul is a partnership of Artaş Group, Aydınli Group and Keleşoğlu Construction with more than thousand residences in its first phase. Prices range between TL 455,000- 225,000. The value of this project was more than USD 718 million (excluding land). 	Eclipse Maslak Residence <ul style="list-style-type: none"> Eclipse Maslak Residence was constructed by Artaş Group in Maslak. The project contains 500 houses with 63,000 sqm of sellable area. The project includes offices with areas ranging between 54 sqm and 233 sqm. Prices range from TL 350,000 - 2.4 million. 	Koru Florya <ul style="list-style-type: none"> Koru Florya was built by partners Aydınli Group, Metal Yapı Konut, Arke and Vizyonlife and includes 52 different types of apartments. Prices start from TL 1.1 million. The value of the project is approx. USD 120 million (excluding land). 	Ağaoğlu Maslak 1453 <ul style="list-style-type: none"> Maslak 1453 has 5,341 independent units consisting of more than 4,000 apartments and offices. The project will be completed at the end of 2015 . Prices range between TL 350,000 and TL 1.8 million. The value of this project is more than USD 2 billion.
Nurol Park <ul style="list-style-type: none"> Nurol Park was built by Nurol GYO and has 1,118 apartments. The project will be completed at the end of February 2016. Prices reach the TL 1 million mark. The value of the project is approx. USD 350 million. 	Maçka Residence <ul style="list-style-type: none"> Maçka Residence was built by Artaş Group. Prices range between TL 2.3 million and TL 20 million. The value of this project is USD 400 million. 	Istanbul Palaces <ul style="list-style-type: none"> Istanbul Palaces was constructed by Sinpaş GYO in Zekeriyaköy and has 1,200 residences. The price of villas start at TL 280,000 . The value for this project is approx. USD 140 million. 	İstwest <ul style="list-style-type: none"> Istwest was constructed by Fer Yapı and Boyner Holding. The project consists of 493 apartments and 506 residences. Prices range from TL 250,000 to TL 1,000,000. The value of the project is USD 150 million.



Major Property Projects in Istanbul (2/2)

Selected Projects

Batışehir <ul style="list-style-type: none"> Batışehir was constructed by Ege Group in Bağcılar and has 3,143 residences. Prices range between TL 190,000 and TL 1,450,000. The value of the project is approx. USD 330 million. 	Tema Istanbul <ul style="list-style-type: none"> Tema Istanbul was constructed by a partnership made up of Artaş, Öztaş, Kantur-Akdaş and Mesa Mesken and has 3,614 apartments ranging from 1+1 to 4+1. Prices reach TL 750,000. The value of this project is USD 2 billion. 	Soyak Soho <ul style="list-style-type: none"> Soyak Soho was built by Soyak in Zincirlikuyu and has 77 apartments. Prices range between TL 1,3 million and TL 7.4 million. The value of the project is more than USD 70 million. 	Corridor <ul style="list-style-type: none"> Corridor was constructed by Sur Yapı in Bahçelievler. The project will be completed on 31 December 2014. Prices for 1+1 apartments start from TL 320,000. The value of the project is approx. USD 130 million.
Torun Center <ul style="list-style-type: none"> Torun Center was built by Torunlar GYO on land belongs to Ali Sami Yen. The project has a range of apartments from 1+1 to 4+1 and prices reach to TL 8.5 million. The value for this project is approx. USD 480 million. 	Zorlu Center <ul style="list-style-type: none"> Zorlu Center was constructed by Zorlu Real Estate in Zincirlikuyu. The project has 500 residences and prices range between TL 2 million - TL 12 million. The value for this project is USD 2.5 billion. 	Viaport Venezia <ul style="list-style-type: none"> Venezia was constructed by Bayraktar and Gürsoy Construction in Gaziosmanpaşa. Prices range from TL 320,000 – 1.1 million. The value for this project is approx. USD 1.2 billion. 	42 Maslak <ul style="list-style-type: none"> 42 Maslak was built by Bay Construction. The project will be completed on 2014. Prices of the residences range from TL 400,000 to 5 million. The value of the project is more than USD 450 million.

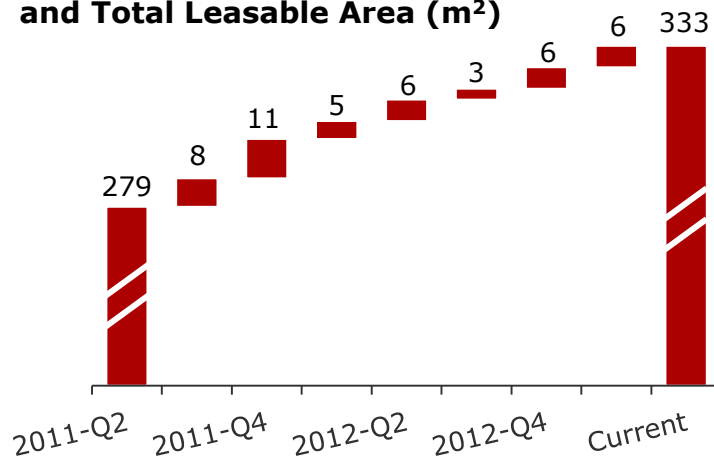


Retail Market Overview



The total Gross Leasable Area in 2012 reached 8.2 million sqm all across Turkey...

Figure 28: Number of Shopping Centers Opened and Total Leasable Area (m²)

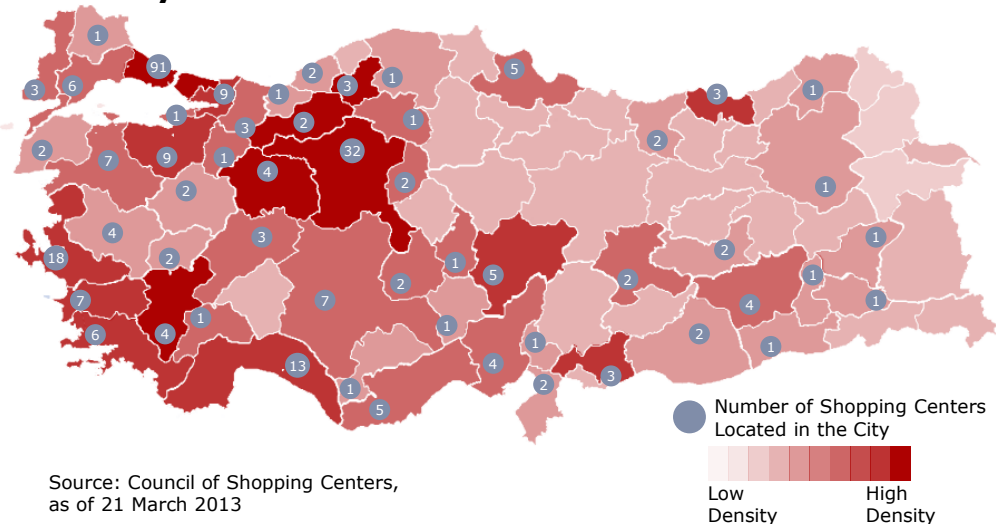


Source: GYODER, MallReport

- As of March 2013, 299 SCs with a total GLA of 8.2 million sqm were operating all across Turkey. The leasable area of these shopping centers per 1000 people is 106 m².
- 91 SCs located in Istanbul represent 46% of the total leasable shopping center area in Turkey. Istanbul is followed by Ankara with 15%, Izmir with 4% and Bursa with 3%. Istanbul, Ankara, Izmir, Bursa and Kocaeli cover 70% of the total shopping center area in Turkey. Currently, 54 cities out of 81 have SCs.

- In 2012, 20 new shopping centers opened. Due to the increasing domestic demand for shopping centers, there are currently 35 under construction which are expected to be completed in the near future.
- Large-scale and significant SC investments have been made and new SCs opened in 2013. The leasable area reaches approximately 1.2 million sqm.
- According to GLA density statistics which shows leasable area per 1,000 people, Ankara, İstanbul, Karabük, Bolu and Eskişehir have a density of over 150 m² as of the first quarter of 2013.

Figure 29: GLA Density & SC Distribution Map of Turkey - March 2013



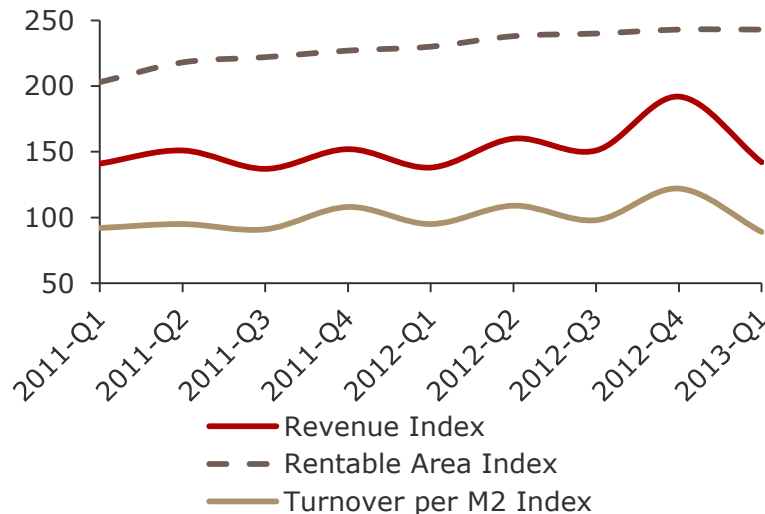
Source: Council of Shopping Centers, as of 21 March 2013



...and it is expected to reach 13 million sqm by the end of 2015.

- The revenue index of SCs increased by 26.9% in 2012 compared to the previous year. In the first two months of 2013, Shopping Center revenues weakened due to the effects of seasonality and discounts. Revenue exhibited an approximate increase of 3% compared to revenue for the first quarter of the previous year.
- The urban population and purchasing power grew and economic and demographic changes resulted in malls and outlets extending beyond the three large metropolises – Istanbul, Ankara and Izmir – witnessing their expansion to many different cities in Anatolia.
- Although there are 15 cities with a population of over 1 million besides the three main metropolises in Turkey, Istanbul remains the primary market of choice for retailer expansion. Location remains the most crucial factor affecting demand, especially in secondary cities.

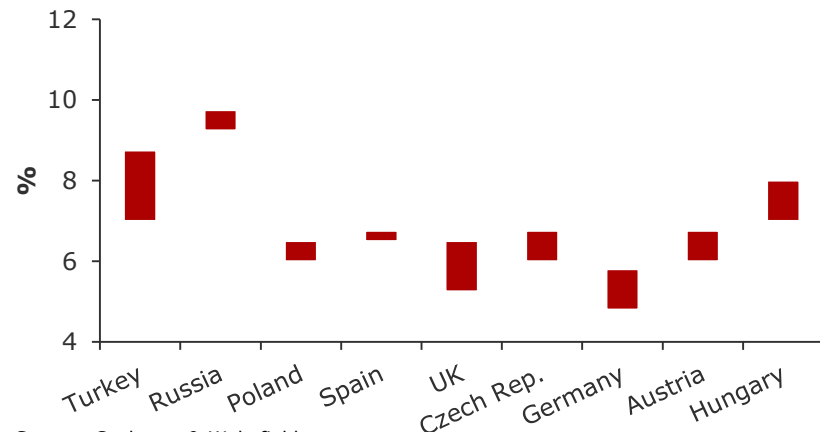
Figure 30: Retail Index for Shopping Centers, 2005=100



Source: GYODER

- In Turkey, the prime yield for shopping center is ranged between 7.00% - 8.75%, surpassing many European countries.

Figure 31: Shopping Center, Prime Yield



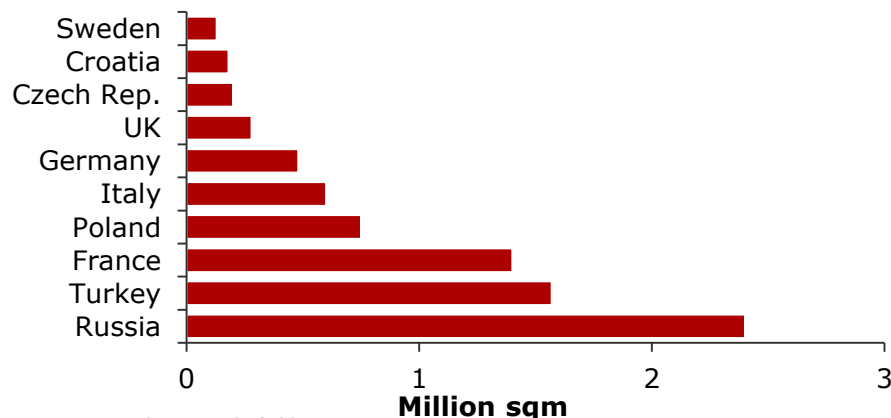
Source: Cushman & Wakefield



The sales index increased by 13% between 2012 and 2013.

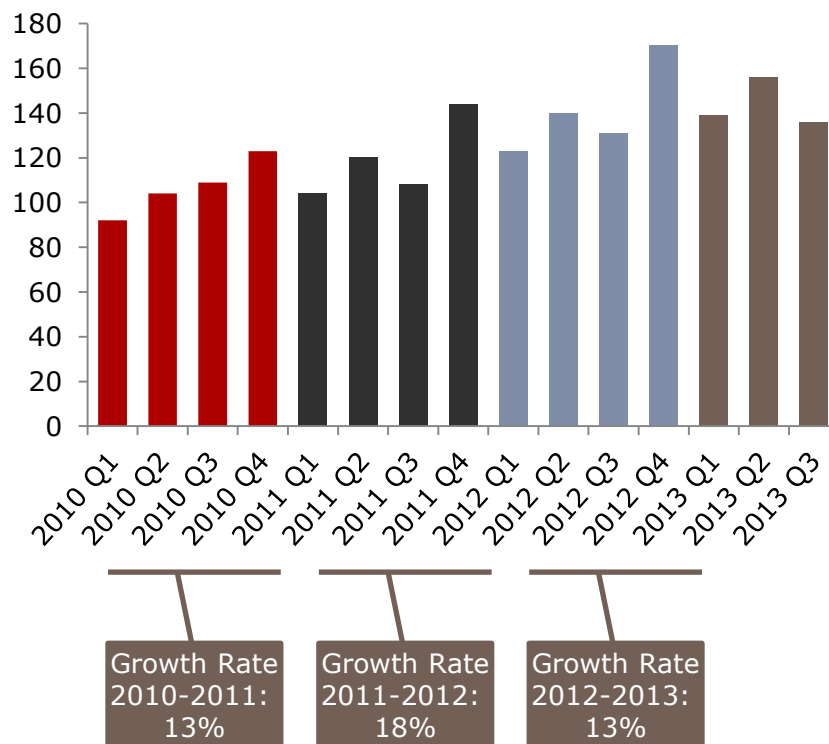
- The retail market in Turkey witnessed unprecedented growth over the last few years. However, all forecasts indicate that significant opportunities will continue to emerge in real estate. Thanks to their high yields, shopping centers will continue to be the first option among commercial properties for investors.
- Still there are 19 cities in Turkey without shopping centers and 67 cities where the retail area per 1,000 people is less than 100 m2.
- The sales index which shows sales per GLA, increased 13% between 2010-2011, 18% between 2011-2012 and 13% between 2012-2013.

