



Turkish REAL ESTATE MARKET

ÖZLEM GÖKÇE - GYODER Vice Chairperson

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GYODER
The Association of Real Estate and Real Estate Investment Companies

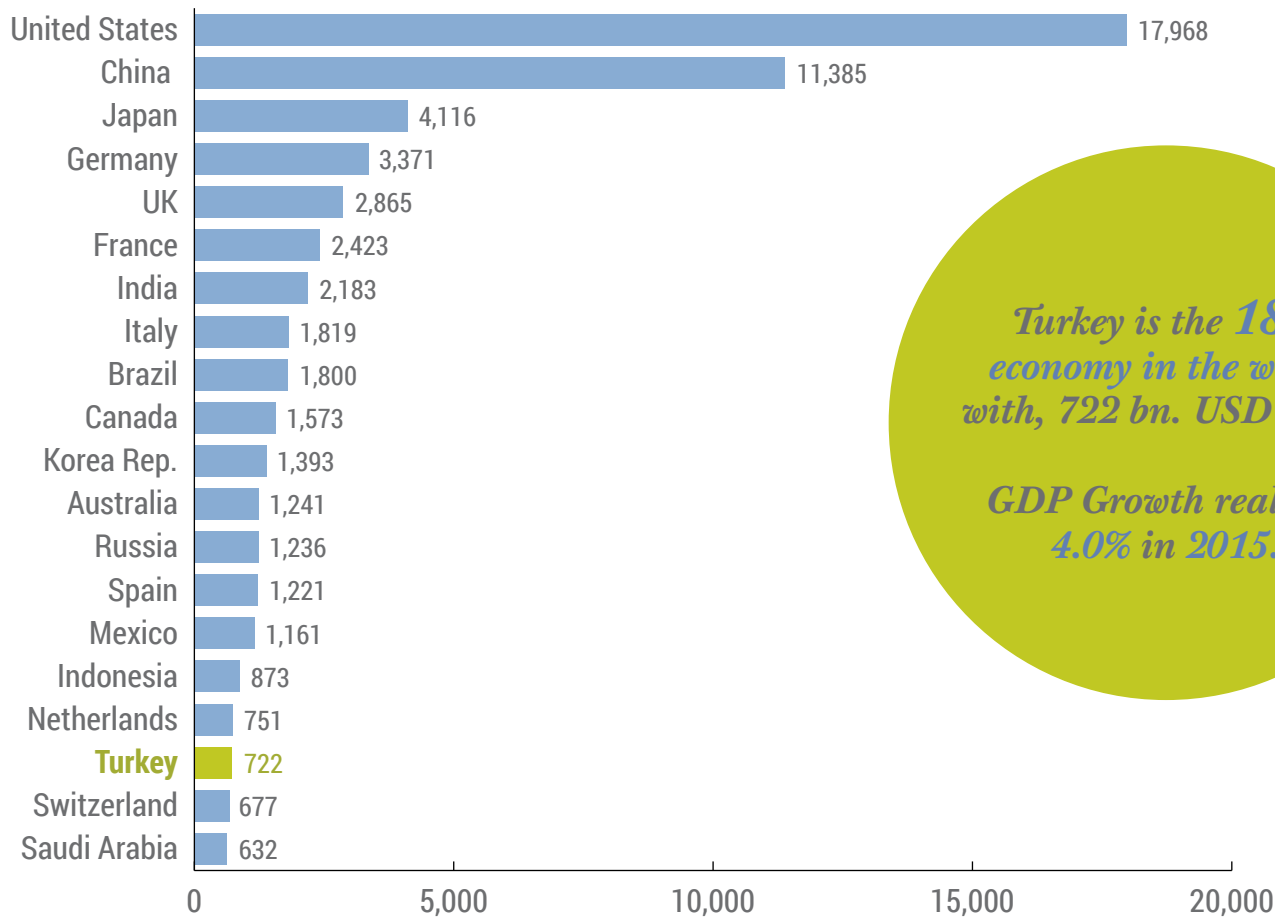
MAIN INDICATORS OF TURKISH ECONOMY



Strong Fundamentals

- *18th largest economy: USD 800 billion GDP in 2014*
 - *Economic growth: 2.9% in 2014, 4.0% in 2015*
- *Expected to become within the first 14 economies in the world by 2030*
 - *FDI to real estate in Turkey: Over USD 4.3 billion during 2014
USD 3.7 billion November 2015*
- *78.7 million population: Median age 31.0 - European median age 42.5*
 - *+20 cities over 1 million population*
 - *36.2 million tourists in 2015*

GDP of Countries G20 list October 2015



Source: IMF & Ministry of Development

Top 20 countries by GDP on a PPP basis (constant 2011 US\$ b)

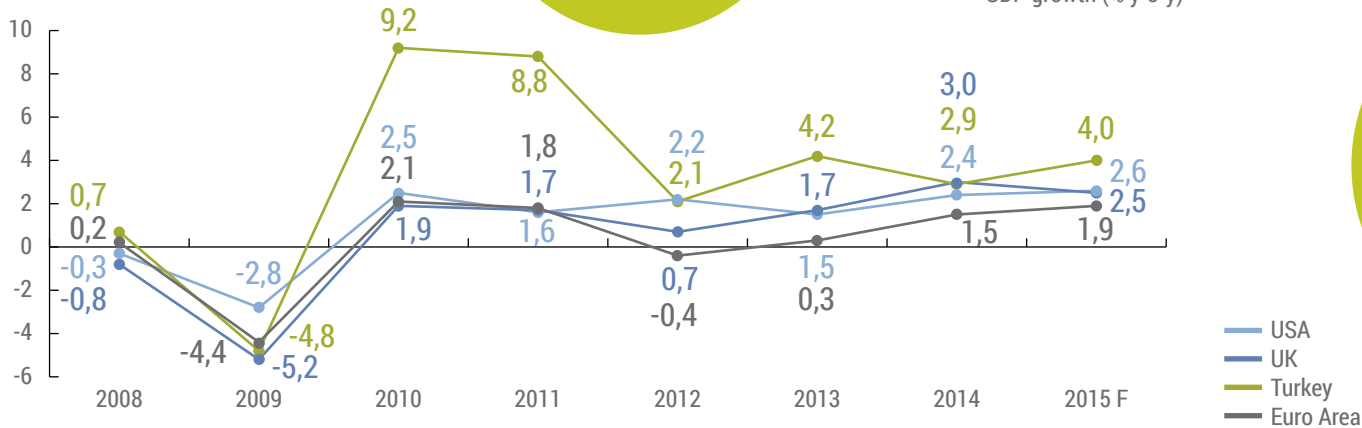
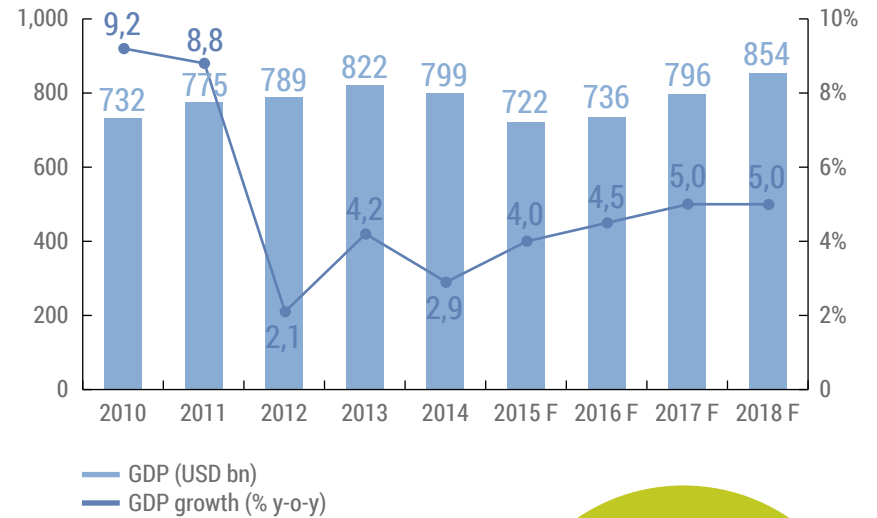
2014			2030	
PPP rank	Country	GDP at PPP (2014 US\$bn)	Country	Projected GDP at PPP (2014 US\$bn)
1	China	17,632	China	36,112
2	United States	17,416	United States	25,451
3	India	7,277	India	17,138
4	Japan	4,788	Japan	6,006
5	Germany	3,621	Indonesia	5,486
6	Russia	3,559	Brazil	4,996
7	Brazil	3,073	Russia	4,854
8	France	2,587	Germany	4,590
9	Indonesia	2,554	Mexico	3,985
10	United Kingdom	2,435	United Kingdom	3,586
11	Mexico	2,143	France	3,418
12	Italy	2,066	Saudi Arabia	3,212
13	South Korea	1,790	South Korea	2,818
14	Saudi Arabia	1,652	Turkey	2,714
15	Canada	1,579	Italy	2,591
16	Spain	1,564	Nigeria	2,566
17	Turkey	1,512	Canada	2,219
18	Iran	1,284	Spain	2,175
19	Australia	1,100	Iran	1,914
20	Nigeria	1,058	Egypt	1,854

Source: PWC

National Income

GDP per Capita grew from \$3,326 to \$10,283 between 2002 and 2008, stabled around \$10k between 2010 and 2014.

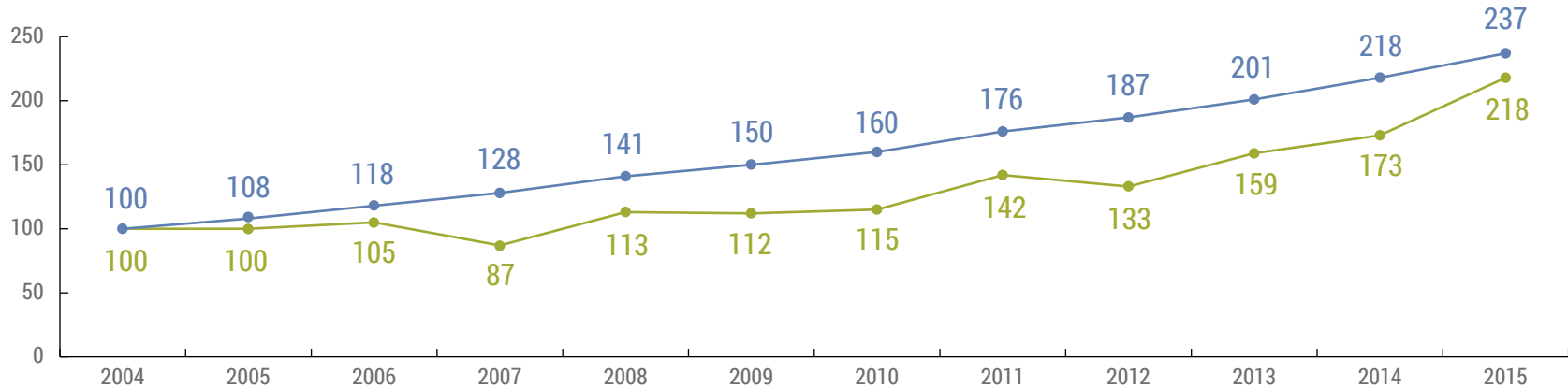
2015 F \$9,286
 2016 F \$9,364
 2017 F \$10,030
 2018 F \$10,659



GDP growth rate is estimated 4%-5% between 2015 and 2018

Source: Ministry of Development

Turkey CPI & USD/TL Index



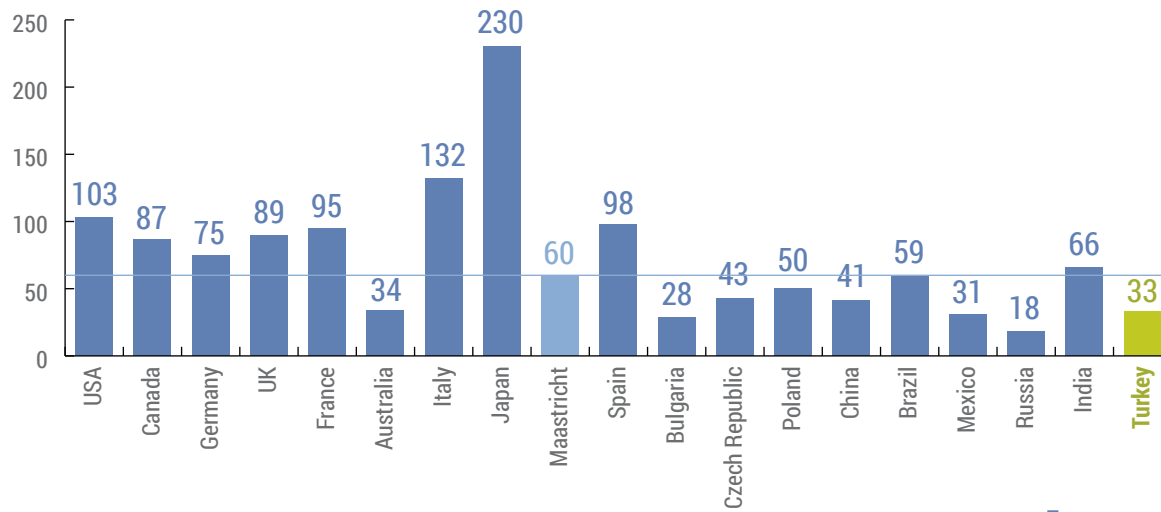
Foreign currency risks are mitigated by several factors:

- *Most of the liabilities of the corporate sector are long term, which reduces rollover risks.*
- *Lending in foreign currency for housing credits has been forbidden since 2009.*

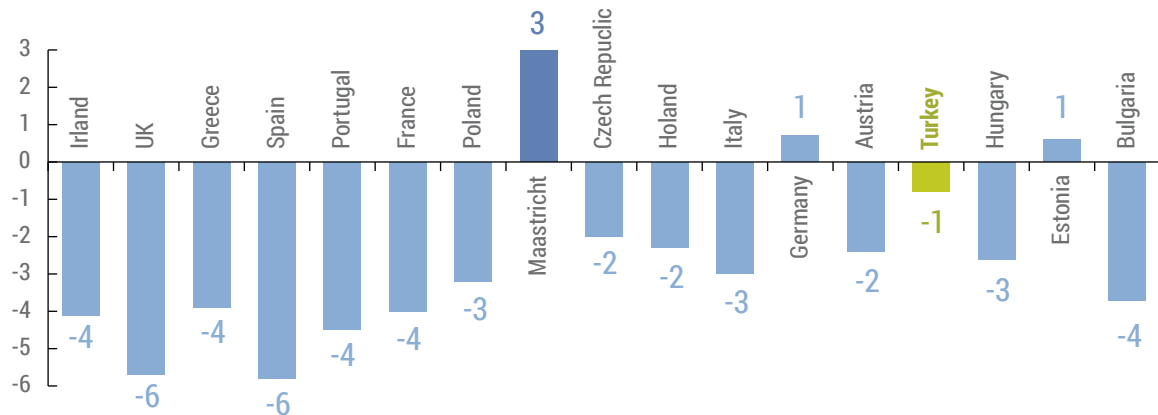
— CPI (Index)
— USD/TL (Index)

Source: Turkstat

Turkey - Government Debt / GDP (%)



Budget Deficit / GDP (%)



Source: IMF (2014)

