GYODER
The Association of Real Estate and Real Estate Investment Companies

Colliers INTERNATIONAL

REstate TURKEY

Issue 3

March 2020

A Close Look to Comparable Markets

RESTATE TURKEY: A Close Look to Comparable Markets
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GYODER CHAIRMAN'S MESSAGE

Foreign Investor's interest in Turkey will continue.

With its natural and cultural riches, as well as its coasts of unrivaled beauty, our country amazes foreign investors.

Turkey is an attractive country thanks to its transportation facilities, tourism and entertainment opportunities and convention tourism. In particular, Istanbul, as a renowned city, draws the attention of investors from all around the globe. Colossal projects, which are built to transform Istanbul into a hub of finance, further increase the level of the attention.

Thanks to years of experience, the Turkish real estate industry is thriving, while dynamically adapting to the status quo. The new regulations, which also grow the financing available to the industry, allow the capital to be inclusive, thereby rendering real estate investments even more attractive.

Current regulations pave the way for our sector to rapidly adapt to the developing world. Moreover, the latest regulations have made the procedures required for acquiring Turkish citizenship much easier for foreigners. The projected sum of 1 million US dollars for purchasing a house to become a citizen has been reduced to 250 thousand US dollars.

Within this framework, in 2018, as new regulations were enacted, the most intense recovery was seen in sales to foreign investors in the real estate sector. Real estate sales to foreigners, which have extremely crucial importance for our sector and economy, started to rise in 2018 and reached US$ 6 billion.

Turkey's socio-economic and political stability as well as its secure environment is highly important. We observe that the foreign investors, who buy real estates in our country, find the comfort and security that they cannot find in their own countries. We believe this situation will continue and the level of real estate sales to foreigners will exceed US$ 10 billion in 2019.

As the Chairman of GYODER, the umbrella organization of the real estate industry, here is what I would like to tell the foreign investors: The Turkish real estate industry will maintain the momentum it gained thanks to the projects on a global-scale and increase this momentum in the forthcoming period.

After comparing our country to the rest of the world, in terms of demographic structure and the economic developments, it is safe to say that our real estate industry offers a greater potential. I urge investors to consider investing in real estate in Turkey, to take advantage of the promising opportunities.

Prof. Feyzullah YETGİN
Chairman of GYODER

INTRODUCTION

We have the pleasure of introducing to you our research on the Turkish real estate market.

On this report, we have conducted a comparative analysis of the Istanbul market with the other major cities in terms of investment yields relating to different real estate sub-sectors over the past years.

You may find in-depth market research of the industrial and logistics market in The Greater Istanbul Area as well as the impacts of "Silk Road Project" to the Turkish logistics market on this report. In addition, the recent boom in online shopping has led to an increased need for e-commerce warehousing space. Investments in large warehouse facilities are required, especially for firms with very large numbers of products, products that are large scale in volume, and wholesale firms.

Office and retail market sections include traditional shopping center and office market analysis with yields, prime rents, consumer confidence indexes and general trends in the market. Also, the part about how the conversion of the lease contracts in shopping centers to Turkish Lira affects the sector can be read in the retail section.

Istanbul Financial Center project in the Kozyatağı/Ataşehir region together with the major finance institutions it will house is expected to transform the Kozyatağı/Ataşehir region into Istanbul's center of attraction and increase demand in this region. We forecast that it will increasingly be perceived as a prestigious office region, and that rents will rise in line with growing demand.

You may also find occupancy rates, ADR and RevPar in Istanbul hotel market and general residential market statistics of Turkey on this report.
We may reasonably interpret the resumption in currency risks and expectation that rents will begin to increase as an indication that appropriate investment conditions have begun to be formed with respect to investors with plans to enter the Turkish market.

We are more than happy to be able to share with you our market knowledge and experience in order to accelerate your success.

Enjoy Reading!

Colliers International Turkey

WHY INVEST IN TURKEY?

Istanbul is the largest city by population with 15 million 519 thousand 267 residents.

Up to 400 point direct flights from Istanbul, 22 direct access to the capital cities within 2 hours.

1.348.729 housing sales annually in Turkey at 2019. It is estimated that 2020 year-end data will be similar to 2019 data.

Turkey's Foreign Direct Investment (FDI) increased by 603.0 USD mn in Dec 2019.

A population of 83.1 mln 46,3% under age 30.

6.5 million residential units are expected to be renovated within the next 20 years, which means a sector of USD 400 billion.

Economical growth 0,9% in 2019-Q3.

Expected to become within the first 15 economy in the world by 2050.

Secondary potential cities for investment: Ankara, İzmir, Antalya, Bursa, Kocaeli and Mersin.

Istanbul, as the financial centre of Turkey, has a growth potential of additional office development.

23 cities over 1 million population.

Turkey is visited by 45,0 mln tourists in 2019.

Implemented urban transformation projects increases the property market of Istanbul.

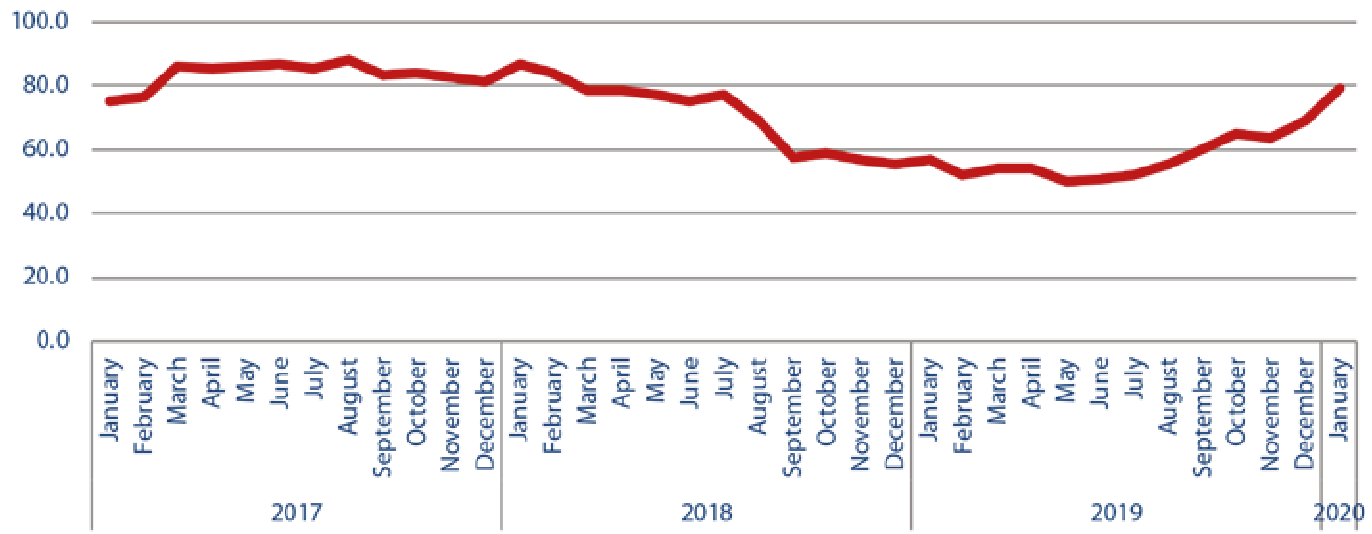
CONSTRUCTION SECTOR

The construction sector feeds many different sub-sectors due to the goods and services it needs. Thus, the construction sector has a very vital role in the Turkish economy due to both the employment it creates and its contribution to the GDP.

The share of the construction sector in GDP was 7.2% in 2018 and this figure decreased to 5.4% in the first three quarters of 2019. The construction sector contracted for five consecutive quarters as of the end of the third quarter of 2019. The sector shrank by 9.8% on average in the first three quarters of 2019 compared to same period of 2018.

In the last quarter of 2019, there was a recovery in the sector when the gradual interest rate cuts were combined with the sales of campaigns that the construction companies made to reduce the stocks. It is possible to read the recovery in the sector from the construction sector confidence index data. The change in the construction confidence index, which is one of the most important indicators of this recovery, is as follows:

CONSTRUCTION CONFIDENCE INDEX



Construction confidence index started to increase in mid-2019 and gained momentum in the last quarter. In 2020, the construction sector maintains its growth potential due to decreasing interest rates, decreasing currency risk and increasing public investments.

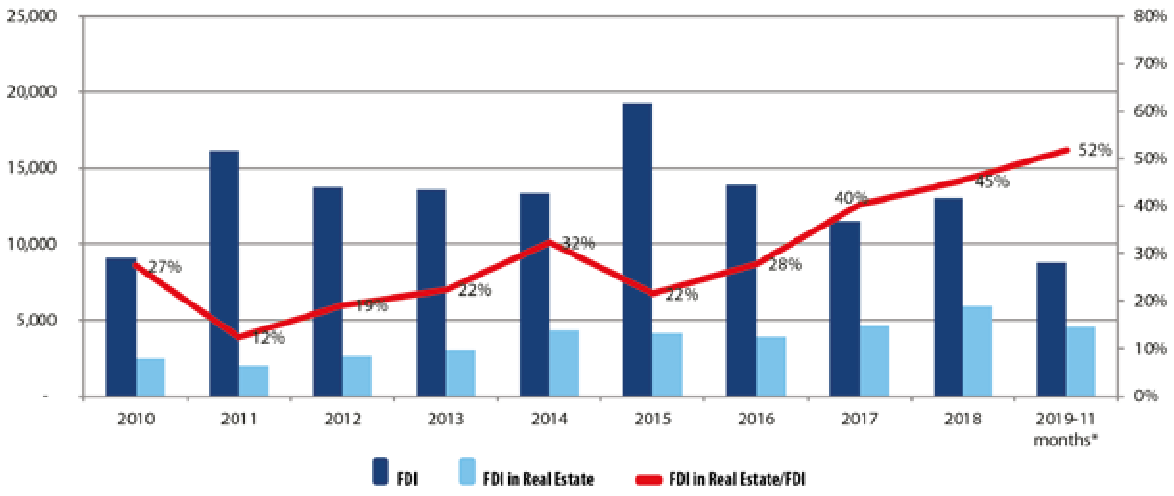
Foreign Direct Investment

According to official balance of payments data, gross FDI into Turkey stood in the region of $8.8 billion for the first eleven months of 2019, of which $4.5 billion was from gross real estate acquisition investments. The share of real estate acquisitions in total FDI during this period was 52%. This ratio represents the share of real estate purchases in revenues.

Legal regulations giving citizenship rights to real estate investors fulfilling certain conditions made a significant contribution to the obvious rise in real estate acquisitions.

Growth potential in the domestic market in recent years, coupled with expected increase in real estate value, has led to growing foreign investor interest in the Turkish real estate market. Factors such as legal regulations facilitating the acquisition of property by foreigners in Turkey, large-scale residential projects, and the phenomenon of migration-driven demand have also had a positive impact on investments in the sector.

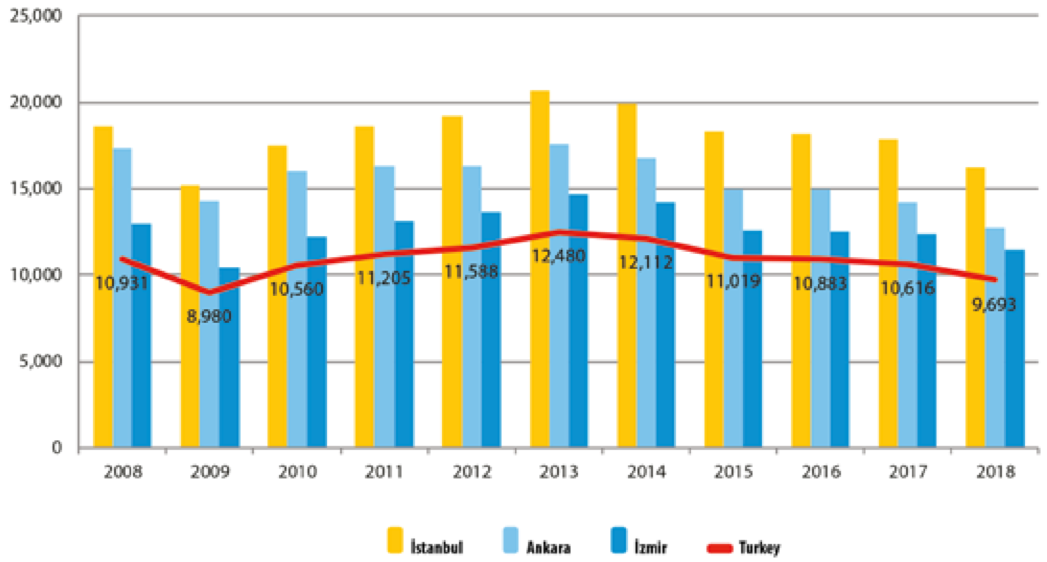
FDI IN REAL ESTATE IN TURKEY (BILLION USD)**



***Source:** Central Bank of Turkey*

(*) temporary data
(**) Data in the chart are those for Foreign Direct Investment and Foreign Direct Investment in Real Estate. The 52% ratio represents the share of real estate purchases in revenues.

