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PRESENTATION AND EVALUATION

Overview of the Turkish Real Estate and Construction Sector

Growth rate of Turkish economy 7.4%, construction sector 8.9%

Turkish Real Estate and Construction Sector maintained its dynamic behavior of 2017 in the first quarter of 2018 as well. In 2017, where Turkish economy grew by 7.4% and became the country with the fastest growth rate in GDP among G-20 countries, the construction sector grew by 8.9% according to the chain volume index and achieved a crucial success.

The construction sector has a critical share in the economic growth and there is a severe correlation between the GDP (growth) rates. The rapid recession following Turkey's crisis of 2001 affected both the sector and the GDP to a great extent. A similar situation was experienced following the 2008 global crisis. Yet, it is worth noting that the recovery period of the sector with the GDP was brief and sharp. In this respect, the growth tendency in the construction industry was in a sense the leading indicator of the GDP.

During the last 16 years, an economic expansion in parallel with the economic growth of the construction sector took place in Turkey. Considering the world scale and the potential of our country, there is relatively more possibility of growth in the appropriate conjuncture of the construction sector. This sector also has a critical impact on the employment.

The increase in the final consumption expenditure of the household and the government has a structure creating positive effect over the construction sector and its sub-industries. Increase of the fixed capital formation is a variable that needs to be monitored in respect of the construction sector. In light of this data related with the GDP; the sector's and its components' remaining over a certain size may be easily expected for 2018 as well.

The subsectors with which the construction sector has intensive interaction are as follows: Domestic contracting services and certification, foreign contracting services, technical consultancy services, real estate, finance, work and construction machinery, and construction materials industry. On the other hand, following are considered under the construction materials industry with which the industry is directly related: Ready mixed concrete, prefabrication, ceramics, bricks and tiles, pumice (pumice and pumice stone), plaster, lime, gas concrete, glass, iron and steel, pipes, aluminum, wood, plastic, paint, natural stones, isolation, roofing materials, heating – cooling – ventilation, lifts, lighting, kitchen and bathroom, furniture.

As is seen, the construction sector which has the potential of directly or indirectly affecting the other sectors in economic aspect also bears a structure that should be followed also for the macroeconomic health.

Demographic factors are the driving forces for the Real Estate and Construction Markets

The demographic factors are the driving forces of the Turkish Real Estate and Construction Markets. Turkey's population reached 80 million 810 thousand and 525 people as of 31 December 2017. The middle age which used to be 31.4 in 2016 in our country increased to 31.7 in 2017. While the middle age was identified as 31.1 in men where it was 32.4 in women, the annual population growth rate decreased to 12.4 per thousand in 2017 from 13.5 per thousand in 2016.

Having a young population structure is not only a driving force over the consumption and investment but also over the growth as a production factor. When the age distribution of the Turkish population is examined, it is seen that the main age group forming the employment age is the greatest part of the population (age group of 15-64). The relevant age group is a severe force in respect of employment and production as well as consumption.

The population of our country in the age group of 15-64 (employment age) increased by 1.2% in 2017 compared with

the previous year. Accordingly, the rate of the population in working age revealed as 67.9%, the rate of the population referred as the pediatric age group (0-14) revealed as 23.6%, and the rate of the population of higher ages was 8.5%¹.

The rural – urban migration continues in Turkey. The rate of urbanization in Turkey is 78% and the related population is around 60 million. This rural – urban migration is expected to continue until the year 2023 and the rate of urbanization is expected to exceed 84%. In line with this projection, the urban population is foreseen as 71 million in 2023. The housing demands would probably continue until the year 2025 due to the urbanization based on migration. In addition to internal migration, Turkey also accepts ‘external migration’ from various countries, its neighbors being in the first place.

Basic differences occur in the structure of the population due to urbanization. The tendency of the individuals to live alone rises while the structure of the families is getting smaller.

One of the most critical points discussed on socioeconomic basis is the “housing prices”. The fluctuation of the housing prices and the verification of the pricing are crucial indicators for not only the housing sector but also for the whole economy. This case is of vital importance for the Central Banks and the implementers of the economic policies.

Although there are many economy and finance methods regarding the analysis and formation of the asset prices, the identification of an ‘accurate price’ valid for ‘all places and all times’ is not quite possible. The main reason behind this is the dominance of the components arising from the unmeasurable individuals and their behaviors from time to time. Besides, especially the diverse structure of the housing projects due to their locations, sizes and social facilities do not enable a homogenous comparison.

According to the analysis we conducted, the answer to the frequently discussed point whether there is a ‘price side bubble in Turkish Housing Market’, emerging at the agenda, is that there is not a ‘bubble’ at all. The recent analyses conducted according to the latest data across Turkey indicate that the increase in the nominal prices still tend to continue reasonably.

No ‘price bubbles’ in the Turkish Housing Market

There are no ‘price bubbles’ in the Turkish Housing Market. In the regions sensitive to price bubbles, the excessive prices were smoothened by the adjustments. The average housing prices (AHP) across Turkey increased by 45.49% in real terms between January 2013 and January 2018. The new housing price index increased by 38.57% within the same period and in real terms as well. The related figures are quite far from the concept of ‘asset bubble’. Both indexes accomplished an acceptable rate of increase. Then again, it will be useful to monitor the increase in the costs as well as real prices carefully.

When we take a look at the housing prices across Turkey, we observe the dynamism of the ‘real estate market’ and its effort to keep up with the balance prices so far as possible.

In order to separate the AHP calculated by the Central Bank of the Turkish Republic (CBRT) from the quality impact, the Hedonic Housing Price Index is calculated through the utilization of the hedonic regression analysis. According to the results, it may be claimed that approximately one fourth of the nominal increase occurring in the housing prices across Turkey and almost half of the real increases arise due to the increase in quality².

As in all asset prices, the initial impact over the housing prices are shaped by the changes in the supply and demand. The change and structure of the demand in the housing prices directly influence the supply and the change in supply in the construction sector is relatively slower than the one in demand. However, if we take a look at the period from 2001 until today, we realize that the housing industry players that have been through both internal and external shocks have been tending to display a quite flexible structure and comply with the changing circumstances. The institutionalization of the construction companies and their more effective financial management as well as the rational behavior of the demand owners in their demands increase the effectiveness of the housing and construction markets.