Actual Credit Ratings of Turkey

Credit Rating Inc	Grade	Foreign Currency		Local Currency
		Long-Term	Outlook/Watch	Long-Term
S&P	Sovereign Upgrade	BB+	Negative	B
Moody's	Investment Grade	BAA3	Negative	BAA3
Fitch	Investment Grade	BBB-	Stable	BBB
JCR	Investment Grade	BBB-	Stable	BBB-

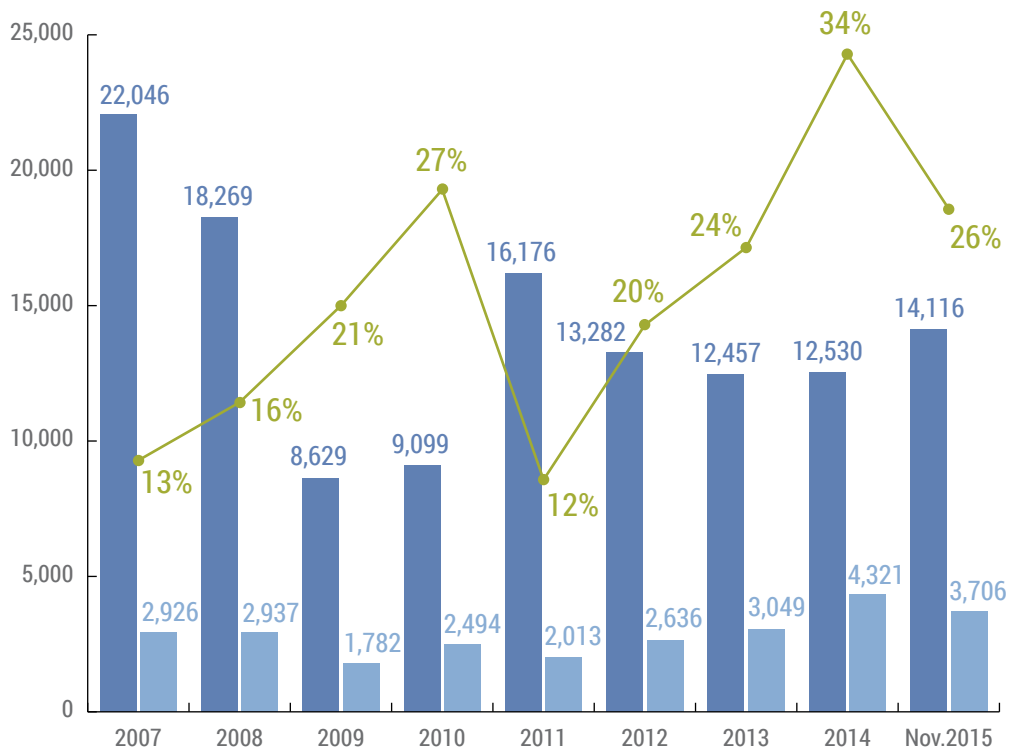


Actual Credit Ratings Comparison With Brics

Country	Foreign Currency S&P		Foreign Currency Moody's		Foreign Currency Fitch	
	Long-Term	Outlook/Watch	Long-Term	Outlook/Watch	Long-Term	Outlook/Watch
Turkey	BB+	Negative	BAA3	Negative	BBB-	Stable
Brasil	BB+ —	Negative	BAA3 —	Stable	BB+ ▼	Negative
Russia	BB+ —	Negative	BA1 ▼	Stable	BBB- —	Negative
India	BBB- ▲	Stable	BAA3 —	Positive	BBB- —	Stable
China	AA- ▲	Stable	AA3 ▲	Stable	A+ ▲	Stable
South Africa	BBB- ▲	Negative	BAA2 ▲	Negative	BBB- —	Stable

Source: Trading Economics

FDI to Turkey and Real Estate Market (USD mio)



- FDI Total
- Real Estate
- Real Estate / FDI

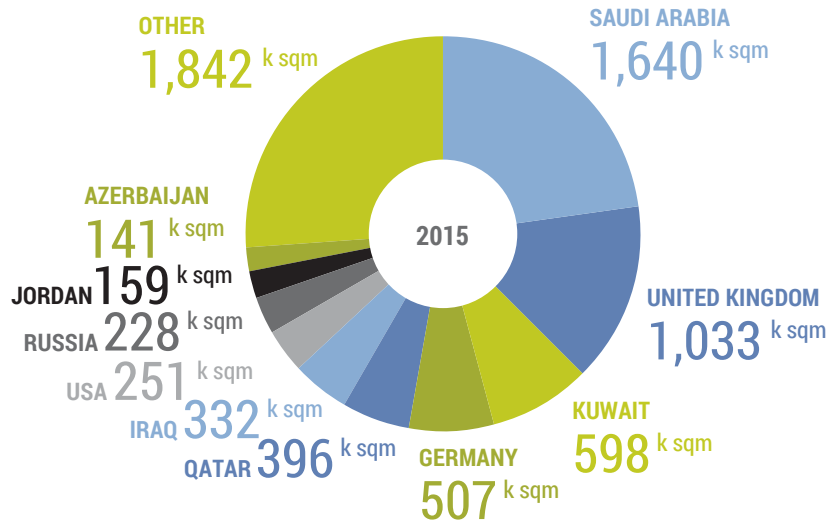
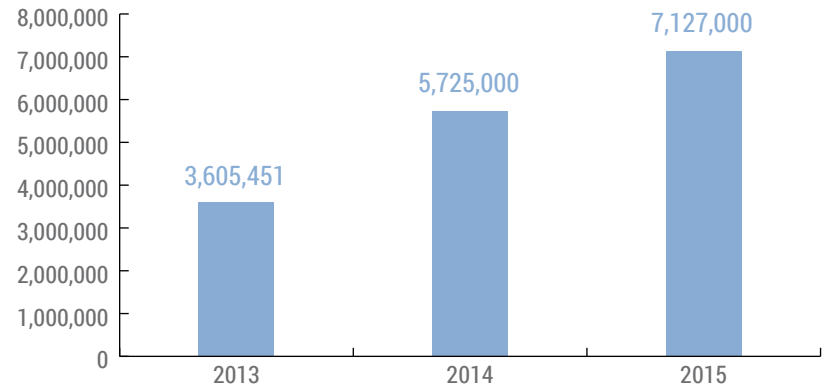
Source: Central Bank of Republic of Turkey



Ratio of FDI to Real Estate increased considerable after 2012 following the amendment of Reciprocity Law, enabling 183 country citizens for buying property from Turkey.

Sale of Real Estate to Foreigners (sqm)

Impact of the Amendment of Reciprocity Rule



*FDI Real Estate is realised 4,3 billion \$ in 2014.
In the long term it is foreseen to reach 10 bn \$ per year.*

Source: Turkstat

New Investments

	2011	2012	2013	2014	2015	2016
1	Istanbul	Istanbul	Munich	Dublin	Berlin	Berlin
2	London	Moscow	Istanbul	Hamburg	Dublin	Hamburg
3	Munich	Munich	Berlin	Berlin	Madrid	Dublin
4	Stockholm	Stockholm	Hamburg	Istanbul	Hamburg	Madrid
5	Berlin	Hamburg	Zurich	London	Athens	Copenhagen
6	Warsaw	Warsaw	London	Frankfurt	Birmingham	Birmingham
7	Hamburg	Berlin	Paris	Munich	Copenhagen	Lisbon
8	Paris	Zurich	Warsaw	Stockholm	Amsterdam	Milan
9	Frankfurt	Paris	Moscow	Copenhagen	Lisbon	Amsterdam
10	Copenhagen	London	Frankfurt	Madrid	London	Munich
14						Istanbul
20						Istanbul

Istanbul is one of the most attractive RE market for development prospects in Europe.

Turkey distinguishes itself from other emerging markets by its growing development potential supported by new projects and regulations.

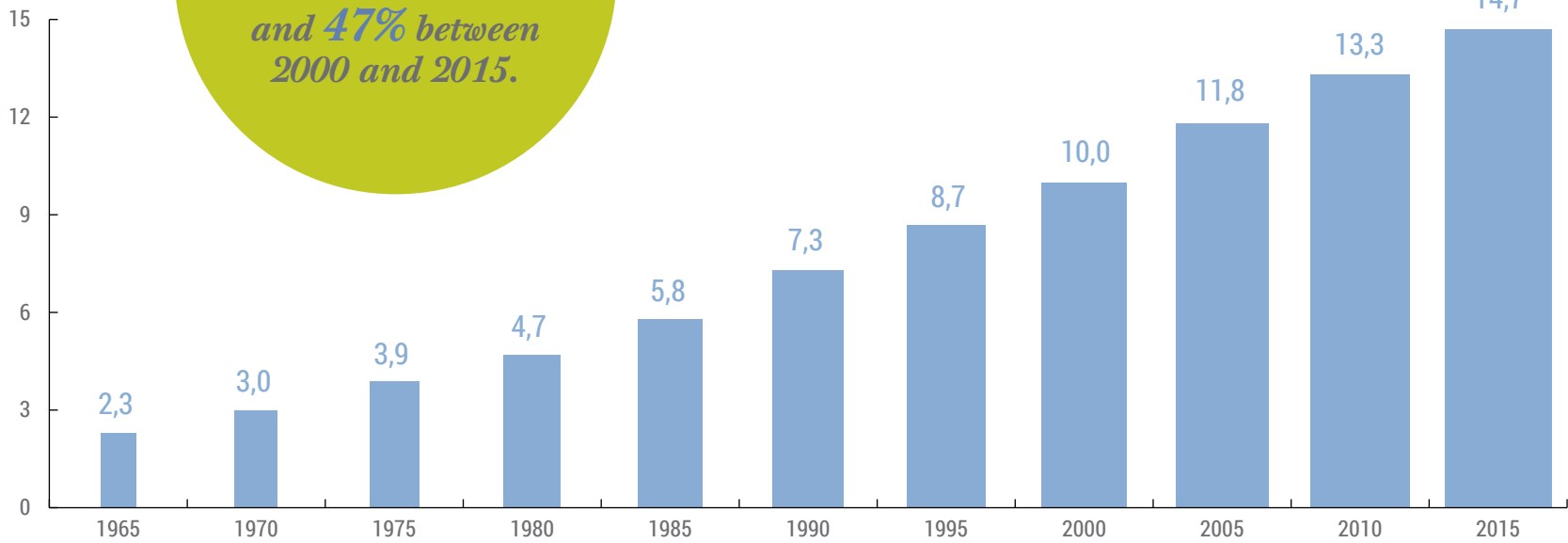
Development Prospects

	2011	2012	2013	2014	2015	2016
1	Istanbul	Istanbul	Istanbul	London	Berlin	Berlin
2	London	Moscow	Munich	Munich	Dublin	Munich
3	Munich	Zurich	Zurich	Hamburg	Munich	Hamburg
4	Stockholm	Warsaw	Hamburg	Moscow	London	Stockholm
5	Berlin	Munich	London	Istanbul	Stockholm	Copenhagen
6	Warsaw	Stockholm	Warsaw	Berlin	Hamburg	Dublin
7	Hamburg	Paris	Berlin	Zurich	Birmingham	Istanbul
8	Paris	London	Paris	Stockholm	Copenhagen	Birmingham
9	Frankfurt	Hamburg	Moscow	Frankfurt	Istanbul	Edinburgh
10	Copenhagen	Berlin	Stockholm	Vienna	Brussels	Vienna

Source: PwC, ULI - Emerging Trends Report, 2016

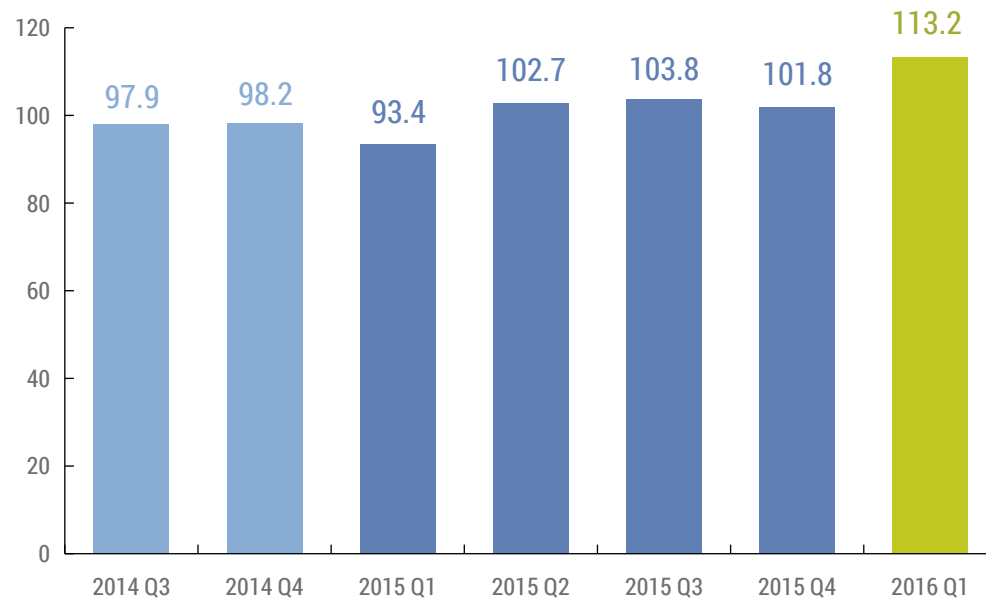
Istanbul Population (1965-2015)

The population of Istanbul increased 6.4 times since 1965 and 47% between 2000 and 2015.