GDP per Capita in Turkey

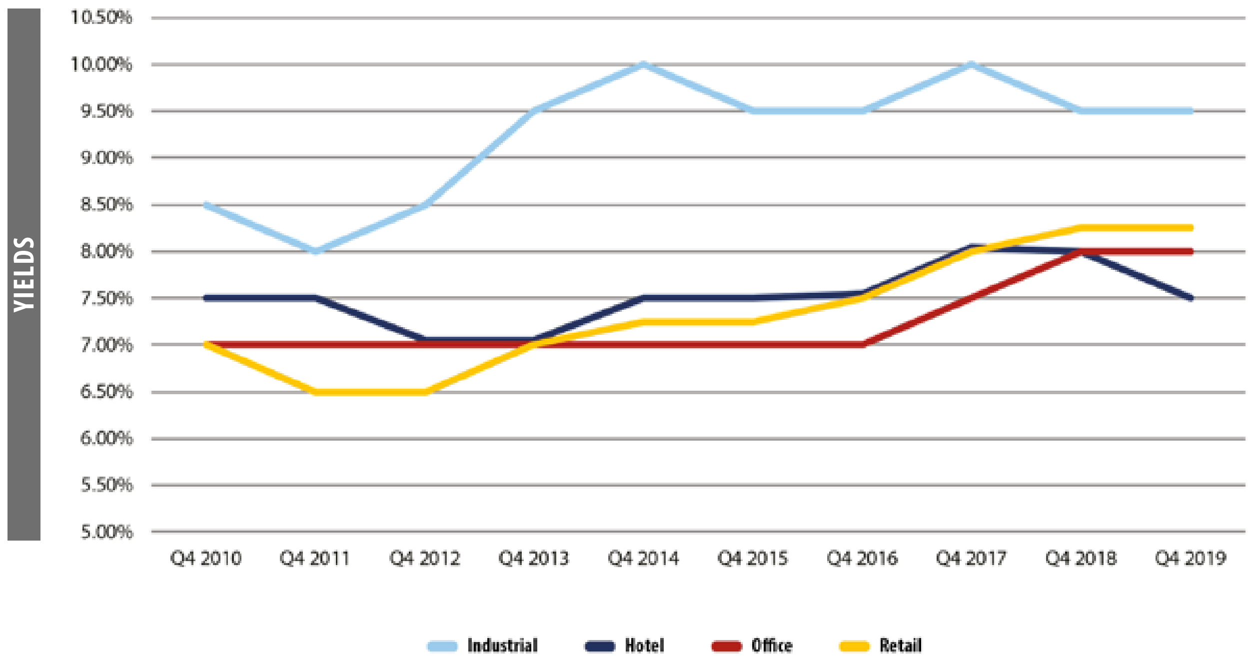


***Source:** TurkStat*

Istanbul led the rankings in terms of per capita gross domestic product in 2018 with a figure of $16,264. Ankara came in third with $12,764, Izmir fifth with $11,505. Turkey's per capita GDP stood at $10,616 in 2017 and at $9,693 in 2018.

INVESTMENT MARKET

REAL ESTATE YIELDS



***Source:** Colliers International*

In terms of transaction volume and scale of supply, the Istanbul real estate market constitutes more than one third of the entire Turkish market. So keeping a finger on the pulse of the market effectively means doing the same for the Turkish market as a whole. As Colliers, we have conducted a comparative analysis of investment yields relating to different real estate sub-sectors over past years.

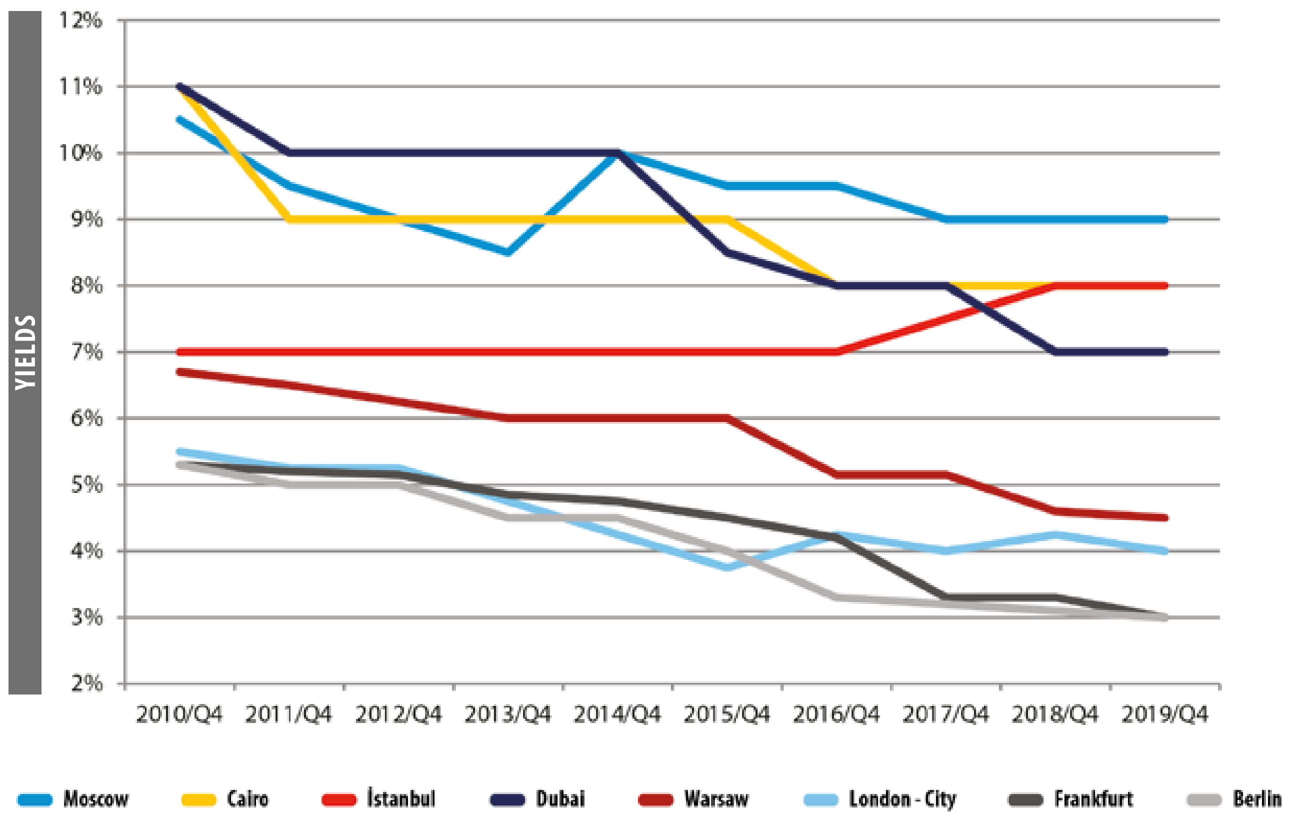
Between the years 2014 and 2016, the impact of escalating geopolitical risks in Turkey combined with an economic slowdown in the country led to flat real estate investment yields. Yields began to rise in 2017, and in 2018 even exceeded the levels it has reached in 2014. The reason for this is the increase of uncertainties arising from geopolitical and foreign exchange rates in the market.

In 2019, the real estate yields in retail, industrial and office sectors followed a horizontal course. The recovery in the tourism sector caused a decrease in hotel yields in 2019.

Our view as Colliers International is that the decline in rents and sales prices will not continue further and will tend to increase in the near future. In addition, the fact that the fluctuation in the exchange rates was brought under control in 2018 also reduces currency risks for investors. These positive developments in the market and good prospects are beginning to create favorable investment conditions for investors.

OFFICE MARKET

OFFICE YIELDS IN SELECTED CITIES



***Source:** Colliers International*

Of all the selected cities, average yields in the Istanbul and Cairo office market come in second after Moscow. We believe that the upward trend in yields that started in Istanbul office market in 2016 will maintain its current levels in the coming period.

Average Rent and Yields

Office Market Indicators - Q4 2019 (Selected Cities)		
	Prime CBD Office Yield	Average Headline Rent - CBD Office (USD/ m²/ month)
Abu Dhabi*	9.00%	$29.00
Amsterdam*	3.20%	$43.36
Athens*	7.00%	$25.73
Belgrade*	8.00%	$18.46
Berlin*	3.00%	$44.76
Bucharest*	7.00%	$20.14
Budapest*	5.00%	$24.62
Cairo	8.00%	$26.50
Dubai*	7.00%	$46.00
Frankfurt*	3.00%	$50.91
Istanbul	8.00%	$34.08
Lisbon	4.75%	$25.73
London - City	4.00%	$82.45
Madrid	3.25%	$40.28
Moscow*	9.00%	$75.00
Munich*	2.75%	$45.87
Paris	3.00%	$80.19
Prague	4.25%	$25.73
Rome	4.00%	$40.09
Sofia	8.00%	$17.90
Vienna*	3.25%	$31.33
Warsaw*	4.50%	$29.09
Zagreb	7.50%	$16.33

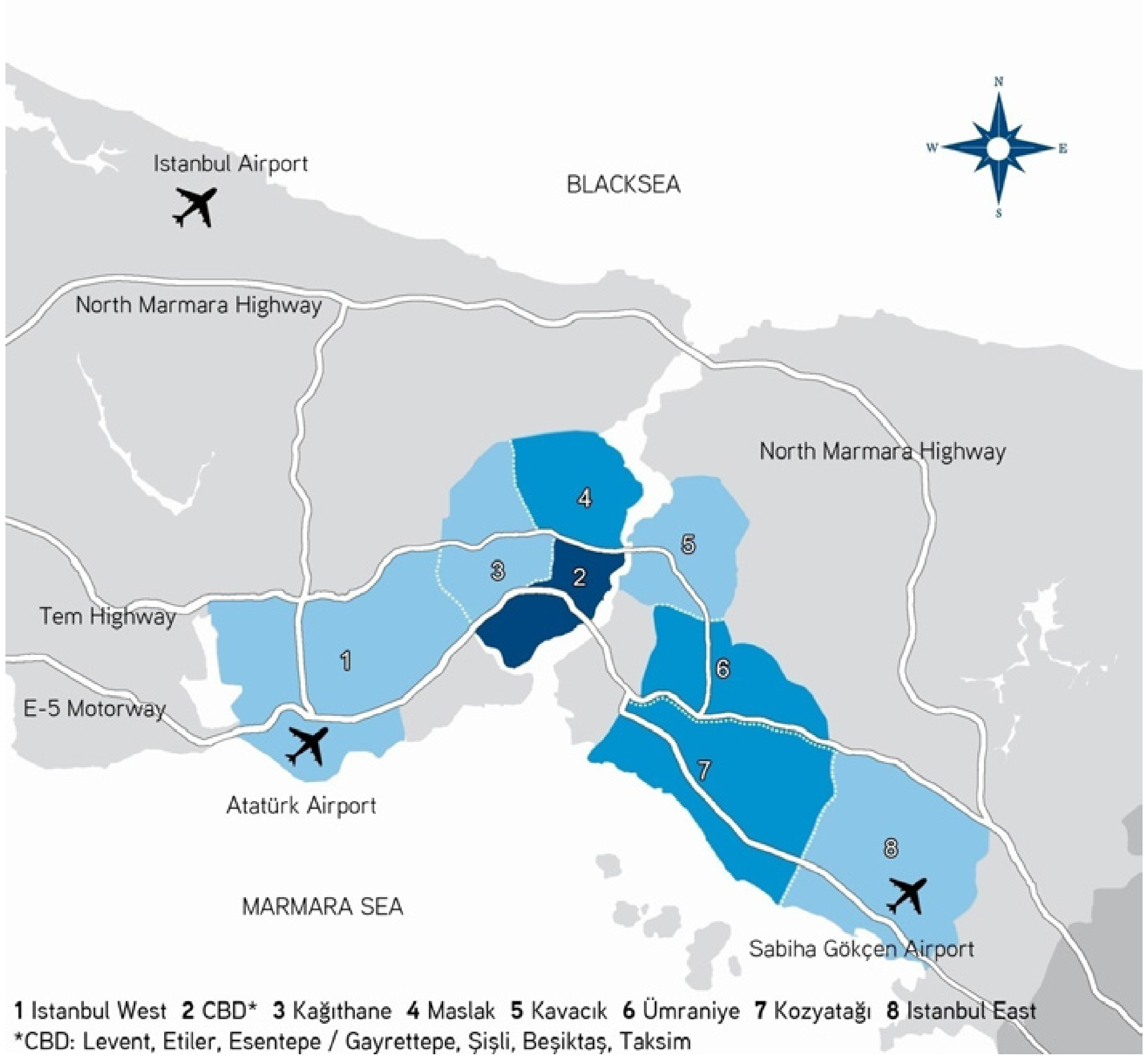
(*) Gross Yields

Source: *Colliers International*

Gross Yield = First years` passing rent (i.e. net effective rent) / Property Price (irrespective of transaction costs)
Net (Initial) Yield = First year`s Net Operating Income (NOI) i.e. the net effective rent less operating expenses (OPEX) / Property Price (irrespective of transaction costs)

Istanbul Office Market

Office areas in Istanbul are analyzed on the basis of classification into a total of 8 sub-regions, 4 on the Asian side of the city and 4 on the European side. The following map shows the office districts in Istanbul:



Source: *Colliers International*

In the second half of 2019, the total area of speculative Class A office stock stood at 2,657,834m².
The distribution and average vacancy rates are as follows:

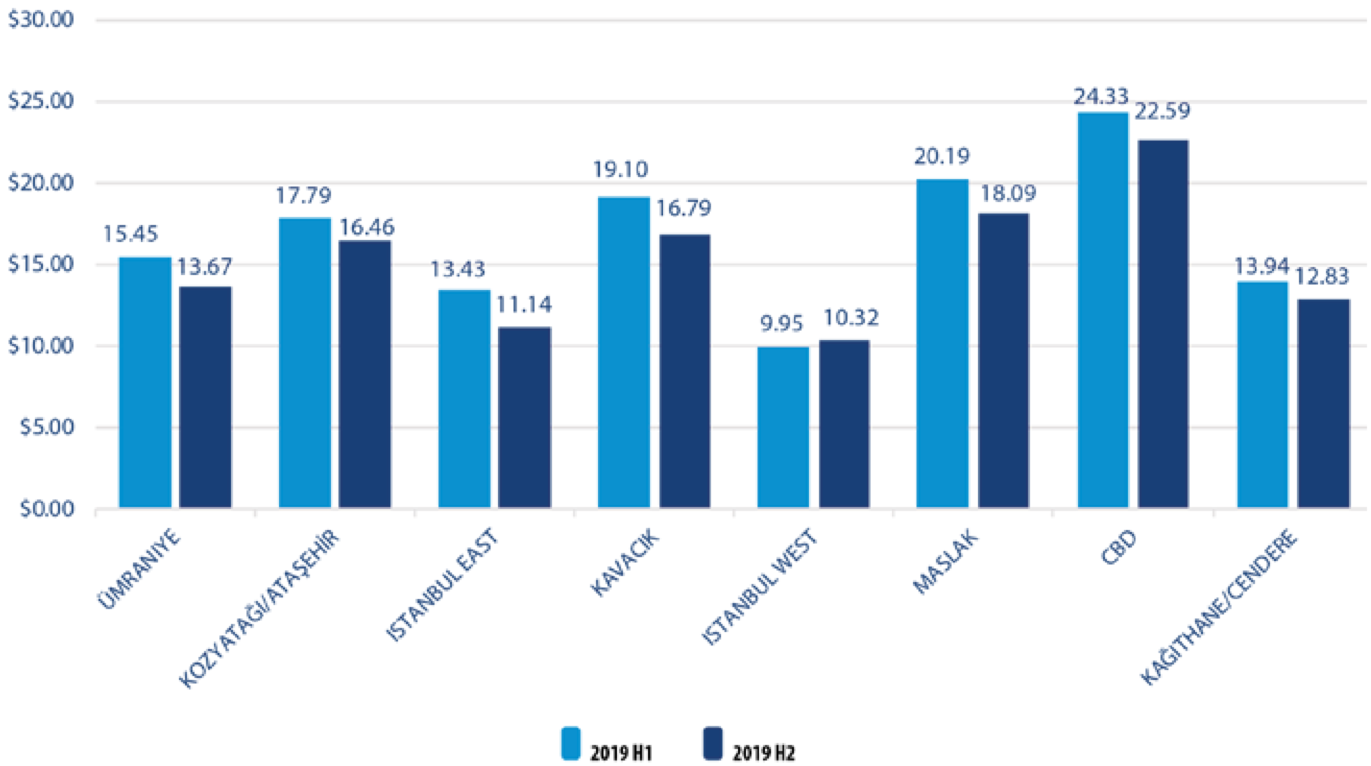
	Class	Total Office Area (m²)	Average Vacancy (%)	Average Asking Rates (USD)
Asia	A	973,417	27%	$14.66
Europe	A	1,684,417	35%	$18.55
Total Istanbul	**A**	**2,657,834**	**32%**	**$17.13**

Source: *Colliers International*

Rents and Vacancy Rates

Office rents increased in the first half of 2019, while rents fell in the second half of the year. The average rent for Class A buildings in Istanbul overall came in at $17.13USD/m²/month in the second half of 2019. Rents in USD decreased by 8% in the second half of 2019 compared to the first half of the year.