Figure 32: European Shopping Center Pipeline for 2013-2014



Source: Cushman Wakefield

Figure 33: Sales Index

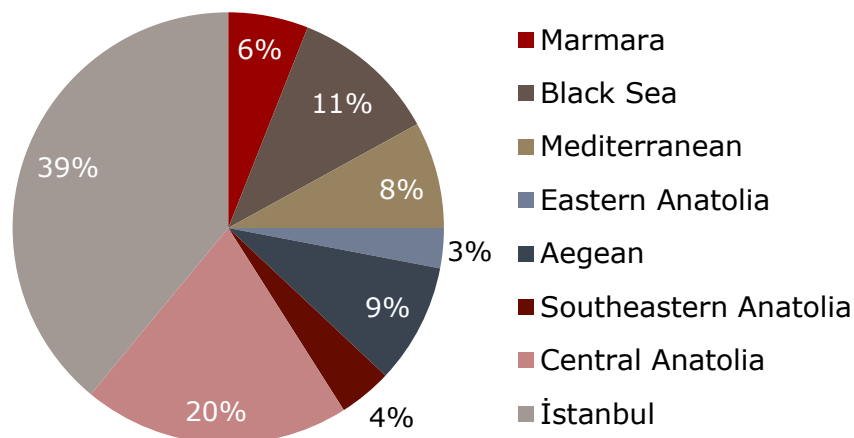


Source: BRSA



Foreign investors are attracted by Istanbul's potential, especially for shopping centers.

Figure 34: Regional Breakdown for Shopping Centers



Source: AYD

- The destination for shopping center investments made in the last five years show that the majority of the investors focused on Istanbul. A breakdown of investments in shopping centers demonstrate that 45% concentrated on the Marmara region, which includes Istanbul, 20% in Central Anatolia, 9% in the Aegean region, 8% in Mediterranean region, 11% in the Black Sea region, 4% in Southeastern Anatolia and 3% Eastern Anatolia. Istanbul will definitely continue to maintain its charm for investors in the forthcoming years.

However, it is expected that investors' interest will shift to Anatolian cities that still lack shopping centers. The Turkish shopping center sector, which is continuously growing, has had USD 40 billion worth of investments and employs 360,000 people. It attracts both local and international investors.

Table 10: Shopping Centers Owned by Foreign Investors

Country	Establishment	# of Shopping Centers	Leasable Area (m2)
Germany	Metro Group	10 (3)	383,907
Netherlands	Multi Mall	11 (2)	746,400
USA	KREA	2 (1)	71,890
Netherlands	CORIO	7 (1)	276,550
Germany	ECE Group	2 (1)	145,000
UK	ST Martins	1 (1)	117,972
Ireland	Quinn Group	1 (1)	11,000
France	Carrefour	12 (6)	344,203
UK	Tesco	22 (1)	308,435
USA	Blackstone	3 (-)	101,000
Germany	Prime Dvlp.	2 (-)	72,000
USA	Pramerica	1 (-)	48,000
USA	Trump Rep	1 (1)	43,000

Source: GYODER

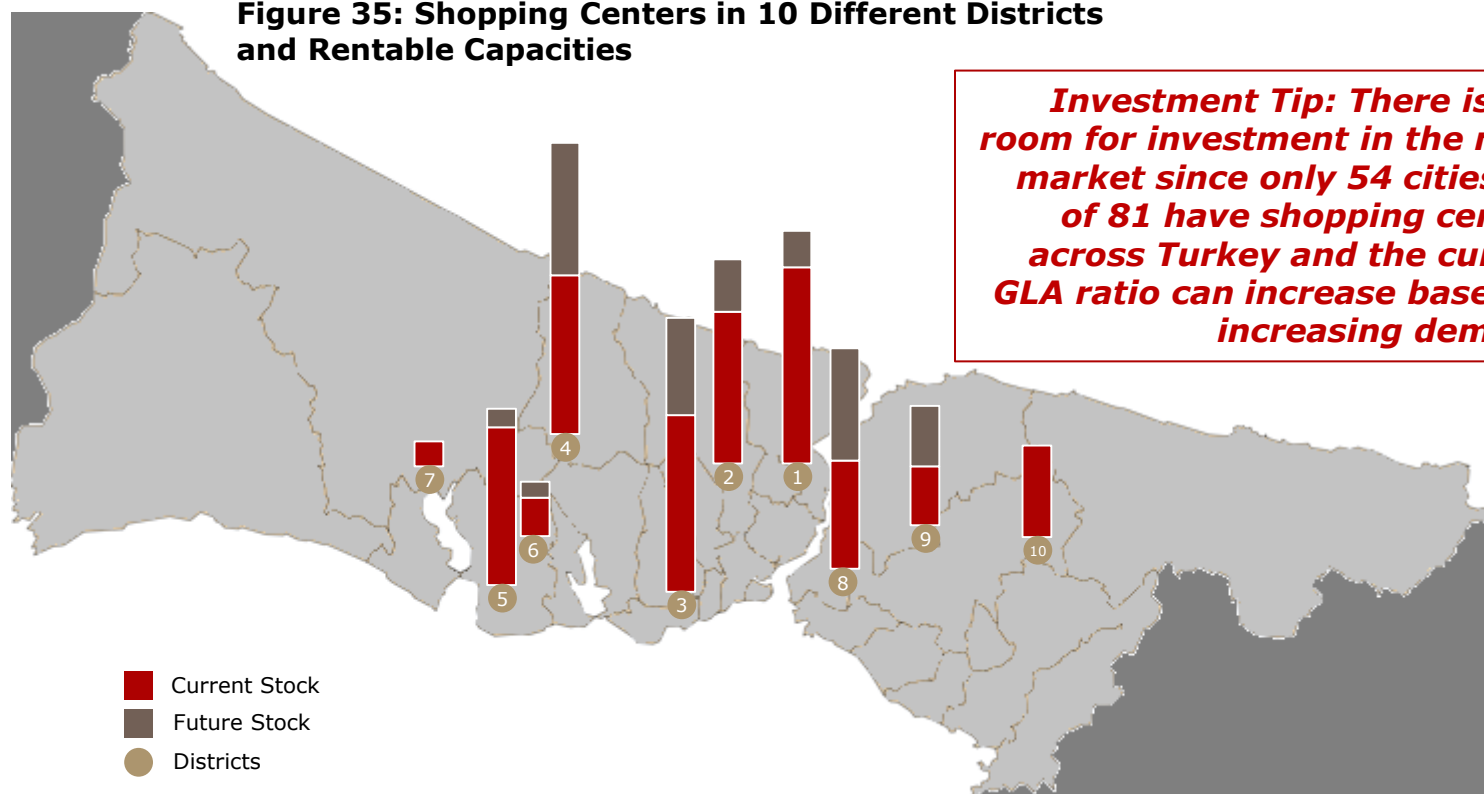
Note: Values in paranthesis represents the number of shopping malls in Istanbul.



GLA stock will continue to grow in all 10 districts.

- Istanbul's metropolitan area has a population of 13.7 million people with 94 shopping centers. While the leasable area of shopping centers in Istanbul is more than 3 million m² as of the second half of 2013; the leasable area is expected to reach 3.5 million m² by the end of 2013.
- Shopping centers vary based on their location and their target audience. The GLA in Istanbul will be about 5 million m² with the addition of future stock.

Figure 35: Shopping Centers in 10 Different Districts and Rentable Capacities



Source: Banking Regulation and Supervision Agency



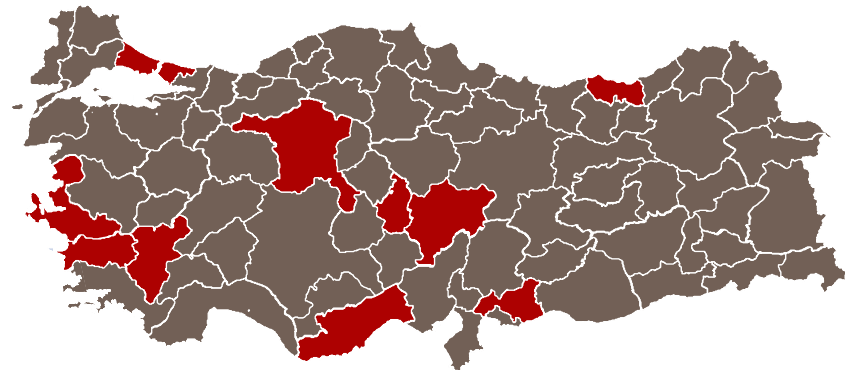
Success Story

Blackstone's Multi

- Multi Corporation is the leading commercial developer of inner-city retail space in Europe and Turkey, comprising companies in property development, investment, asset management and property management.
- The Multi's head office is in the Netherlands and is active in 14 European countries.
- Multi Development has recently been taken over by the US-based company Blackstone. It opened 44,000 sqm Forum Gaziantep which is located in the south and includes 120 retail stores, a movie-theatre complex, entertainment areas, a supermarket and restaurants. Multi targets 9m visitors annually and states that the mall will generate around 3,500 jobs.
- Multi Corporation's first project in Turkey was Izmir's Forum Bornova Mall and Life Center, which opened in 2006. Forum Bornova was followed by Forum Mersin, Forum Çamlık, Forum Trabzon, Forum Aydın, Forum Ankara Outlet, Forum İstanbul, Forum Kapadokya, Marmara Forum Mall, Marmara Forum & Garden Office, Forum Kayseri and finally, Forum Gaziantep. Forum Malls, the architectural designs of which were implemented by T+T Design, soon became absolutely integral parts of the commercial, social and cultural lives of the cities in which they are located.

- With Forum Gaziantep opening, Multi owns 11 shopping center with over 750,000 sqm of retail space in Turkey.

Figure 36: Shopping Centers Owned by Multi Development



Source: Deloitte Analysis



Major Projects in Turkey

Table 11: Major Projects in the Pipeline, Istanbul

Shopping Center	District	GLA (sqm)	Expected Opening
Emaar Square*	Üsküdar	150,000	2014
Mall of Istanbul	İkitelli	148,000	2013
Ağaoğlu Maslak 1453	Şişli	100,000	2015
Via Port Venezia	Gaziosmanpaşa	90,000	2014
Metropol Istanbul*	Ataşehir	90,000	2015
Skyland	Kağıthane	90,000	2016
Akasya Acıbadem	Üsküdar	86,500	2014
Vadi Istanbul*	Eyüp	70,000	2015
Zorlu Center*	Beşiktaş	66,000	2013
Grandia	Beylikdüzü	55,000	2014

Source: Jones Lang LaSalle
Note: (*) Denotes Jones Lang LaSalle involvement.

Table 12: Major Projects Throughout Turkey

Shopping Center	District	GLA (sqm)	Expected Opening
Ceylan Karavil Park	Diyarbakır	65,000	2014
Prime Mall Gaziantep	Gaziantep	55,000	2013
Mavibahçe	İzmir	55,000	2014
Forum Diyarbakır	Diyarbakır	54,000	2014
Markantalya	Antalya	53,500	2013
Taurus Ankara	Ankara	50,000	2013
Point Bornova*	İzmir	50,000	2015
Piazza Şanlıurfa*	Şanlıurfa	45,500	2013
Forum Adana	Adana	45,000	2014
Forum Gaziantep	Gaziantep	44,500	2013
Next Level	Ankara	42,500	2013
Palladium Antakya	Hatay	40,000	2013



Office Market Overview



Office stock increased as witnessed by the increase of construction licenses and occupancy permits in Turkey.

- As a consequence of multinational companies establishing their regional management and operational centers in Istanbul, as well as those of national companies, the demand for office space continues to increase. Leasing demand has targeted class A offices. This strong demand for office space continues to trigger office investments.
- Office construction licenses obtained throughout Turkey in 2012 increased by 27% compared to the previous year and reached 6.84 million sqm in Turkey.
- A huge demand and potential in the market has been observed. Significant office supply because of the contribution of foreign investment is expected in 2013 and 2014. There are office projects currently in the works such as Ofisim Istanbul, 42 Maslak, Iz Park and I Tower that will contribute to this potential.

Table 13: Office Construction Licenses and Occupancy Permits Throughout Turkey

	Office Building Construction Licenses Obtained (m ²)	Office Building Occupancy Permits Obtained (m ²)
2011-Q1	1,017,427	756,089
2011-Q2	1,591,949	991,262
2011-Q3	1,318,292	784,330
2011-Q4	2,084,105	776,458
2012-Q1	958,477	942,039
2012-Q2	2,133,264	1,010,790
2012-Q3	1,672,439	829,346
2012-Q4	2,082,500	854,853

Investment Tip: Istanbul, as the financial center of Turkey, has growth potential for additional office development.

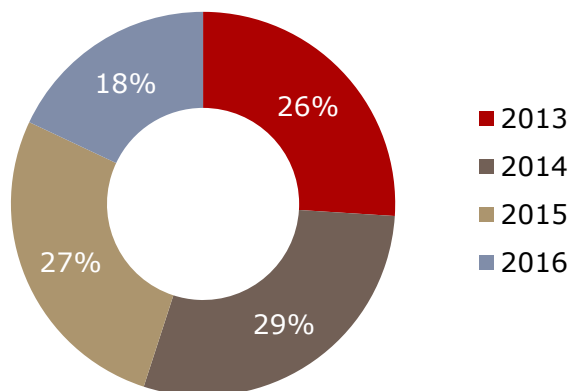
Source: Turkish Statistical Institute



Istanbul, Ankara and Izmir are the key cities for the office market, with 2.8 million, 400,000 and 85,000 sqm of Class A office space, respectively.