Source: Turkstat

Real Estate Confidence Index



Source: Reidin

RESIDENTIAL MARKET



Demographics and Urbanization

Years	Population (000)	Urbanization Rate (%)	Urban population (000)	Size of Urban Household Person	Number of Urban Household (000)
2011	74,724	76.8	57,388	3.8	15,102
2012	75,627	77.3	58,460	3.7	15,800
2013	76,550	78.0	59,709	3.6	16,586
2014	76,903	78.6	60,446	3.6	16,790
2015	78,738	79.8	62,833	3.5	17,952
2017	79,366	81.0	64,286	3.4	18,908
2023	83,894	84.0	70,471	3.1	22,733



Source: Turkstat

Demographics and Urbanization

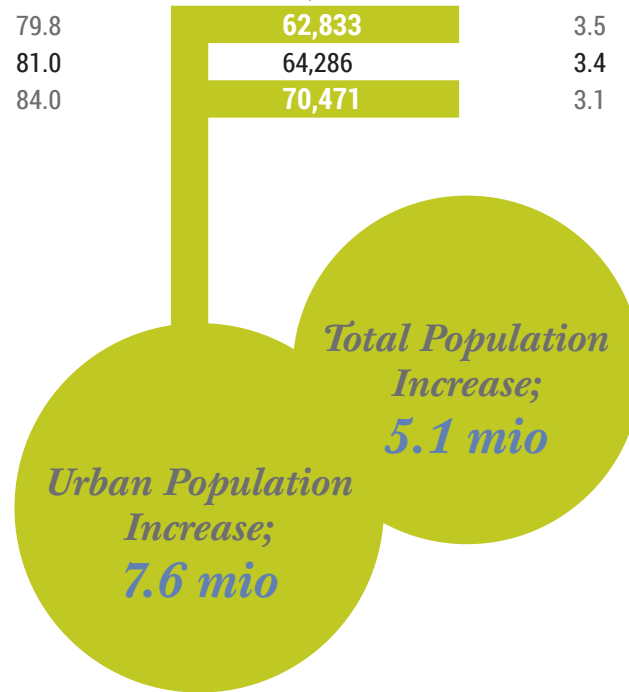
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Total Population Increase; 5.1 mio



Demographics and Urbanization

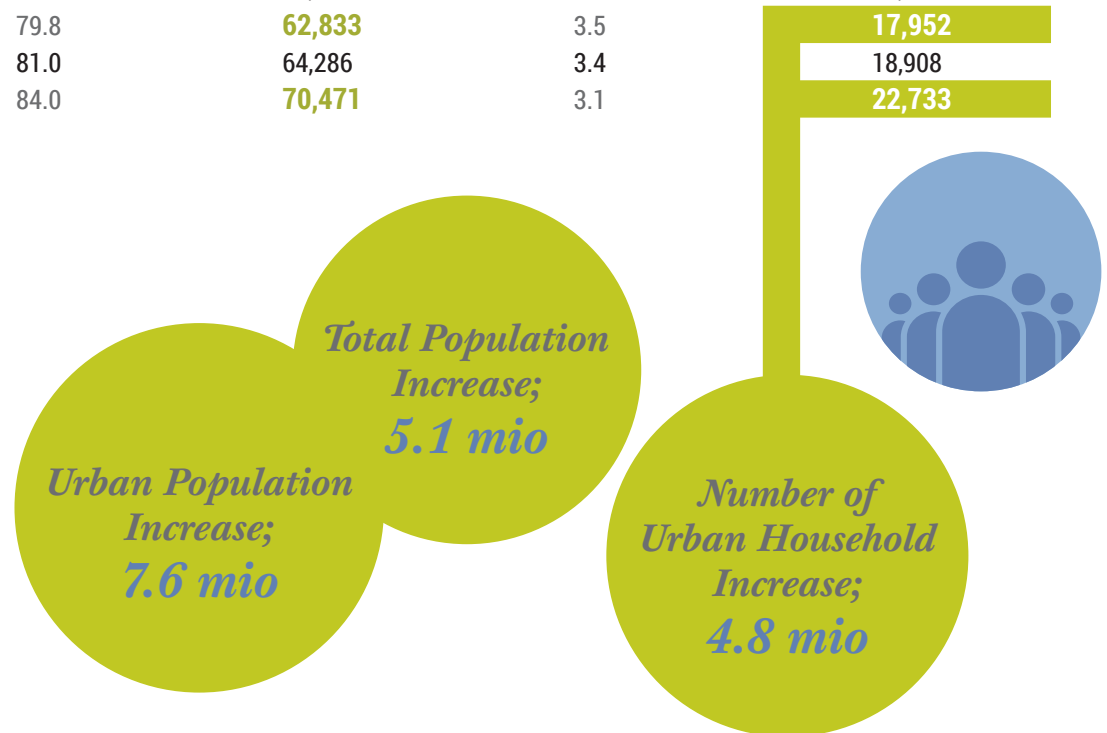
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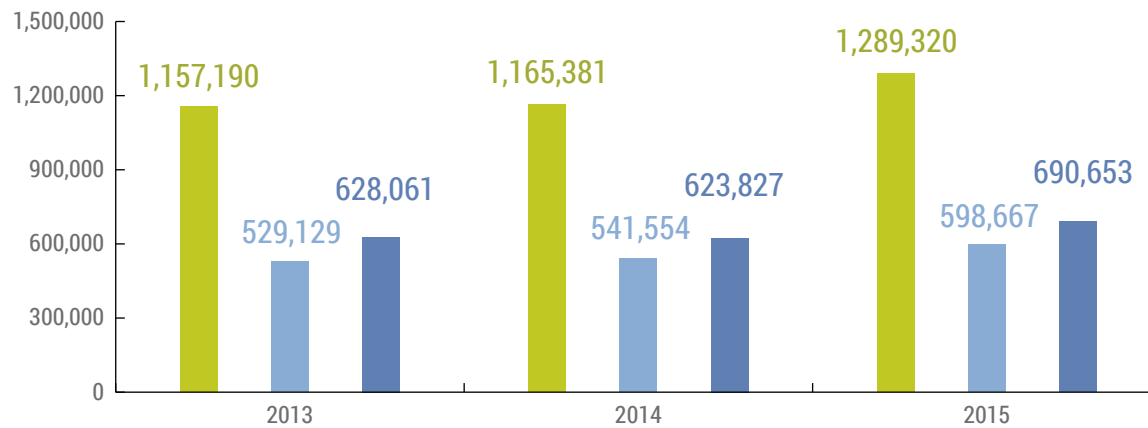
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Source: Turkstat

Housing Sales Yearly Comparison



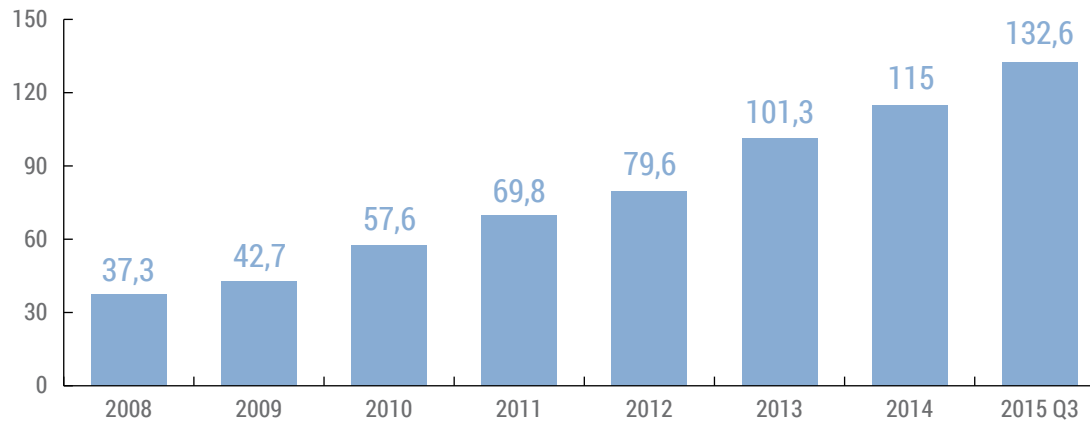
— Total Housing Sales
— First Sales
— 2nd Hand Sales

Source: Turkstat

Housing Credits

*Constant growth in mortgage market.
Total size of housing loan is 44bn\$ by 2015 Q3.
Multiplied by 3.5 since 2008*

BANK
1234 4568

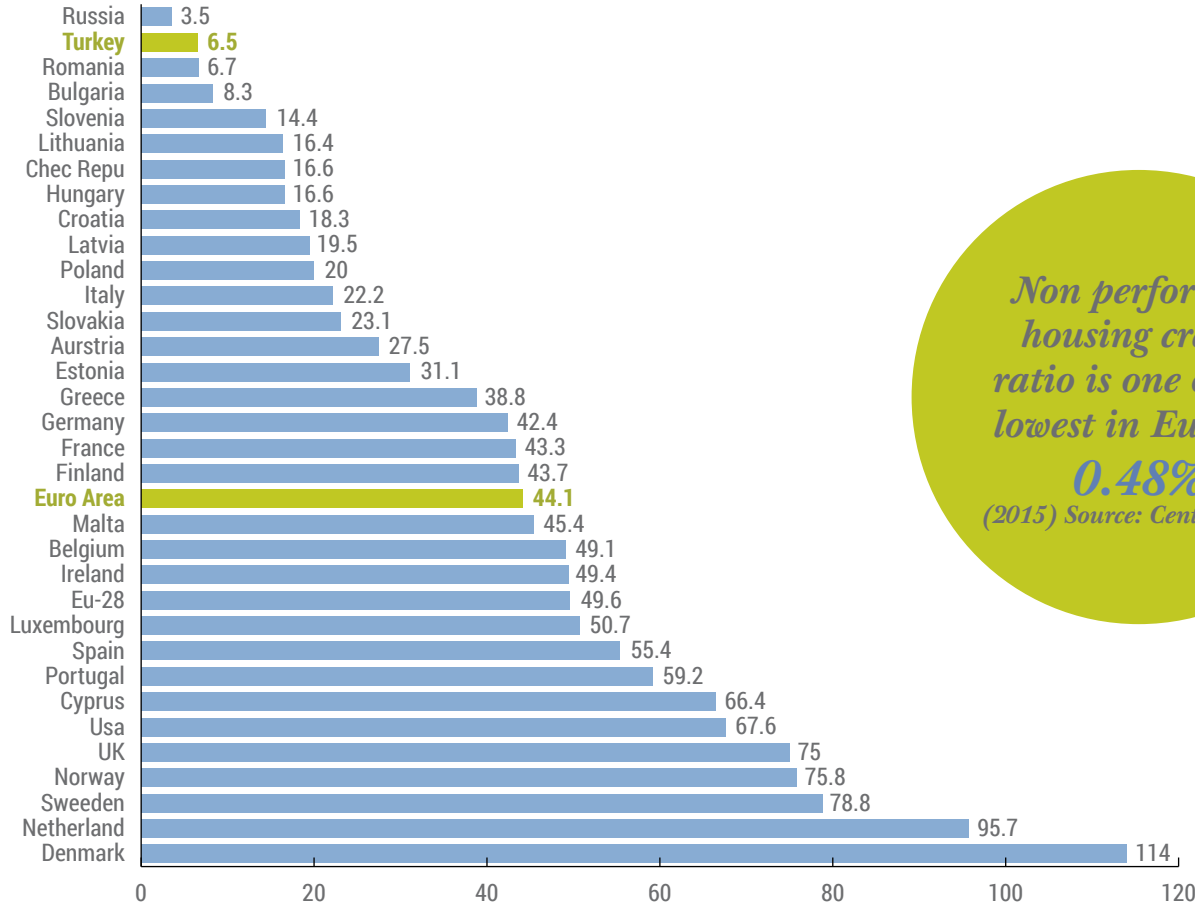


— Housing Loan (bn TL)

Source: TBB

Housing Market; Growth Potential for Housing Credits

Mortgage Credit / GDP %, 2014



Source: European Mortgage Federation

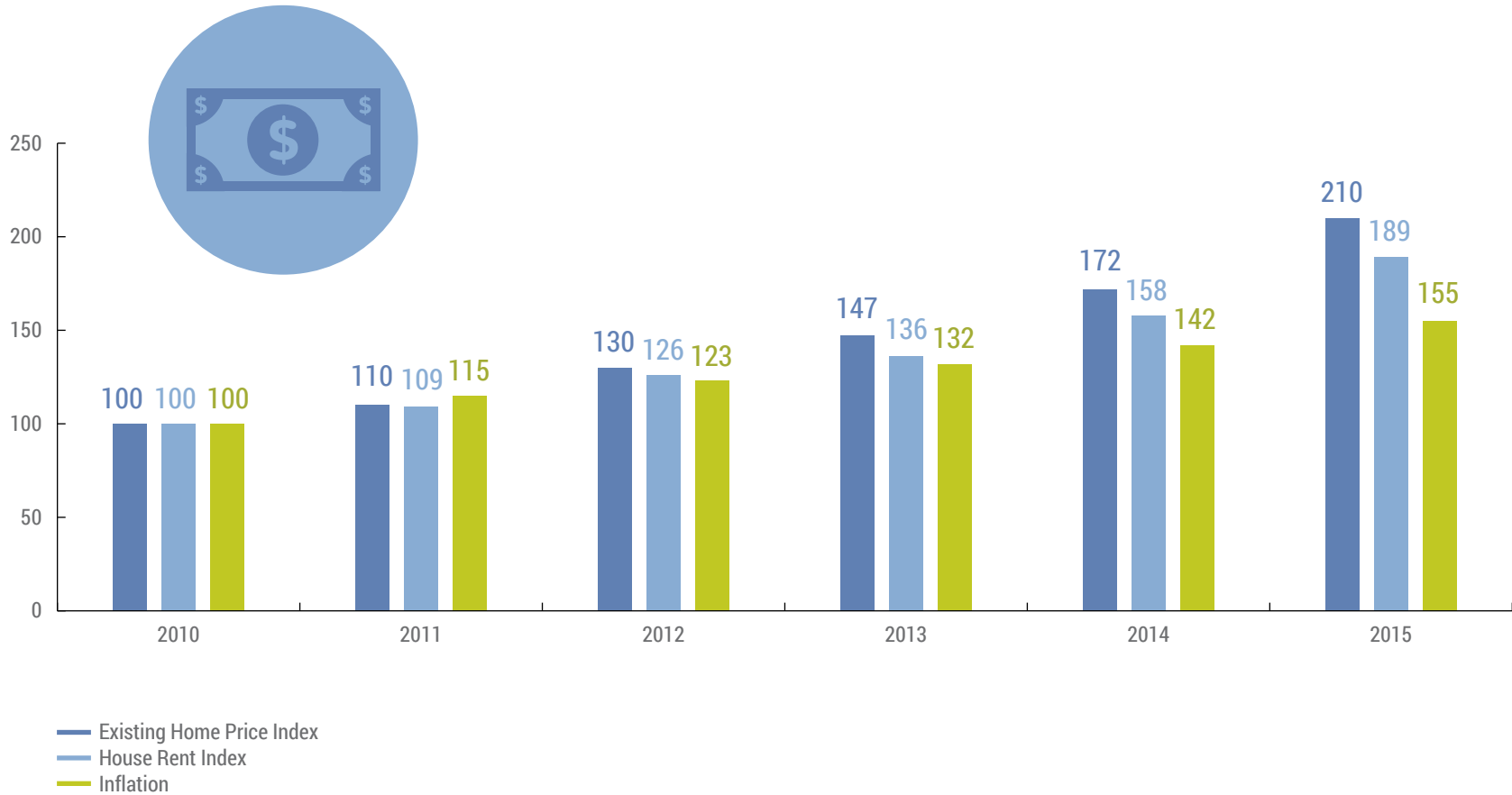
Growth potential for housing credits.