ISTANBUL AVERAGE A CLASS OFFICE RENTAL RATES ($/M²/MONTH)



Source: *Colliers International*

In the second half of 2019, average Class A rents in Istanbul West region increased by 4% in USD while rents in other office districts decreased. The highest decrease in the average rental rate was Istanbul East region with a rate of 17%.

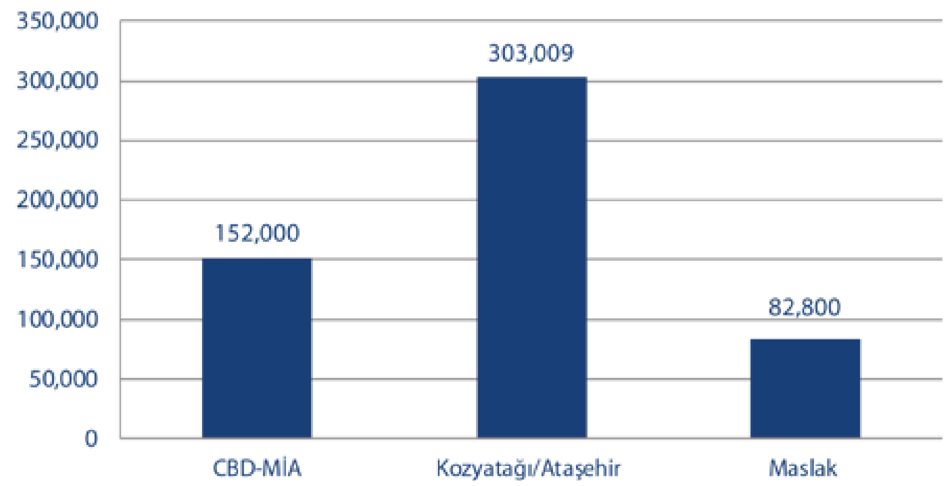
The decline in rental rates throughout Istanbul had a positive effect on vacancy rates. The average vacancy rate for Class A offices in Istanbul decreased to 32.34% in the second half of 2019 compared to the first half of the year.

The region that saw the steepest fall in vacancy rates was Ümraniye while Kavacık is the only region where the vacancy rates were increased.

Future Stock

537,809m² of leasable office space is set to be added to supply within the next 3 years, 56% in Kozyatağı/Ataşehir, 28% in the CBD and 15% in Maslak regions.

ISTANBUL A CLASS OFFICE FUTURE STOCK BY REGIONS - M²



Source: *Colliers International*

Summary

We believe that average rents in USD terms for Class A offices in Istanbul's office regions will continue to decrease and consequently the decrease in vacancy rates will continue through to the first half of 2020. We estimate that the yields of Class A offices will remain stable in the short term.

We anticipate that demand for office space from the private education and private healthcare sectors that have undergone a period of rapid growth in recent years will continue moving forward. Demand from these sectors will impact falling office vacancy rates.

Istanbul Financial Center

Construction of Istanbul Financial Center, which is planned to be an important financial center of Turkey, is under construction. The Istanbul Financial Center project will house the Headquarters of the Banking Regulation and Supervision Agency (BDDK), the Central Bank, the Capital Markets Agency, Ziraat Bank, Halkbank, Vakıfbank and other institutions.

TWF (Turkey Wealth Fund) announced in September 2019 that it plans to take over 465,000m² of the IFM project. In the event of this partnership, the project is planned to be completed in 2022.

With the draw of the Istanbul Financial Center complementing the region's existing accessibility and advanced infrastructure advantages, Kozyatağı – Ataşehir has begun to gain prominence as one of the Asian side's leading office regions. This is expected to have an imminent positive impact on demand for office and residential space in the region's environs.

Financial center project in the Kozyatağı/Ataşehir region together with the major finance institutions it will house is expected to transform the Kozyatağı/Ataşehir region into Istanbul's center of attraction and increase demand in this region. We forecast that it will increasingly be perceived as a prestigious office region, and that rents will rise in line with growing demand.

With approximately 1.3 million m² of office stock, the Istanbul Financial Center comes in below other finance centers such as the City of London with 9 million m², Dubai with 7 million m², and Paris La Défense with some 4 million m². Drawing a comparison with office stock in other financial centers, it seems possible to decrease unoccupied office stock in the region with the growing prestige of the Istanbul Finance Center and an interest from international banks and finance institutions.

Istanbul Airport

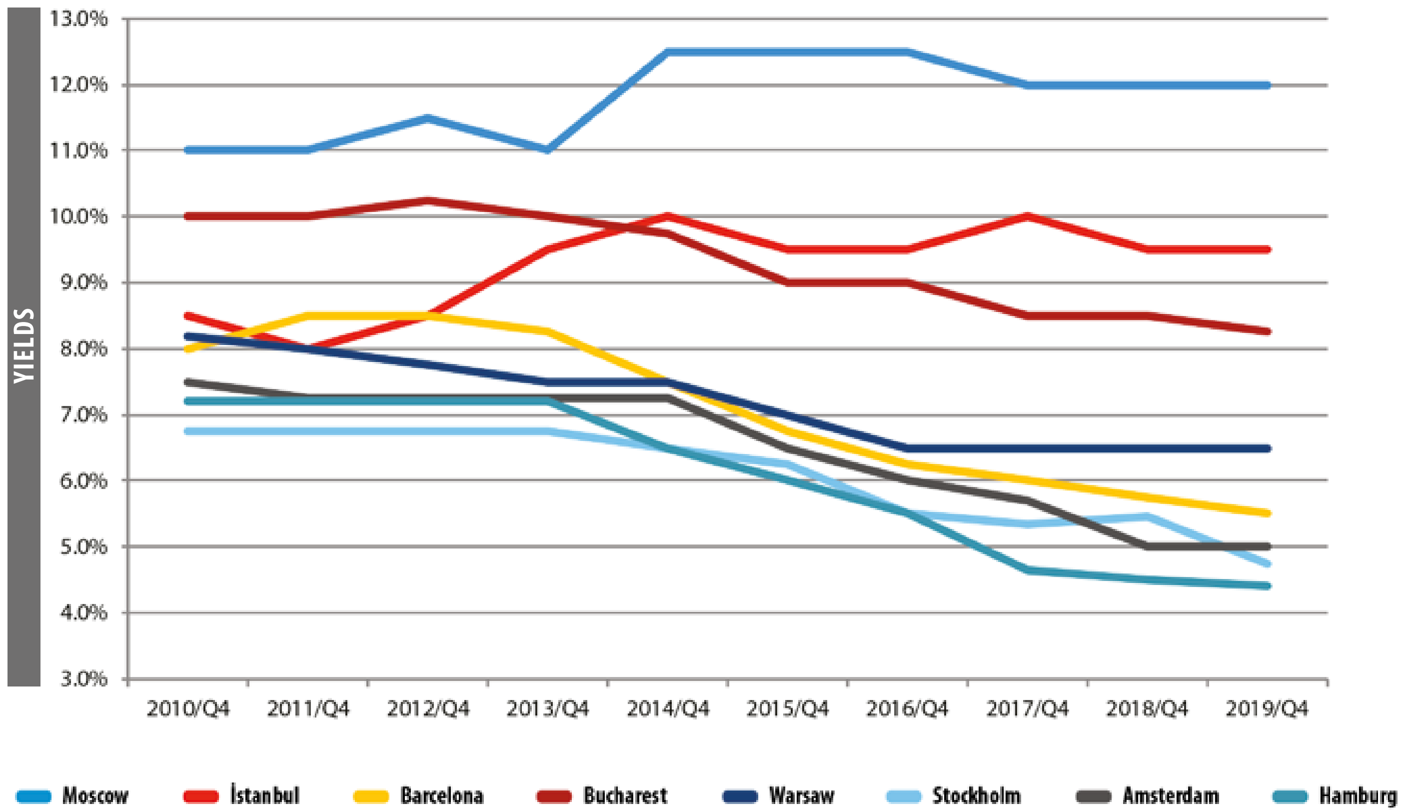
Istanbul's third airport is being constructed on 76.5 million m² of land between the villages of Tayakadın and Akpınar in the north of the city's European side. The four-phase project includes 6 runways, a 5-star hotel, office buildings and a fair and exhibition area.

Construction of the first phase of the airport is completed. Istanbul Airport officially opened on October 29 2018, with domestic and international flights started from the new airport in April 2019. The completion of the final phase is slated for 2028.

The project is also expected to hike office investments towards the north of the Istanbul city center as the region's transportation facilities increase. Istanbul Airport, which will be one of the most important transport and transfer centers in Europe, will initiate an expansion of business zones heading to the north of European side of Istanbul.

INDUSTRIAL MARKET

INDUSTRIAL YIELDS IN SELECTED CITIES



Source: *Colliers International*

It is noteworthy that yields for logistics and industrial facility decreased to 9.5% and we expect it to remain at these levels in the short term.

Average yields in the Istanbul industrial market came in 2nd after Moscow in the cities that were surveyed. On a continuous upward trend since 2011, yields in the Istanbul industrial market constitute a significant opportunity for international investors, especially when we consider the industrial business volume expected to be generated by the planned Silk Road project.

Average Rent and Yields

Office Market Indicators - Q4 2019 (Selected Cities)		
	Prime CBD Office Yield	Average Headline Rent - CBD Office (USD/ m²/ month)
Abu Dhabi*	9.00%	$29.00
Amsterdam*	3.20%	$43.36
Athens*	7.00%	$25.73
Belgrade*	8.00%	$18.46
Berlin*	3.00%	$44.76
Bucharest*	7.00%	$20.14
Budapest*	5.00%	$24.62
Cairo	8.00%	$26.50
Dubai*	7.00%	$46.00
Frankfurt*	3.00%	$50.91
Istanbul	8.00%	$34.08
Lisbon	4.75%	$25.73
London - City	4.00%	$82.45
Madrid	3.25%	$40.28
Moscow*	9.00%	$75.00
Munich*	2.75%	$45.87
Paris	3.00%	$80.19
Prague	4.25%	$25.73
Rome	4.00%	$40.09
Sofia	8.00%	$17.90
Vienna*	3.25%	$31.33
Warsaw*	4.50%	$29.09
Zagreb	7.50%	$16.33

(*) Gross Yields

Source: *Colliers International*

Gross Yield = First years` passing rent (i.e. net effective rent) / Property Price (irrespective of transaction costs)
Net (Initial) Yield = First year`s Net Operating Income (NOI) i.e. the net effective rent less operating expenses (OPEX) / Property Price (irrespective of transaction costs)

Industrial Sub-regions

Our industrial market research divides Istanbul and its near vicinity into 8 sub-regions. The sub-regions under analysis consist of Dudullu and Tuzla on the Asian side of the city, and Esenyurt-Kıraç and Silivri on the European side. The industrial sub-regions under examination in neighboring provinces are Gebze and Dilovası in the province of Kocaeli, and Çerkezköy and Çorlu in the province of Tekirdağ.

Current Situation

Industrial Market (m²)*	
Owner Occupied Space	3,691,235
Total Leasable Stock	4,704,689
Vacant Space	974,919
Subtotal	**8,395,924**
Under Construction Projects	377,200
Planned Projects	194,390
Total	**8,967,514**

(*) The data specifies all industrial stock that is leasable, sellable or usable by the owner.

Source: *Colliers International*

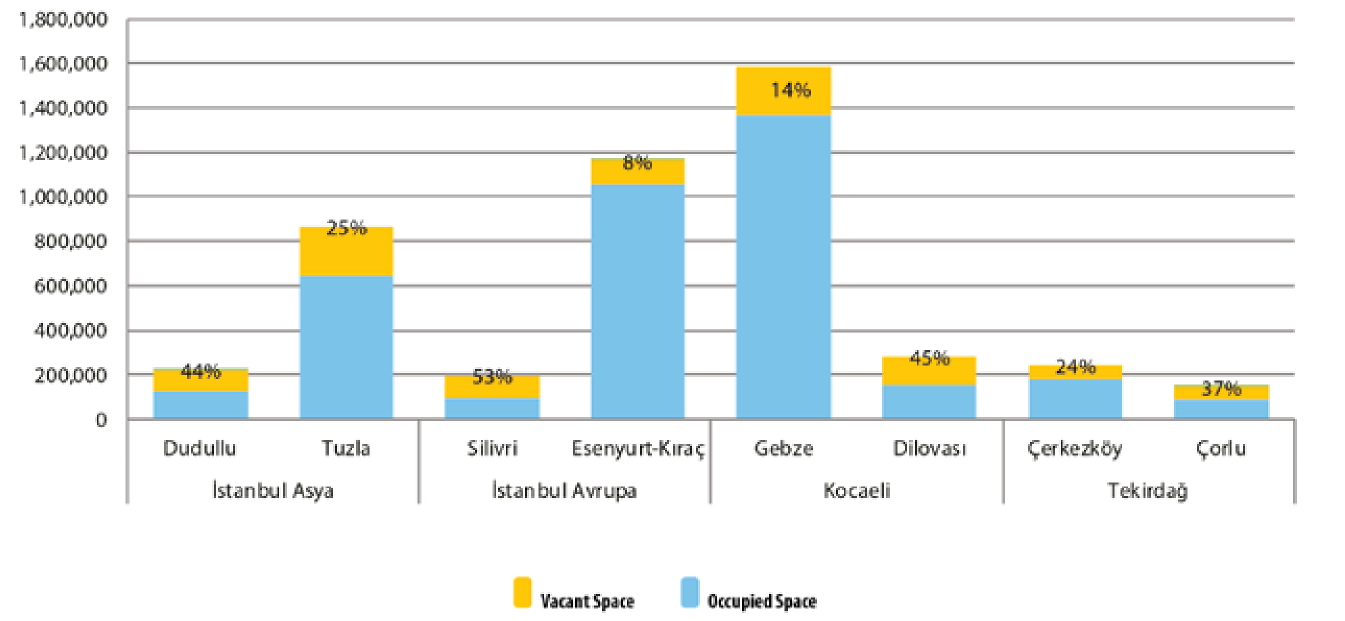
Analysis of the current situation in the industrial market in Istanbul and its environs reveals that 94% of total supply consists of existing leasable / sellable stock, 4% projects under construction, and 2% projects that remain in the planning stage.