¹ TÜİK, ‘Address Based Population Registration System Results, 2017’ Issue. 27587, 01 February 2018

² Hülal Timur, Kızılkaya Erdi, Özbekler Ali, Tuna Pinar, ‘Economy Notes – Elimination of Quality Change Impact from AHP’ CBRT, Issue 2016–02, 1 February 2016, p.10

The 2nd Quarterly Period results of 2018 of the REIDIN (Real Estate Investment Development Industry Network) Real Estate Industry Reliability Index and the REIDIN Real Estate Price Expectation Index formed with the views of the professionals active in the real estate industry which is one of the leading industries of the country's economy and which is composed of 10.000 people in the quarterly period; the initial index was measured as 99 points with an increase of 4% and the latter increased by 11% compared to the previous quarter and reached 94 points. After the sharp rise of the exchange rate of USD and it's remaining in the band of 4.00 TL build the idea in the minds of industry's professionals that the investors investing in USD would be heading towards the housing investments reaching the decision that there would not be more increases in the exchange rate of USD. Therefore, within the next three months, it is possible to expect a partial increase in the volume of sales and rentals in the sector. On the other hand, it is possible to claim that the increase in the exchange rate that emerged in 2018 Q1 affected foreign investors housing purchases positively. When the data prepared by REIDIN and GYODER and presented within the scope of the new housing prices index is examined, the rate of house sales to foreigners reached the level of 6.1% in the first quarter of 2018 from 3.7% of the last quarter of 2017. At this point, we should bear in mind the influence of the relatively cheap prices of the houses for sale over Turkish Liras in every increase in the exchange rate.

Sales with bonds increasing

When we look at the current status in our country, the families tend to use credits or prefer sales with bonds instead of cash purchases due to the high prices of the houses. The sales with bonds reached 35.5% within the first quarter of 2018 with the bond sales offered to the potential buyers by the developer companies' campaigns introducing interest - free long term options as part of their own finance models. One of the most critical factors having a role in the increase of the sales with bonds can be considered as the increase in the interest in housing credits. The interest rates of the housing credits were a monthly average of 1.01% in 2017 and this rate exceeded 1.20% especially within the last three months. It can be claimed that this increase in the interests obstructed the house purchases of the household and that it also caused

shrinkage in the housing market within this context. When the REIDIN House Purchasing Power Index prepared based on 81 cities is examined, the index value is over the 100 base value yet as a result of the increase in the credit interest rates it is more difficult in an average of 4 points compared with the last quarter of the previous year. In order to reverse this situation, the downward movement of the credit interest rates should be expected in particular.

When the increase in the house prices and the increase and return rate performances of the financial investment tools during the first quarter of 2018 are examined, as the risk return expectations in BIST-100 Index were high, the mobility in the returns by months were high, yet a return in the level of 6.58% was achieved. A relatively limited return was in question in the USD and the periodic return there remained at 1.25%. The deposit rate providing more regular advantages to their investors presented a return exceeding the inflation (first 3 months of 2018 CPI 2.77%) within the related period. The housing investments of the Turkish investors, which we may also refer to as their traditional investment tools, have always been a good alternative compared with the other financial investment tools. However, when the increase in the house prices in the first quarter of the year 2018 is examined, the distinction especially between the new houses and second hand house markets can be observed. For instance, as we study the data based on 81 cities across Turkey, the rate of increase is equal to the increase in inflation, yet the increase in the new house price index based on the quarterly period remained limited. Therefore, this case does not support the claim of the 'price bubble' concept emerging in our country's house prices.

The market prices should be assessed by taking into consideration the basic costs assumed for production. When the real estate concept is examined, it would be useful to conduct an analysis by taking into consideration the assumed basic costs for production in addition to the price occurred in the market.

Based on the building construction costs index (BCCI) published by TÜİK as the cost items, during the fourth quarter of 2017 including the period between October and December, an increase of 6.5% compared to the previous quarter, 22,8%

increase compared with the same quarter of the previous year and an increase of 19.7% according to the average of the four quarters were observed. The labor index in BCCI in the fourth quarter of 2017 increased by 1.8% and the material index increased by 7.9% compared with the previous quarter. The labor index increased by 13.7% and the material index increased by 25.6% compared with the same quarter of the previous year³.

■ The nominal housing prices throughout Turkey increased by 23.48% between January 2017 and January 2018. When we deduct the Building Construction Costs Index from the aforesaid figure, the actual increase was in the level of 3.15% and the costs inflation based real return was 10.11%

■ The rate of nominal increase in the relevant period for new houses was 22.72%, and the real price after the deduction of the BCCI was merely in the level of 2.52% and the costs inflation based real return was in the level of 9.43%

■ The nominal return based on the last one year index for İstanbul was 16.52% and the real price after the deduction of the BCCI was at the level of -2,65%. The costs inflation based real return was at the level of 3.9%. The housing prices specific to İstanbul with decelerated increase rates in addition to the costs with rapid increases negatively affected the cash flows of the contractors in real sense.

■ It should not be forgotten that the figures are based on averages and that they do not fully reflect the cost items such as the instant financial costs (interest load - funding costs) and exchange rate burden. Therefore the profit margin of the sector is lower than thought.

■ The increase in costs was reflected to the sales prices extremely limitedly. The contractors seem to have assumed the costs for the time being.

When we examine the first half of 2018, we observe that the demand has relatively protected its dynamism. In order to reach the aforementioned 'market balances' the supply and demand side flexibilities are observed as well.

For achieving 'sustainable' growth of the economy and the real estate sector;

When we take a look at the housing sale figures that are amongst the critical indicators of the real estate sector, the results of the aforementioned natural demand could be observed. 997.500 houses were sold in 2011, this figure had been 971.757 in 2012, it reached 1.157.190 in 2013, it occurred as 1.165.381 in 2014 and in 2015 it increased to a new record of 1.289.320. In 2016, despite both the systematic risks Turkey went through internally and the global issues, the house sales figures pointed a new record and reached the figure of 1.341.453. In 2017 this figure raised to 1.490.314.

However, for a 'sustainable' growth of the economy and specifically the real estate sector, it is obvious that both legal and institutional regulations are required. The steps that should be taken to this end can be summarized as the follows:

■ Accomplishing a permanent tax regulation and offering advantages to the persons buying their first houses,

■ Availing certain exemptions specific to the sector within the scope of the corporate taxes and income taxes that are currently being worked on,

■ The sales possibilities may increase further if certain retouches on the regulations regarding the real estate sales to foreigners are made,

■ Execution of the simple and updated regulations regarding value increases and property taxes

■ Preparing regulations according to the population density, infrastructure, earthquakes and other natural disasters and urbanization plans in the building bylaws that are currently underway,

■ Establishment of a bank similar to certain countries, a bank that conducts 'securitization' based on real estate and providing individuals and institutions long term housing credits,

³Tüik, 'Building Construction Costs Index, 4th Quarter: October - December 2017', Issue: 30566, 19 January 2018

- Updating or restructuring of legal regulations for issuing stocks and bonds based on real estate in respect of banks (both for deposit banks and participation banks) and capital markets
- Establishment of markets related with the securitization of real estates within the BIST
- Maintaining the tax exemptions of Real Estate Investment Funds and Real Estate Investment Partnerships
- Establishment of Infrastructure Real Estate Investment Partnerships and availing incentives to the relevant Municipalities
- Tax reduction for the basic inputs in the construction of buildings as part of urban transformation for the medium and low income groups (tax reduction in the concrete, iron, etc.)