Non performed housing credit ratio is one of the lowest in Europe;

0.48%

(2015) Source: Central Bank

Existing Home Price Index (2010 = 100)



Source: Reidin

“Urban Regeneration Law”

- *There are around 22 mio housing units in Turkey.*
- *78% of the existing units do not meet today’s earth quake code requirements.*
- *6,5 mio housing units planned to be regenerated under the Urban Regeneration Law.*
- *Law provides the ease of the procedures of regeneration from planning, ownership and financial aspects.*

It is programmed to regenerate 6,5 million houses in the next 15 - 20 years with a budget of 400 billion USD



Conclusions

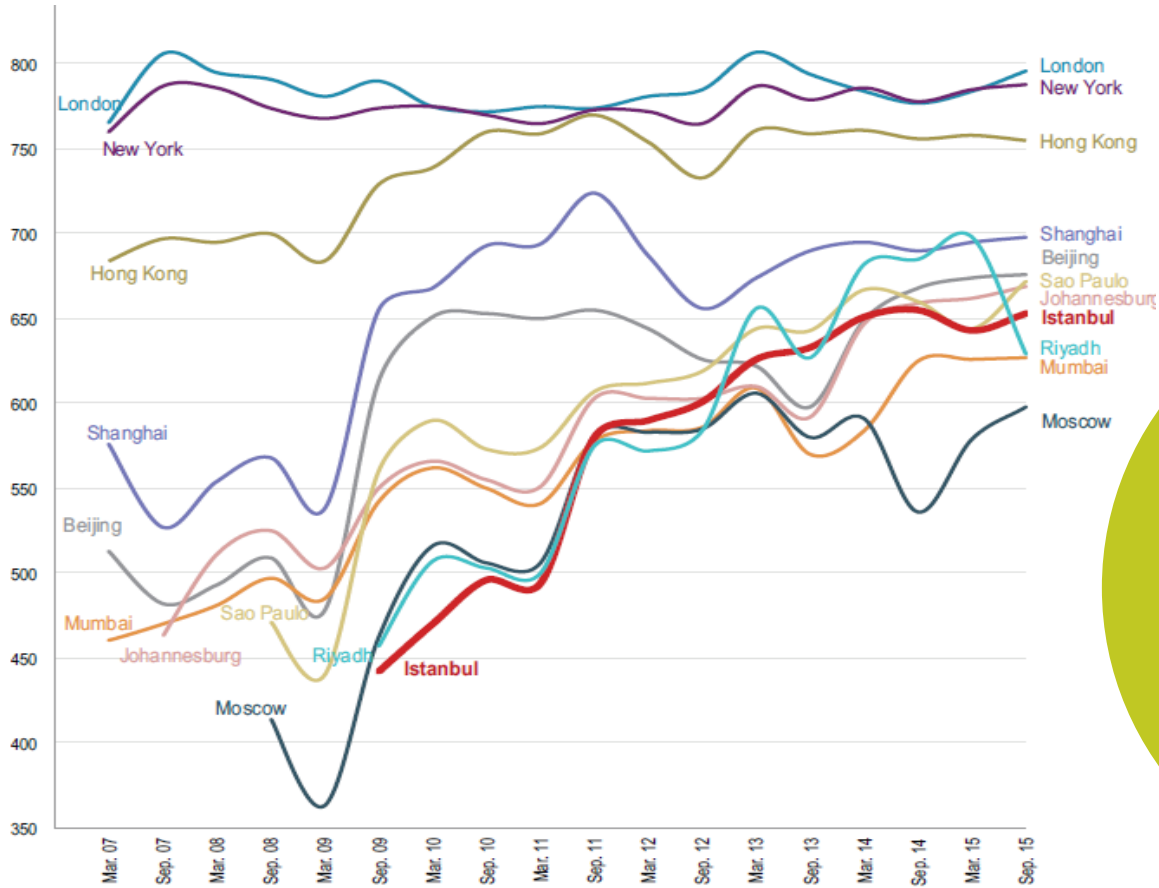
- *Mainly a sales market, not a rental market.*
- *An individual investment tool both for local and foreign investors.*
- *New home sales are expected to grow based on fundamental drivers such as ;*
 - 1. The need for renewal*
 - 2. Demographics*
 - 3. GDP per capita growth and social security related issues*
 - 4. Increased demand from the gulf region*

OFFICE MARKET



Istanbul as a Financial Centre

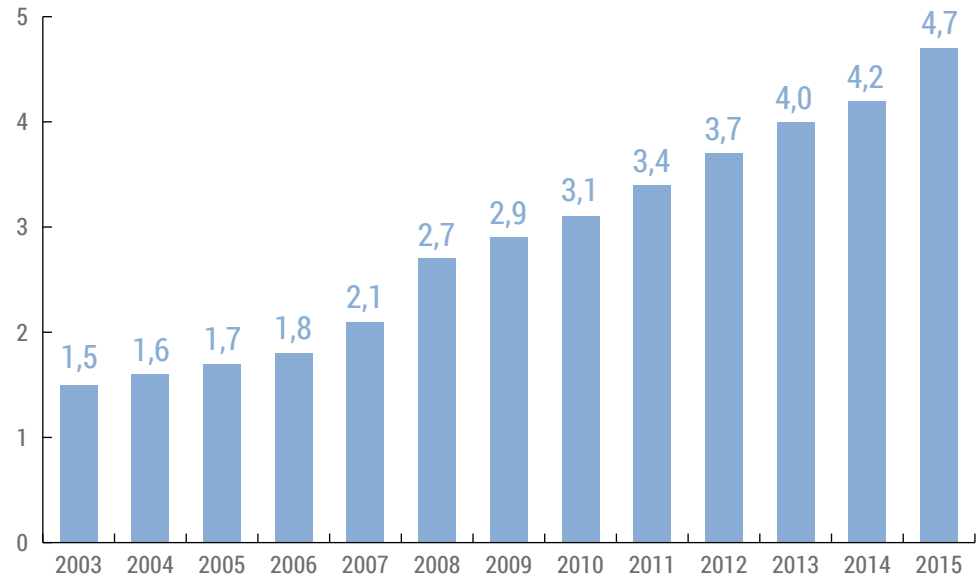
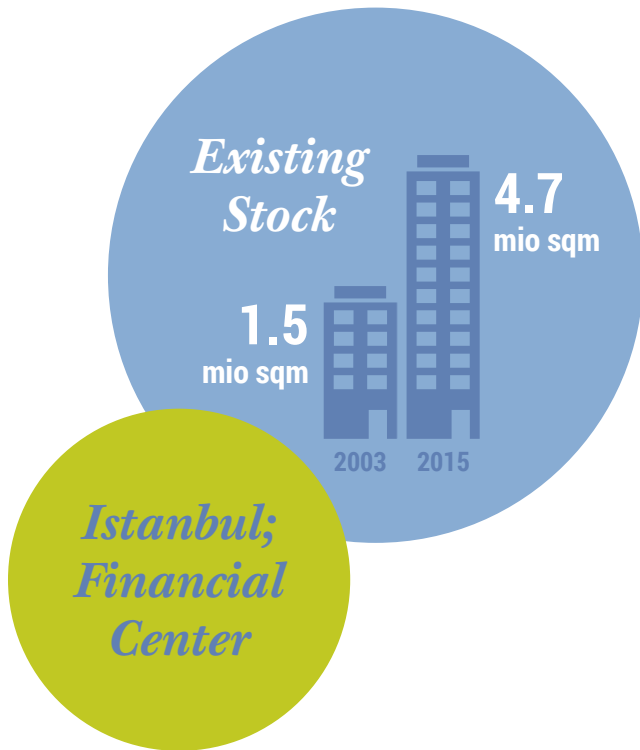
Z/YEN Global Financial Centres Index



Istanbul is now classified by Z/Yen as an 'Established Transnational Centre' - meaning it is a regional hub with global traits - a radical transformation from a merely 'local' financial centre in 2010.

Source: Z/Yen Global Financial Centres Index

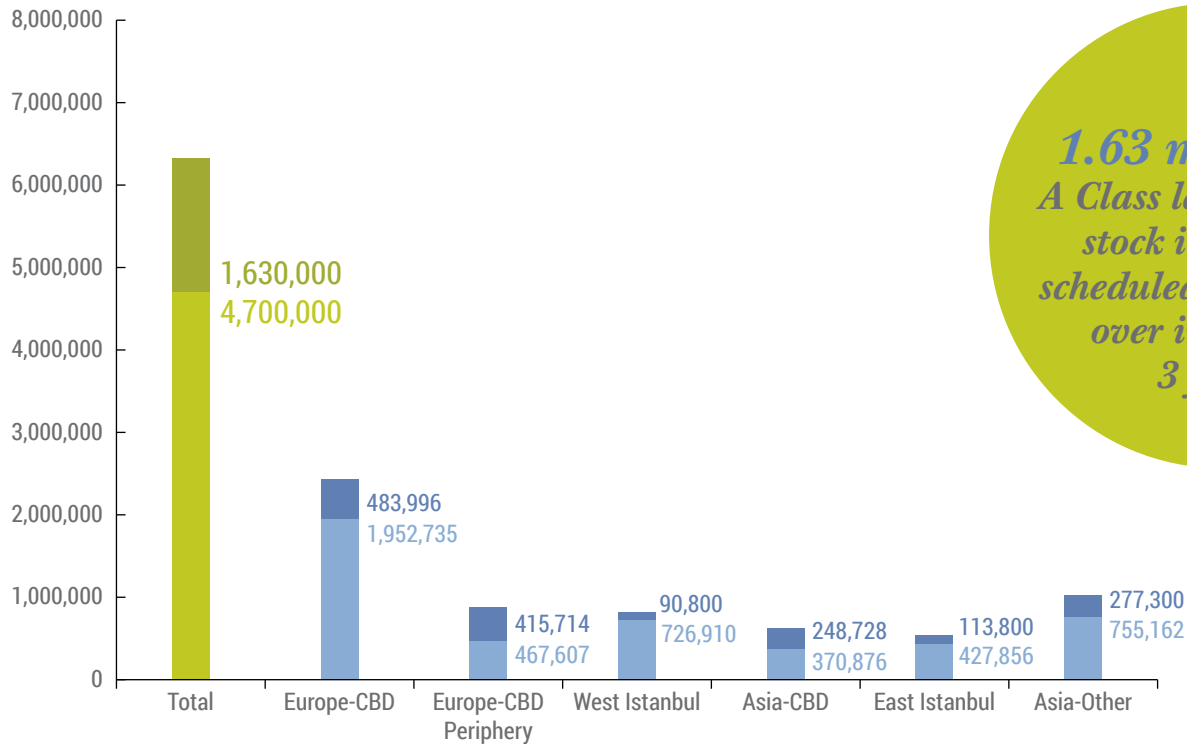
Office Inventory in Istanbul (mio sqm)



— Grade A office supply

Source: Cushman & Wakefield

Istanbul Office Market



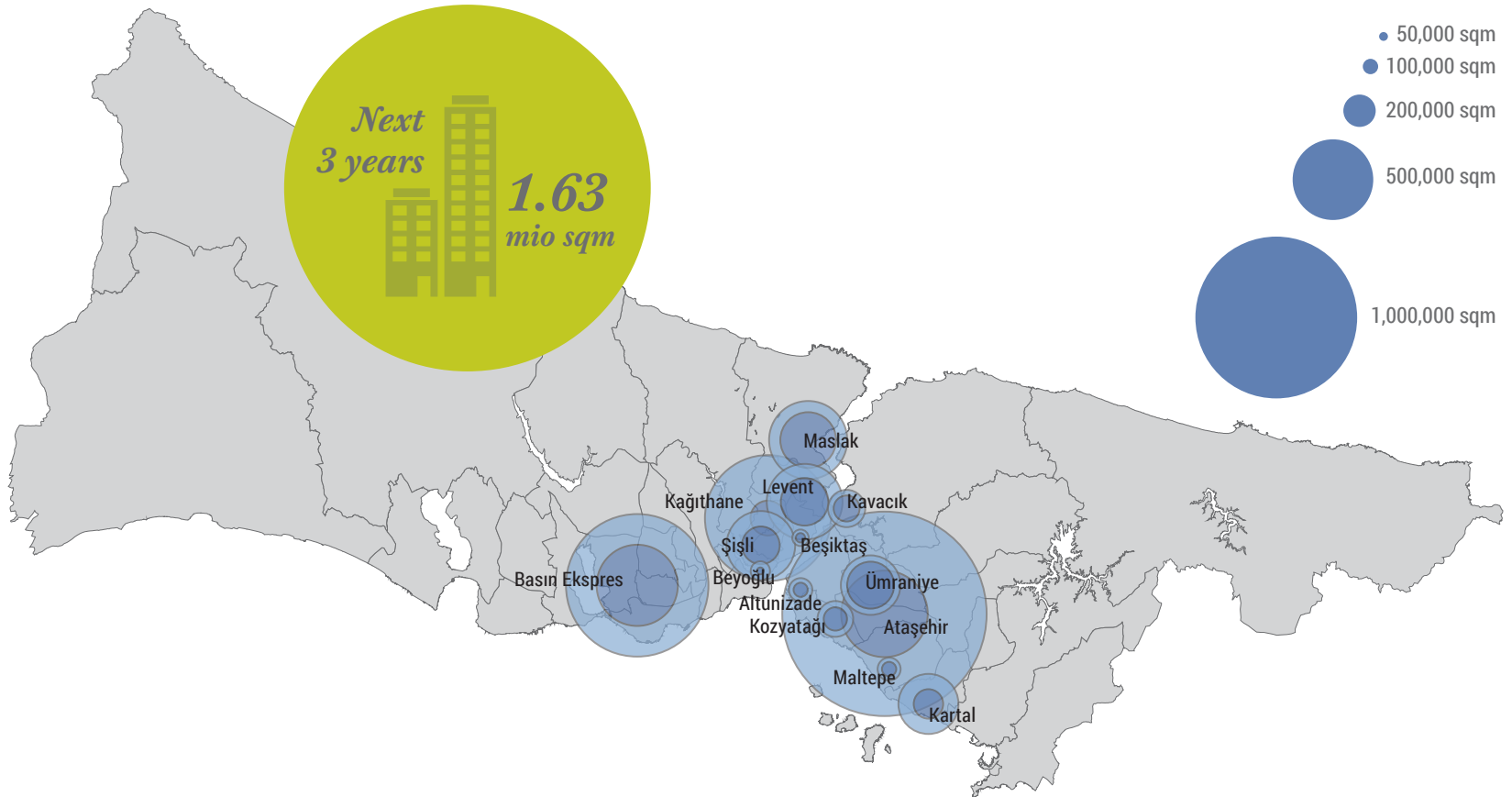
1.63 mio sqm of A Class leasable office stock in Istanbul scheduled to be added over in the next 3 years.