Vacancy Rates

Fifty six percentage of the existing stock in the industrial market in Istanbul and its environs constitutes leasable space. The vacancy rate of the total of 4,704,689m² existing leasable stock stands at 21%.

The distribution of total existing and under-construction supply, and average vacancy rates, by region, is shown below:

AVERAGE VACANCY RATES



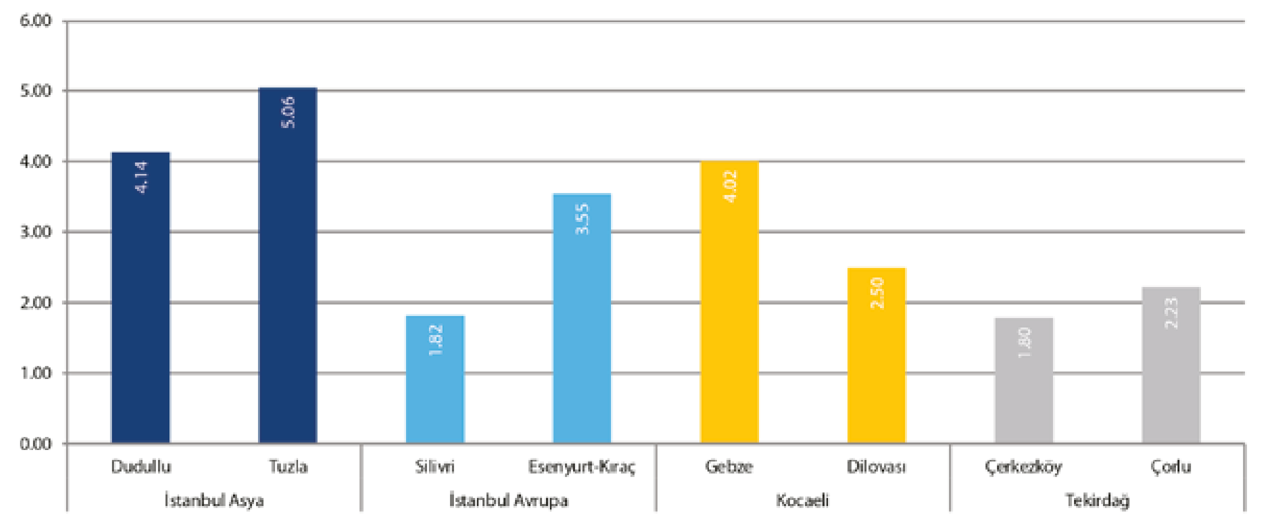
Source: *Colliers International*

Compared to the first half of 2019, there was a significant increase in the vacancy rates in Dudullu, Silivri, Dilovası and Çerkezköy regions, while a small increase was observed in other regions. Compared to the same period of the previous year, vacancy rates increased in all industrial regions. The main reason for vacancy rate rises was limited stock depletion in the face of growing supply in these regions due to the coming on stream of new facilities.

Rent Rates

Asking rents in the second half of 2019 are shown in the chart below:

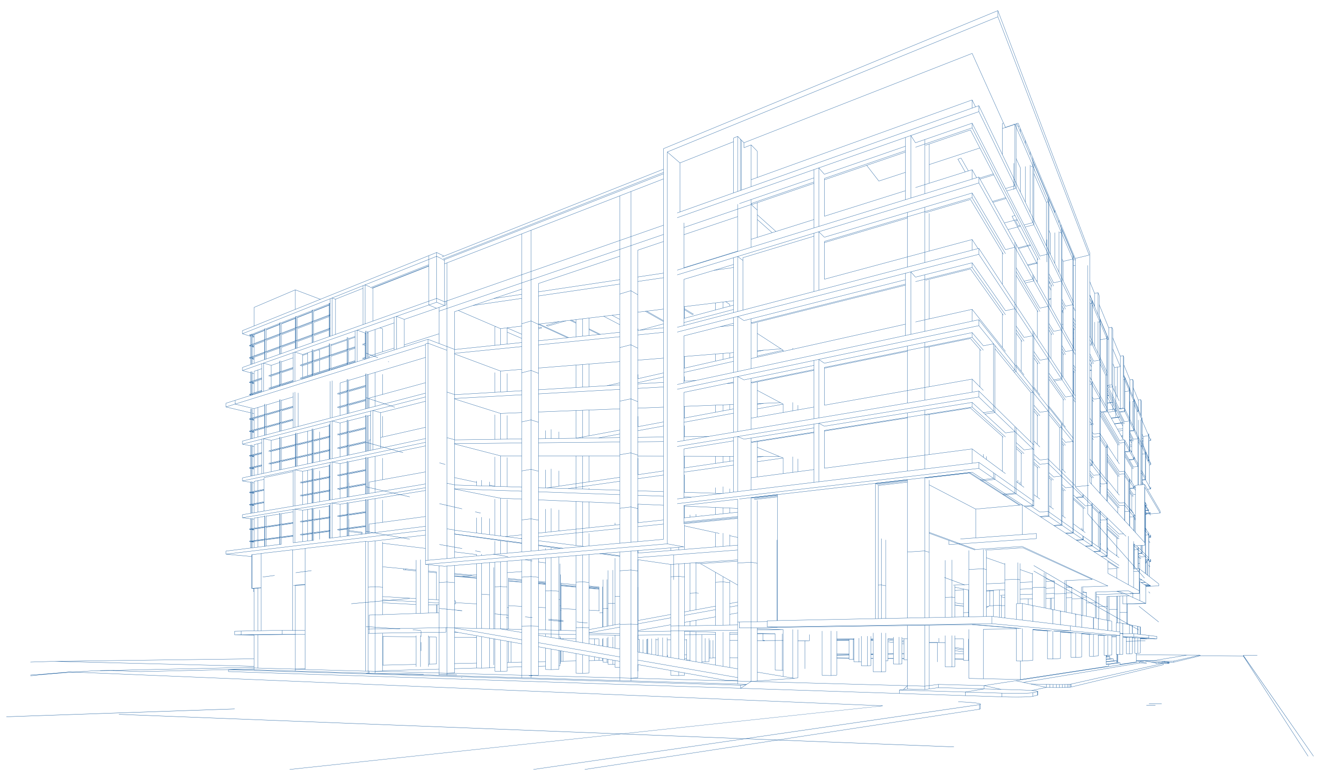
AVERAGE RENTAL RATES FOR FACILITIES ($/M^2/MONTH)



Source: *Colliers International*

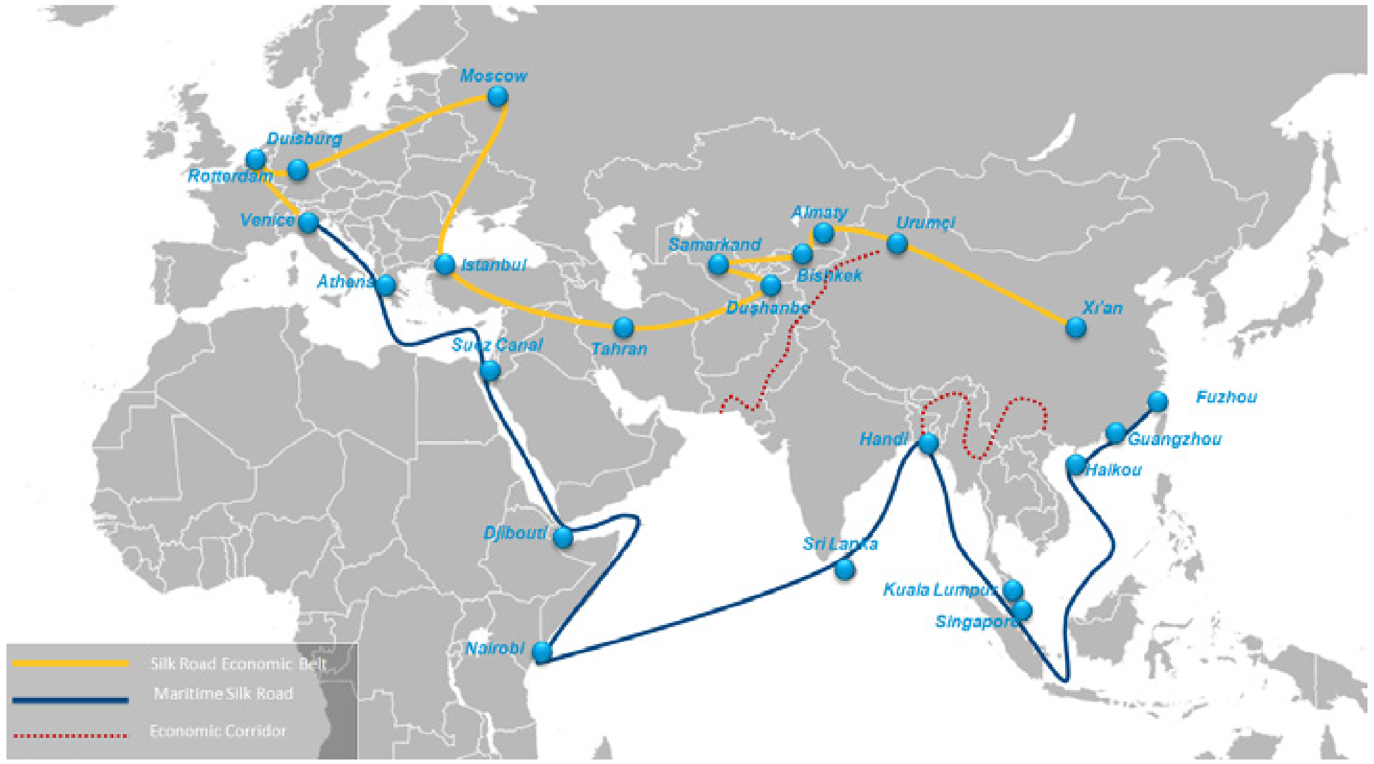
There has been a year-on-year increase in average industrial rents in all the regions except Gebze and Dilovası. Throughout 2020, we expect that the average rental figures for logistics and industrial facility rents will increase slightly in TL terms.

The recent boom in online shopping has led to an increased need for e-commerce warehousing space. Investments in large warehouse facilities are required, especially for firms with very large numbers of products, products that are large scale in volume, and wholesale firms. This has led to an increase in demand by firms for warehouse facilities with features such as high ceilings, large space between supporting columns, developed technical infrastructure and easy transportation access. The fact that short delivery times gives additional importance to rapid, easy access to products leads us to believe that the demand for warehousing in close proximity to airports and main transport hubs shall continue to rise.



SILK ROAD PROJECT

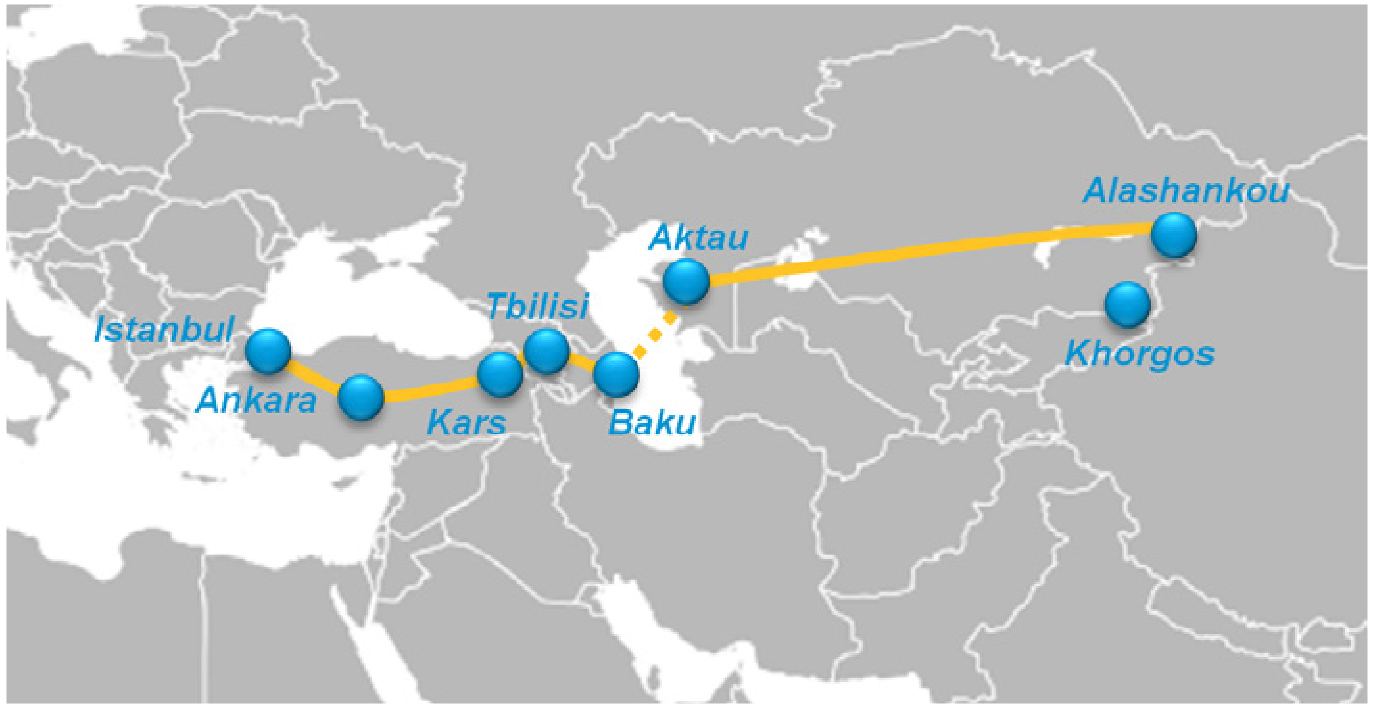
The "New Silk Road Project" unveiled at the New Silk Road Summit held in Beijing in May 2017 aims to connect more than 65 countries by land, sea and railway.