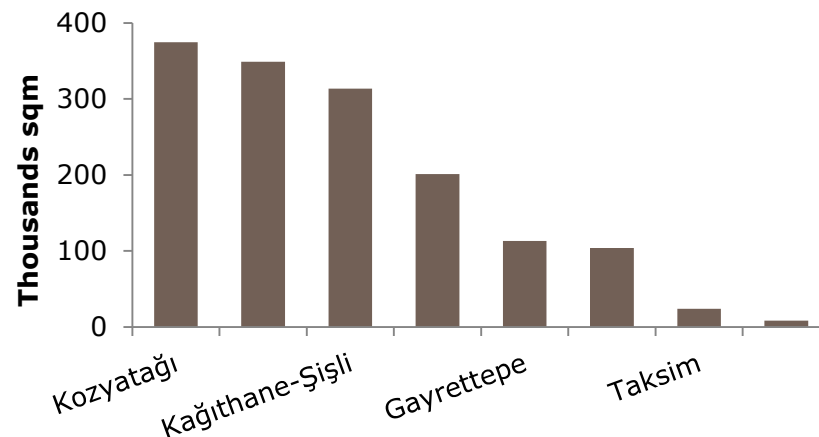
- New office buildings are expected to be added to Istanbul's existing stock during the next three years accounting for 1.5 million sqm, 40% of which will be constructed on the Maslak-Levent line, 20% in Şişli-Kağıthane, 24% in Kozyatağı, 7% in Gayrettepe, 7% in Ümraniye, 1% in Taksim and 1% in Kavacık. The following chart shows the breakdown of future office stock in Istanbul that is under construction and in the planning stage.

Figure 37: Breakdown of Class A Office Space in Istanbul by Year



Source: Colliers International

Figure 38: Future Stock (sqm)



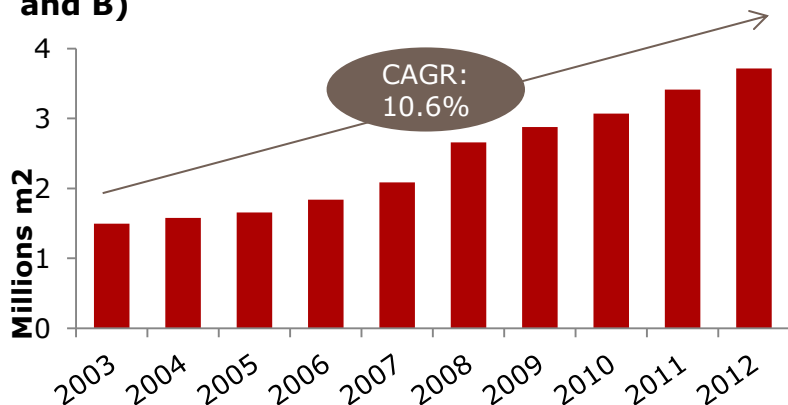
Source: Colliers International

- Levent, Maslak and Şişli- Kağıthane will be the main contributor to Istanbul's office stock in the near future. 74% of the future office stock in Kozyatağı, 54% in Maslak and 75% in Ümraniye comprise office projects in the planning stage only. 70% of new office supply in Levent is already under construction.



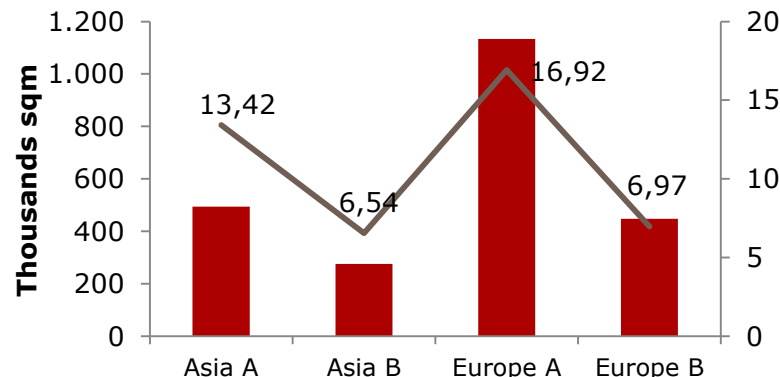
One of the most attractive investment opportunities for investors and real estate developers in 2012 was the office market in Istanbul.

Figure 39: Office Stock in Istanbul (Class A and B)



Source: GYODER, Main Indicators 2013 Report
Note: Includes CBD and non-CBD

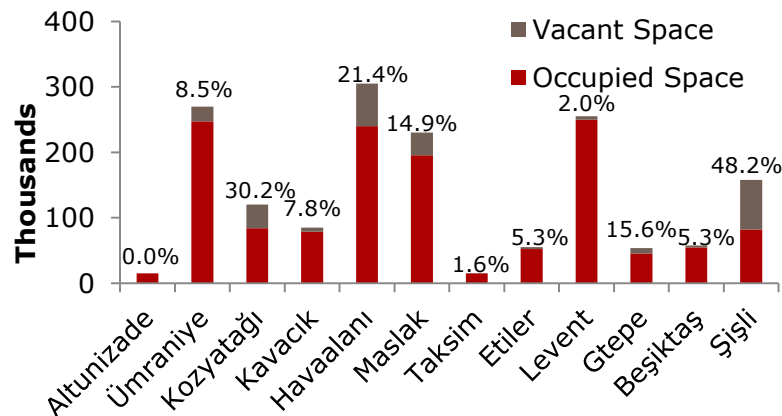
Figure 40: Total Office Area for Class A and B and Average Vacancy Rates (%)



Source: Colliers International, Propin Investment Consultancy, Istanbul Office Market

- The Istanbul office market is developing and attracting investors. Although there are some offices at the level of international standards in cities such as Ankara and Izmir, they are limited compared to Istanbul. The total class A office stock in Istanbul was 3,125,000 sqm in 2012. 67.3% of the existing office stock in Istanbul is located on the European side of the city.
- Class A office stock in Asia in non-CBD is 1,150,000 sqm and Ümraniye has the biggest capacity with 445,000 sqm on the Asian side.

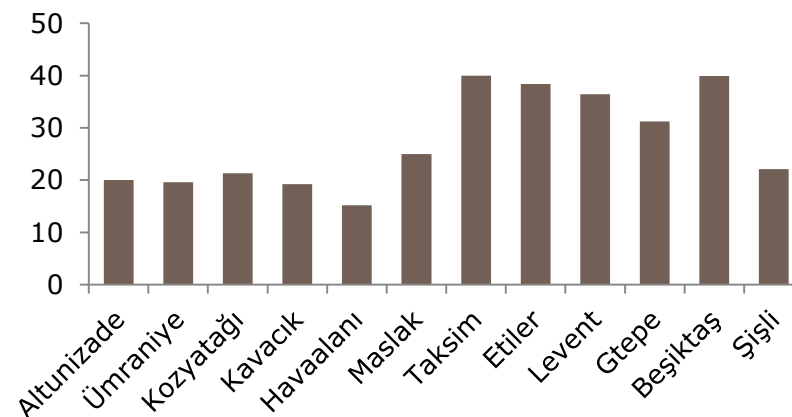
Figure 41: Istanbul Class A Office Market Average Vacancy Rates Q3 2013



Office stock in Istanbul increased at a CAGR of 12.4% since 2006.

- In the CBD area, class A office leases average USD 29.1 and class B office leases average USD 17, office leases themselves are stable compared to the previous period
- When we look at average rents during the third quarter of 2013, we observe an increase in the airport, Maslak, Gayrettepe, Beşiktaş and Şişli regions and a slight decrease in Kozyatağı and Taksim. Due to the lack of new supply and demand in Altunizade, Ümraniye, Kavacık, Levent and Etiler, the average rates remained stable.

Figure 42: Istanbul Average Rates for Class A Offices as of Q3 2013 (USD/sqm/month)



Source: Colliers International

Table 14: Major Projects in Istanbul Relevant to Foreign Investors

Maslak	Project Name	Office Area (sqm)	Unit Sales Price (USD/sqm)(*)
	42 Maslak	18,000	4,500 – 5,500
E-5 Surrounding-Kartal	Project Name	Office Area (sqm)	Unit Sales Price (USD/sqm)(*)
	Beyaz Ofis	8,960	2,200 – 4,200
	Burak Bora Plaza	2,520	
	Dumankaya Vizyon	2,000	
	Hukukçular Towers	9,860	
	Kartalkule	18,000	
	Ofisim Istanbul	33,000	
	Monumento Kartal	8,330	
	Iz Park	24,000	

Bomonti-Şişli	Project Name	Office Area (sqm)	Unit Sales Price (USD/sqm)(*)
	Arista Life	25,816	4,000 – 6,500
	I Tower	23,200	

Cendere Road-Kağıthane	Project Name	Office Area (sqm)	Unit Sales Price (USD/sqm)(*)
	Papirus Plaza	20,000	3,250 – 5,000
	Nef Kağıthane	9,751	
	Tekfen Ofispark	37,000	
	Ofishane	20,000	
	Z Ofis	5,587	

Source: Colliers International Turkey Real Estate Review Second Half of 2013
Note: (*) Prices exclude 18% VAT



Success Story

Trump and EMAAR

- Trump Tower Istanbul is comprised of a 39-story, 204-unit residential tower, a 37-story, 86-unit office tower, and a seven floor retail platform and Trump Towers Mall, which is comprised of 194 units. This gorgeous property boasts spectacular views of the Bosphorus, the heart of Istanbul and historic Old Istanbul. Residents have already begun to occupy the tower and are privy to 24-hour white glove concierge service, state-of-the-art technology systems in every unit, a private lounge area with a library, bar and kids' club, a well-being center as well as a private wine cellar.
- One of the key differentiators of this mall is that it has a playing and recreation center, an entire floor in fact, dedicated exclusively to children.

"As the developers of Trump Towers Istanbul, Doğan Holding has delivered an incredible property. We look forward to this being the first of many world class developments undertaken together in Istanbul and throughout Turkey."

Donald Trump



- Since 2006, EMAAR has operating in Turkey investing in real estate development.
- The company is currently in the process of constructing Tuscan Valley in Istanbul's Büyükçekmece Lake Valley, established on a 1 million 700,000 m² area. Tuscan Valley will consist of 12 different types of 524 residences.
- Emaar Square, its new investment in Çamlıca, Istanbul, will have 1,000 residences, Istanbul's largest shopping and recreation center, office area of a total of 40,000 m², and a 5-star hotel named the Address Hotel. In addition to its current investments, Emaar Turkey plans to make investments in tourism, entertainment, shopping mall development, retail and commercial rental businesses.

"The contribution of Emaar's international operations to total revenue was USD 344 million, reinforced by the handover of homes and offices in Turkey, Lebanon, Saudi Arabia, Egypt and Pakistan, among other markets. We delivered over 700 homes and over 122,000 square feet of commercial space in our international markets."

Mohamed Alabbar, Chairman of Emaar Properties



Office Projects in Istanbul

Eclipse Maslak Business <ul style="list-style-type: none"> Eclipse Maslak was constructed by Artas Group in Maslak. The project contains 63,000 sqm of sellable housing area and 34,000 sqm of sellable office area. The offices areas range between 128 sqm and 1500 sqm. Prices start from TL 316,000. 	İz Park <ul style="list-style-type: none"> İz Park is being built by Ege Yapı Group in Kartal and will be completed in 2015. The project has 2 blocks with 15 floors and it has 102 offices with areas ranging between 44 sqm and 223 sqm. Prices start from TL 320,000 and go up to TL 1,064,000. 	Dap Bumerang Office <ul style="list-style-type: none"> Dap Bumerang Office was constructed by Dap Yapı The project has drawn attention because of its boomerang-shaped architecture. The project has 95 different independent sections including offices and shops. Prices start from TL 403,000. 	Premier Campus Office <ul style="list-style-type: none"> Premier Campus Office was built by Fer Yapı in Kağıthane. Together with single-floor offices, the project also has duplex offices with terraces. The project contains 58,000 sqm of sellable and 4,200 sqm of rentable area. The square meter price starts from TL 6,263.
Helis Metro Office <ul style="list-style-type: none"> Metro Office was built by Helis Yatırım The project is located at a 3 meter distance from the metro station between Kartal and Pendik Bridge. The project has offices of 65-75 and 85 sqm and 3 meeting rooms. The square meter price starts from TL 5,300. 	Metrowin Tower <ul style="list-style-type: none"> Metrotwin Tower was built by partners Metropolit Yapı and Dumankaya Construction and it is to be completed in 15 months. The offices are either 65 or 125 sqm and there are 8 meeting rooms. Prices start from TL 338,000 . 	Nurol Tower <ul style="list-style-type: none"> Nurol Tower was built by Nurol GYO and will be completed in 2014. There are 243 apartments of 73 and 193 sqm. The apartments can be used as both residence and home-offices. Prices range between TL 977,000 – 2.5 million 	Kiriş Tower <ul style="list-style-type: none"> Kiriş Tower was built by Kılıçoğlu-Delta Construction in Maltepe. There are 190 offices (their areas range between 85 and 870 sqm), 30 stores and workplaces. The project will be completed in May 2015. Prices start from TL 630,000.



Istanbul Finance Center will be completed in 2016 and has already started transforming Istanbul.