- Pipeline (sqm, 2016-2018)
- Stock (sqm)
- Total Pipeline (sqm, 2016-2018)
- Total Stock (sqm)

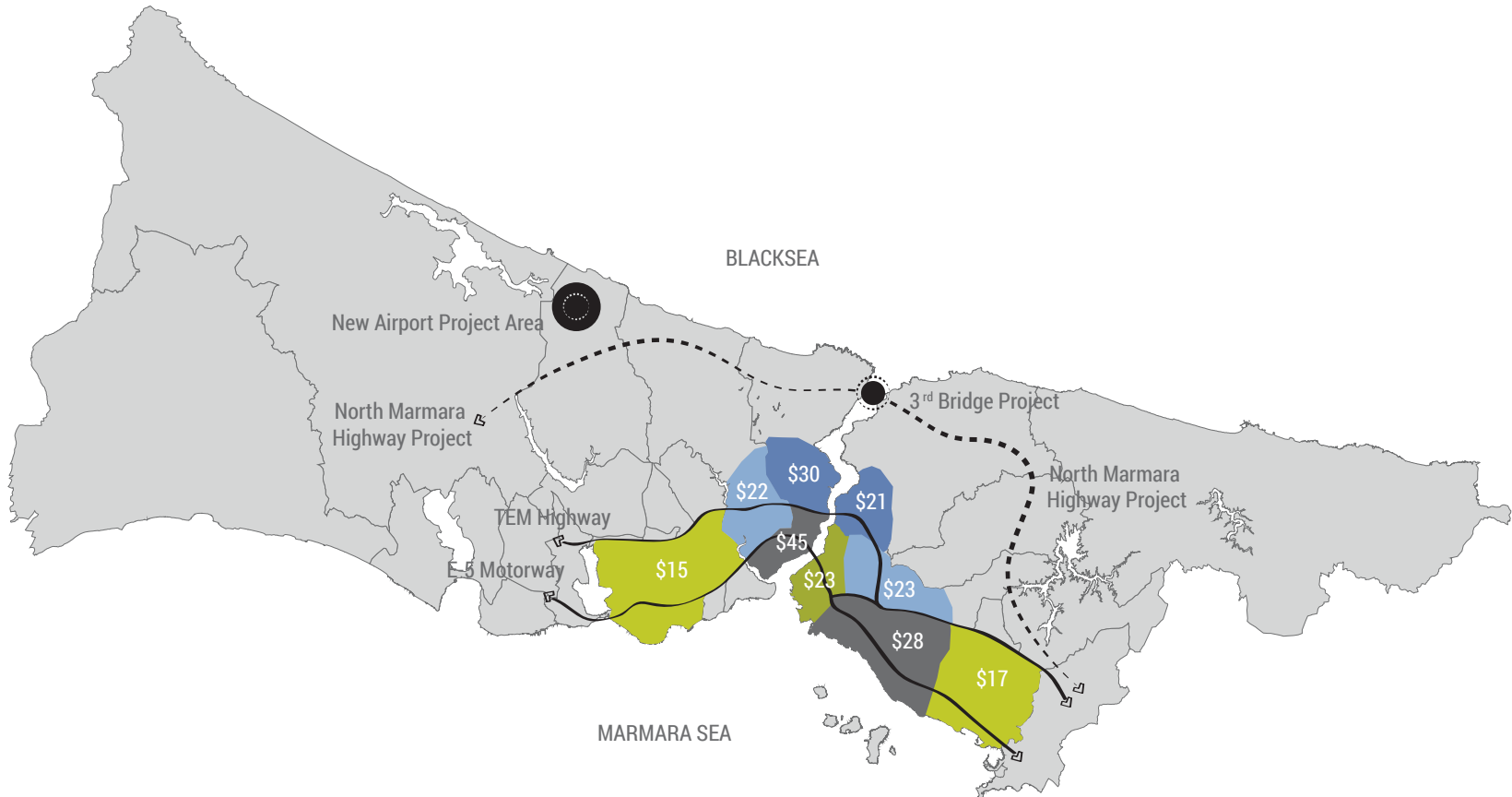
Source: Cushman & Wakefield (2015)

Istanbul Office Future Stock Evolution



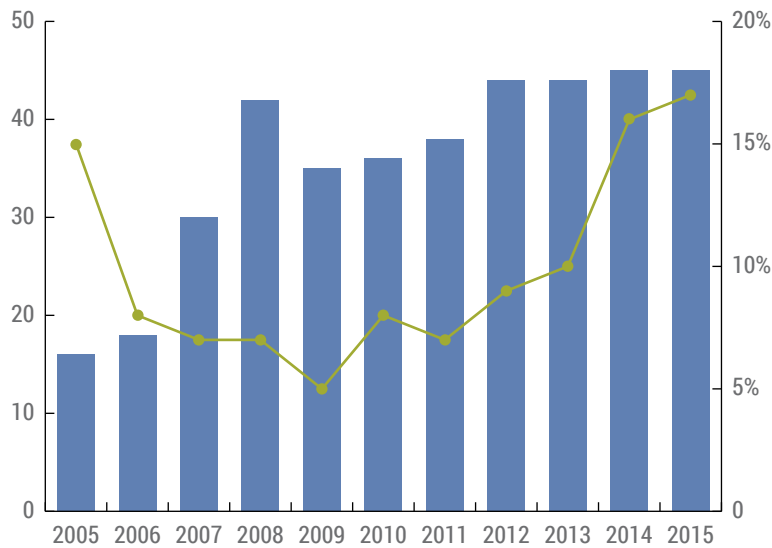
Source: CBRE

Office Prime Rent (\$/sqm/mo)



Source: GYODER Indicator

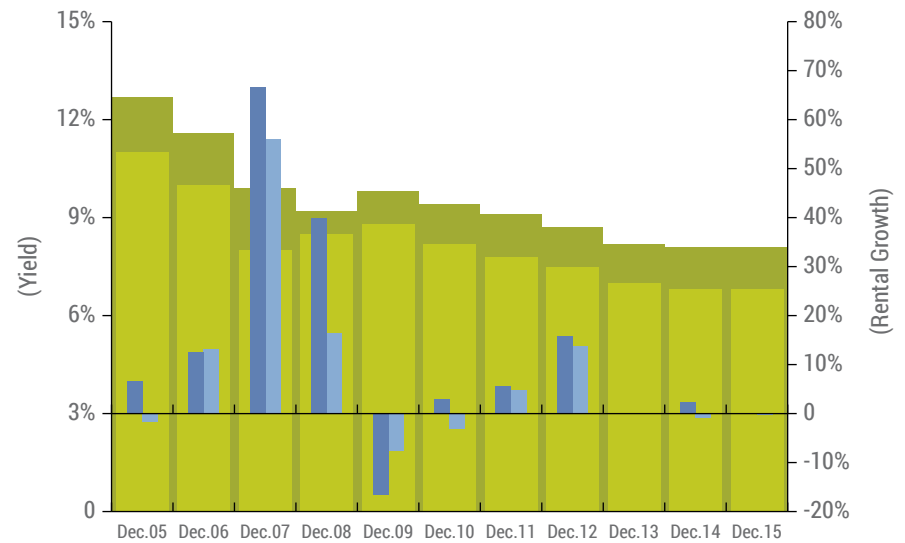
Office Prime Rent & Vacancy



— Vacancy Rate (%)
 — Prime Rents (USD/sqm/mo.)

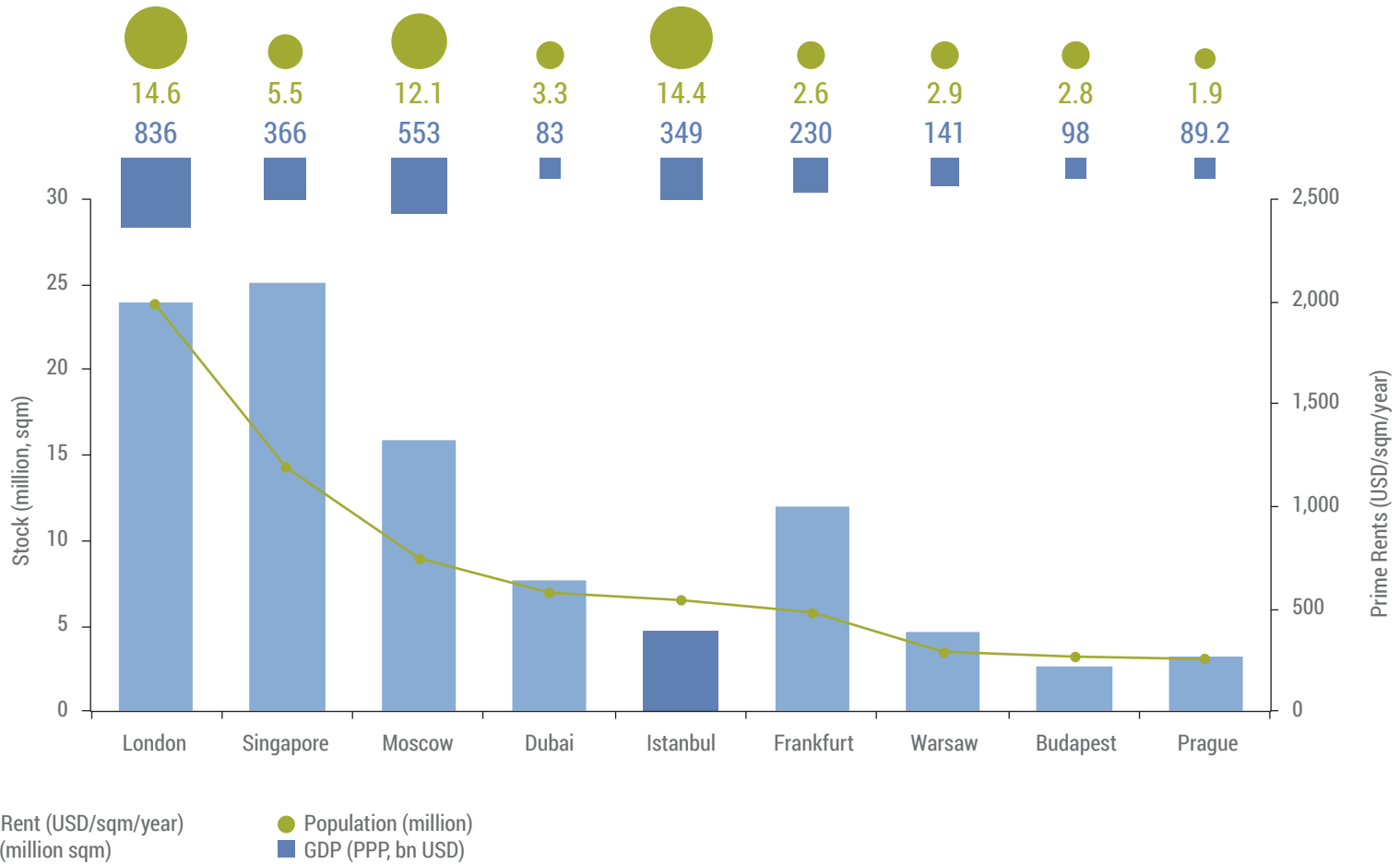
Source: Cushman & Wakefield

Office Rental Growth & Yield



— Yield-Prime
 — Yield-Country Average
 — Rental Growth-Prime
 — Rental Growth-Country Average

Major Global Office Markets



Source: Cushman & Wakefield (2015)

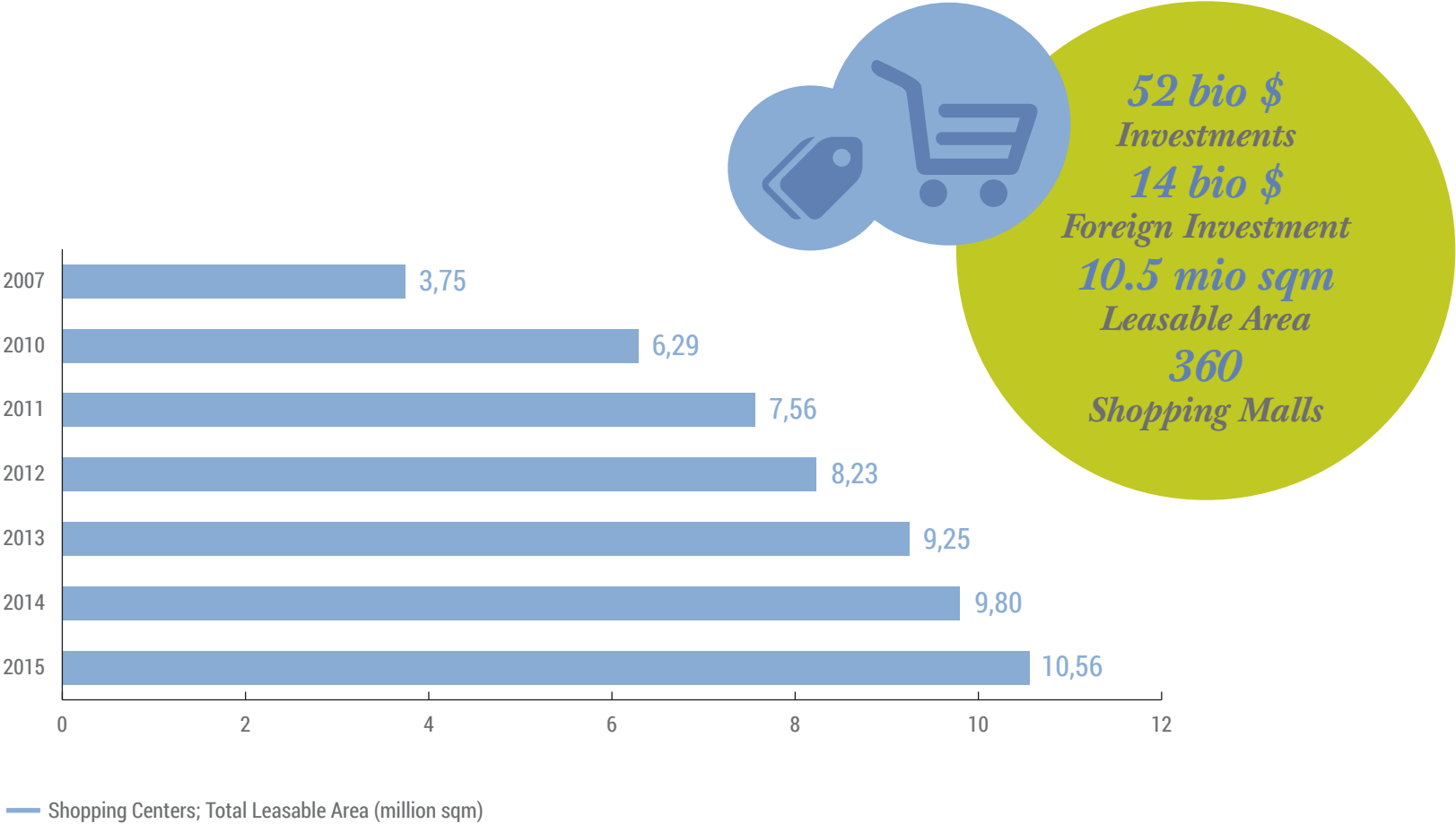
Conclusions

- *High potention for growth*
- *New office areas to be created*
- *More organized and institutionalized investment market*
- *Moving from residential offices/strata sales to organized single ownership*
 - *More green buildings*
 - *More A class buildings*
- *Income generation in foreign currency*
- *Istanbul financial center is under development*
 - *Bluechip tenants*
- *Availabiltiy of investment grade product in the last 3-5 years*