Source: *www.weforum.org, Colliers International*

Internationally entitled the "One Belt One Road Initiative", the project envisages development along 6 distinct lines. One of the six lines will pass through Turkey. The "China-Middle Asia and West Asia Economic Corridor", which crosses Turkey, will link China, Central Asia, Russia and Europe. The One Belt, One Road initiative partly dovetails with other infrastructure development programs undertaken by other regional economies.

With this project, a cargo departing from China will be transported to Europe within 12 to 15 days by train, which takes 40 days by sea. For now, the political significance of the Silk Road seems to outweigh the actual economic/trade benefits, with many projects still in an early phase or yet be signed off. Also, several projects are energy-related (pipeline construction) rather than focused on the construction of manufacturing capacity. However, as connections/infrastructure improves and trade barriers are removed, it's easy to see how trade between the eastern-western blocks and regional economies could increase. Furthermore, it could open up areas once seen as remote and geographically isolated, to new investment.



***Source:** FT, Colliers International*

Turkey is strategically located between European countries and Asia in the Silk Road's middle corridor. Turkey's crucial logistic positioning within the scope of the planned project has given the country's industrial spaces and warehousing areas additional significance. The completion of some strategic projects will enhance its appeal as a manufacturing and, increasingly, regional distribution hub. These include the Baku-Kars railway route, which connects Turkey's eastern borders to the Caspian Sea coast in Azerbaijan, where freight arrives by ferry from Kazakhstan.

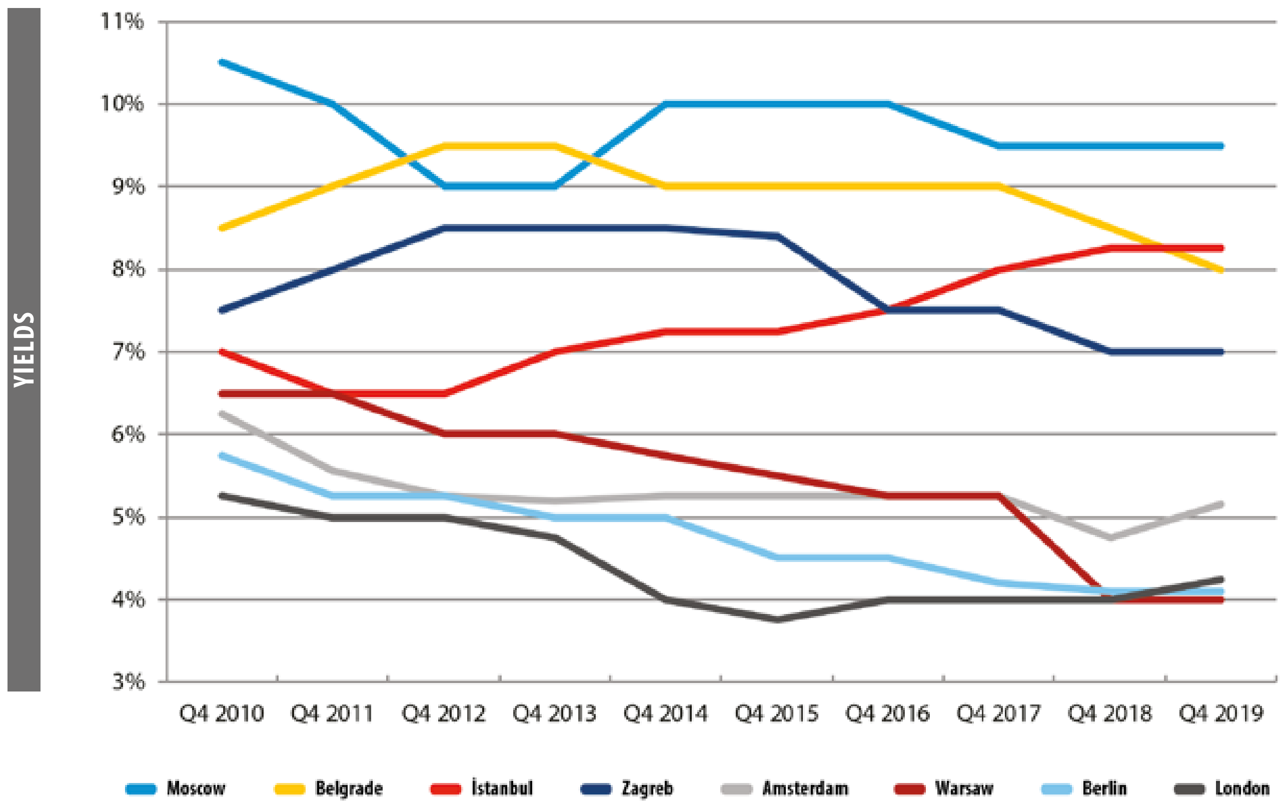
The Baku-Tbilisi-Kars Railway Line which is a part of Silk Road Project has a total length of 838km. 76km of the line, which was opened in October 2017, pass through Turkey, 259km through Georgia, and 503km through Azerbaijan. It is slated to be a significant alternative to the railway links between China and Europe passing over Russia. Its passenger and freight capacities are projected to rise to 3 million passengers and 17 million tons respectively, by 2034.

Various Turkish railway upgrading projects are set to increase accessibility to the project's various logistic centers. There are also plans to connect major ports such as Istanbul-Ambarlı and Izmir-Çandarlı to the main railway line. These connections will serve to integrate Turkey's regional and global supply chains and boost the global role of Turkey's logistics sector.

Essentially encompassing trade and commerce in goods, the New Silk Road also represents a major potential for the energy sector. Energy transfer infrastructure work is also planned within this framework.

RETAIL MARKET

RETAIL YIELDS IN SELECTED CITIES



***Source:** Colliers International*

On the rise ever since 2012, average yields in the Istanbul retail market take 2nd place among the cities surveyed after Moscow, and are expected to continue their upward trend.

Average Rent Rates and Yields

Gross Yield = First years` passing rent (i.e. net effective rent) / Property Price (irrespective of transaction costs)
Net (Initial) Yield = First year`s Net Operating Income (NOI) i.e. the net effective rent less operating expenses (OPEX) / Property Price (irrespective of transaction costs)

Retail Market Indicators - Q4 2019 (Selected Cities)		
	Prime Traditional SC Yield	Prime Traditional SC Headline Rent - in-line Tenants (USD/ m²/ month)
Amsterdam*	5.15%	$135.2
Belgrade*	8.00%	$78.3
Berlin*	4.10%	$202.1
Bucharest*	6.50%	$83.9
Budapest*	5.50%	$89.5
Cairo	9.00%	$45.0
Dubai*	0.00%	$125.0
Istanbul	8.25%	$85.0
London	4.25%	$249.1
Madrid	4.75%	$95.1
Moscow*	9.50%	$135.7
Paris	3.00%	$166.7
Prague	4.75%	$151.1
Rome	5.00%	$73.0
Vienna*	5.00%	$134.3
Warsaw*	4.00%	$134.3
Zagreb	7.00%	$20.7

(*) Gross Yields
Source: *Colliers International*

Retail Market in Turkey

Our analysis of the shopping center market incorporates only centers which have a tenant mix of minimum 25 retailers, and a total leasable area of minimum 5.000m².

As of the second half of 2019, the total leasable area of the 425 shopping centers in operation throughout Turkey stood at 13,018,615m², a 2% rise over the figure for the end of 2018.

10 shopping centers were opened in 2019. With 58 new shopping centers set to open in Turkey in the next three years, the total leasable area will reach 14,784,346m².

As of the second half of 2019, 65 of Turkey's 81 provinces host shopping centers. Forty nine percent of the total leasable shopping center area in Turkey is in the provinces of Istanbul and Ankara, which house 25% of Turkey's population.

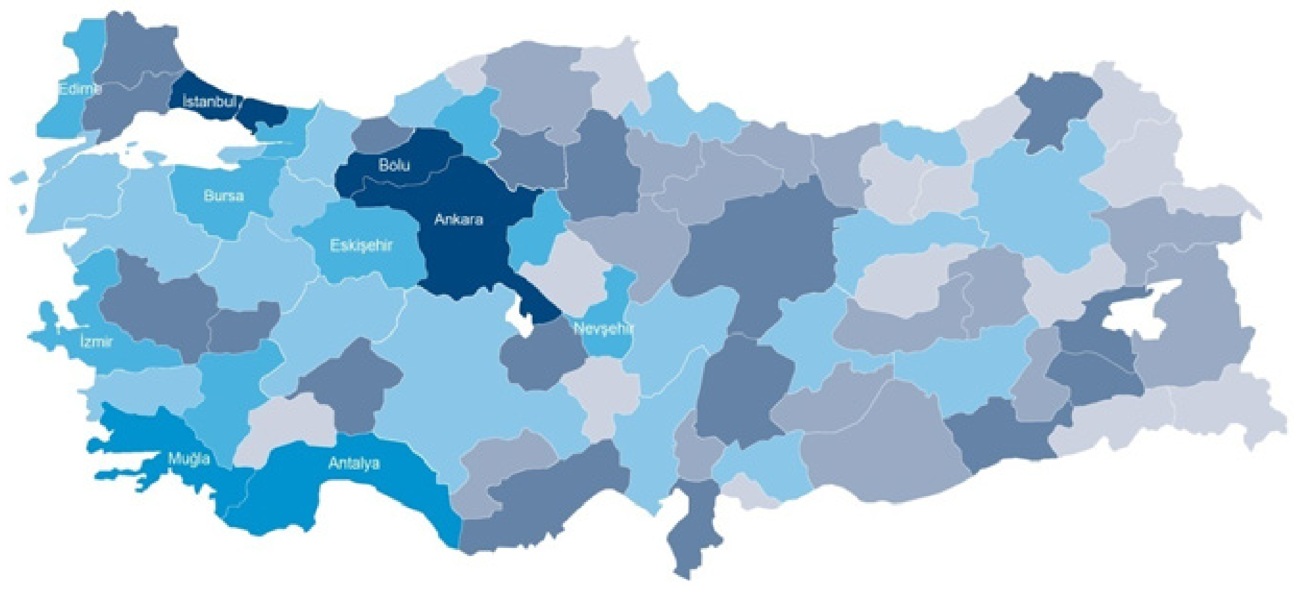
Cities Gross Leasable Area/1,000 person *									
Cities		Population	Current Stock				Gross Leasable Area (GLA)	Future Stock	
			No of Shopping Centers	%	Total Leasable Area (sq m)	%		No of Shopping Centers	Total Leasable Area (sq m)
1	İstanbul	15,519,267	122	28.7%	4,761,459	36.6%	307	9	233,410
2	Ankara	5,639,076	39	9.2%	1,625,212	12.5%	288	3	135,000
3	Bolu	316,126	4	0.9%	89,600	0.7%	283	0	0
4	Muğla	983,142	15	3.5%	231,355	1.8%	235	2	24,700
5	Antalya	2,511,700	16	3.8%	510,358	3.9%	203	3	69,500
6	İzmir	4,367,251	27	6.4%	808,331	6.2%	185	5	237,150
7	Edirne	413,903	4	0.9%	75,678	0.6%	183	0	0
8	Nevşehir	303,010	2	0.5%	49,797	0.4%	164	0	0
9	Bursa	3,056,120	14	3.3%	498,044	3.8%	163	2	73,000
10	Eskişehir	887,475	5	1.2%	143,943	1.1%	162	1	15,000
Top 10 City Total		33,997,070	248	58.4%	8,793,777	67.5%	259	25	787,760
Turkey Total		83,154,997	425	100.0%	13,018,615	100.0%	157	58	1,765,731

Source: *Colliers International*

Bolu maintains the third place ranking with 283m² of leasable area per 1,000 people. Turkey's third largest province, Izmir, moved up to 6th from 10th in 2019.

RETAIL MAP OF TURKEY

The total leasable shopping center area per 1,000 people for Turkey as a whole reached 157m² as of the second half of 2019. Considering the fact that the same average figure for Europe stands at 259m² demonstrates that Turkey maintains its development potential with respect to shopping center investments.

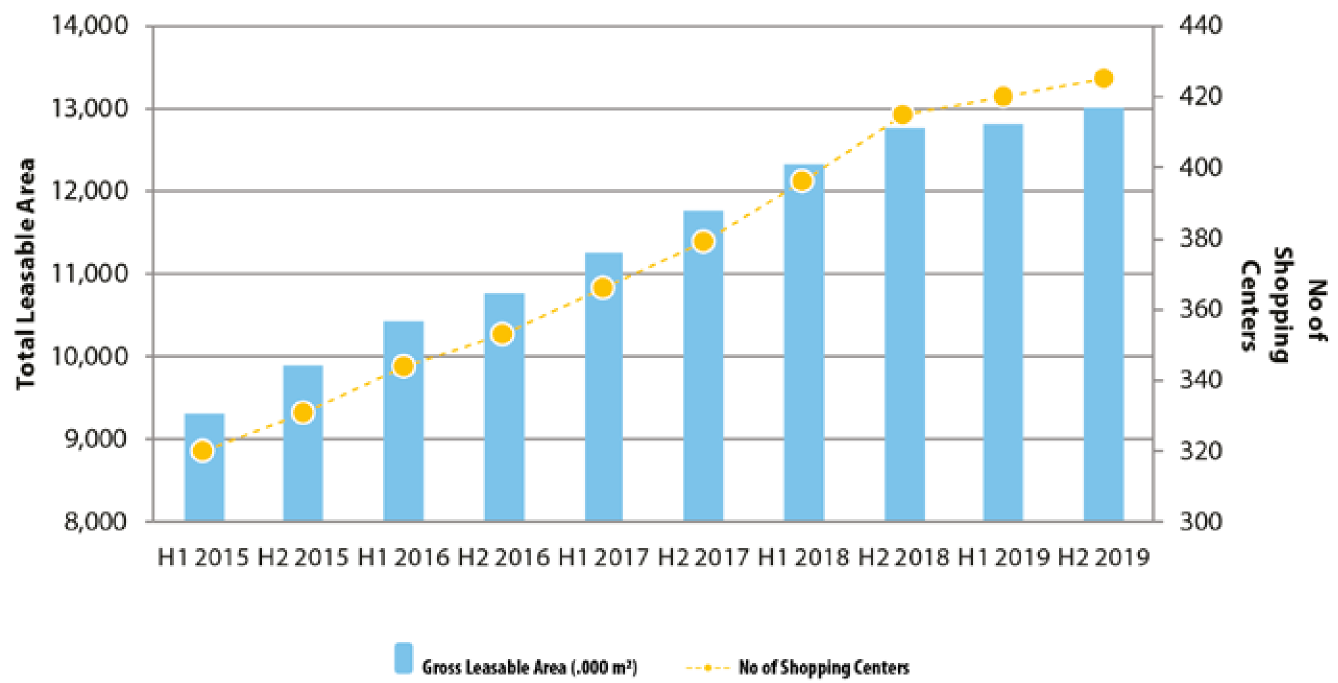


Source: *Colliers International*

GLA per 1,000 People	0	0-50	51-100	101-150	151-200	201-250	251+

The chart below shows the total leasable area of shopping centers in Turkey and changes recorded over the past four years.