- Qualifying the housing sales made to foreigners as exports

- AIR RIGHT (Transfer of Development Right and relevant legal infrastructure activities)

- Establishment of case specific cooperatives in order to fulfil the housing requirements of the medium and lower medium income groups

Finally, it would be proper to identify certain structural priorities through the execution of a five-year strategic plan regarding the sector and its components.

With the help of the experiences gained in years, Turkish economy and the real estate sector are able to comply with the developing circumstances in an extremely dynamic manner. If the inadequacies of the sector in terms of both production and finance are fulfilled, it is obvious that much more successful activities with more added value would be conducted.

Sincerely yours,
GYODER Training, Publications and
Information Production Committee



What To Expect Now From The Usd (Try)?

I strive to inform my readers on the macro economic developments in each issue through a realistic perspective rather than a positive or negative interpretation as the businessmen are the kind of people who manage to achieve creating value despite the direction of the developments in the market.

In this issue, I examined the developments in the USD within the last 5 years for you and following are the results I reached. Surely, you would not merely build your decisions through my opinions. I, on the other hand, would not wish to directly influence your decisions. Therefore, I would like to directly share with you the developments in the last 5 years.

Since the return in the USD/TRY, while I am writing this article, has encouraged many people, I persuaded myself of the benefit of making a foresighted analysis.

50% increase of the exchange rate of USD within two years

When the USD first exceeded the level of 2.00 TRY in August 2013, it reached to the level of 2.27 TRY. This

upward trend lasted for 5 years and the exchange rate regressed for approximately 7 months after January 2014. Subsequently, the rate started to rise again in July 2014 and fluctuated until May 2015 following a loosened period for two months and it went up to 3.00 TRY in September. In summary, there has been an increase of 50% in the last two years.

I would like to remind you that the former president of the Central Bank said that “Trust me, the exchange rate will decline back to 1.90 TRY” during the aforementioned period. In 2012, a year before the start of the upward trend in 2013, I claimed that the exchange rate of USD might go up to 2.00 TRY and received huge reactions. I clearly recall that day; I rushed out of a restaurant, made a declaration to a news channel and was subject to reactions in the social media in the aftermath. Today, I simply smile back to ones who say “you have always told the truth” as my job is to inform the readers on the potential scenarios instead of fortune-telling.

In autumn 2015, the USD/TRY reached 3.00 then loosened and raised the hopes yet it again gained momentum, testing 3.00 by the end of the year starting from 2.80 in November and continued to increase.

Yet, I can claim that the stable course of the exchange rate within the following 3-4 months made everyone enthusiastic about the “stability”. Maybe they were right about being optimistic because the USD maintained its balance in the 2.80-3.00 band within January – July 2016. This period is long enough for giving shape to expectations. Actually, we can say that the course of USD/TRY remained in a rather tight band.

I can easily claim that the actual disruption emerged after the coup attempt, because, even though the financial administration’s efforts to maintain stability after July 2016 gave results until the end of October, we witnessed that the TRY depreciation took much shorter time than in the previous years. Exchange rate of USD increasing from 3.00 TRY to 3.80 within 4 months terrified everyone. However, an interesting development occurred afterwards. The parity loosened again and it declined to the level of 3.40 until September 2017. Such case raised the hopes again, but due to credit ratings and the conflicts in the region it again reached 4.00 TRY within 2 months. This indicates the depreciation of TRY by 30% within a period of 16 months.

Then, even though it made a move that seemed as a decline, sharp increase of the exchange rate started as of February 2018. And our struggle in the stormy weather begins. It almost reached 4.40 from 3.78 within 3 months. And by all measures, this indicates a 15% decrease in the value of Turkish Lira.

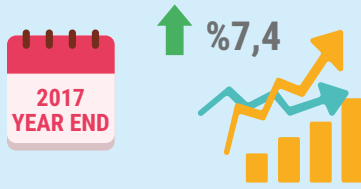
In the meanwhile, the interest rate of benchmark bond getting closer to 16% worries me. I do not think that Central Bank’s increasing the interest rate once more would be a correct move.

In view of the available data, I have to say that testing the level of 4.50 USD/TRY would be probable.

Prof. Dr. Emre Alkin
Istanbul Kemerburgaz University
Vice Chancellor

MAIN ECONOMIC DATA

Annual Growth (TL)



*Chain volume index (2009=100)

Inflation



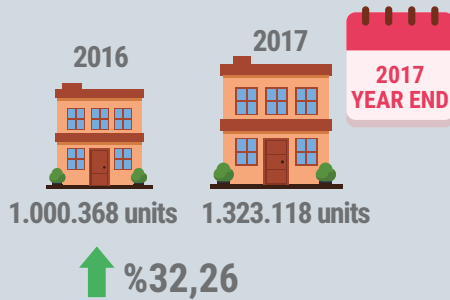
Construction Sector Growth Rate*



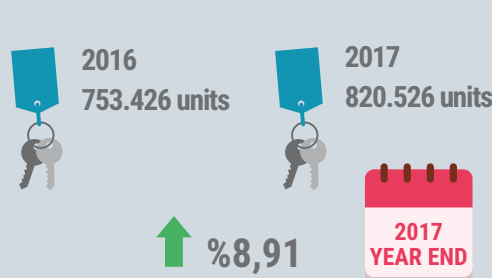
*Chain volume index (2009=100)