RETAIL MARKET & SHOPPING CENTERS

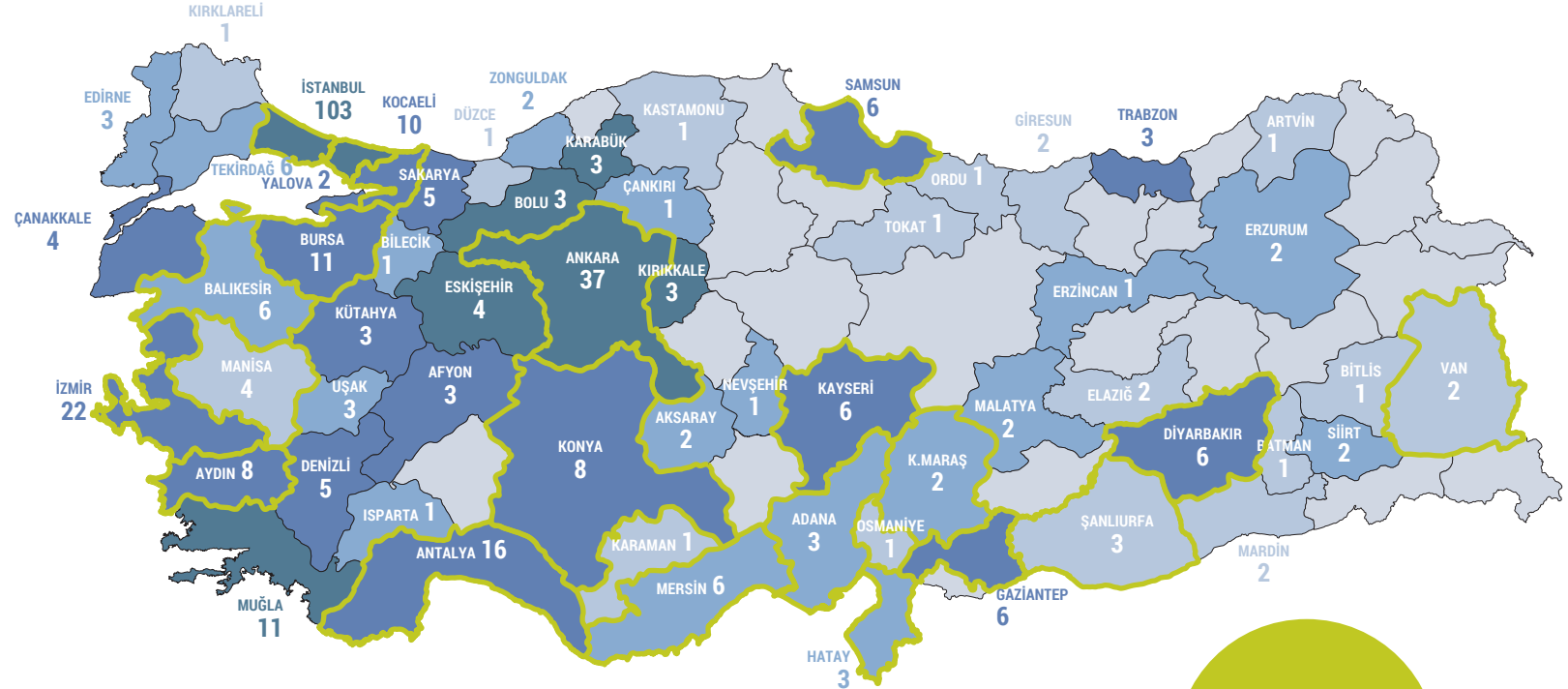


Retail Market & Shopping Centers



Source: AYD

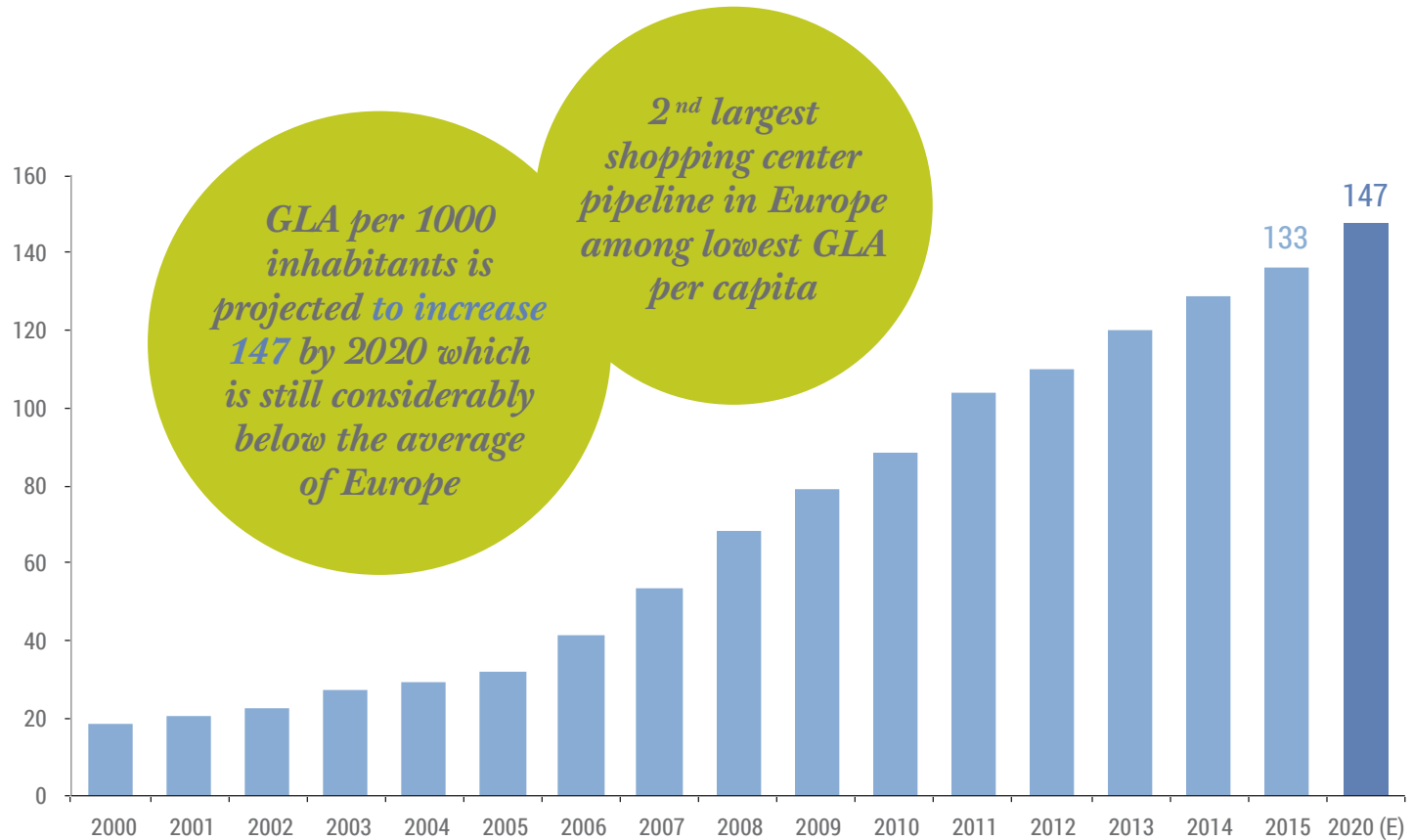
Shopping Malls of Turkey



- 151 sqm/1000 persons +
- 101-150 sqm/1000 persons
- 51-100 sqm/1000 persons
- 0-50 sqm/1000 persons

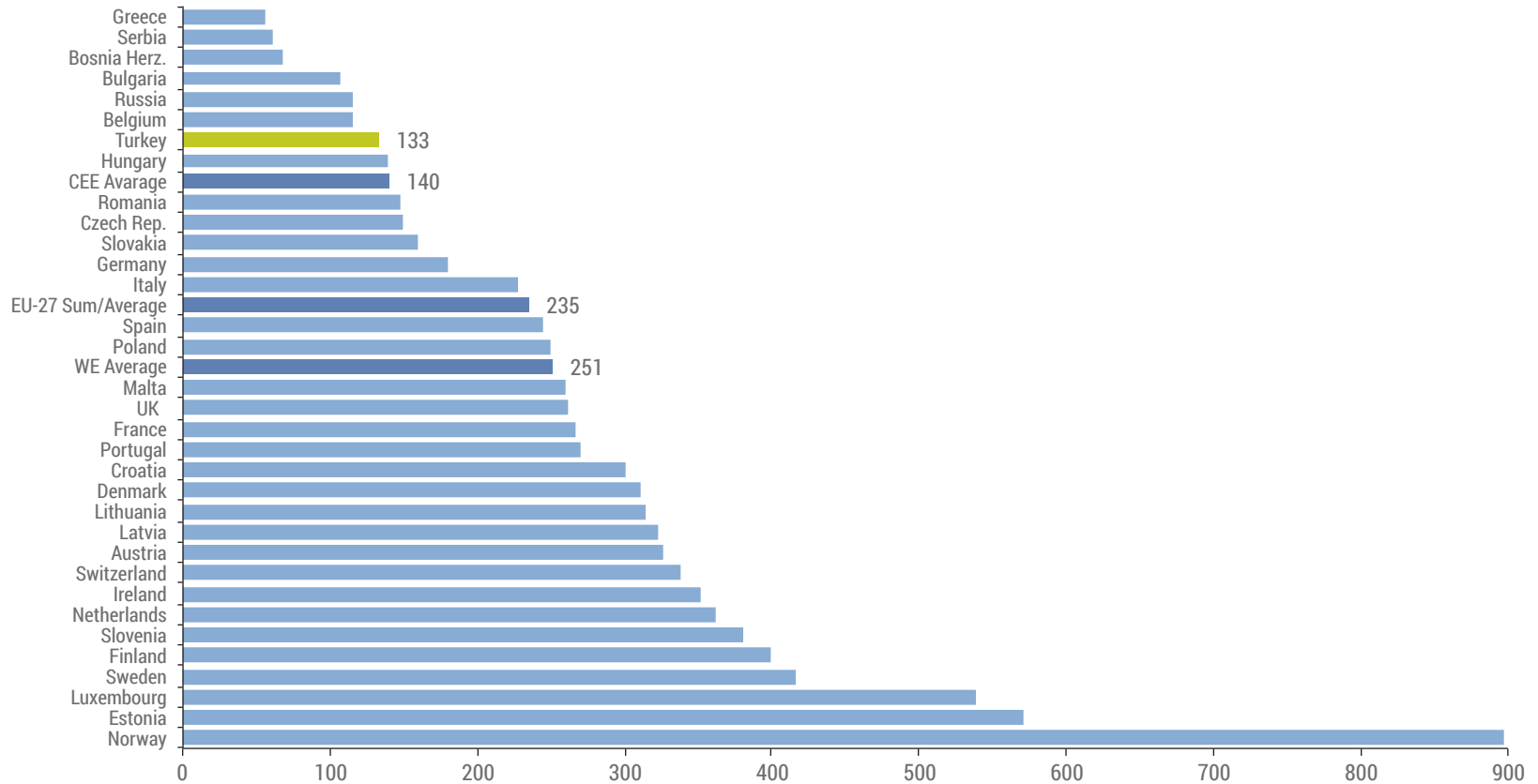
Total 360 Shopping Malls

Turkey: GLA per 1,000 Inhabitants



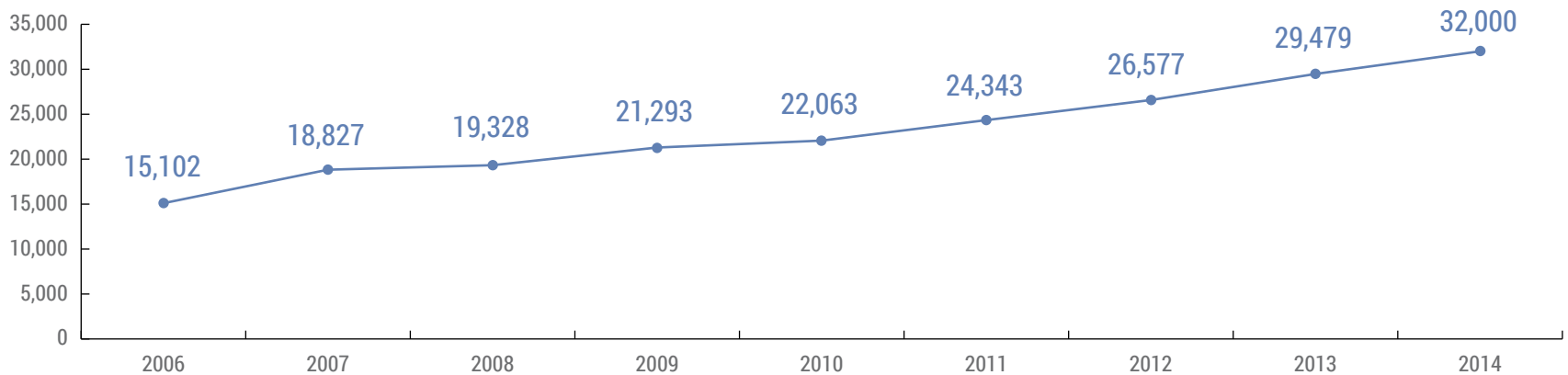
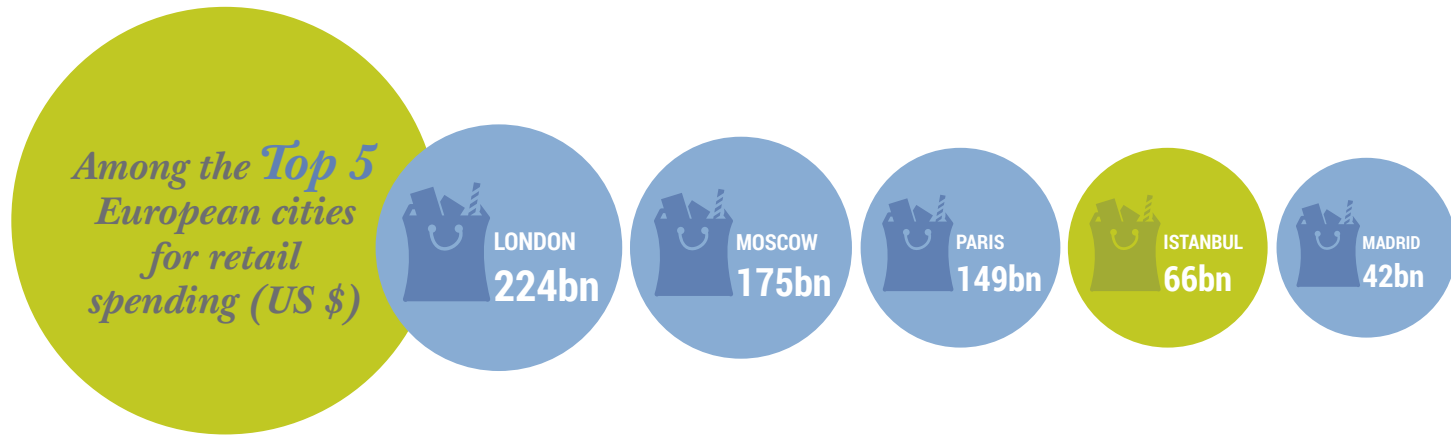
Source: Cushman & Wakefield (2015)

Europe: GLA per 1,000 Inhabitants

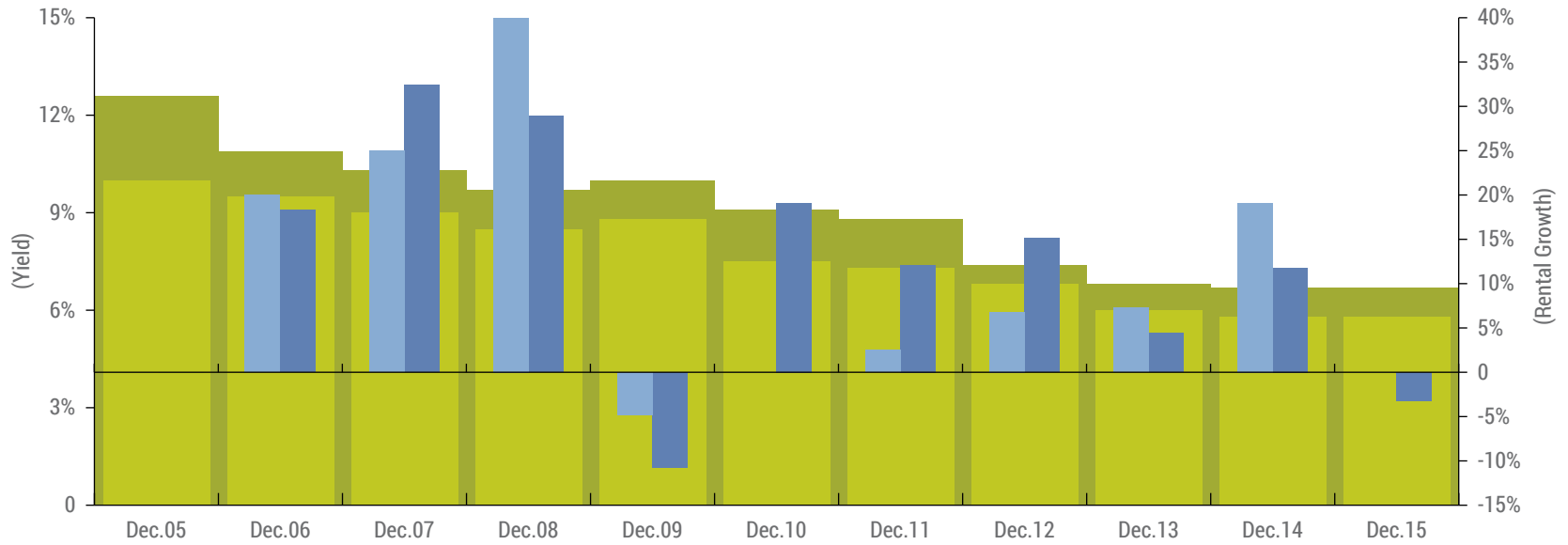


Source : Cushman & Wakefield (As of June 2015)