CHANGE OF GROSS LEASABLE AREA AND NUMBER OF SHOPPING CENTERS IN TURKEY



Source: *Colliers International*

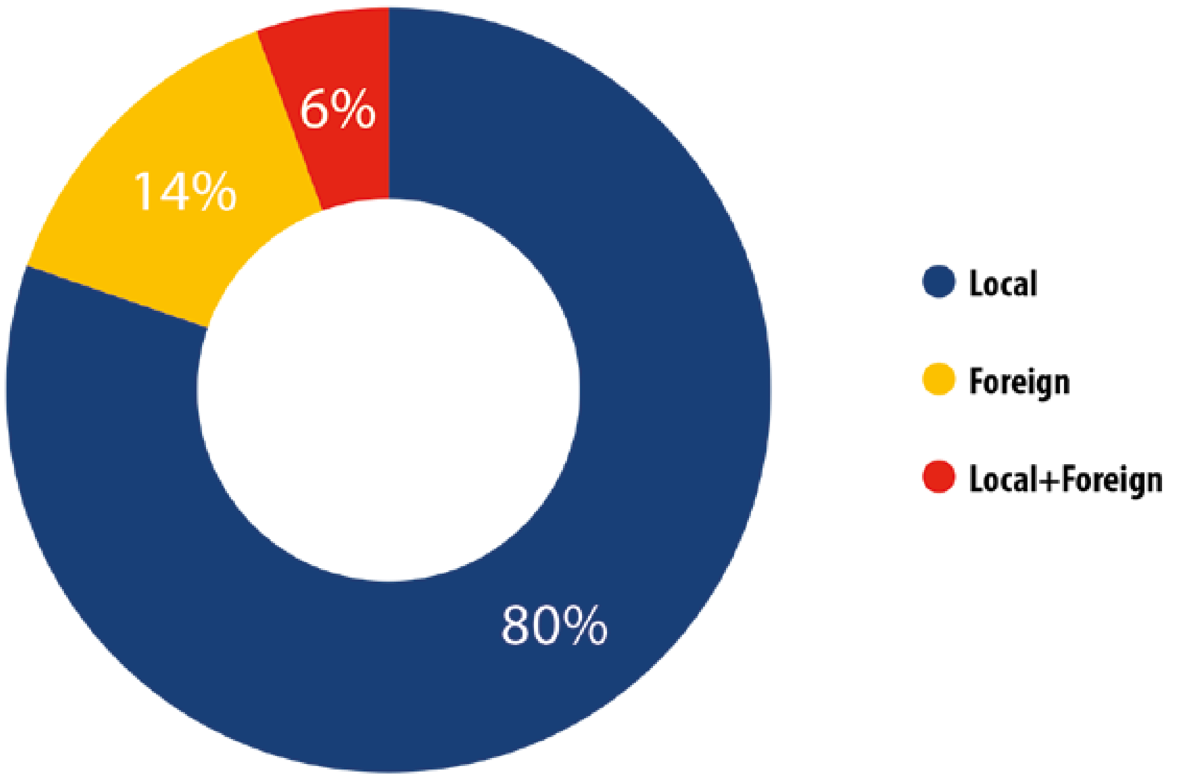
An overview of the past two years demonstrates a slowdown in the growth in the number of shopping centers and their total gross leasable area. Our view is that this situation, the result of saturation in shopping center space in certain regions and provinces, is set to continue in the coming period.

In line with the harsher competitive conditions associated with the current growth of the share of e-commerce and s-commerce platforms in total retail volume, traditional retailers are focusing more on the more effective use of technology and consumer data analysis directly to reach their target customer groups.

Growth in e-commerce and s-commerce share decreased the number of visits in shopping centers. Thus, shopping centers began to transform into lifestyle centers in order to increase demand. Efforts to maintain and increase the turnover and visit numbers of shopping centers continue. In this context, the importance of integration of shopping centers with the theme and social media uses and urban areas (business areas, socio-cultural areas, assembly-distribution areas, important transportation axes etc.) is increasing.

Examining the distribution of domestic and foreign capital in shopping center investments in Turkey as whole, approximately 80% of total shopping center leasable area is made up of domestic investors; 14% foreign investors; and 6% domestic/foreign joint ventures.

CAPITAL DISTRIBUTION*



(*) The distribution is calculated over the total leasable area.

Source: *Colliers International*

In October 2018, a very important regulation concerning both Shopping Center investors and tenants was launched. Due to the rapid depreciation of the Turkish Lira, tenants faced the difficulty of paying the rents in lease contracts made in USD Dollars. In order to curb the stagnation in the sector, it was decided to cover all the lease contracts in Turkish Lira and put into effect in October 2018. This situation has reduced the risks caused by exchange uncertainty from the point of view of tenants. However, the rents collected in terms of Turkish Lira became an important disadvantage for the shopping center investors borrowed in foreign currency. It is seen that this new regulation has slowed down the investments in the retail sector.

The following statement is included in the new issued regulation:

"In residential and workplace lease contracts, the prices determined as foreign currency will be determined as Turkish currency for a two-year period." Since this explanation is insufficient, there are different views on this subject.

There are those who interpret this statement that the obligation to return to the Turkish lira in lease contracts will end in October 2020. And at the end of 2 years, it will be possible to rent again in foreign currency.

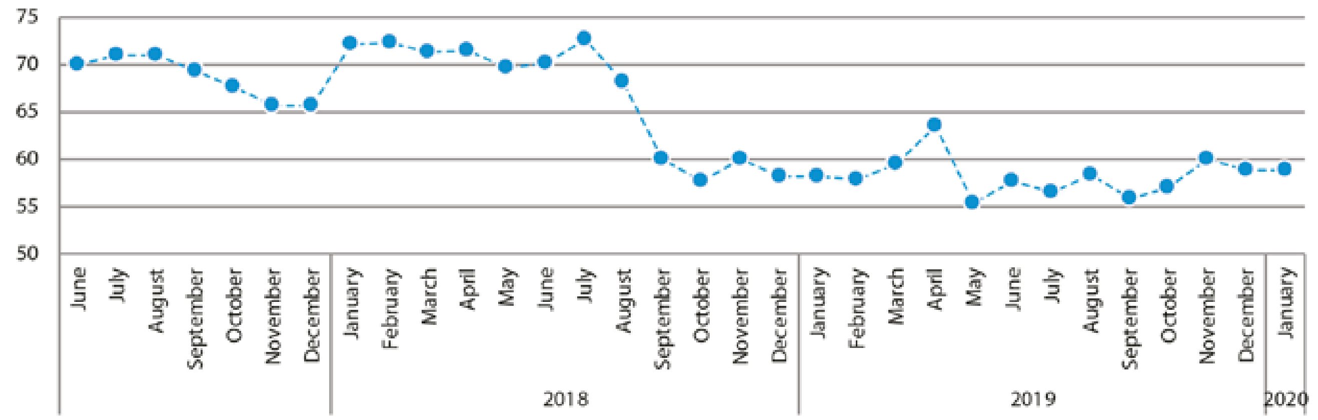
Another view on this issue is that the validity period of the rental value in Turkish Lira, which was determined on the date when the lease contracts were converted into Turkish Lira, will expire after 2 years. At the end of 2 years, the contracts will continue to be made in Turkish lira, but the rental fee will be determined again.

This issue is expected to be clarified until October 2020. After the clarification of this issue, we expect the market will be interpreted more clearly by the investors and market players.

Consumer Confidence Index

According to results from the Consumer Confidence Index carried out in cooperation between the Turkish Statistics Board and the country's Central Bank, while the figures for 2019 were lower than 2018. Index started to decline in August 2018 and continued to be below 60 until January 2020, except April 2019.

CONSUMER CONFIDENCE INDEX

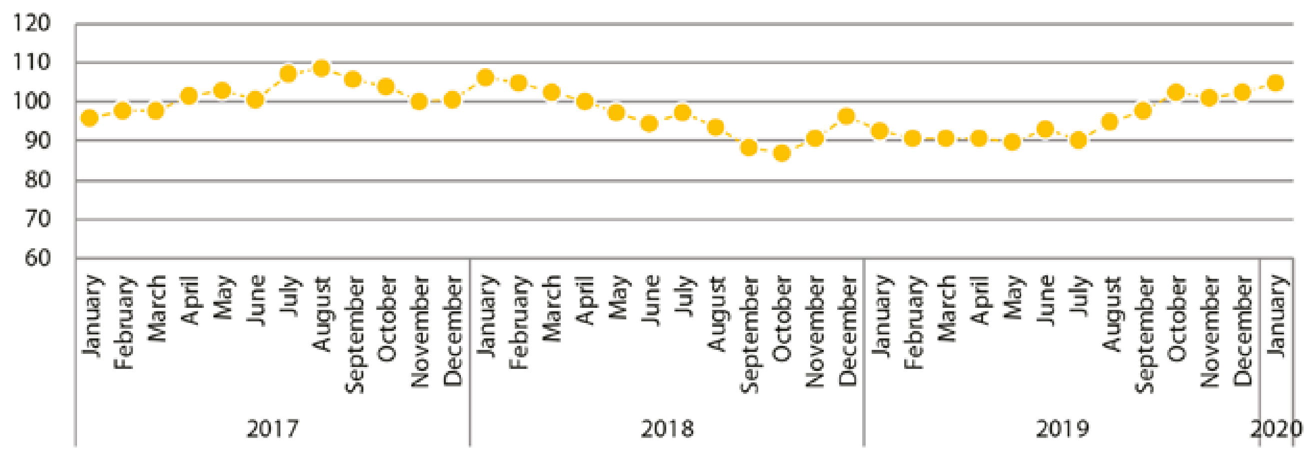


Source: *TurkStat*

Seasonally adjusted consumer confidence index increased by 1% in January 2020 compared to the same month of 2019.

Retail Trade Confidence Index

RETAIL TRADE CONFIDENCE INDEX



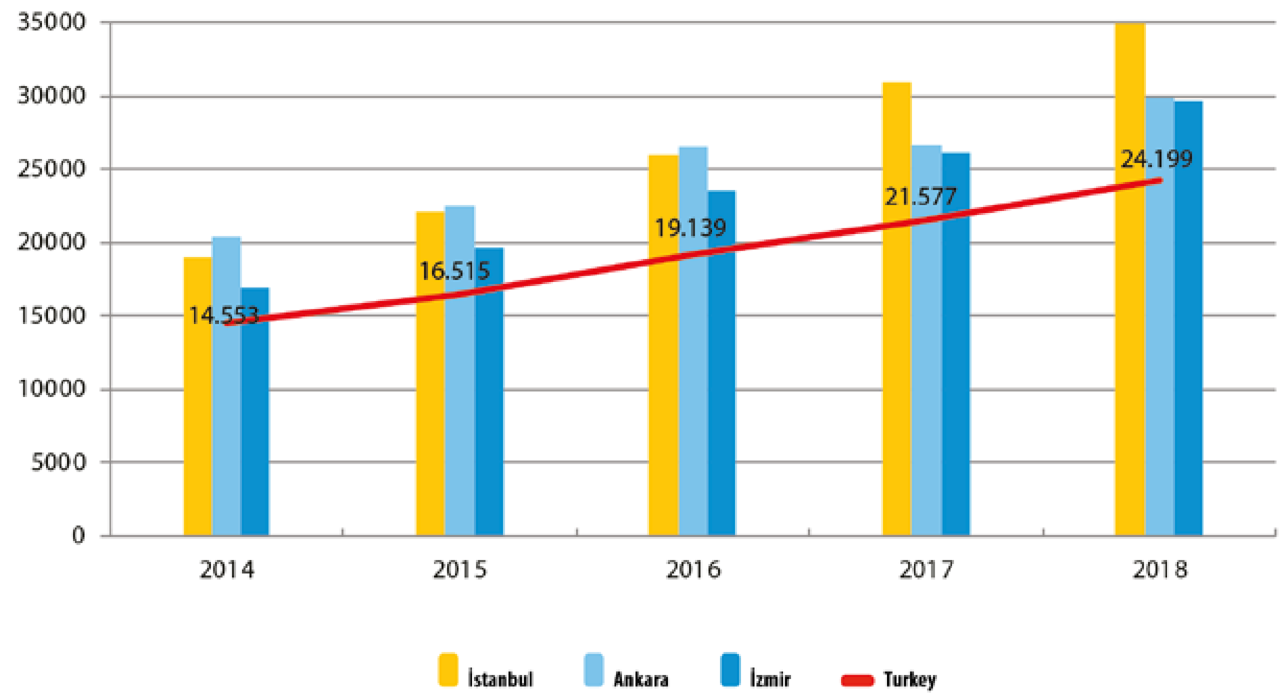
Source: TurkStat

The uptrend in the seasonally adjusted retail trade confidence index since the July 2019 still continues. The index increased by 13% in January 2020 compared to same month of the previous year.

Household Disposable Income

Turkey's average annual household disposable income was 24,199TL in 2018. Istanbul topped the region-by-region rankings with a figure of 34,912TL, followed by the Ankara Region with 29,847TL and Izmir with 29,659TL.