HOUSING

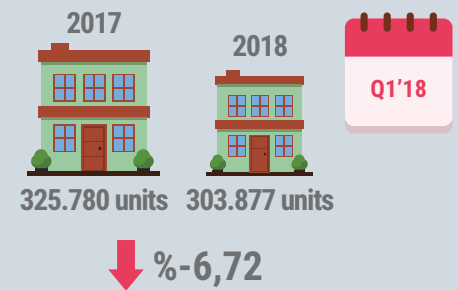
Building License



Occupancy Permit



Housing Sales



SHOPPING MALLS

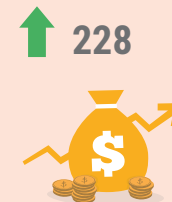
Total Stock



Leasable Area Per 1.000 persons



Turnover Index

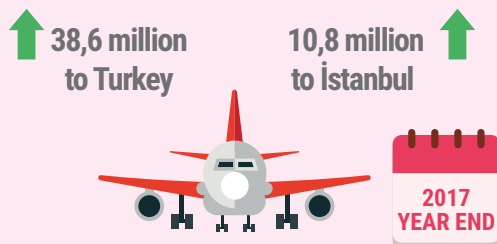


Visitor Index

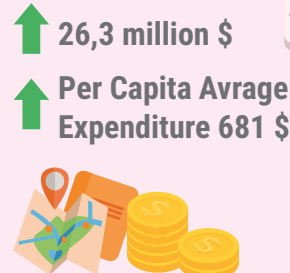


TOURISM AND HOTEL

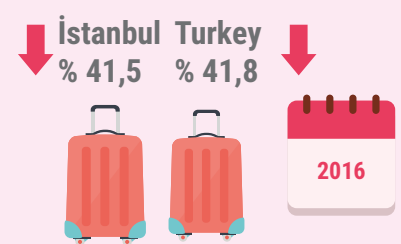
Number of Total Visitors



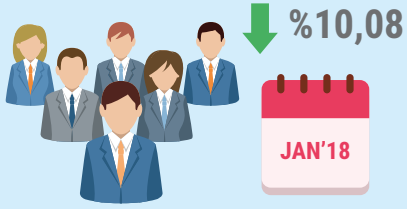
Tourism Revenue



Occupancy Rates

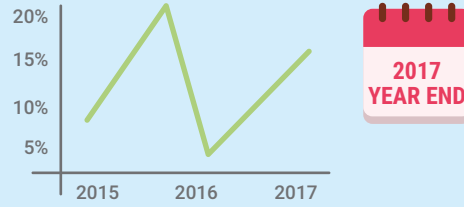


■ Unemployment Rate

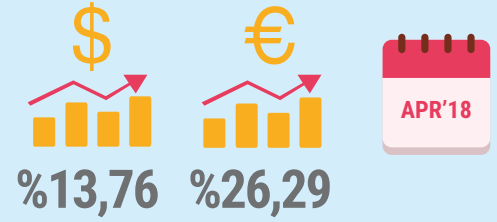


■ GDP

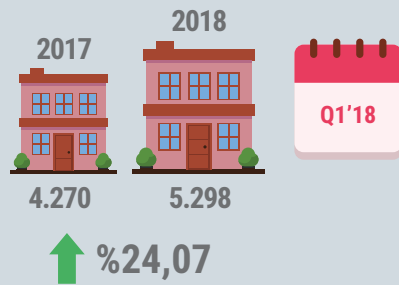
3 trillion 104 billion 907 million TL



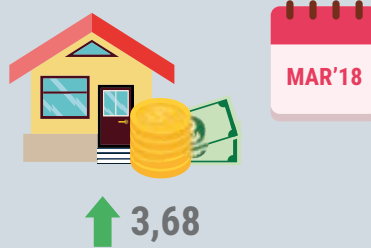
■ Exchange Rate Increase



■ Housing Sales to Foreigners



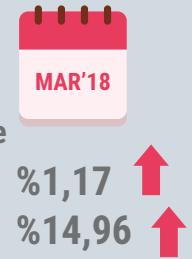
■ New Housing Price Index



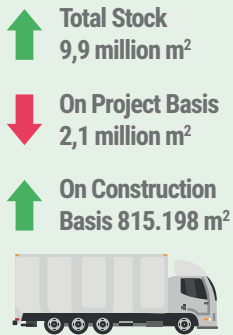
■ Housing Loan Stock

193,522 billion TL
with %12,10 increase

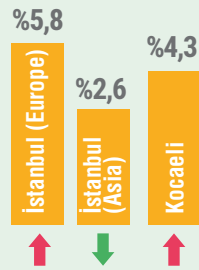
■ Monthly Interest Compound Interest



LOGISTICS



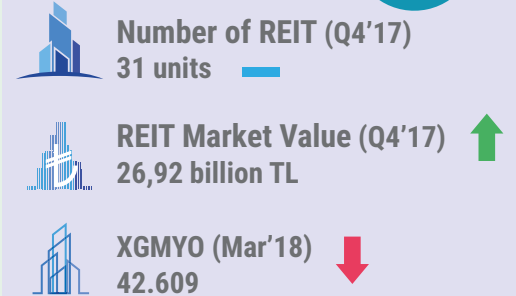
■ Vacancy Rates



■ Leasing Transaction Volume



REITs



OFFICE

■ Total Stock

5,79 million m²



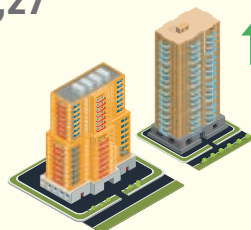
■ Vacancy Rates

% 23,27



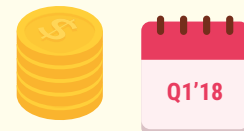
■ Leasing Transaction Volume

69.720 m²



■ Primary Rent

32\$ / m² / month



*Rates of change are given according to the same period of the previous year.



MAIN ECONOMIC DATA

Turkey's economy has completed the year with 7.4% which is the highest growth rate in the last four years

Turkey's economy, with the effect of the measures taken for the stimulation of domestic demand and production and the recovery in export, maintained its strong growth trend with 7.3% in the last quarter of 2017 following a high growth rate as 11.3% in the third quarter. Thus, Turkey's economy has completed the year with 7.4% which is the highest growth rate in the last four years. The indicators refer that the growth trend in the economy is also preserved in the first quarter of 2018. Industrial production increased by 12% in January 2018 and 9.9% in February 2018 compared to the same months of the previous year. Thus, industrial production recorded a strong increase by 10.9% in the first two months of the year. In the first quarter of the year, exports of textile, iron, steel, electrical machinery and automotive sectors increased strongly and the total exports reached 41 billion USD with 9% increase. During this period, high increases in energy and gold imports continued, the increase in intermediate goods imports due to strong industrial production caused total imports to increase by 23% to 62 billion USD. As a result, foreign trade deficit reached 21 billion USD with 64% increase. With the reflection of the increase in foreign trade deficit, higher increases are observed also in current account deficit. The current account deficit for the first two months of the year increased by 112% compared to the same period of last year. The annual deficit, which closed at 47.4 billion USD in 2017, rose to 53.3 billion USD at the end of February 2018. On the other hand, inflation, which completed 2017 at 11.92%, declined to 10.85% in the first quarter of the year, despite the adverse effect of

exchange rate increase with the help of downfall in food prices and routine tax adjustments at the beginning of the year. The continuation of the upward trend in exchange rates and energy prices increased the upward risks in inflation outlook, and the Late Liquidity Window, which represents the cost of funding provided to the market by the Central Bank in April, has risen the interest rate from 12.75% to 13.50% and showed that it will maintain its tight stance.