Average Annual Disposable Income of Households (in TL)



Shopping Mall Yield & Rental Growth



- Yield-Country Average
- Yield-Prime
- Rental Growth-Prime
- Rental Growth-Country Average

Source : Cushman & Wakefield

Conclusions

- *There is still room for growth and new investments*
 - *~ 1/3 of the market by international investors*
 - *Rental income in foreign currency*
- *Strong demographics and increased disposable income*
- *Growing connectivity (Turkish Airlines) makes Istanbul a regional retail destination.*
- *Disposable incomes are now 45% higher in Istanbul than 10 years ago, while growing connectivity has made Istanbul a regional retail destination, with tourist spending up 76% over the last five years.*
 - *It is forecasted to be among the 10 largest retail growth markets globally until 2030. (JLL)*

TOURISM MARKET



Top Destination Cities

2011			2012		2013		2014		2015	
1	London	15.3	Bangkok	15.8	Bangkok	17.5	London	17.8	London	18.8
2	Paris	13.9	London	15.5	London	16.8	Bangkok	16.9	Bangkok	18.2
3	Bangkok	13.8	Paris	14.3	Paris	15.5	Paris	15.6	Paris	16.1
4	New York	10.3	Singapore	11.1	Dubai	12.1	Dubai	13.2	Dubai	14.3
5	Singapore	10.1	New York	10.6	Singapore	11.9	New York	11.9	Istanbul	12.6
6	Dubai	9.2	Dubai	10.2	New York	11.1	Singapore	11.5	New York	12.3
7	Kuala Lumpur	9.0	Kuala Lumpur	9.3	Istanbul	9.9	Istanbul	11.3	Singapore	11.9
8	Hong Kong	8.4	Istanbul	8.8	Kuala Lumpur	9.8	Kuala Lumpur	10.5	Kuala Lumpur	11.1
9	Istanbul	7.5	Hong Kong	8.4	Hong Kong	8.3	Seoul	9.8	Seoul	10.4
10	Barcelona	6.9	Seoul	7.5	Seoul	8.0	Hong Kong	8.3	Hong Kong	8.7

Top Destination Countries

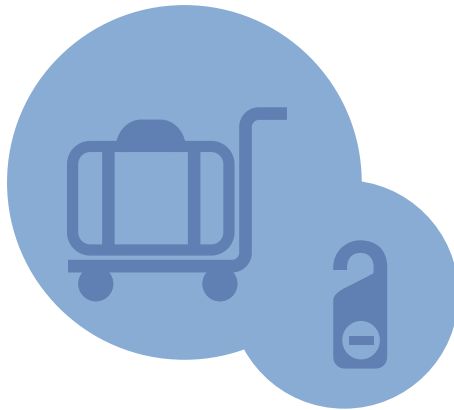
2011			2012		2013	
1	France	81.6	France	83.0	France	84.7
2	USA	62.7	USA	67.0	USA	69.8
3	China	57.6	China	57.7	Spain	60.7
4	Spain	56.2	Spain	57.7	China	55.7
5	Italy	46.1	Italy	46.4	Italy	47.7
6	Turkey	34.7	Turkey	35.7	Turkey	37.8
7	UK	29.3	Germany	30.4	Germany	31.5
8	Germany	28.4	UK	29.3	UK	31.2
9	Malaysia	24.7	Russia	25.7	Russia	28.4
10	Russia	22.7	Malaysia	25.0	Greece	26.5

Source: MasterCard Global Destination Cities Index

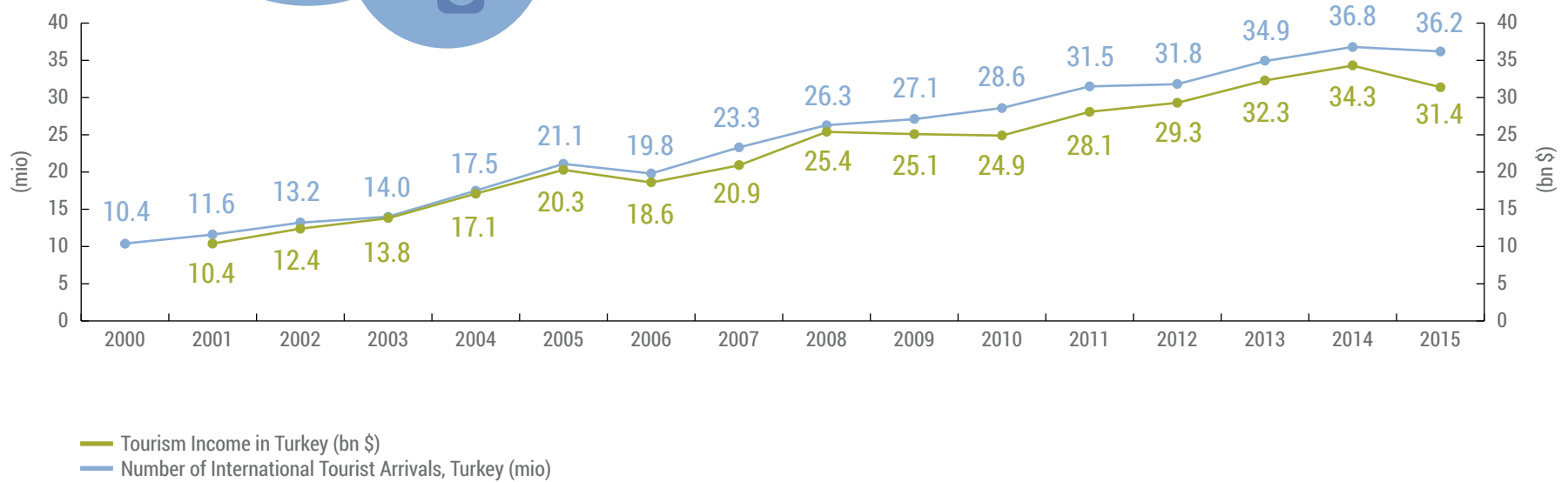
500,000 additional bed capacity is needed by 2023

50 million accomodated visitors targetted for 2023

International Tourist Arrivals and Tourism Income in Turkey

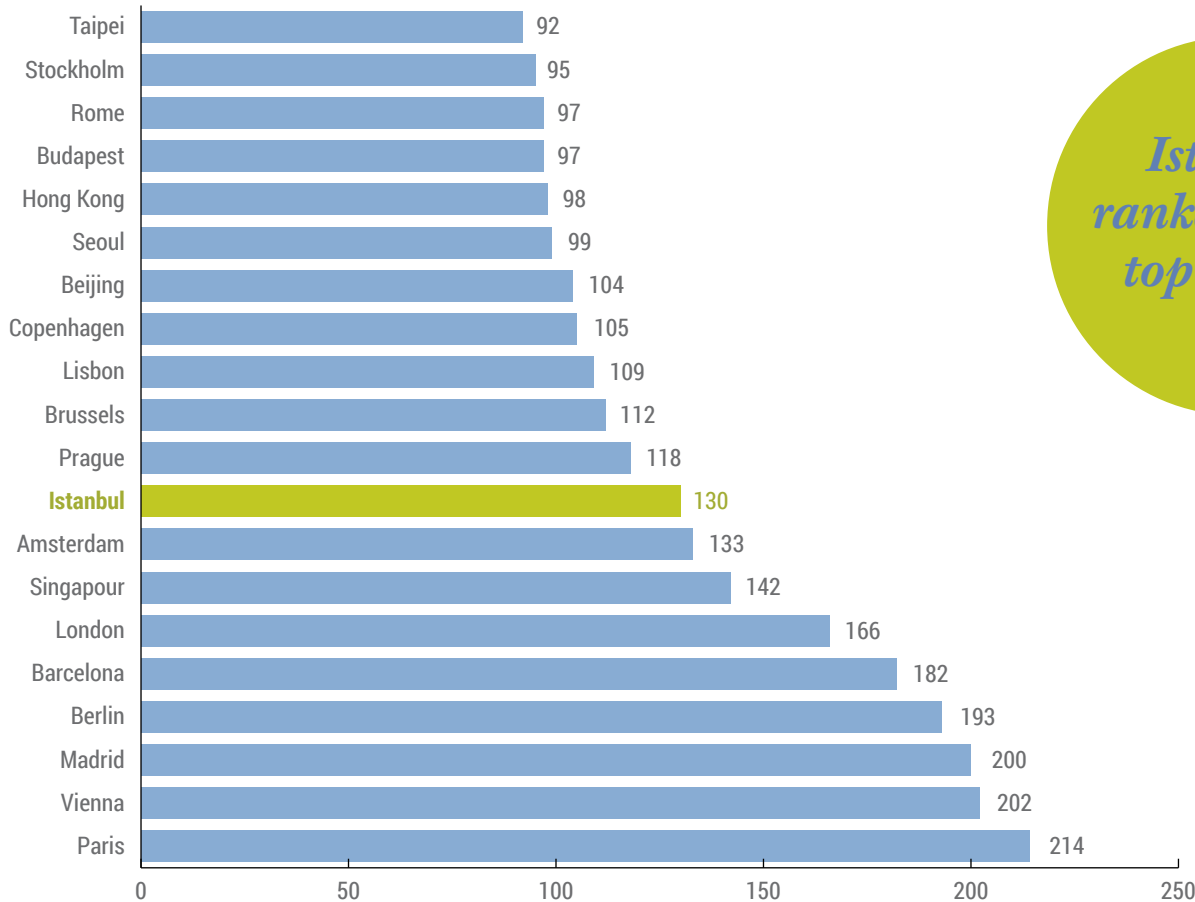


International tourist arrivals to turkey increased 3.5 times since year 2000



Source: Turkstat

Number of International Meetings 2014

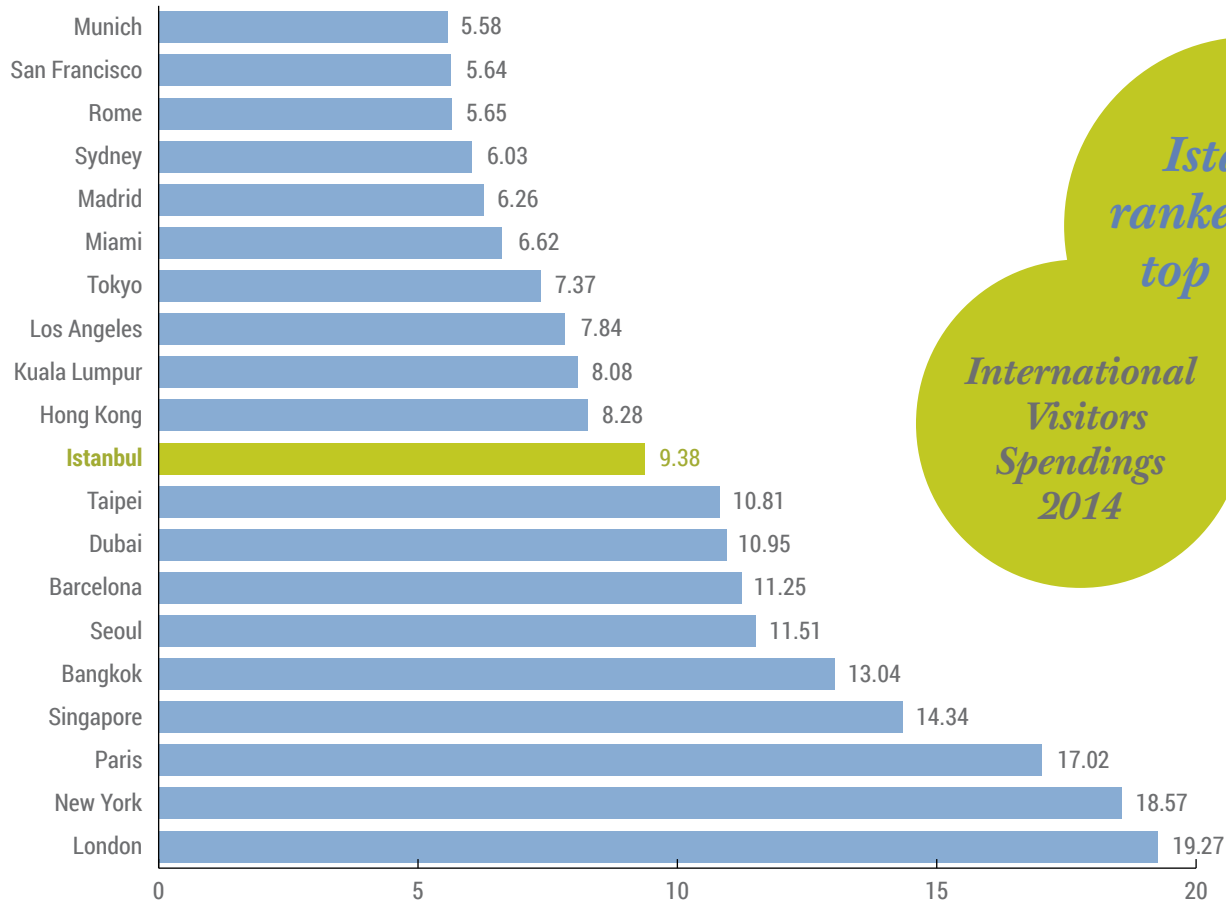


Istanbul ranked in the top 10 for:

Number of International Meetings #130

Source: ICCA (International Congress and Convention Association)

Top 20 Destination Cities by International Visitor Spendings (bn USD)



Istanbul ranked in the top 10 for:
International Visitors Spendings 2014

Source: Master Card 2014 Report

Istanbul; A Global City

Years	THY Total passengers mln	Istanbul Airports Total Passengers mln
2007	16,9	26,9
2008	22,6	32,9
2009	25,1	36,3
2010	29,1	43,3
2011	32,6	50,5
2012	39,0	59,5
2013	48,3	70,0
2014	54,7	80,5

*Istanbul is a hub,
with 2
international
airports*

*3rd airport under
construction with
capacity of
150 mio
passenger / year*

*Turkish Airlines is the
World's 7th and
Europe's 2nd biggest
airline company
with its 32 million
international passengers
(2014)*