Istanbul Finance Center

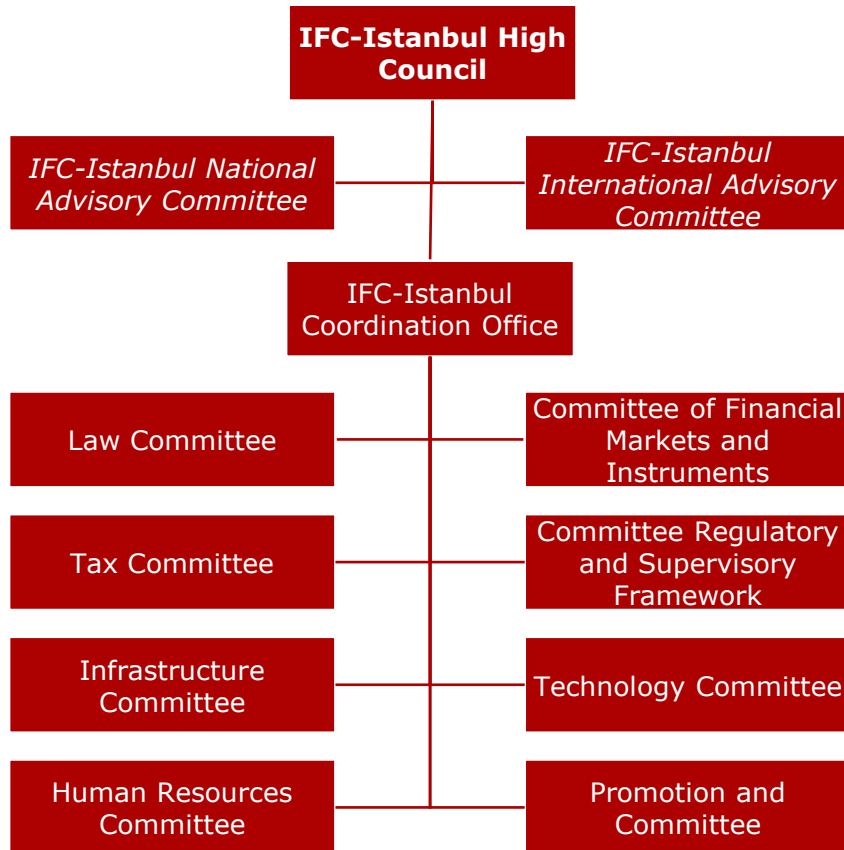
- Initiated in 2009, the Istanbul Finance Center is a project to create and build a financial district in Istanbul that will become a regional and global financial hub. The expected cost of the project will be approximately USD 2 billion. Projections say that the Istanbul Finance Center will provide employment for additional 30,000 people.
- When finished the financial district will be bigger than the ones in New York and London. The district will cover 2.5 million square meters of land, comprising 560,000 square meters of office space, 60,000 square meters of residential space, a 2,000 seat conference hall, a shopping mall and a hotel. The district will be located between two major highways and will be easily accessed from two different metro lines.
- State-owned Ziraat Bank, Halk Bank and Vakıfbank along with governing bodies such as the Central Bank of Turkey, the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB) will be relocated to the IFC when the first stage of the construction is completed in 2016.
- The Strategy and Action Plan for the Istanbul International Financial Center by the Ministry of Development says that the needed physical and technological infrastructure will be built. In light of this, the effectiveness of taxation systems and the diversity of financial products and services will be increased by turning Istanbul in to a finance center.
- According to a BMI infrastructure report, demand for office space will prove consistent and increase over 2013 as the government continues its policy of positing Istanbul as a regional financial hub. Reflecting the activity in and increasing liberalization of Istanbul's financial sector, Mizuho Financial Group Inc., Mitsubishi Corp., OAO Sberbank and Burgan Bank SAK have all begun operations in Istanbul. Investment will flow towards new business districts in the capital as well as development continues apace in Atasehir - the location for the Istanbul International Financial Center, which Bloomberg estimates will cost in the region of USD 2.6 billion.

Source: Strategy and Action Plan for Istanbul International Financial Center



The vision for the IFC: Istanbul shall first become a regional financial center, and ultimately, a global financial center

Figure 43: Administrative Structure of Istanbul Finance Center



Source: Istanbul Finance Center

- In the strategy and action plan for the Istanbul International Financial Center, a total of 23 priority topics have been determined and one of the priorities is related to enhancing physical infrastructure. According to the strategy and action plan document:
- Building technology that would minimize earthquake and safety risks shall be employed in areas where financial organizations will concentrate and employees will reside for the creation of necessary office spaces and housing; real estates investments incorporating new technologies shall be made to improve the quality of living in the city.
- Within a transport master plan of at least five years, domestic and international connections to Istanbul shall be structured to provide effective and speedy transportation, urban transport projects (air, sea, land, rail systems) shall be completed; and specifically, the airports and urban centers shall be integrated through various transport systems.
- Works shall be carried out in Istanbul to improve and develop health, education, recreation, accommodation and hospitality facilities to serve foreigners.



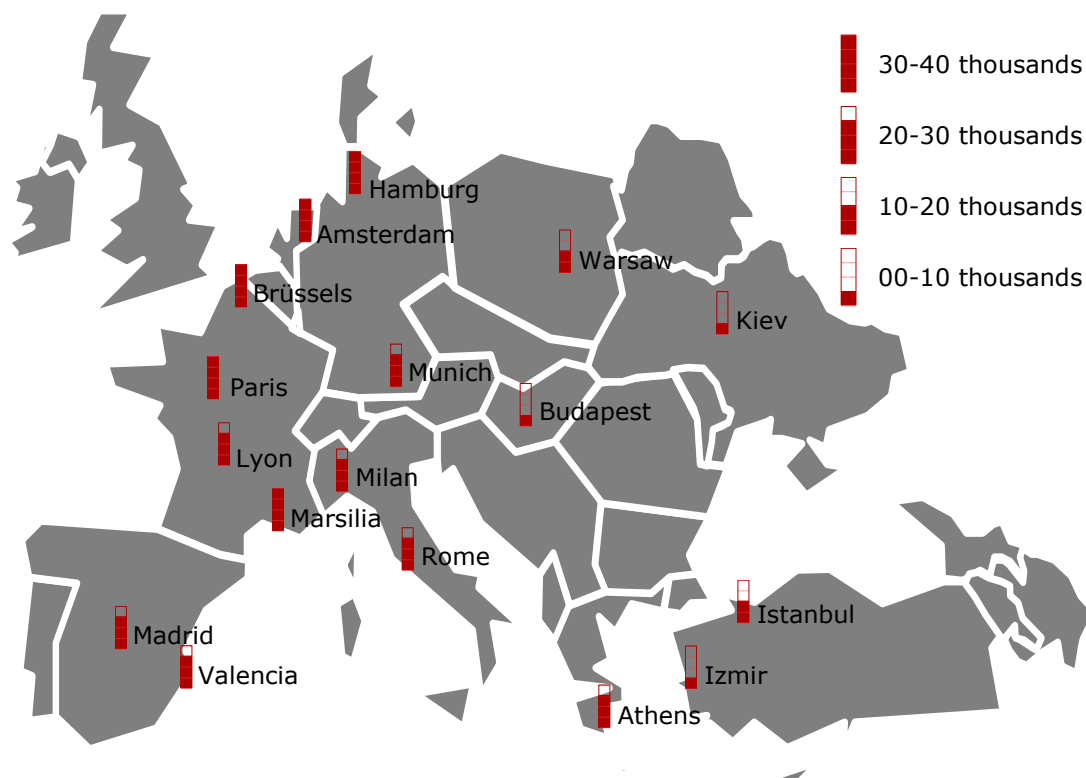
Warehouse Market Overview



Turkey, as a strategically located hub, is being increasingly integrated in the global supply chain and will gain further importance.

- Turkey's advantageous geographical location that bridges Asia to Europe and Russia to Africa, allows it to be a logistics hub for over USD 2 trillion freight carried across the region. Turkey is building rail freight corridors, coastal freight corridors and international highway corridors to become a leading logistics hub. However, for the scope of this report, logistics related warehouse market will be analyzed.

Figure 44: Labor Costs in the Transportation And Warehousing Sector by Market



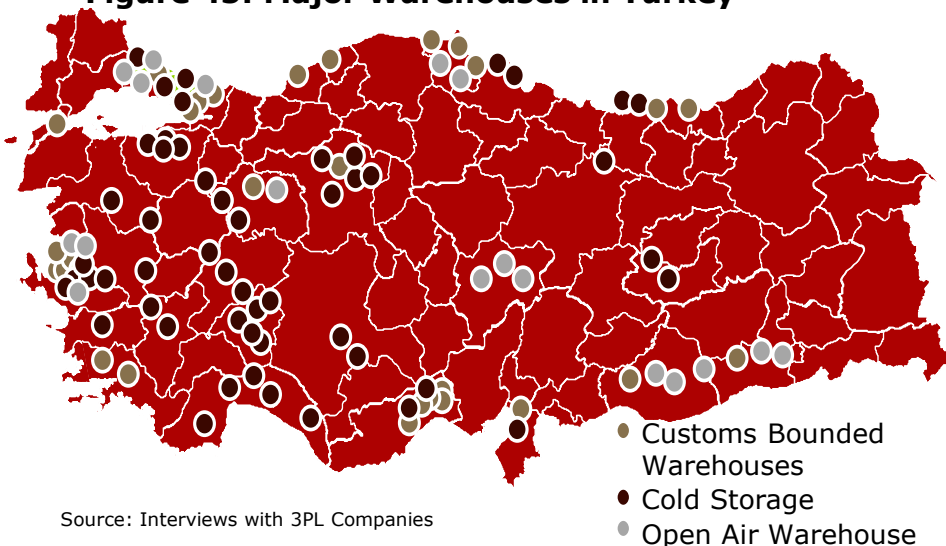
- According to the Colliers survey, which analyzes the maturity of logistics and industrial centers in Europe, Istanbul is ranked 18th in operational cost, 2nd in labor market capacity and 5th in logistics competence out of 40 European cities.
- Moreover, according to "Top European Logistics Hubs" report, Istanbul ranks second and Izmir ranks 12th among the top 20 countries.
- The Marmara region in the northwest part of Turkey provides the majority of total GDP and the region is an important hub for all industrial and logistics operations due to its geographical position, closeness to the main industrial areas and the Marmara Sea. It is by far Turkey's most developed warehouse market followed by the emerging markets of Izmir and Ankara.

Source: Colliers International



The Marmara and the Aegean regions of Turkey are important hubs for all industrial and logistics operations and therefore, have many warehouses.

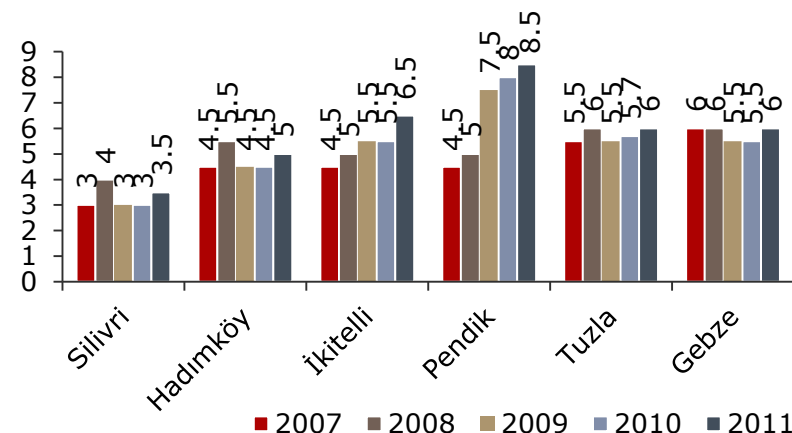
Figure 45: Major Warehouses in Turkey



Source: Interviews with 3PL Companies

- The majority of warehouses are located in western Turkey, where there are a large number of industrial complexes.
- The average rental costs for storage facilities in and around Istanbul, which is the business hub of Turkey, have remained relatively stable or increased slightly in regions except for Pendik. In the region of Tuzla, the rental price for storage has increased a mere CAGR of 2% from 2007 to 2011, while in the region of Gebze, rent has stayed the same.
- The increase in Pendik is due to investment in A-class storage facilities in the region's logistics providers. In Pendik, the average cost for renting storage has increased USD 8.5 per square meter in 2011.
- There is also an opportunity for renting buildings storage facilities. Istanbul Real Estate Valuation and Consulting Inc. predicts that more than 1 million meter squares of storage space is needed in Istanbul. Highly developed transportation and infrastructure will, surely, draw international companies to the market.

Figure 46: Development of Storage Space Rental Costs in Logistical Areas in Istanbul, 2007-2011



Source: Istanbul Gayrimenkul Değerlendirme Logistics Report 2011



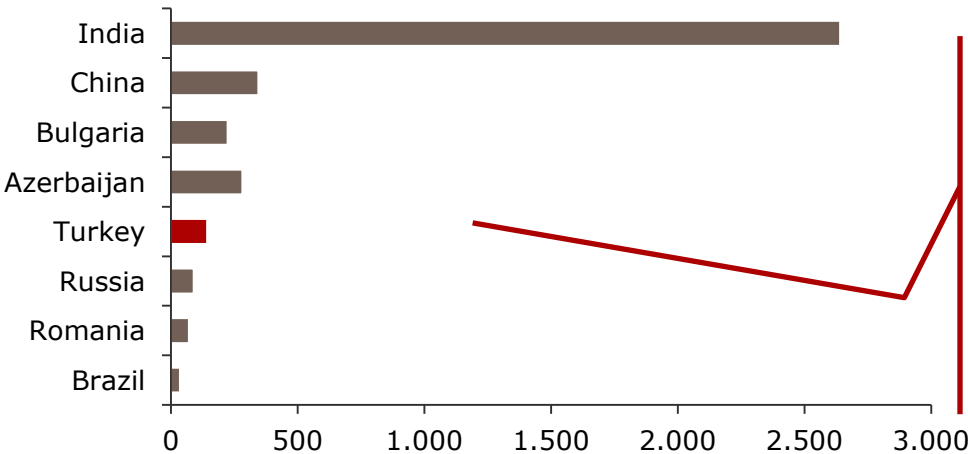
Warehouse construction costs are relatively low in Turkey.

Table 15: Construction for Warehouses in Turkey

	2006	2007	2008	2009	2010	2011	2012	2013
Number of Procedures	23	23	23	23	23	23	23	20
Days Required	189	189	189	189	189	189	189	164
Cost (% of Income Per Capita)	431.5	385.8	357	240.6	211.2	223.5	197.7	142.5

Source: World Bank Doing Business Report

Figure 47: Cost as a Percentage of Income Per Capita



Source: World Bank Doing Business Report

- According to data collected by the World Bank, dealing with construction permits for warehouses in Turkey requires **20 procedures, takes 164 days** to complete and costs **142.5% of income per capita**.
- The procedural cost of building a warehouse that has 2 stories with an area of 1,300.6 square meters is approximately **USD 15,000***. The estimated value of a warehouse in Istanbul is **TL 449,650 (USD 252,953*)**. The number of procedures and the amount of time required to build a warehouse decreased in 2013 due to successful reforms implemented by the government.