While global economic growth was growing, the steps taken towards commercial protectionism and the increase in geopolitical risks constituted the agenda items of the markets in the first quarter of the year. The tightening steps of the developing countries' central banks and the worries of inflationary pressure increase due to strong growth causes a rise in global bond interest rates. The US' 10-year interest rate rose from 2.41% to 2.94%, completing the period at 2.76%. According to IIF data, the portfolio inflow, which was 87.8 billion USD in the first quarter of last year, fell to the level of 31.3 billion USD in the same period of 2018. As a result of these developments, emerging market stocks have risen to a limited extent, currencies have depreciated, and bond interest rates have seen an upward trend. In parallel, the Dollar / TL, which started the period at 3.7719, finished the period at 3.9890 with 4.97% rise. The two-year benchmark bond interest ended the first quarter at 14.07% from 13.40%, and in the BIST-100 index completed at 114.930 with 0.3% decline.

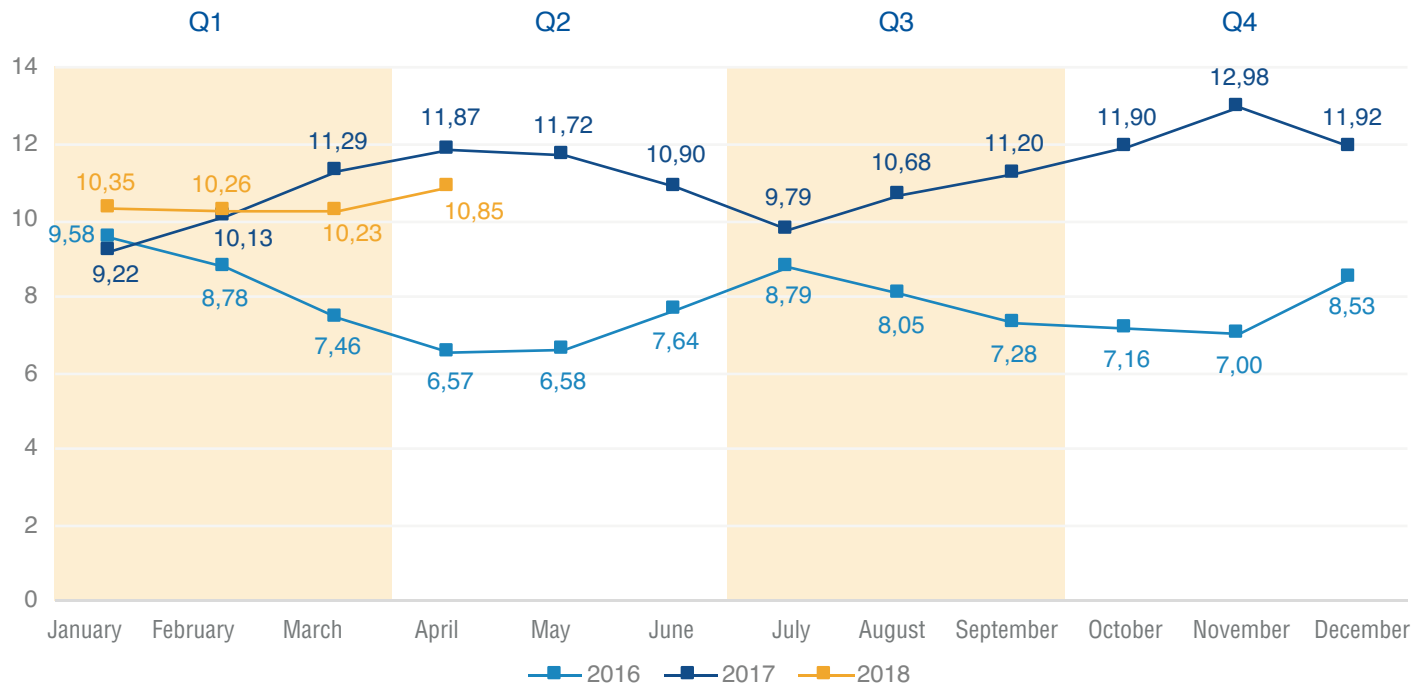
Nominal Gross Domestic Product by Expenditure

Year	GDP (million TRY)	Income per Capita (TRY)	GDP (million USD)	Income per Capita (USD)	Growth (%)	Average Rate during the year
2014	2.044.466	26.489	798.987	12.112	5,17	2,19
2015	2.338.647	29.899	861.879	11.019	6,03	2,75
2016	2.608.526	32.904	862.744	10.883	3,20	3,04
2017	3.104.907	38.660	851.046	10.597	7,40	3,65

Annual GDP obtained with the sum of four periods as per the expenditure method, as a chain volume index (2009 = 100), growing by 3.20% in 2016 compared to the same period of the previous year and by 7.4% in 2017 compared to the same period of the previous year.

Source: Turkish Statistical Institute
Buying rate for last day of each month
was used to establish average USD rate
for that year.