*Turkish Airlines
is ranked
1st worldwide
in regard to
international
destinations nb.219
(2014)*

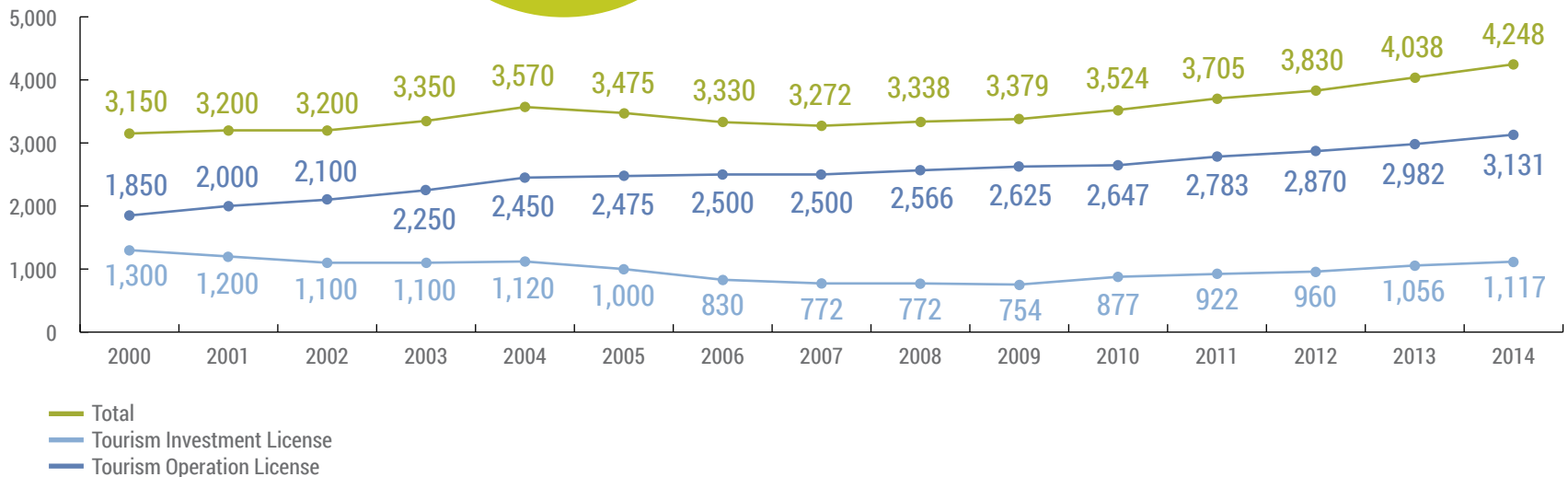
Source: Turkish Airlines

Tourism Investment Licensed and Tourism Operation Licensed Facilities in Turkey

*Last 15 Years: CAGR in Operation Licensed Facilities: 4%
Growth in Operation Licensed Facilities: 72%
4.300 licensed facilities in Turkey*

There are in total 1,6 mio bed capacity both in ministry and municipality licensed facilities.

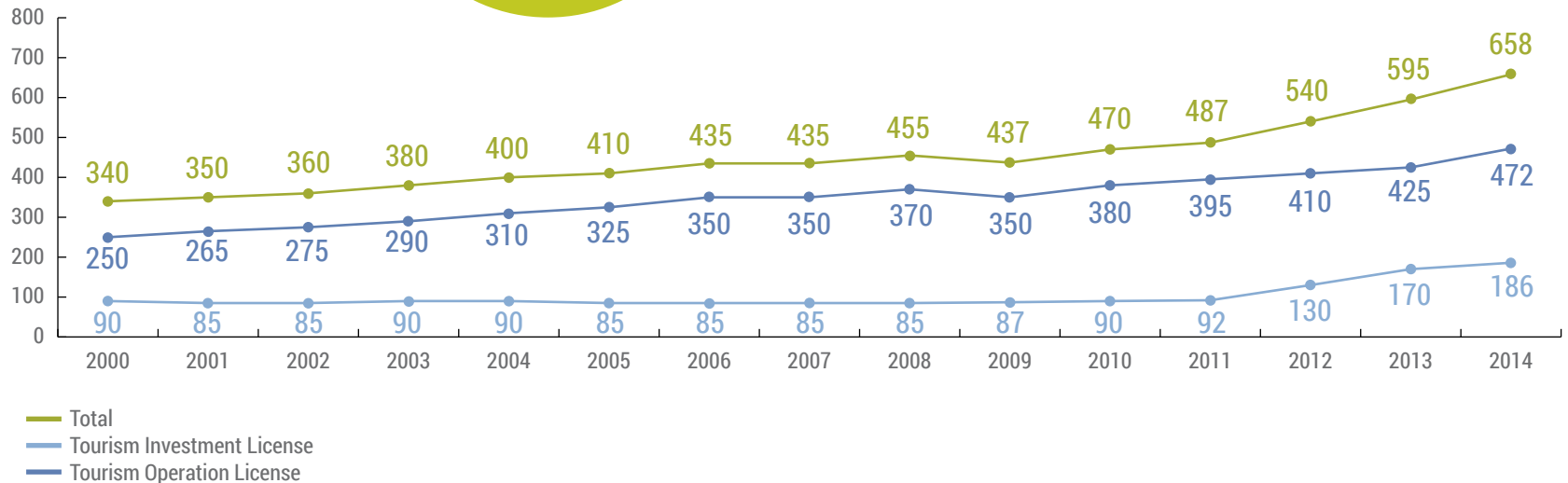
Many international hotel brands operate in Turkey mostly in Istanbul, Ankara, Izmir and Bodrum. In the last few years major brands started investing in other populous cities like Konya, Adana and Kayseri.



Tourism Investment Licensed and Tourism Operation Licensed Facilities in Istanbul

*Last 15 Years: CAGR in Operation Licensed Facilities: 5%
Growth in Operation Licensed Facilities: 95%
660 licensed facilities in Turkey*

Istanbul constitutes 15% of the total licensed tourism facilities in Turkey. (2014)



Conclusions

- *Growth potential based on Istanbul's increased connectivity and Turkey being 5th most preferred tourism destination*
- *Secondary cities should be considered for investment based on cultural tourism*
- *New entries in upscale hotel segment
(Le Meridien, Shangri-la, The Edition, Jumeirah, Raffles, St. Regis, Mandarin Oriental, The Address (2015))*
- *Growth potential both in luxury and budget segment*

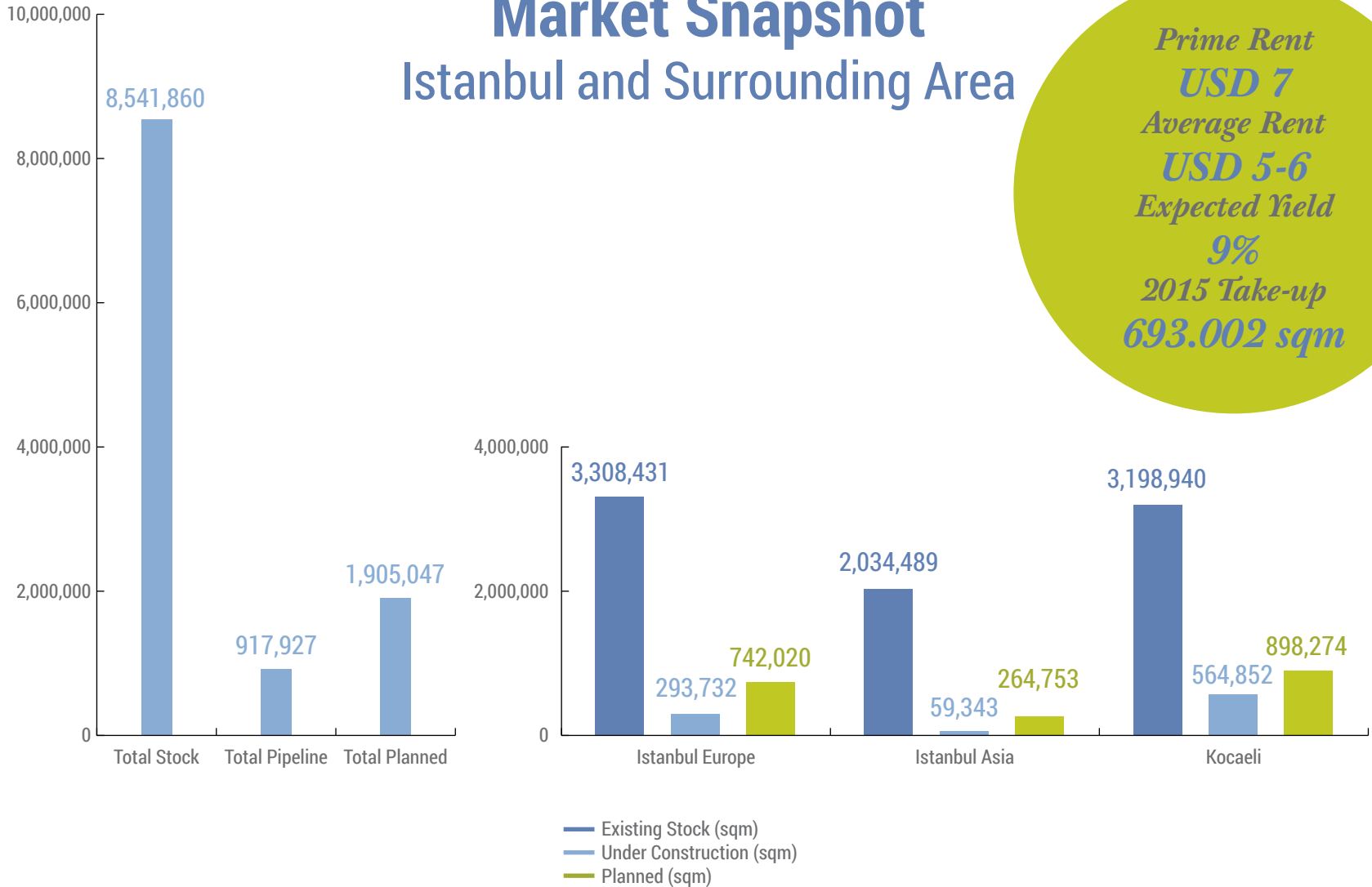
LOGISTICS MARKET OVERVIEW



Market Snapshot

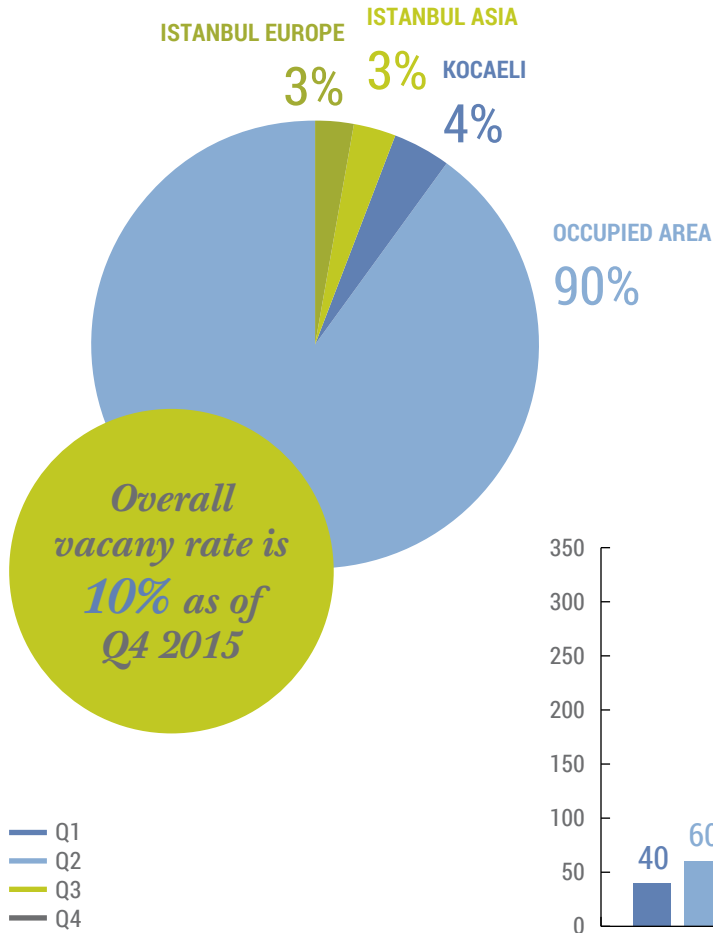
Istanbul and Surrounding Area

*Prime Rent
USD 7
Average Rent
USD 5-6
Expected Yield
9%
2015 Take-up
693.002 sqm*

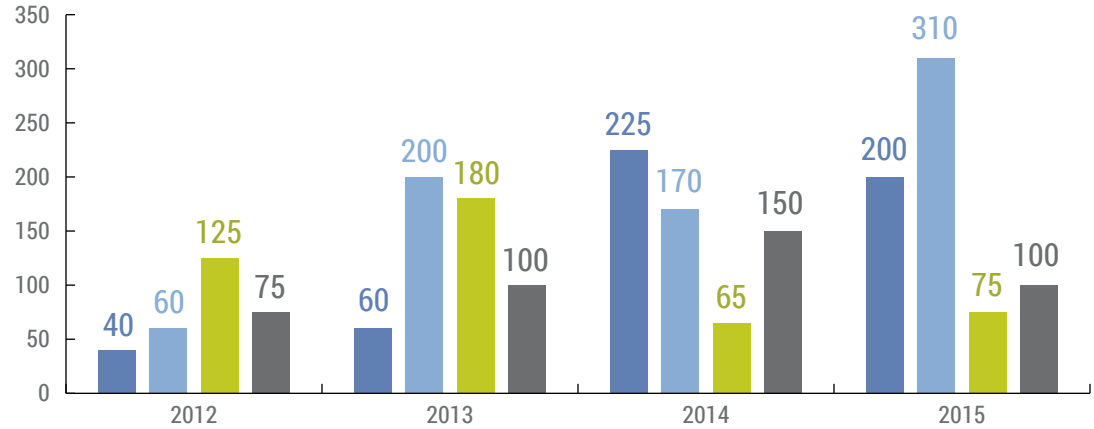


Source: JLL

Vacancy Rate (%) & Take-up (k sqm)



During 2015, 693k sqm of logistics leasing transactions were realized, an increase compared to the same period in 2014



Source: JLL

Main Industrial Markets in Istanbul



Source: JLL

Conclusions

- *With the strong demand and planned supply Turkey is among the emerging markets in the EMEA region.*
- *Marmara Region (Istanbul and Kocaeli in particular) is considered as the primary and the most important logistics market.*
- *Important infrastructure projects such as 3rd bridge, 3rd Airport and Port City Project will have its impact on Turkey's logistics market.*
- *In 2015, significant increase was realized in total volume of leasing transaction.*
 - *Logistics, retail and f&b companies are the most efficient actors in rental business.*
- *With the rapid increase of e-commerce, investments in logistics will be needed in the international standarts especially in the specified regions.*

Vision 2023 for Turkish Real Estate



Final Remarks

Turkish real estate market has been growing and it is projected that it will continue to grow, presenting opportunities and not affected by international and domestic political issues.

Capital Markets Board has in the past 5 years created and imported new instruments, that are projected to enrich the investment and development potentials as well as institutionalization of the market. REIFs being the most recent one.

Thank You

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