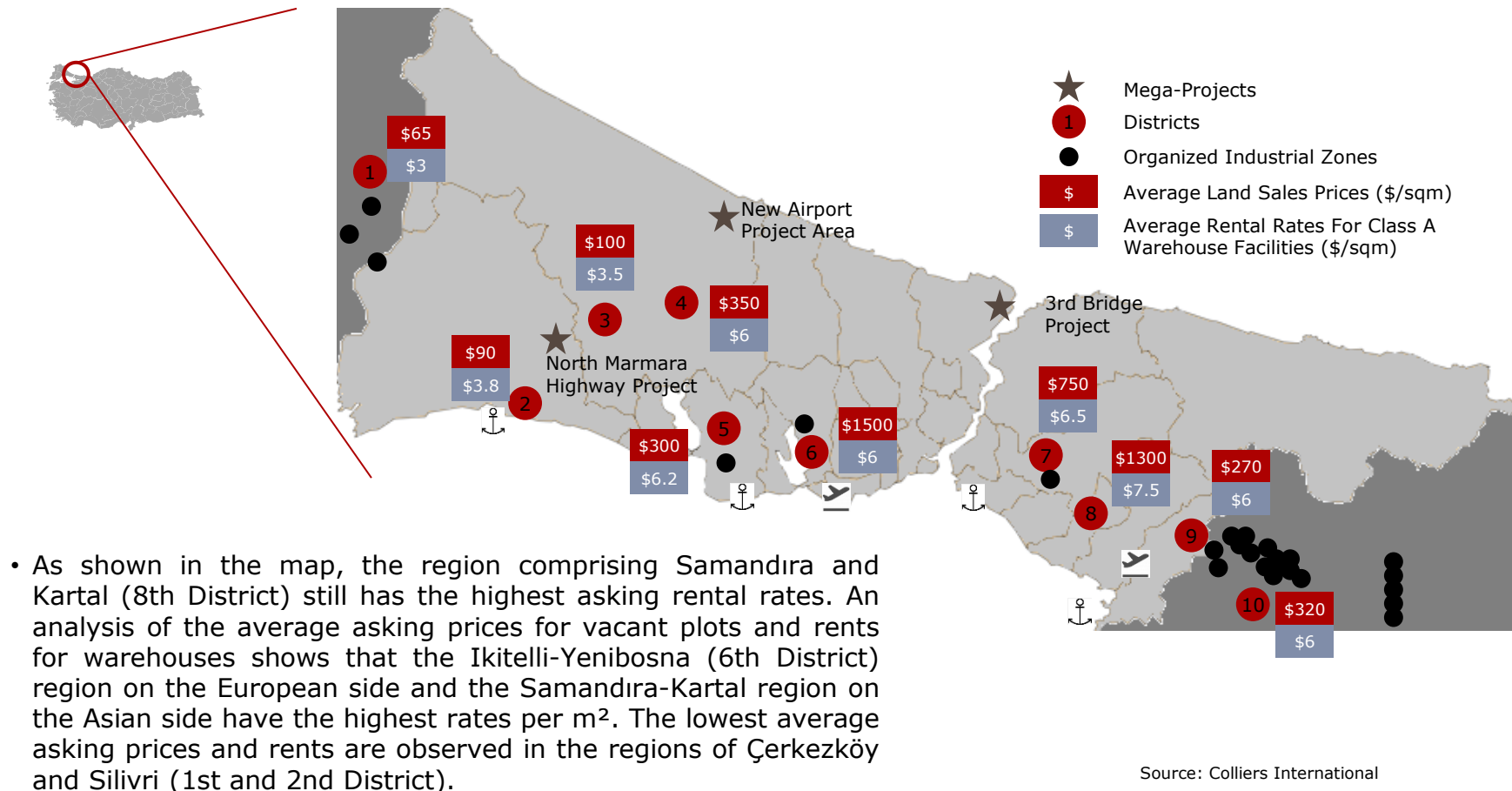
* CBRT 2012 year-end USD/TL FX rate was used for the conversion.

• India has the highest cost with 2,640% of their income per capita and Brazil has the lowest cost with 35%. In this regard, Turkey again performs well above the average with 142.5% in terms of cost as a percentage of income per capita. From 2006 to 2013, Turkey's cost decreased from 431.5% to 142.5%.



Average rental rates for warehousing has increased over the years, reaching USD 6.5 per sqm in 2012 rising 30% from 2009.

Figure 48: Organized Industrial Zones, Average Land Sales And Average Rental Rates in Istanbul



Currently, a total of 225 organized industrial zones are operational and 72 OIZs are in the pipeline.

- From 1962 to today, 225 OIZs have been established over 68,000 hectares. Only 153 of these OIZs are fully operational and cover approximately 28,065 hectare in 81 cities of Turkey. Current and under construction and/or planned OIZs are indicated below:

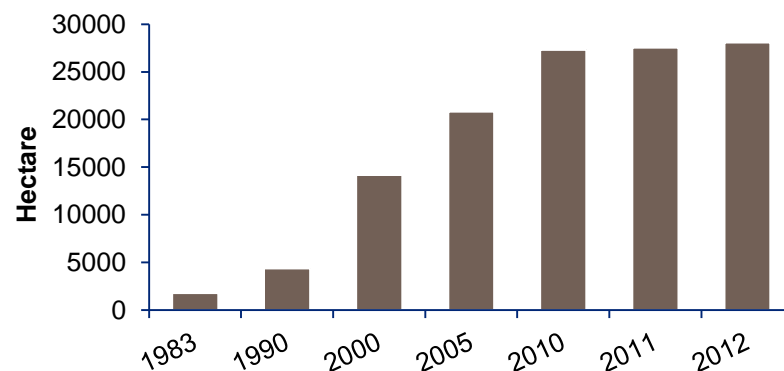
Table 16: Current and Projected Organized Industrial Zones

Region	Completed by 2012		Planning or Project Stage	
	Number	Area (ha)	Number	Area (ha)
Marmara (11 cities)	22	5,438 (19.4%)	8	820 (6.9%)
Aegean (8 cities)	22	4,290 (15.3%)	11	1,351 (11.3)
Mediterranean (8 cities)	16	3,456 (12.3%)	5	462 (3.9%)
Central Anatolia (13 cities)	28	5,116 (18.2%)	7	2,199 (18.4%)
Black Sea (18 cities)	32	3,242 (11.6%)	16	934 (8.5%)
East Anatolia (14 cities)	16	2,299 (8.2%)	11	1,945 (16.3%)
SE Anatolia (9 cities)	17	4,224 (15.1)	14	4,217 (35.3%)
Total (81 cities)	153	28,065	72	11,928

Source: Colliers International

Note: Values in paranthesis represents the share of given area within total.

Figure 49: Growth of OIZs



Source: Ministry of Industry and Commerce



Opportunities will arise from logistics centers/villages.

- The logistic centers are integrated to all transportation systems and help lower costs and increase efficiency of logistical networks. The logistic centers listed below to be built around the Trans-Asian Railway Network in Turkey that was created by either the TCDD or the private sector.
- It is estimated that by 2023 the total freight handled in the villages will reach USD 500 billion. According to TCDD's investment program, TCDD plans to spend **TL 514.9 million on building logistic centers.**
- **TL 111.4 million has already been spent on the project since 2006.**

Turkey will realize its huge potential with the construction of logistics centers/villages.

Ease and simplify the gathering and distribution process of goods.

Connection to many organized industry areas through logistical routes.

Single window opportunities that enable companies to save time and money.

Save money from storage.

Easy transport from everywhere in Turkey.

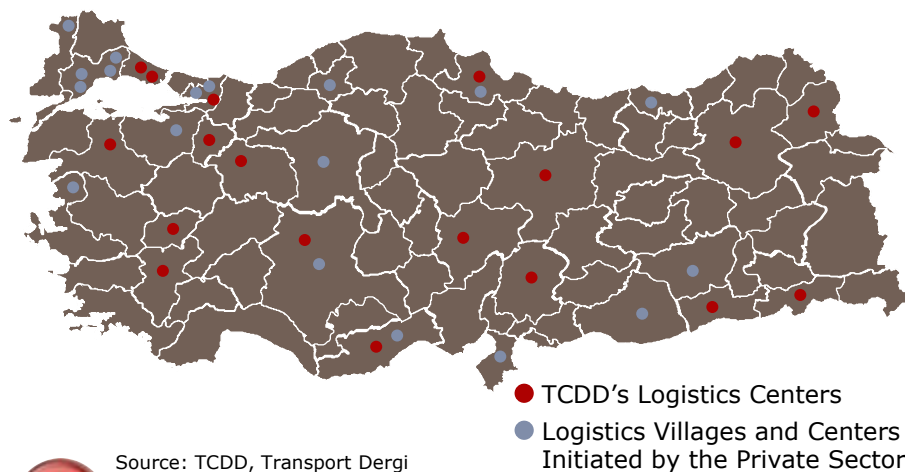
Unify logistics companies. Unity is strength.

Take advantage of Turkey's geostrategic location close to Asia and Europe.

Connect to railroads, airports and seaports.

Utilizes Turkey's transportation infrastructure.

Figure 50: Logistics Villages and Centers in Turkey



Source: TCDD, Transport Dergi



Investment Support and Promotion Agency of Turkey

©2013 Deloitte Turkey, Member of Deloitte Touche Tohmatsu Limited

Major Logistic Center Players

Table 17: PPPs in Logistics Centers

Acquirer	Target	Deal Value	Handover Type
Assignia SA-Elron İnşaat Joint Venture	Kemalpaşa-Izmir Logistics Village Infrastructure Construction	TL 21.9 million	Auction date for second construction is TBD -BOT
Elron Construction Firm	Palandöken-Erzurum Logistics Village Construction	TL 26.2 million	BOT
Assignia-Elit Joint Venture	Bilecik Logistics Village Construction	TL 23.3 million	BOT
Netlog Lojistik Grubu	South Aegean Logistics Village	TL 20 million	BOT
Ulusoy Lojistik AŞ	Mersin Logistics Village	N/A	BOT
Klv-Arc İnşaat Firması	Mersin Logistics Village Construction	TL 22.3 million	BOT
AZD Praha	Hasanbey Logistics Center Construction	EUR 3.5 million	BOT

Source: www.rayhaber.com; www.rayturk.com

Investment Tip: Logistic centers will allow logistics companies to benefit from economies of scale and reduce transit times, warehouse and storage costs.



Success Story

CWT Commodities

- The group has an elaborate network of delivery points around the world that connects to 120 ports and over 1,200 destinations.
- CWT Turkey, with its head office in Kavacik on the Anatolian side of Istanbul, started its activities as a freight forwarder, specializing in sea and airfreight. Today, it provides full logistics services to its clients, such as bonded and non-bonded warehousing services, domestic distribution, inland transportation and customs clearance.
- CWT Turkey's warehouse facilities are located in the Ambarli area, which is part of the busiest port of Turkey. The warehouse is located at a distance of 3 km from the port. The warehouse compound consists of a 7,500 sqm warehouse facility and around 4,500 sqm of open area storage facility.
- Warehousing services that are provided by CWT are listed below:
 - Bonded and non-bonded warehousing services
 - Warehousing logistics services
 - Cross docking services
 - Value added services
 - Stock monitoring services

Figure 51: Location of Ambarlı Port

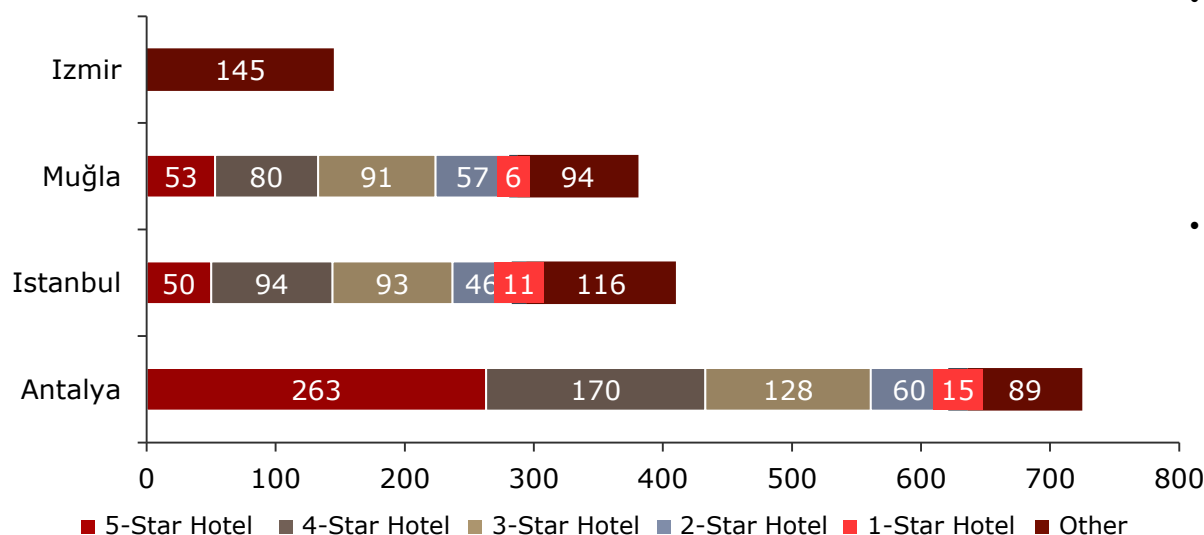


Hotel Market Overview



There is considerable potential for further investments in tourism facilities.

Figure 52: Number of Licensed Tourism Facilities, 2012



Source: Provincial Culture and Tourism Directorates

Note: No breakdown of hotel type is available for Izmir.

Other hotel types include: motels, boutique hotels, efficiency apartment hotels, special facilities, hostels as well as other types of facilities.