HOUSEHOLD DISPOSABLE INCOME (TL)(2014-2018)

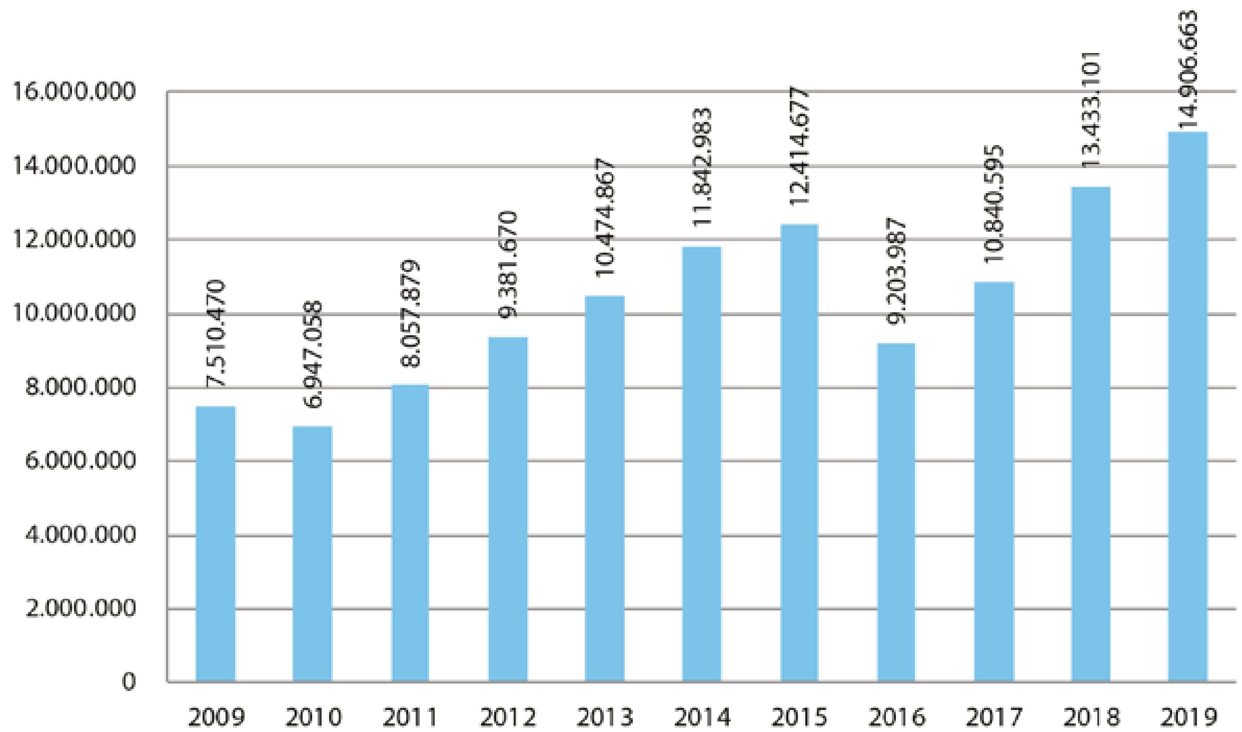


Source: TurkStat

Tourist Visitor Numbers

2018 was a year of hectic activity in the tourism sector in Turkey. During this period, both visitor numbers and hotel occupancy rates grew rapidly. Looking at the 2019, we observe that positive activity in the tourism sector continues, albeit at a slower pace. Visitors to Istanbul rose by 11% in 2019 compared to 2018.

TOURIST ARRIVALS TO ISTANBUL

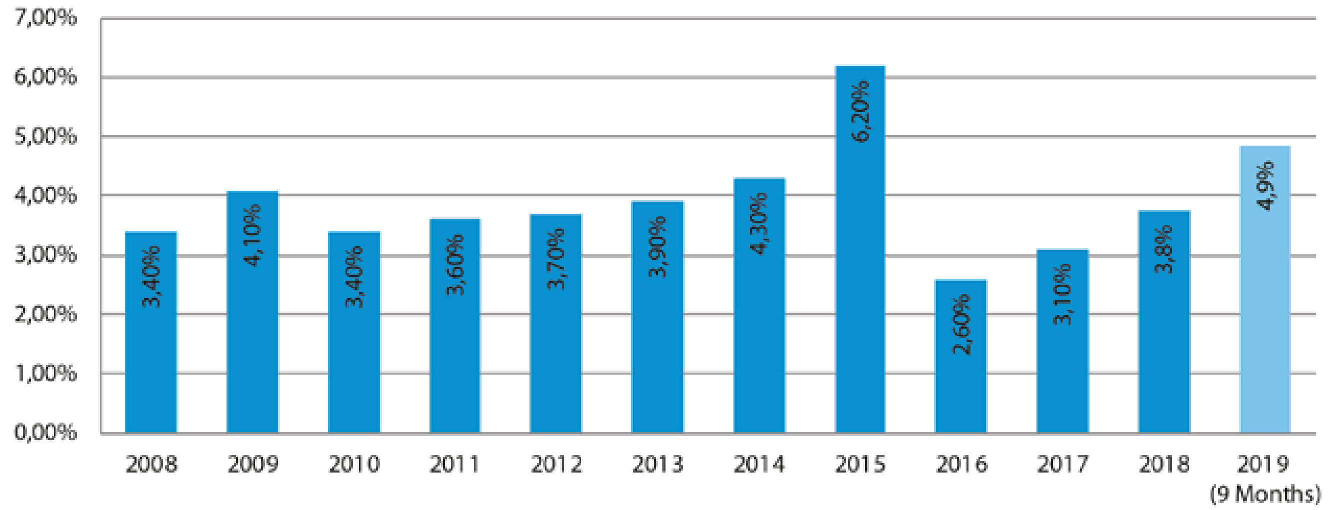


Source: Ministry of Culture and Tourism

Tourism Revenues

The share of tourism revenue in overall GDP in Turkey rose until 2015 but dropped sharply in 2016. Starting with the recovery in the tourism sector in 2017, the share of tourism revenues in GDP continues to increase in 2019. The share of tourism revenues in GDP increased to 4.9% in the first nine months of 2019.

SHARE OF TOURISM INDUSTRY IN GDP-TURKEY



Source: *www.tursab.org.tr*

Prices and Occupancy Rates-Istanbul

High growth rate in visitor numbers in 2018 has also boosted hotel occupancy rates and revenue per available room (RevPAR). The upward trend in RevPAR and occupancy rates continued in 2019. In 2019, the occupancy rates in 5-star, upscale and upper-midscale hotels in Istanbul increased to 74% and revenue per available room (RevPAR) increased by 12.8% in Euro terms compared to the same period of the previous year.

Istanbul Hotels Average Occupancy Rates and Room Rates*			
Year	Occupancy Rate (%)	Average Daily Room Rate (Euro)	Revpar (Euro)
2008	76,00%	€ 160,0	€ 122,0
2009	70,00%	€ 155,0	€ 109,0
2010	72,00%	€ 155,0	€ 112,0
2011	71,00%	€ 161,0	€ 114,0
2012	73,00%	€ 163,0	€ 119,0
2013	69,00%	€ 167,0	€ 115,0
2014	69,00%	€ 140,0	€ 97,0
2015	64,80%	€ 121,0	€ 78,0
2016	49,60%	€ 89,0	€ 44,0
2017	62,50%	€ 76,0	€ 48,0
2018	71,10%	€ 82,7	€ 58,8
2019	74,00%	€ 89,7	€ 66,4

(*) 5-Star Hotels, Upscale & Upper Midscale Hotels in Istanbul.

Source: *STR Global, www.turob.org.tr*

The ongoing upward trend in RevPAR indicates continued recovery in the tourism sector.

Forecast

As Colliers International, we take the view that this positive trend in the tourism sector will continue. We anticipate that average hotel daily rates (ADR) and revenue per available room (RevPAR) will rise on a Euro basis, but that ongoing Turkish Lira exchange rate devaluation will prevent ADR exceeding the levels it reached in 2012-2013.

As Colliers International, we take the view that although demand in the tourism sector in Turkey will continue to grow, the pace of growth in supply observed in preceding years will slow down over the coming two years. Nonetheless, existing hotels will continue to raise their average daily rates (ADR) and their RevPAR will continue to grow.

Due to its location and historical buildings, Karaköy is one of the most important regions of Istanbul. There are 2 projects that will contribute positively to tourism and commercial identity of Karaköy and near surrounding: Galataport and Tersane Istanbul. Covering Karaköy and Haliç in Istanbul, these projects are expected to change the face of these neighborhoods, while offering a new entryway to Istanbul's unique culture. With the completion of these two projects, we think that commercial and tourism activities will increase in the historical peninsula and its surroundings. This region will also enable the integration of the historical peninsula with business and commercial areas in Taksim, Beşiktaş and Şişli regions.

RESIDENTIAL MARKET

The Istanbul residential housing market has remained stagnant, while growth in house prices throughout Turkey and in Istanbul were below inflation. The surplus of supply over limited demand for housing aimed at upper-middle and upper income groups continues to exert pressure on prices. Most demand for housing in Istanbul is concentrated on the middle income group for which segment there is an insufficient supply of housing.

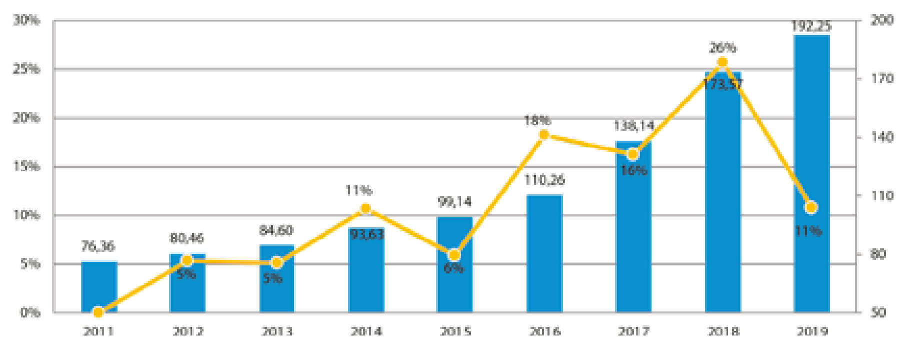
We take the view that the downturn in the residential market may be overcome with the assistance of public sector institutions constructing housing aimed at the middle and lower middle income groups where demand is concentrated.

The table below presents changes in inflation and the USD / TL exchange rate, together with the weighted average interest rates on TL deposits (up to 1 year), with real and nominal changes in the Central Bank's Residential Property Price Index (RPPI), and construction costs, over the past nine years:

Years	CPI-Annual	USD/TL Annual Change	*Weighted Average Interest Rates For Deposits In TL(up to 1 year)*	*Residential Property Price Index (RPPI) Turkey*	*Residential Property Price Index (RPPI) Istanbul*	Construction Cost Index Change
2011	10,5%	22,8%	10,1%	6,5%	12,1%	12,4%
2012	6,2%	-4,3%	8,8%	10,1%	13,5%	5,4%
2013	7,4%	15,8%	9,2%	12,7%	20,2%	5,1%
2014	8,2%	10,7%	9,3%	15,0%	22,9%	10,7%
2015	8,8%	27,5%	10,7%	15,5%	23,1%	5,9%
2016	8,5%	19,6%	10,3%	12,2%	12,8%	18,2%
2017	11,9%	10,2%	13,5%	9,1%	4,4%	16,2%
2018	20,3%	37,9%	21,3%	4,5%	0,9%	25,6%
2019 (November)	11,0%	6,6%	17,4%	7,2%	1,3%	7,6%
Nominal Change 2011-2019 (November)	140,4%	272,3%	182,4%	140,6%	178,7%	171,0%
Real Change 2011-2019 (November)	-	131,9%	42,0%	0,2%	38,3%	

Source: *Central Bank of Turkey, TurkStat*

CONSTRUCTION COST INDEX CHANGE



Looking at the data in the table, all indicators show that the economic recovery started in 2019. While the increase in inflation and USD/ TL rate speeded up in 2018, it slowed down in 2019. The RPPI increase slowed down during 2017 and 2018. However, the data for the first 11 months of 2019 shows that the increase in the RPPI started to gain momentum again. In the last 4 years, there have been high increases in construction costs. In 2019, this increase started to slow down. While the construction cost increased by 25.6% in 2018, the increase was 10.8% in 2019.

Residential Sales

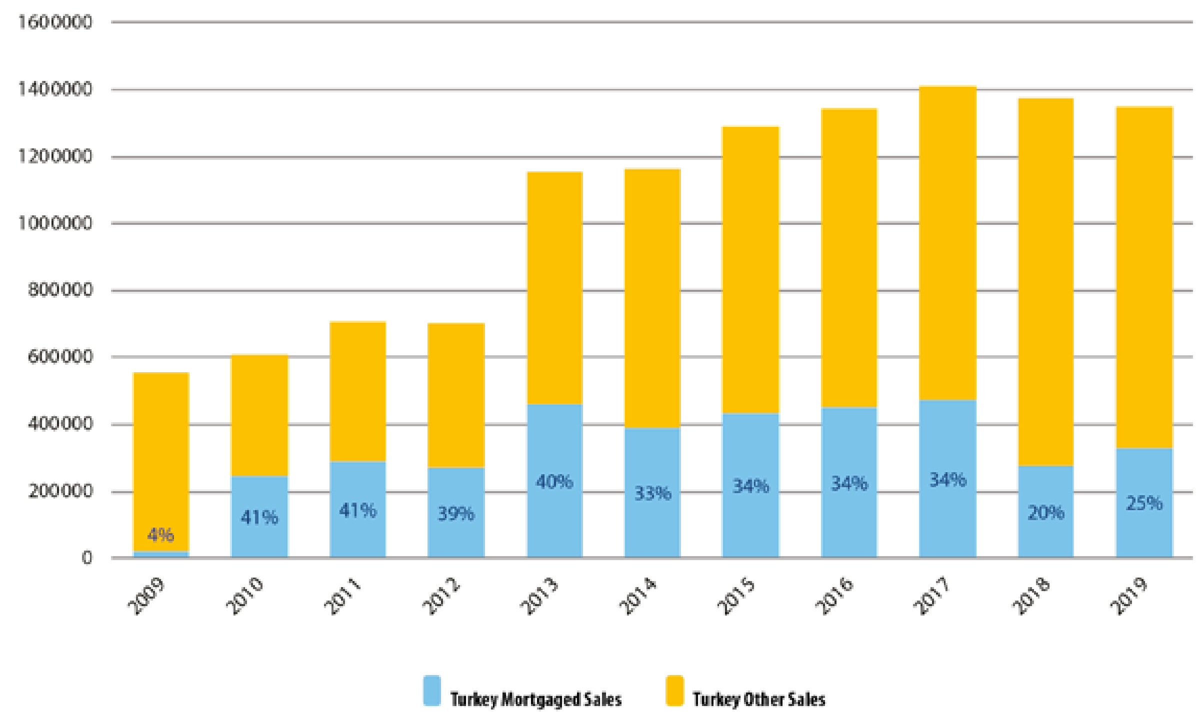
Based on December 2019 figures, at over 200,000, house sales for Turkey as a whole broke an all-time record. Nonetheless the figure for the whole year compared to 2018 declined by 1.9%. Mortgaged sales recovered to record a 20.1% increase over the previous year due to the progressively falling of housing interest rates since September 2019. In this same timeframe, total house sales in Istanbul rose 1.5%; mortgaged sales by 13.4%.