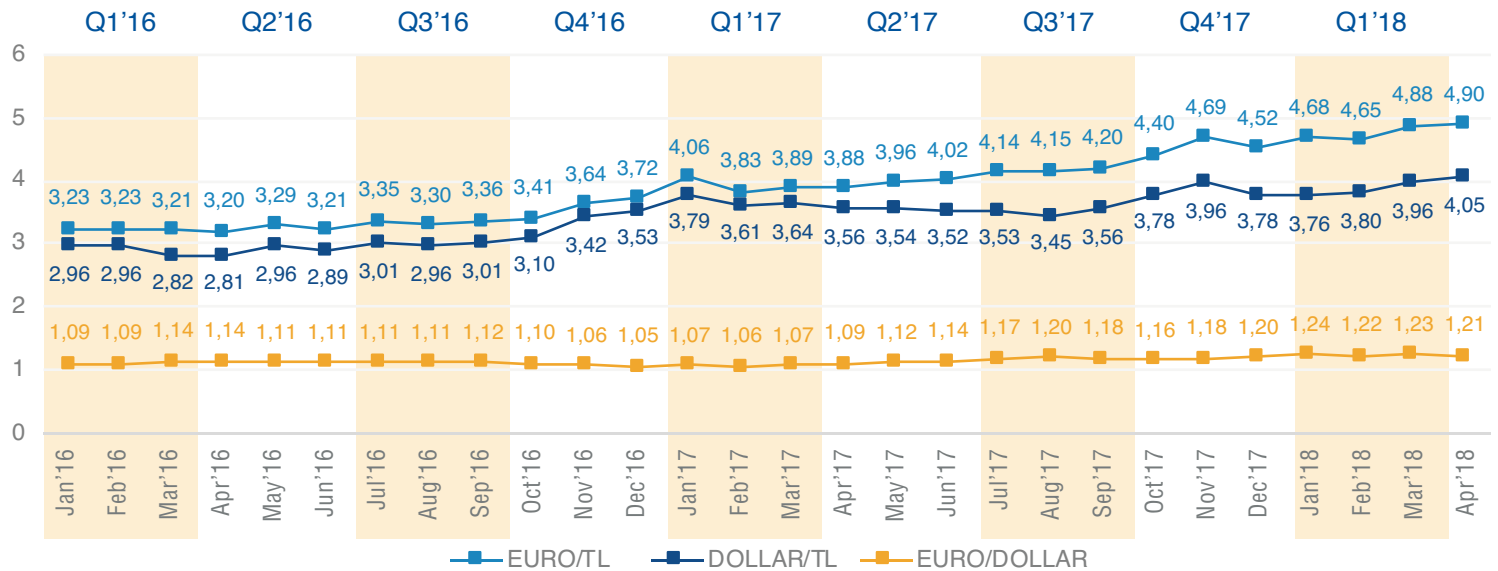
Annual Inflation*



The inflation rate, which has been on a downward trend since December of last year, has been on the rise as of April.

Source: TÜİK
*Change according to the same month of the
previous year

Exchange Rate*



The depreciation of TL against Dollar and Euro continues. The Dollar closed the year at 3.78 and rose to 4.05 in April 2018, while the Euro closed the year at 4.52 and rose to 4.90.

Source: Central Bank of the Republic of Turkey
* By the last day of each month

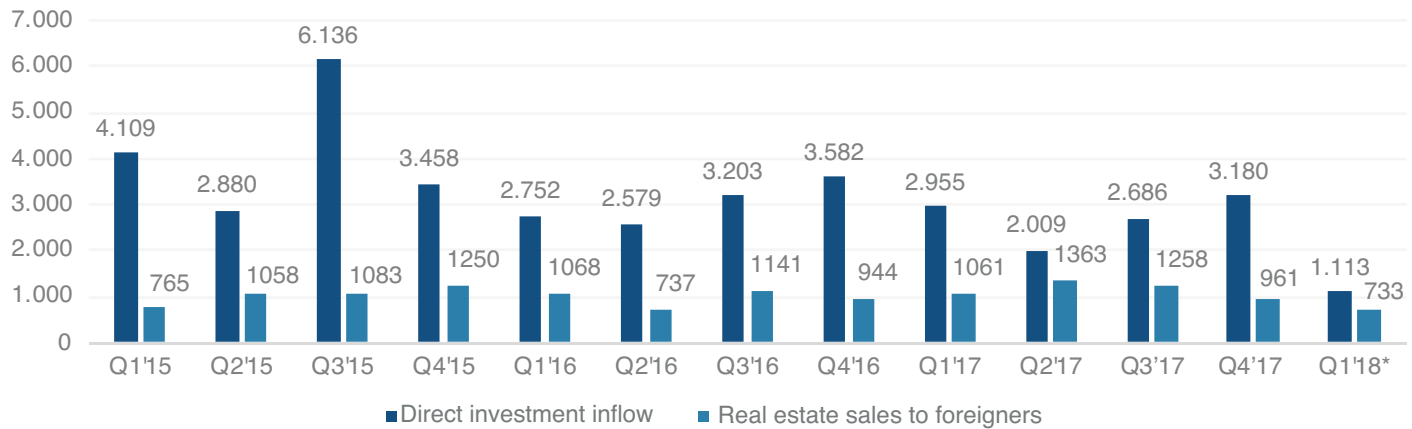
Comparison of Investment Instruments (%)

Period	*TR-68 Reidin	Reidin GYODER New House Price Index	Deposit Rate	BIST 100 Index	USD	Euro	Gold (Bullion)	Government Debt Securities
Q1'15	5,93	2,62	2,35	-3,95	12,85	-0,78	10,94	1,15
Q2'15	3,70	2,24	2,48	-9,9	11,31	11,57	5,8	-1,52
Q3'15	3,92	2,25	2,63	0,11	-3,01	-6,12	-7,5	3,1
Q4'15	4,46	1,96	2,67	-9,4	2,85	-0,76	-2,38	0,47
Q1'16	3,3	1,8	2,75	8,88	-1,09	0,98	14,86	4,45
Q2'16	1,95	0,41	2,63	0,77	1,66	1,42	6,14	2,38
Q3'16	1,08	-0,41	2,59	-1,31	17,92	10,98	2,63	-2,49
Q4'16	2,34	1,12	2,56	3,53	22	17,47	14,4	-2,44
Q1'17	3,14	1,22	2,55	17,5	4,97	6,35	11,77	2,38
Q2'17	3,08	0,86	2,62	10,27	-4,06	0,84	-1,44	4,46
Q3'17	2,33	1,03	3,03	7,16	-1,26	4,78	2,68	1,61
Q4'17	2,76	0,85	3,08	3,11	10,53	9,78	6,55	-1,84
Q1'18	2,55	0,9	3,18	6,58	1,25	5,51	5,93	2,08

In the first quarter of 2018; the BIST-100 Index provided a total return of 6.58%. Deposit interest providing a relatively regular return provided a return of 3.18%, which is above the inflation rate (the first three months of 2018 CPI was 2.77%) during the related period.

Source:Reidin and Turkish Statical Institute
Reidin Turkey Residential Property Price Index (81 Cities average)

Foreign Direct Investment (million USD)



The decline in direct investment inflows and foreign real estate sales figures continued throughout the year.