- The Turkish market continues to increase at a rate faster than its bed capacity and despite a surge of investments, there is still room for new investments.
- According to the Tourism Investors Association (TYD) projections, the number of tourists to Turkey will reach 60 million by 2023. In order to reach this goal, TYD predicts that the private sector will need to invest at least USD 24 billion and the public sector USD 15 billion in the coming years.
- According to TYD projections, accommodation capacity needs to be increased to 1,500,000 beds, which will require approximately USD 13 billion in new investments.



Major hotel chains are operating in Turkey and there is still potential for further investment.

Table 18: Major Hotel Chains in Turkey

Major Hotel Chains in Turkey	Number of Facilities
Hilton International	22
Intercontinental Group	16
Anemon Hotels	16
Best Western International	15
Dedeman Hotels	14
Crystal Hotels Resorts & Spa	11
Accor Hotels Turkey	10
Rixos Hotels	10
Wyndham Hotels	10
Marriott	8

Source: Resort Magazine, 2012

- The biggest international hotel chain is Hilton International operating in more than 15 cities in Turkey with over 22 hotels. Moreover, Hilton has invested heavily in Eastern and Southeastern Anatolia in cities such as Mardin, Şanlıurfa and Kayseri in order to take advantage of the untapped potential in the region.

- International and local hospitality groups are continuing to expand in Turkey.
- Almost all major hotel chains from Hilton to Marriott and Mövenpick are operating in Turkey. These chains provide accommodations for a variety of visitors from luxury travelers to conventioners.
- Premium hotel chains are able to form alliances with major local investors to attract particular market segments to Turkey. Some of these hotels include: the Shangri-La, which was formed by a partnership between Tanrıverdi Holding and JW Marriott Hotel in Ankara, which, in turn, has created a partnership with Özdoğan Group. - unclear the association between these companies

Table 19: Tourism Investments in Istanbul

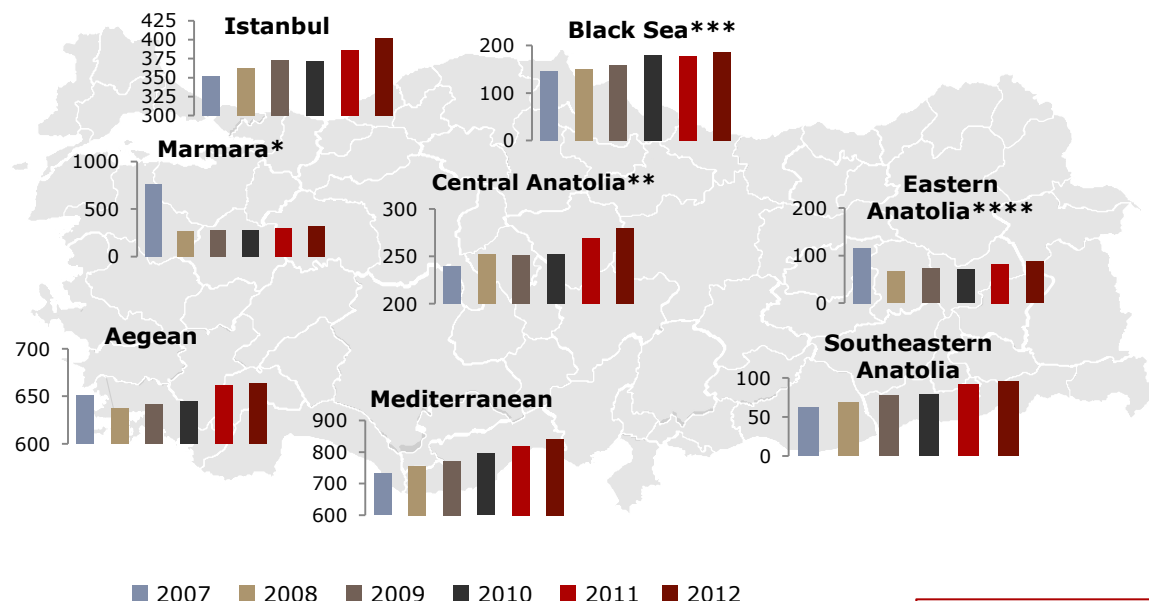
Building Site	Developer	Location	Opening Year
Fehime Sultan and Hatice Sultan Mansion	Do&Co	Ortaköy	End of 2014
Kuruçeşme Land	Astaş	Kuruçeşme	N/A
Old Monopoly (Tekel) Factory	Torunlar GYO	Beykoz	N/A
Carlton Hotel Land	Ağaoğlu	Beykoz	N/A

Source: Colliers



Turkey still has untapped potential in all seven geographical regions for travel and tourism.

Figure 53: Number of Licensed Hotels by Region, 2007-2011



Source: Ministry of Culture and Tourism, Deloitte Analysis

* includes eastern and western Marmara (region) or east and west Marmara (city)

** includes western and central Anatolia

*** includes the western and eastern Black Sea region

**** includes northeastern and central eastern Anatolia

- As of 2011, there were a total of 2,783 licensed hotels with a total bed capacity of more than 660,000.
- The Mediterranean region has the largest number of licensed hotels among the regions with more than 800 licensed hotels. The growth in that region was a CAGR of 3% from 2007 to 2011. It is followed by Aegean region with more than 600 hotels.
- Antalya has a total of 725 licensed hotels with a total bed capacity of more than 345,000.
- Eastern Anatolia and Southern Anatolia both have untapped investment potential.

Investment Tip: Eastern and Southeastern Anatolia both have untapped potential for cultural tourism and the increasing popularity of charming boutique hotels that blend well with the regions' singular nature, history and culture.

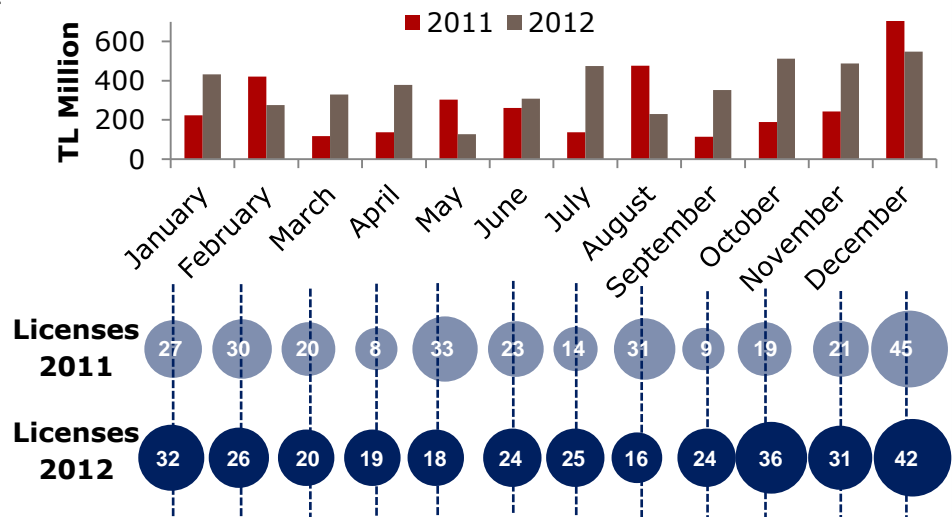


Several types of incentives are available in the tourism industry.

- There are several types of incentives and support available for investors in Turkey:
 - Investment support provided by KOSGEB.
 - Investments made under the decree of the Council of Ministers.
 - Incentives made under Law No. 2634, regulating the incentives for the tourism sector.
 - Exempted items listed under Law No. 1319, regulating some tax exemptions.
 - Loans provided by EXIM Bank.
 - Incentives for foreign direct investments.
- **Investment support provided by the Small and Medium Enterprises Development Organization (KOSGEB)** provides funds for the management of organizations, marketing, international trade, human resources, finance and information management related to investments in SMEs. The upper limit of the support is TL 150,000 and is provided for 3 years.
- **Investments made under the decree of the Council of Ministers** supports overall, regional and large scale investments.
- **Incentives under Law No. 2634.** This is the main regulation that covers the incentive mechanism for the travel and tourism industry. It is mandatory to obtain a tourism investment license and tourism operating license from the Ministry of Culture and Tourism so as to be eligible for this incentive.

- **Exempted items listed under Law No. 1319** indicates that tourism entities are exempt from income and corporate tax during their first 5 years of operation.
- **The EXIM Bank** provides loans to entities such as tourism agencies that attract international visitors and to private airline companies as well as other tourism-related companies.
- **Incentives for foreign direct investments** are incentives provided by the Ministry of Economy under Law No. 4875 for foreign direct investments.

Figure 54: Tourism Investments Granted Loans from the Treasury



Source: Ministry of Culture and Tourism



Investment incentives differ in respect to region...

Figure 55: Incentive Regions

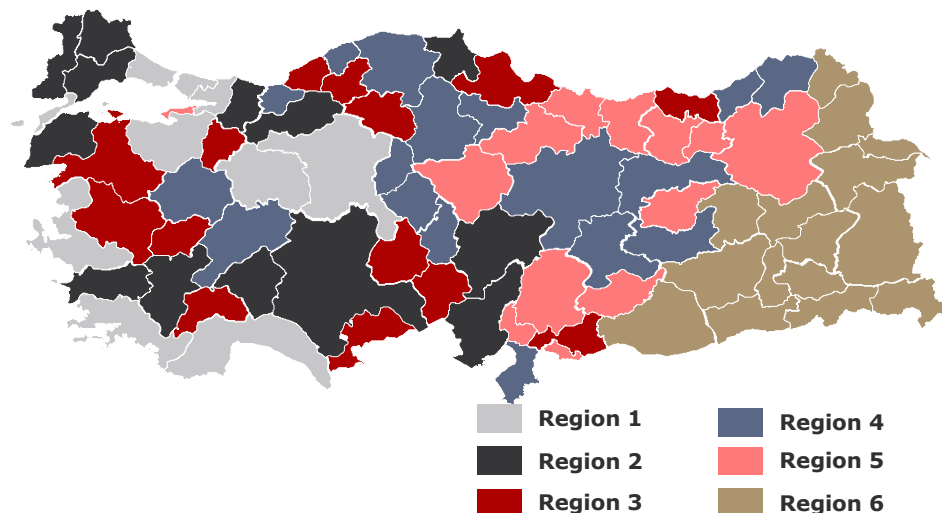


Table 20: Support for National Insurance Contribution of Employer

Region	Support Duration		Maximum Support (Rate for Fixed Investments)	
	Investments Before 31/12/2013	Investments After 1/1/2014	Regional Incentives	Incentive for Large Scale Investments
I	2 Year	-	10%	3%
II	3 Year	-	15%	5%
III	5 Year	3 Year	20%	8%
IV	6 Year	5 Year	25%	10%
V	7 Year	6 Year	35%	11%
VI	10 Year	7 Year	50%	15%

- Turkey is divided into 6 investment incentive regions. The 6th region includes developing cities and thus, has the highest incentive rates, while the 1st region covers the most developed cities and has the lowest incentives.
- Travel and tourism investments are considered primary investment subjects. In order to protect historical and cultural value and/or places that have high tourism potential, the Council of Ministers, along with advisors from the Ministry, determine the primary investment areas.
- There are many incentives that range from tax reductions to insurance contributions. One example is the support given to employers for their contribution to the social security system. Details of the duration of support and the rates for each region are given in the table.
- The insurance contribution rates cannot exceed the defined rates for each region. For strategic investments, an employer's national contribution would be **15% across all regions**.
- In order to benefit from the employer's national insurance contribution incentive, employers have to register with the Social Security Institute according to the **Social Insurance and Universal Health Insurance Law No: 5510**.



Source: Ministry of Culture and Tourism

Investment Support and Promotion Agency of Turkey

©2013 Deloitte Turkey, Member of Deloitte Touche Tohmatsu Limited

...with considerably higher rates of incentives for less developed regions.

Tax Reduction Rate

- There is withholding tax and income tax support for investments.
- A tax reduction is applied to the income obtained from those items that are exclusively subject to incentives. However, for regions 2, 3, 4, 5 and 6, all income received from the investment will have a tax reduction for a fixed time period.
- The investment contribution rate is the total investment divided by the revenue the government would have received if the necessary corporate and income tax was collected.

Region	Investment Contribution Rate		Corporate Tax or Income Tax Reduction Rate
	For Regional Incentives	Large Scale Investments	
I	10%	20%	30%
II	15%	25%	40%
III	20%	30%	50%
IV	25%	35%	60%
V	30%	40%	70%
VI	35%	45%	90%

Incentive Support Factors

- Regional incentive applications are regulated under these broad categories:
 - Expanding industry scope
 - Support for decreasing labor costs
 - Increasing financing opportunities
- The factors for regional support are summarized in the table below. As shown, region 6 is the region with the most attractive incentives, while regions 1 and 2 have the least.
- Different incentives apply to large scale investments.

Support/Region	1	2	3	4	5	6
Vat Exemption	✓	✓	✓	✓	✓	✓
Customs Duty Indemnity	✓	✓	✓	✓	✓	✓
Investment Site Allocation	✓	✓	✓	✓	✓	✓
Interest Support	☒	☒	✓	✓	✓	✓
Income Tax/ Withholding Tax Support	☒	☒	☒	☒	☒	10 Years
Support for National Insurance Contribution of Employers	☒	☒	☒	☒	☒	10 Years



Istanbul: A major destination that is attracting more visitors from around the world.