Years	Turkey				Istanbul			
	Total Sales	Change	Mortgaged Sales	Share of Mortgage Sales	Total Sales	Change	Mortgage d Sales	Share of Mortgage Sales
2009	555.184		22.726	4%	140.573		9.423	7%
2010	607.098	9,4%	246.741	41%	153.897	9,5%	76.176	49%
2011	708.275	16,7%	289.275	41%	169.015	9,8%	85.161	50%
2012	701.621	-0,9%	270.136	39%	167.110	-1,1%	79.626	48%
2013	1.157.190	64,9%	460.112	40%	234.789	40,5%	106.977	46%
2014	1.165.381	0,7%	389.689	33%	225.454	-4,0%	87.757	39%
2015	1.289.320	10,6%	434.388	34%	239.767	6,3%	93.564	39%
2016	1.341.453	4,0%	449.508	34%	232.428	-3,1%	87.350	38%
2017	1.409.314	5,1%	473.099	34%	238.383	2,6%	87.001	36%
2018	1.375.398	-2,4%	276.820	20%	234.055	-1,8%	49.206	21%
2019	1.348.729	-1,9%	332.508	25%	237.675	1,5%	55.819	23%

Source: *Central Bank of Turkey, TurkStat*

While the total mortgaged sales in Turkey fell by 41% in 2018 compared to previous year, it has increased by 20% in 2019. The most important reason for this increase in mortgaged sales is the reduction of loan interest rates in Turkey. The decreased interest rates are expected to affect both residential sales and the mortgaged sales positively in 2020. The table below shows the change in mortgaged and other residential property sales in Turkey and in Istanbul.

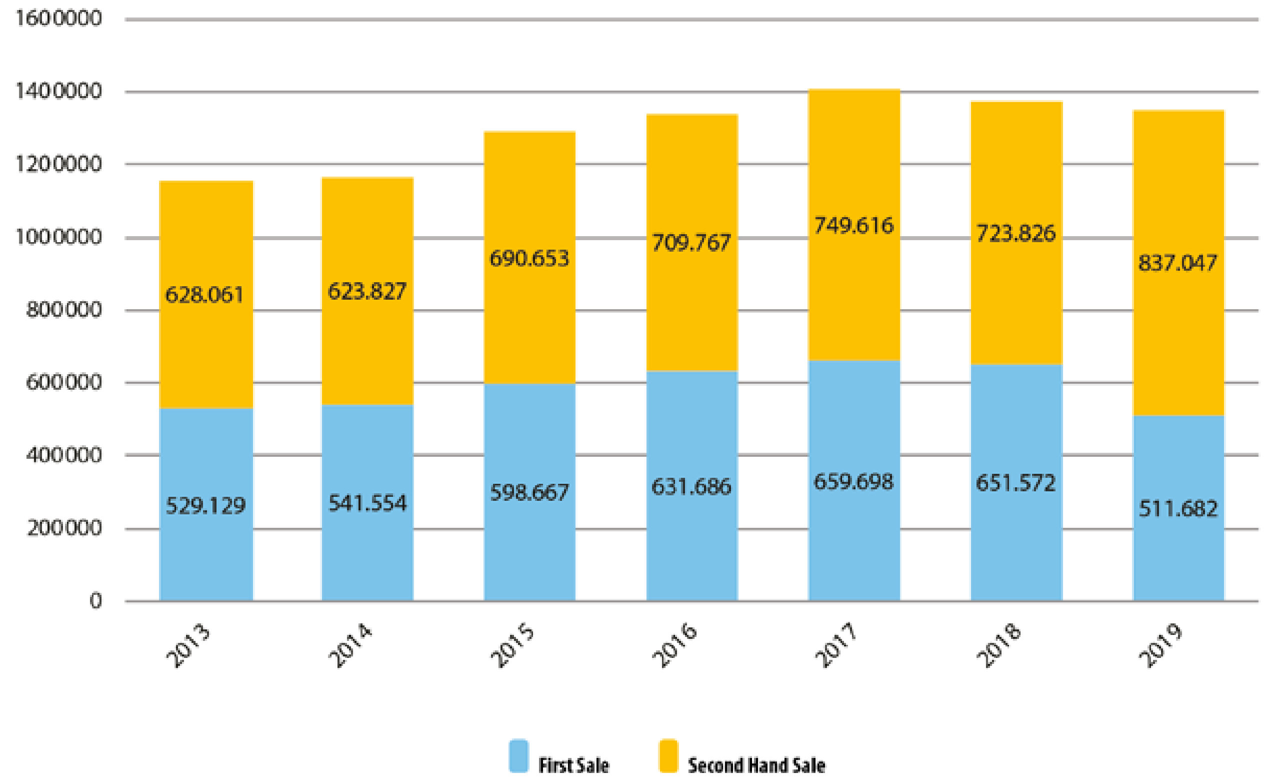
RESIDENTIAL SALES (2009-2019)



Source: *TurkStat*

The table below shows first- and second- hand residential sales, by year:

HOUSE SALES IN DETAIL OF FIRST SALE AND SECOND HAND SALE BY YEARS, 2013-2019



Source: *TurkStat*

The proportion of first-hand sales in overall sales in Turkey between 2013 and 2018 stands at 46%-47%. The ratio of first-hand sales in overall sales decreased to 38% in 2019.

The upward trend in the construction confidence index is an important indicator for the residential market. The data for 2019 indicate that the construction confidence index started to increase in the middle of the year and gained momentum in the last quarter. In 2020, the sector maintains its growth potential due to social, demographic and economic reasons such as low interest rates, increasing population and shrinking family structure.

WHO IS GYODER?

GYODER (The Association of Real Estate and Real Estate Investment Companies)

GYODER, the Association of Real Estate and Real Estate Investment Companies, was established in 1999 for the purpose of encouraging the development of the newly booming real estate industry in Turkey. Today, GYODER has more than 200 corporate members ranging from project developers, consulting companies, REITs to appraisers, constructing companies. GYODER works to foster real estate standards and generating cooperation between all local authorities, relevant state bodies, private institutions, academics and NGOs, in shaping quality environments and exchange of information among them. As a common voice of the real estate industry, it contributes to the improvement of the legislation regulating the real estate sector such as Law on the protection of the consumer, zoning plans, communique on REICs, VAT Law, Reciprocity Law, Corporate Tax Law and Regulation on Energy Savings in Buildings.

GYODER aims to make real estate more institutional by creating reliable data and knowhow. It releases annually and quarterly reports on Turkish Real Estate Sector. GYODER organizes along with Capital Markets Board of Turkey and Istanbul Stock Exchange workshops on IPO's of REICs and analyst meetings with the Association of Capital Market Intermediary Institutions of Turkey. It publishes monthly new home price indices along with REIDIN.

GYODER also publishes GYODER Indicator every quarter of year. In this report containing a wide variety of information and statistics ranging from fundamental macroeconomic indicators to in-sector production figures, there are statistical data about sectors growth speed's reflections on GDP, annual inflation rates, Euro/Dollar parity parallel to trends in international market, BIST REIT stock performances, mortgage loan interest and usage rates, housing and office sales data and, statistical data on s/c and tourism and hotel management together.

Turkish Real Estate Summits, organized annually by GYODER since 2000, have become sector's traditional meeting and idea sharing events with their international participants. Since 2009, GYODER had been organizing Turkey's primary regional real estate and investment fair.

GYODER organizes "Developing Cities Summit" in order to present investment opportunities in developing cities in Turkey to sector representatives and national and international real estate investors. Developing Cities Summit organized by GYODER in 9 different cities.

To spread the awareness on Turkey, an international road show starting in the UK has been planned by GYODER in cooperation with the Investment Support and Promotion Agency of Turkey (ISPAT). First Road Show was held on November 2012 in London.

GYODER is also representing the Turkish Real Estate Sector in foreign associations, institutions, exhibitions, fairs and conferences with globally known MIPIM, Cityscape Global, Expo Qatar by Turkey. Also GYODER has been participating the Cityscape Global, Dubai UAE, since 2012.

GYODER
The Association of Real Estate and Real Estate Investment Companies

GYODER Committees

- Education, Publications and Production of information
- Real Estate Export Committee
- Real Estate Technologies Committee
- Real Estate Investment Trusts Committee
- Youth Committee
- REIT Committee
- Urban Transformation and Urban Planning Committee
- Organization and Communication Committee
- Sustainability and Green Buildings Committee
- Tourism and Tourism Investments Committee
- International Relations Committee
- Legal Regulations Committee

Members' profile

more than 200 members

- REIT's,
- Project Developers,
- Construction,
- Architecture,
- Contractors,
- Consultancy,
- Appraisers,
- Banking,
- Finance,
- Insurance,
- Retail,
- Service,
- Law,
- Media,
- Investors

WHO IS COLLIERS?

Colliers International Group Inc. (NASDAQ and TSX: CIGI) is an industry-leading real estate services company with a global brand operating in 68 countries and a workforce of more than 18,000 skilled professionals serving clients in the world's most important markets. Colliers is the fastest-growing publicly listed global real estate services company, with 2019 corporate revenues of $3.5 billion. With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation and tax consulting; customized research; and thought leadership consulting.

Colliers International has been operating in Turkey since 1998 and is a recognized knowledge leader in the Turkish commercial real estate sector. Colliers International provides a full range of professional services to both multinational, national and local companies and institutions in Turkey, across all market sectors.

Agency Services are targeted primarily towards corporate occupiers and real estate investors and include tenant representation, landlord representation, lease renegotiation, built-to-suit development, development consultancy, as well as sale & lease back transactions.

Valuation and Advisory Services are targeted towards corporate clients and are designed to increase efficiency, reduce costs and allow clients to focus on their core business activities. Valuation and Advisory Services include market research, feasibility analysis, valuations; highest and best use analysis and concept generation studies.

Colliers International Turkey is a member of GYODER (Real Estate Investment Trusts Foundation) in Turkey.

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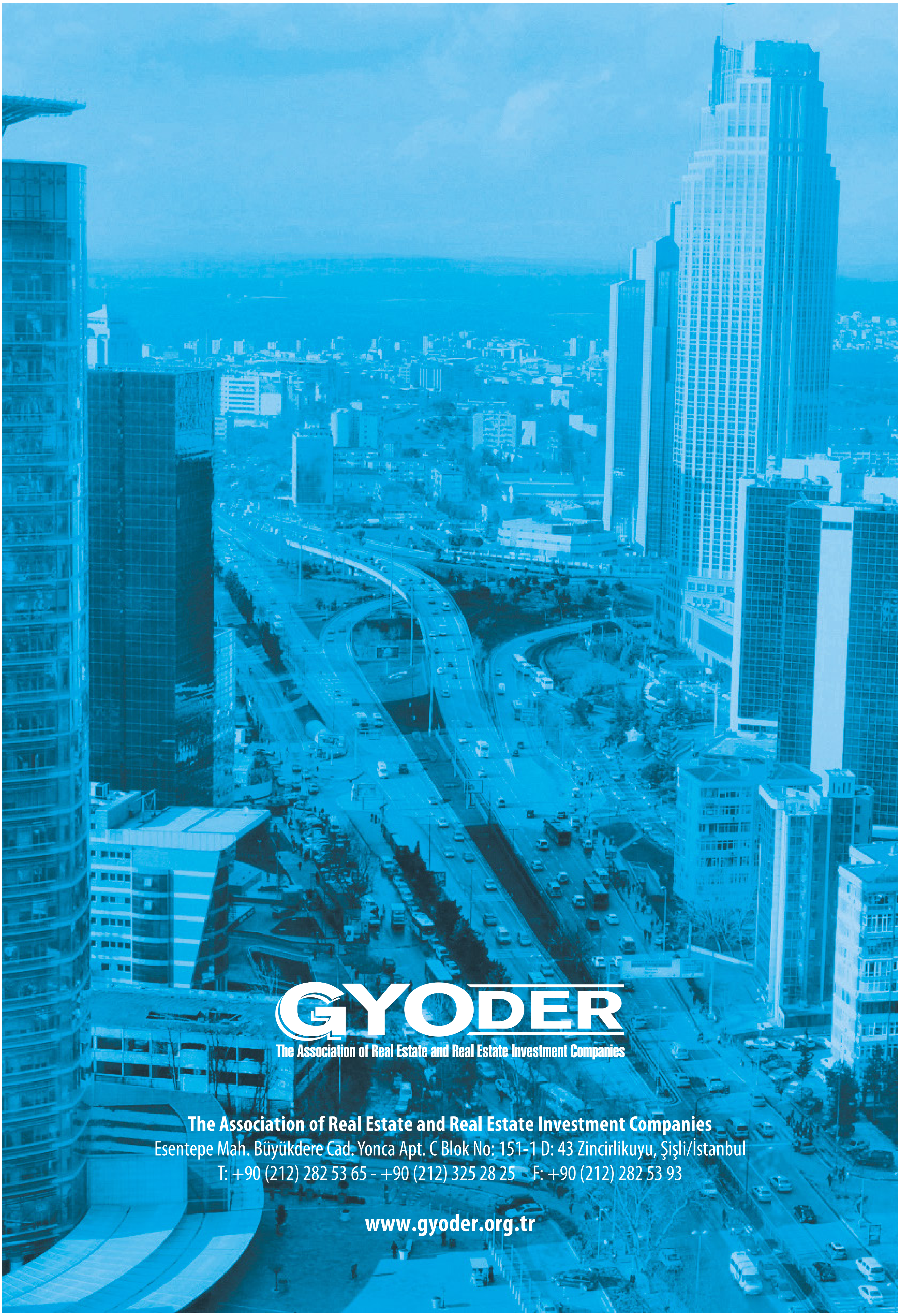

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