Source: Ministry of Economy
*Data of January and February

Age 15+ Unemployment (%)

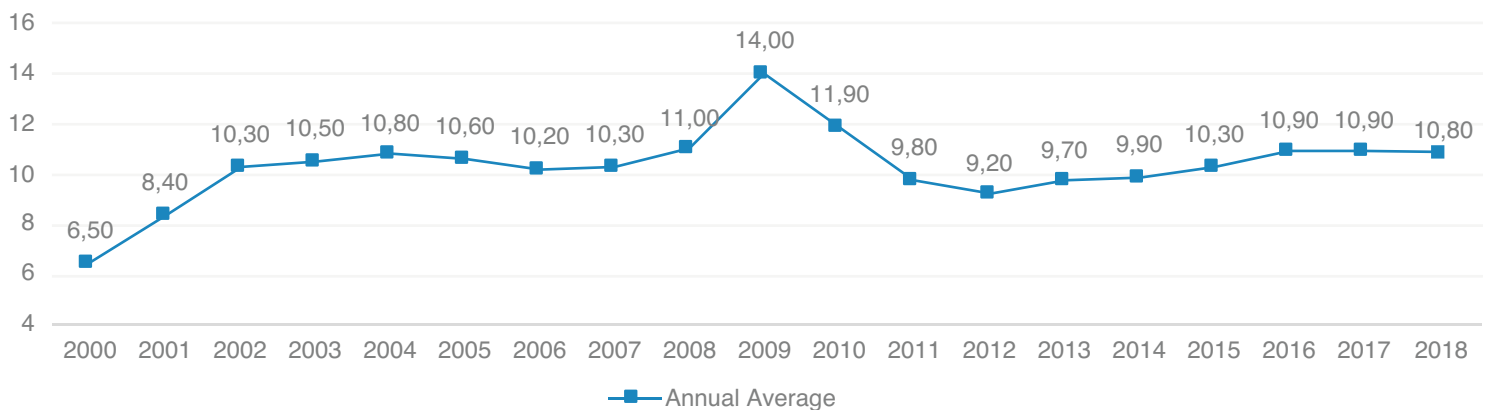
Monthly Average*

Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Ara'17	Oca'18
11,80	12,10	12,70	13,00	12,60	11,70	10,50	10,20	10,20	10,70	10,60	10,60	10,30	10,30	10,40	10,80

The unemployment rate, which was 10.40% as of December 2017, rose to 10.80% as of January 2018.

Source: Turkish Statistical Institute
*Job search time in unemployment data has been revised as 4 weeks by May 15, 2015, which was 3 months

Annual Average



Source: Turkish Statistical Institute

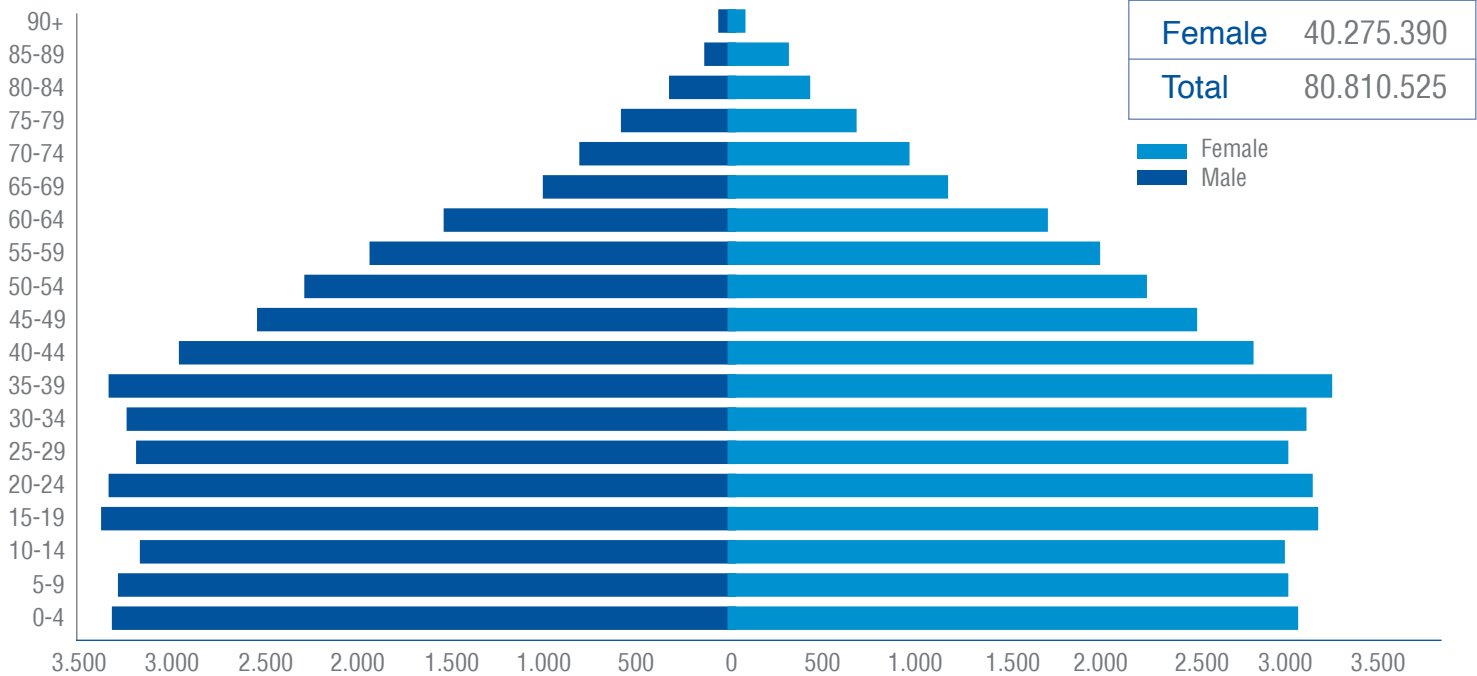
Population Growth in Major Cities (thousand)

	2015	2016	2017
Istanbul	14.657	14.804	15.029
Ankara	5.271	5.347	5.445
Izmir	4.168	4.224	4.279
Bursa	2.843	2.901	2.936
Antalya	2.288	2.329	2.364

The population of Istanbul, where 18.6% of the country's population resides, exceeded 15 million with an increase of 1.5%. Population growth in metropolitans indicates that the demand for the housing sector will continue to increase.