- The number of international visitors increased slightly from 2011 to 2012, and 35% from 2007 to 2012, reaching more than 31.5 million foreign visitors across Turkey. In 2012, the majority of visitors were German citizens. Six countries topped the list of tourist arrivals, namely, Germany, Russia, the Ukraine, Bulgaria, Georgia and Iran, which constituted around 79% of the total number of international visitors.
- Istanbul is also the most visited destination in Turkey. More than **29% of foreign visitors** come to Istanbul for its cultural activities, ancient history and to experience the city.
- In 2012, **11% of foreign visitors were from Germany**, 6% from Russia, while the US, UK, France and Italy each had a 5% share. The UK, Russia, the Netherlands and Japan have more and more visitors coming to Istanbul.
- There are a total of **2,456 tourism agents** in Istanbul.
- Istanbul has more than **410 licensed hotels** with a total bed capacity of more than 73,000. Additional investment is urgently needed to meet the increase in the number of travelers, which is indicated by a **CAGR of 8%** between 2009 to 2012

Figure 56: Istanbul Foreign Visitor Growth, 2009-2012

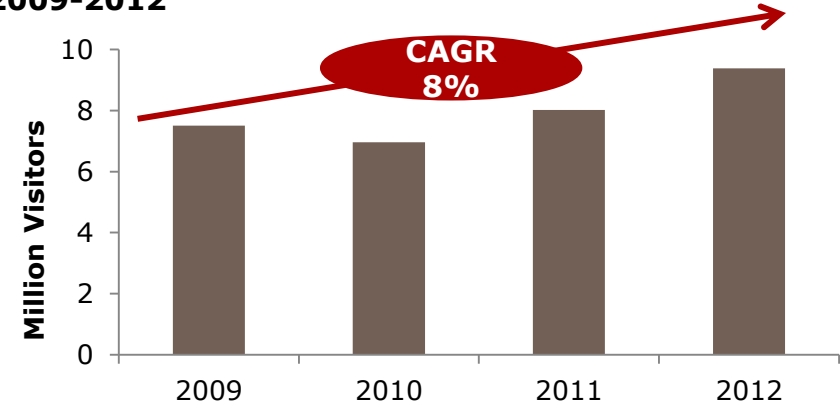
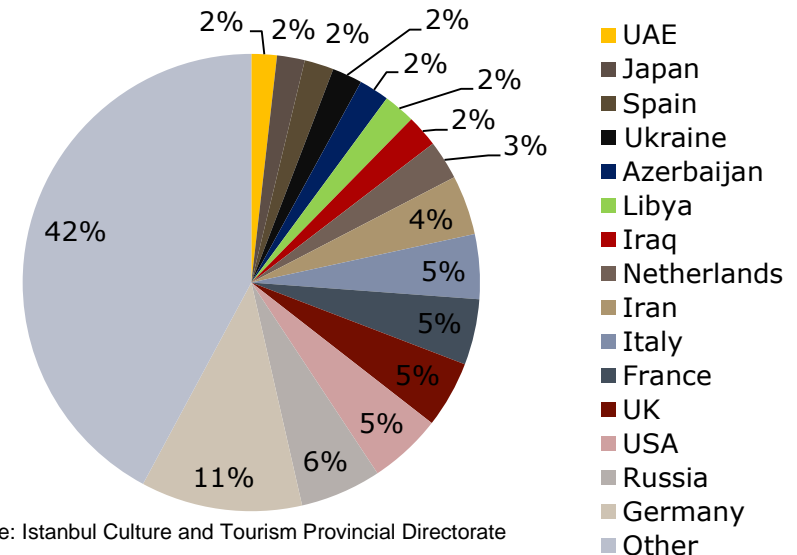


Figure 57: Country of Origin of Foreign Visitors, 2012

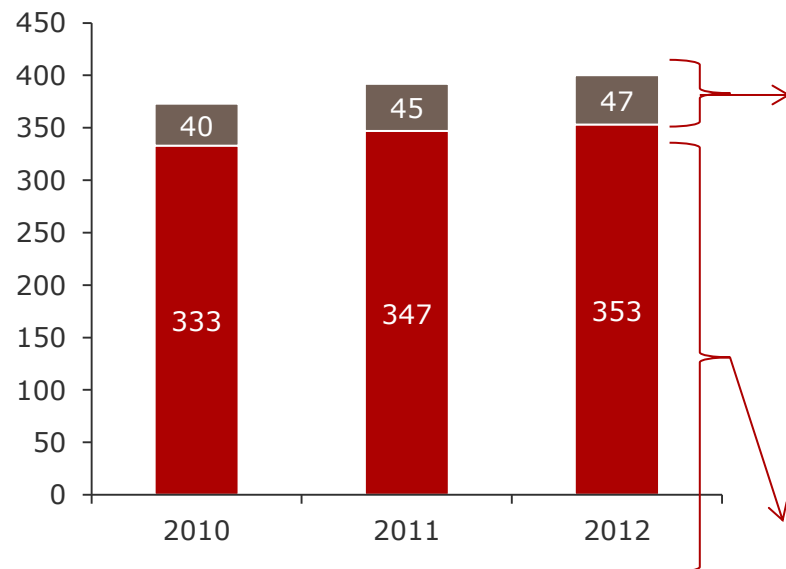


Source: Istanbul Culture and Tourism Provincial Directorate



Increasing arrival rates in Istanbul call for new investments, especially in accommodations.

Figure 58: Hotel Development in Istanbul, 2010-2012



- The total number of hotels in Istanbul is on the rise with an increase of 7% between 2010 and 2012.
- Bed capacity grew 15% for the same period, exceeding 70,000 in 2012. Even considering the periods where hotels are fully booked and occupied including during conventions and the peak season, there is still considerable opportunity to increase bed capacity.

Figure 59: Istanbul Asian-Side Hotel Numbers

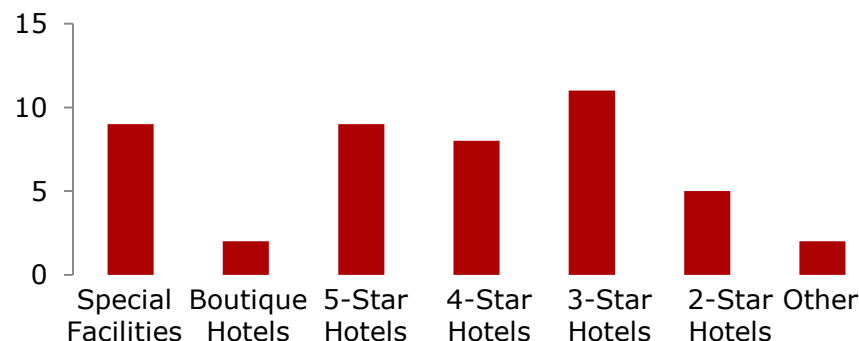
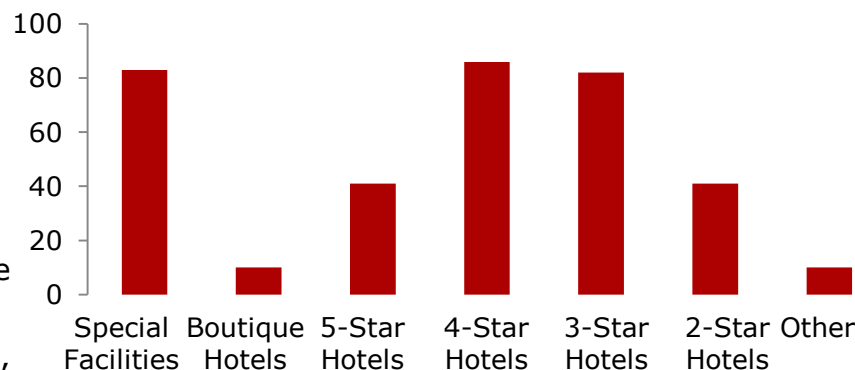


Figure 60: Istanbul European-Side Hotel Numbers



Source: Istanbul Culture and Tourism Provincial Directorate

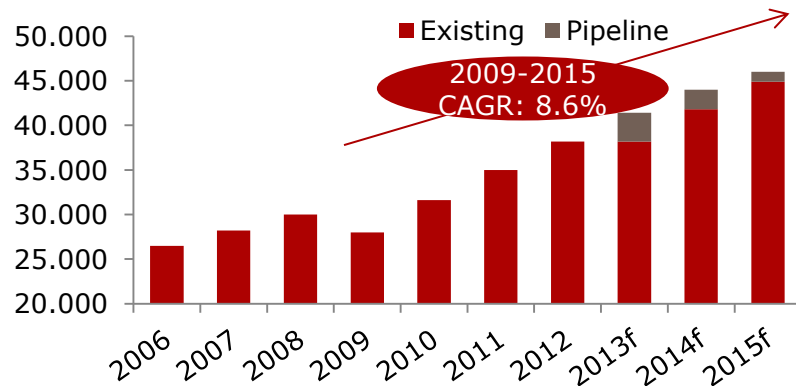
Note: The 'Other' category includes 1-star hotels, golf resorts, lodging houses, motels and efficiency hotels.



In the first 6 months of 2013, the number of visitors coming to Istanbul increased by 16.8% compared to the same period in 2012.

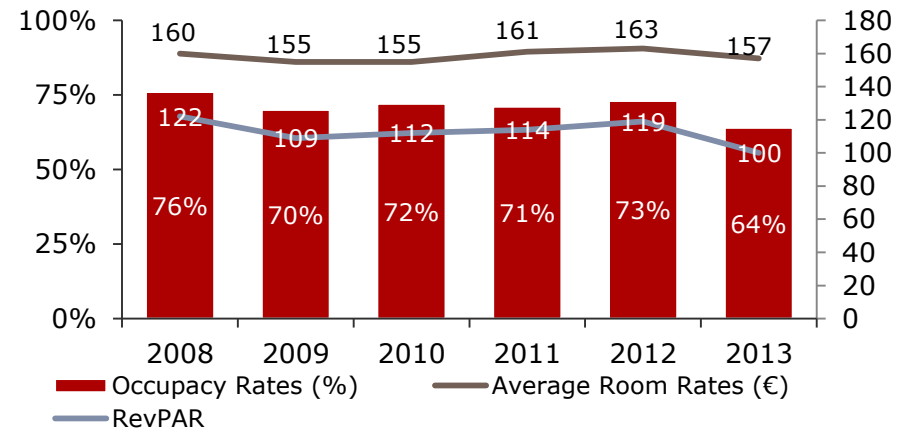
- In the first half of 2013, Istanbul performed below the previous year's rates with a 64% average occupancy rate and Euro 157 average daily room rate.
- RevPAR, or revenue per available room, is a performance metric in the hotel industry which is calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy percentage. In the first six months of 2013, 5-star hotel RevPAR was Euro100.

Figure 61: Istanbul: Supply & Development – June 2013



Source: Istanbul Culture and Tourism Bureau,
Jones Lang LaSalle Hotels & Hospitality Group

Figure 62: Istanbul 5-Star Hotel Occupancy and Average Room Rates as of June 2013



- As of 2013, the total number of rooms in Istanbul was 38,000. With the projects in pipeline, the total number of rooms reach beyond 45,000 in 2015.

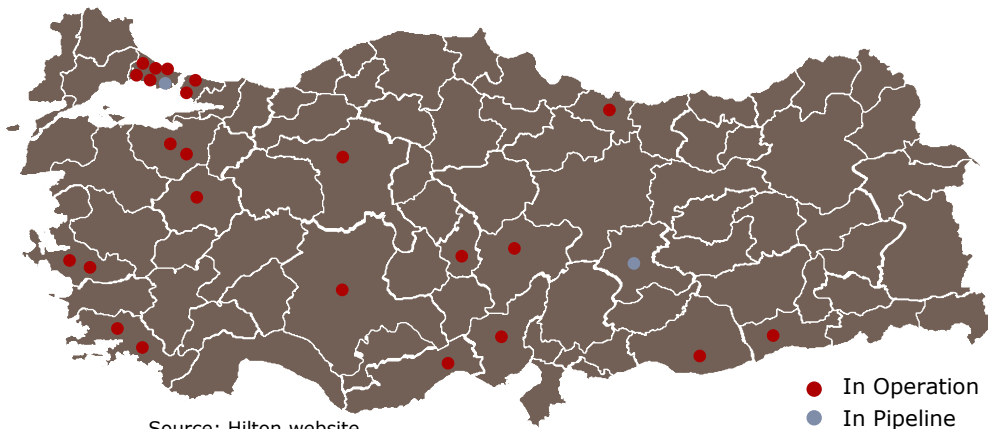


Success Story

Hilton Hotels & Resorts

- Hilton Hotels & Resorts (formerly known as Hilton Hotels) is an international chain of full service hotels and resorts, and the flagship brand of Hilton Worldwide. The original company was founded by Conrad Hilton and is now owned by Hilton Worldwide. Hilton hotels are either owned by, managed by, or franchised to independent operators by Hilton Worldwide.
- In addition to Turkey's first 5-star hotel, Hilton Istanbul, founded in 1955, Hilton Hotels & Resorts serves clients all across Turkey with its 23 hotels.
- Currently, Hilton Worldwide has announced and signed contracts for another four hotels in Turkey that will be located in İzmir and İstanbul. This will mean 600 additional rooms will be available by 2016, in a bid to further boost its presence in the country.

Figure 63: Hilton Hotels Located in Turkey



Source: Hilton website

"We remain very optimistic about the long term potential of Turkey as a dynamic business and tourism destination, one which continues to break its own international visitor number records year-on-year."

Patrick Fitzgibbon, Senior Vice President Development, Europe and Africa, Hilton Worldwide







"Turkey is one of the world's most exciting and dynamic destinations, where we are developing a truly multi-brand presence."

Jim Holthouser, Executive Vice President, Global Brands, Hilton Worldwide



In 2012, there was a total of 165 hotel chains in Turkey. 15% of these hotels are owned by international investors.

Company	Overview
	<ul style="list-style-type: none"> In addition to Turkey's first 5-star hotel, the Hilton Istanbul, founded in 1955, the Hilton Worldwide portfolio of brands in Turkey includes the Conrad Istanbul, the Adana HiltonSA, the Ankara HiltonSA, the Hilton Bursa Convention Center & Spa, the Hilton ParkSA, the Hilton Izmir, the Hilton Kayseri, the Mersin HiltonSA, the Hilton Bodrum Turkbuku Resort & Spa, the Hilton Dalaman Sarigerme Resort & Spa, the DoubleTree by Hilton Ankara, the Hilton Garden Inn Istanbul Golden Horn, the Hilton Garden Inn Konya, the Hilton Garden Inn Kütahya, the Hilton Garden Inn Mardin, the Hilton Garden Inn Şanlıurfa, the DoubleTree by Hilton Istanbul Old Town, the DoubleTree by Hilton Istanbul-Moda, the DoubleTree by Hilton Kapadokya Avanos, the DoubleTree by Hilton Kusadasi, the DoubleTree by Hilton Istanbul-Avcilar, the Hampton by Hilton Ordu and the Hampton by Hilton Bursa.
	<ul style="list-style-type: none"> Mövenpick Hotels & Resorts is an international upscale hotel management company with over 14,000 employees. It has locations in 25 countries with 71 hotels and resorts currently in operation. It has positioned itself in the upscale business /holiday resorts segment of the market. Mövenpick was voted "Turkey's Leading Business Hotel" by World Travel Awards in 2012. The hotel has more than 600 rooms in 3 locations, - Istanbul, Ankara and Izmir and is looking to expand its presence in the Turkish market.
	<ul style="list-style-type: none"> Jumeirah Hotels & Resorts is regarded as one of the most luxurious and innovative hotel chains in the world and has won numerous international travel and tourism awards. In 2004, Jumeirah Group became a member of Dubai Holding – a collection of leading Dubai-based businesses – bringing in a new phase of growth and development for the Group. The group has hotels in more than 10 countries and is planning to expand into Europe, the Middle East and North Africa as well as in the Asia-Pacific market. Jumeirah operates the Pera Palace Hotel in Istanbul. The Pera Palace has a rich history. It was built in the 19th century and currently offers 83 deluxe rooms.
	<ul style="list-style-type: none"> The Shangri-La Group was established in 1971. Hong Kong-based Shangri-La Hotels and Resorts is the Asia-Pacific's leading luxury hotel group. There are 80 hotels and resorts throughout the Asia-Pacific region, North America, the Middle East, and Europe. The Shangri-La group has a room inventory of over 32,000. Shangri-La operates the Shangri-La Bosphorus in Istanbul. The hotel comprises 186 rooms. The total investment for the hotel was over USD 250 million.



V. Related Sectors in Turkey

A. The Construction Sector

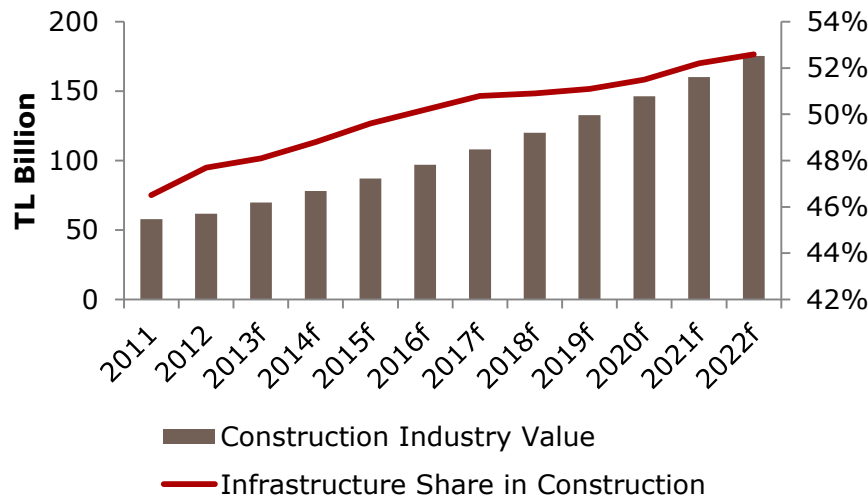
B. The Services Sector



Construction:

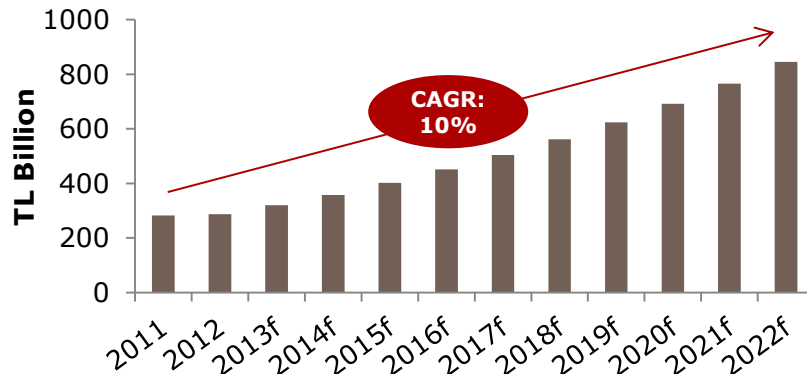
Growth in the industry is expected to maintain a CAGR of 10% until 2022.

Figure 64: Construction Industry Figures and Share of Infrastructure, 2011-2022



- According to BMI, the construction industry figures is made up of the figures for infrastructure along with the residential and non-residential building industry figures. It is important to note that infrastructure figures include both the transportation and energy sectors.
- In 2012, the construction industry reached TL 61.8 billion which corresponds to an increase of 7% from 2011. At the end of 2013, these figures were expected to reach approximately TL 70 billion, and in 2022, TL 176 billion.
- The infrastructure industry had a 47.7% share of the construction industry, whereas the residential and non-residential building industry had 52.3% share. By 2022, the share of the infrastructure industry – including energy and transportation – is expected to surpass residential and non-residential building figures.
- In regards to total capital investments in Turkey, which is a strong economic indicator, it is expected to increase by a CAGR of 10% from 2011 to 2022 amounting to more than TL 846 billion in 2022.

Figure 65: Total Capital Investment, 2011-2022



Source: BMI Infrastructure Report 2013

f: forecast



Major Turkish Contractors: Leveraging experience in global markets (1/2)



Involved in transportation and infrastructure projects abroad. Some of their ongoing and recently completed projects include:

- Design and construction of two pump stations, and water conveyance pipelines for Wadi Al Gattara (Libya) and construction of Tiflis Avenue (Azerbaijan).



TAV operates Istanbul Atatürk, Ankara Esenboğa, Izmir Adnan Menderes and Antalya Gazipaşa Airports in Turkey, as well as Medina Airport, Tbilisi and Batumi Airports, Monastır and Enfidha-Hammamet Airports in Tunisia and Skopje and Ohrid Airports in Macedonia, and some commercial areas in Riga Airport.



Their projects include the construction of a motorway (Albania), a stadium (Donetsk), a new town project (Oman), and 3 airports (Russia) among others.

- The construction of 5 business centers will be completed as of 2014.
- The company has ongoing projects in Gabon, Oman and Afghanistan among others.



The company has ongoing projects in Russia, Israel and Pakistan, including:

- 2 natural gas power plants in Russia
- 4 cogeneration power plants (PPs) and natural gas PPs in Israel
- 5 of the first wind turbines PPs in Pakistan



The company's major projects in abroad include:

- Sidi-Lahdjet Drinking Water Treatment Plant (Algeria),
- The Gorna Waste Water Treatment Plant (Bulgaria)
- The Elbasan-Librazhd Highway Project (Albania)



Major Turkish Contractors: Leveraging experience in global markets (2/2)



Renaissance specializes in the design and construction of various infrastructure projects worldwide. Renaissance Construction was ranked 64th in the Engineering News-Record's (ENR) Top 250 International Contractors in 2013. Selected infrastructure projects include:

- Sochi International Airport – Sochi/Russia
- Tripoli Stadium Project – Trablus/Libya
- Five New Airport Terminal Buildings – Trablus/Libya



Tekfen Construction was ranked 85th on the ENR Top 250 International Contractors List in 2013. Some of their infrastructure projects are:

- Fahaheel Motorway – Kuwait
- Shah Sea Gas Export Onshore Terminal – Azerbaijan



Polimeks Construction was ranked 90th on the ENR Top 250 International Contractors List in 2013. Some of their selected infrastructure projects include:

- Türkmenabat Water Treatment Plant – Turkmenistan
- Köpetdag Highway – Aşgabat/Turkmenistan



Çalık Holding is an active player in various business categories such as construction, energy, mining and finance. Çalık Holding was ranked 111th on the ENR Top 250 International Contractors List in 2013. Two of their major infrastructure projects are:

- Tarlabası Urban Renovation Project and Metropolis Istanbul Project



The company has a number of ongoing projects in Turkey and abroad.

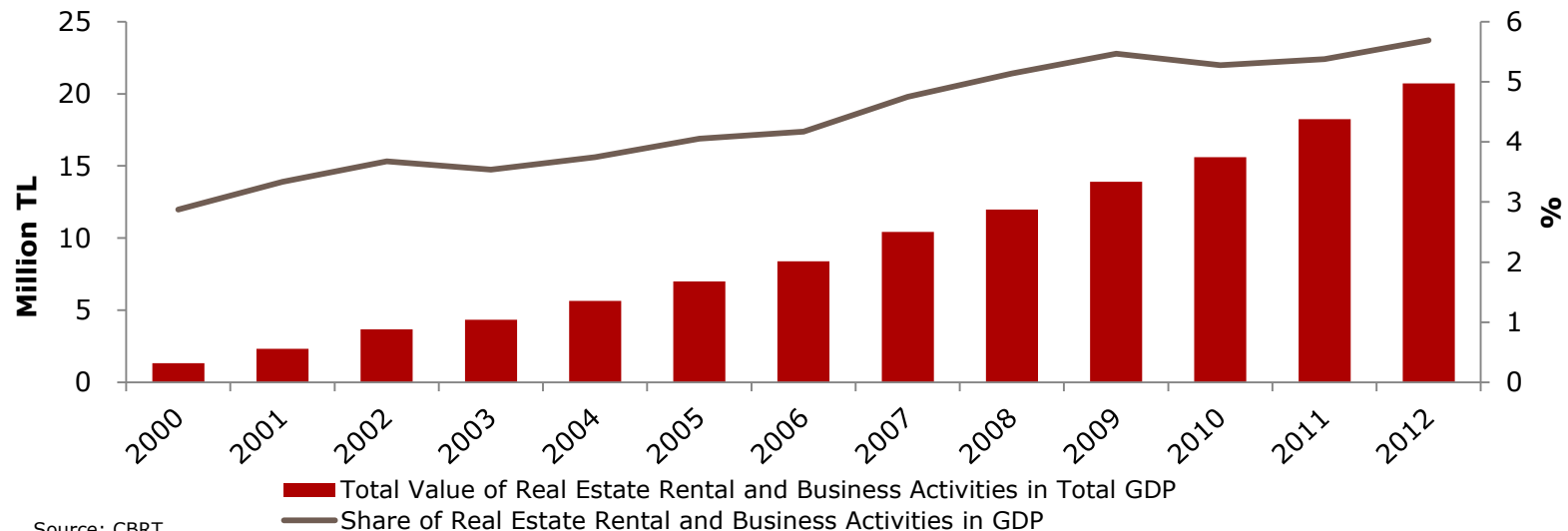
- Airports (in Egypt and Kosovo), high-speed train railways, water treatment facility, highway, HPPP. Electricity distribution projects in Saudi Arabia, Egypt, Kosovo, Macedonia, Georgia, N. Cyprus and Turkey.



Business Services:

Real estate rental and business activities in the GDP increased 9.3% in 2011 and 6.6% in 2012

Figure 66: Share of Real Estate, Rental and Business Activities in total GDP



- The share of real estate rentals and other real-estate related business activities in the total GDP was 9.3% in 2011 and 6.6% in 2012.
- It is also important to note that foreign direct investments in real estate were above USD 1 billion between the years 2007 and 2012.
- There are various real estate consultancy and investment companies in Turkey supporting the sector with their expertise. Real estate consultants provide property services in residential, retail, office, logistics and the hotel industry. Their services include, but are not limited to, investment advice, asset resolutions, land advice, valuation and feasibility studies, project management and concept development, strategic advice and market assessment and forecasts.



Real Estate Consultancy:

Selected Players

Colliers International

Colliers International Turkey is a leading commercial real estate services company, providing a full range of services to real estate tenants, developers and investors on a local, national and international level. Services include brokerage sales and leasing, valuation, consulting, project marketing and research.

More than 13,000 professionals are managing 104 million sqm of space and have generated EUR 1.5 billion in revenue in 2012.



Cushman & Wakefield

Cushman & Wakefield was founded in New York in 1917. It first expanded throughout the United States and then, globally. Today, it has approximately 250 offices in 60 countries, employing more than 16,000 professionals who deliver quality services to its diversified global client base. The company provides all types of services related with the real estate industry in all sectors. C&W publishes global and local market beat snapshots on a quarterly basis.



Jones Lang LaSalle

Jones Lang LaSalle is a financial and professional services firm specializing in real estate services and investment management. 30,000 people in 750 cities in 60 countries serve the local, regional and global real estate needs of clients. In response to changing client expectations and market conditions, it assembles teams of experts who deliver integrated services built on market insight and foresight, sound research and relevant market knowledge.



ISPAT Worldwide

CANADA

Murat ÖZDEMİR
ozdemir.murat@invest.gov.tr

CHINA

Hui ZHAO
zhao.hui@invest.gov.tr

FRANCE

Utku BAYRAMOĞLU
bayramoglu.utku@invest.gov.tr
Selçuk ÖNDER
onder.selcuk@invest.gov.tr

GERMANY

Kemal KAFADAR
kkafadar@invest.gov.tr
Ole Von BEUST
Rezzo SCHLAUCH
Wolf Ruthart BORN

INDIA

Sanjeev KATHPALIA
kathpalia.sanjeev@invest.gov.tr
Fariha ANSARI
ansari.fariha@invest.gov.tr

JAPAN

Hitoshi SEKI
seki.hitoshi@invest.gov.tr
Saya ASHIBE
ashibe.saya@invest.gov.tr

RUSSIA

Eduard ZUBAIROV
zubairov.eduard@invest.gov.tr

SOUTH KOREA

Veyis TOPRAK
toprak.veyis@invest.gov.tr

SPAIN

Yasemen KORUKÇU
korukcu.yasemen@invest.gov.tr

SAUDI ARABIA

Mustafa GÖKSU
goksu.mustafa@invest.gov.tr

UK

Ahmet İPLİKÇİ
iplikci.ahmet@invest.gov.tr
Muhammed AKDAĞ
akdag.muhammed@invest.gov.tr

USA

Öner AYAN
ayan.oner@invest.gov.tr
Olivia CURRAN
curran.olivia@invest.gov.tr



For comments on the report and additional information please contact:

info@invest.gov.tr
www.invest.gov.tr

Head Office

Address: Kavaklıdere Mahallesi
Akay Caddesi No:5
Çankaya/ANKARA 06640

Phone: (+90 312) 413 89 00

Office

Address: Dünya Ticaret Merkezi A1
Blok Kat:8 No:296
Yeşilköy/İSTANBUL 34149

Phone: (+90 212) 468 69 00



Investment Support and Promotion Agency of Turkey



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

©2013 Deloitte Turkey. Member of Deloitte Touche Tohmatsu Limited