Source: Turkish Statistical Institute

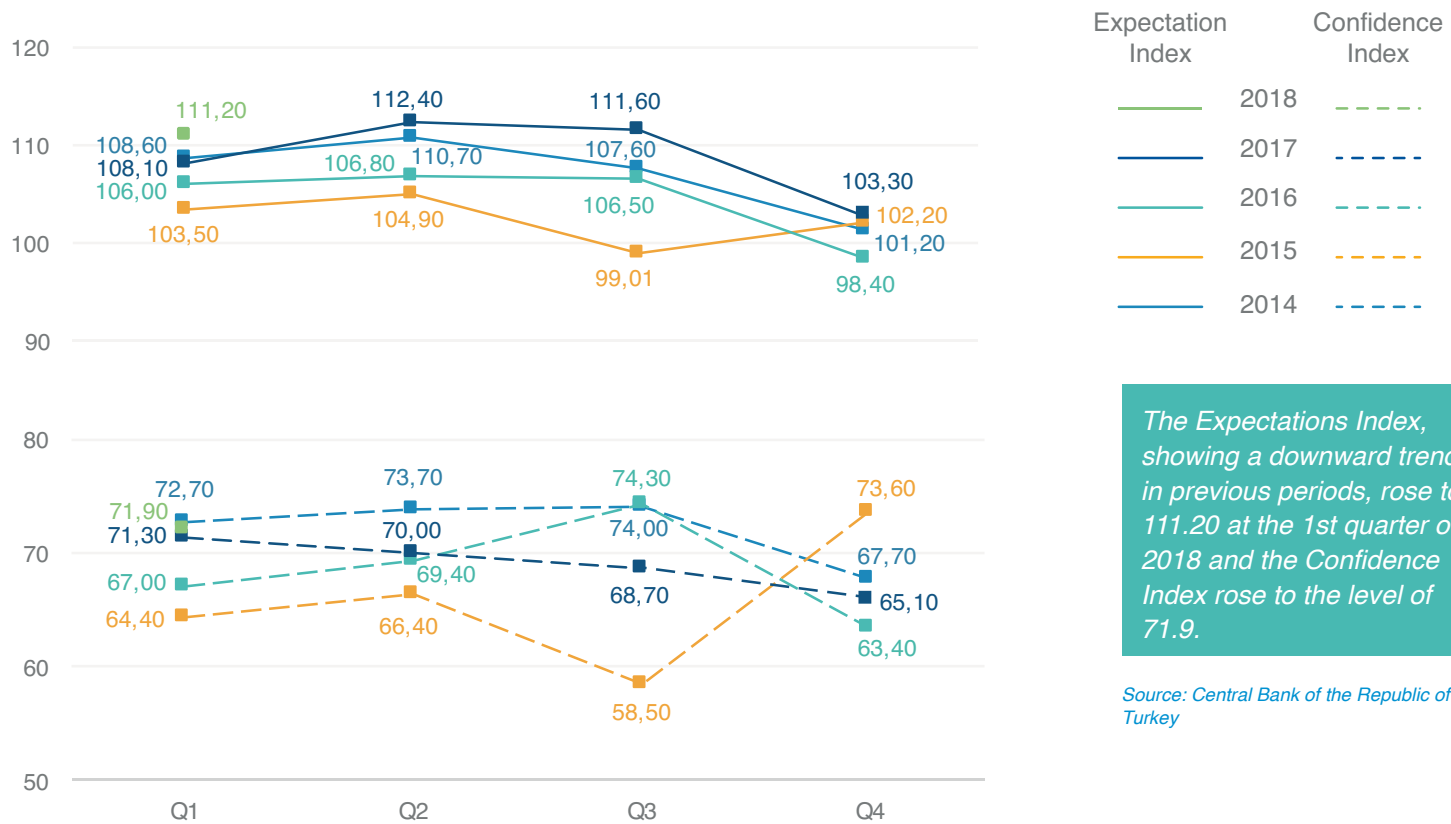
Population by Age Group and Gender, 2017



The proportion of active population in the 15-64 age group in total population reached 76.4% in 2017. The proportion of the population aged 65 and above in total population rose to 8.5%.

Source: Turkish Statistical Institute

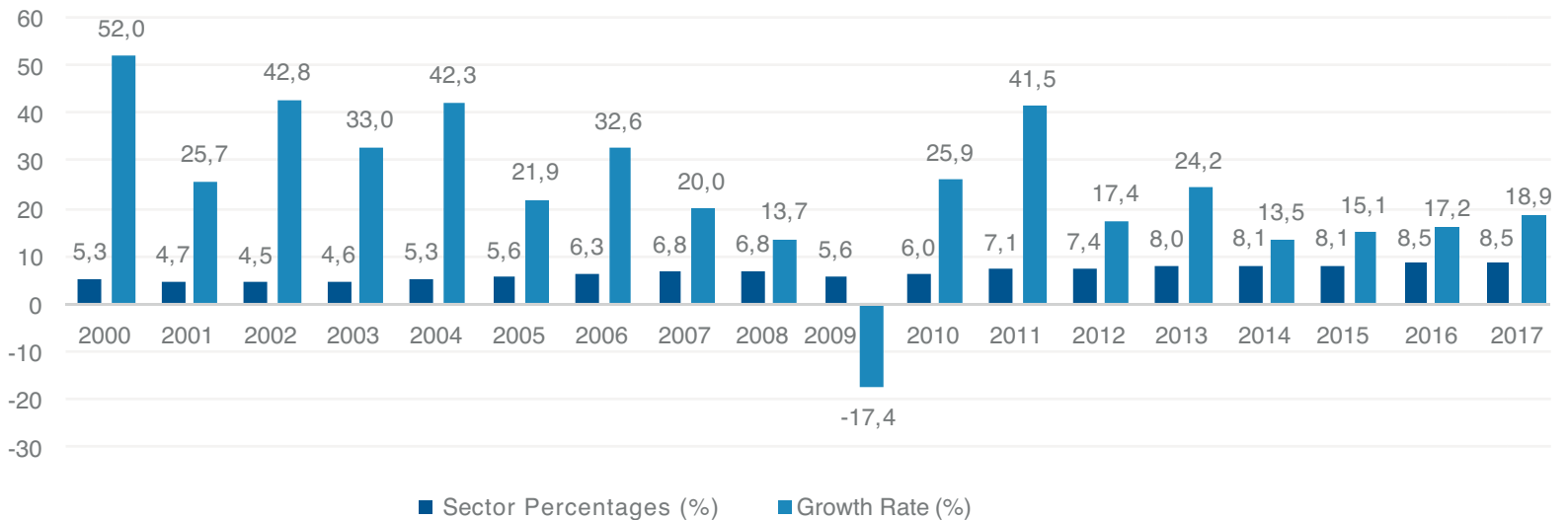
Expectation and Confidence Index



The Expectations Index, showing a downward trend in previous periods, rose to 111.20 at the 1st quarter of 2018 and the Confidence Index rose to the level of 71.9.

Source: Central Bank of the Republic of Turkey

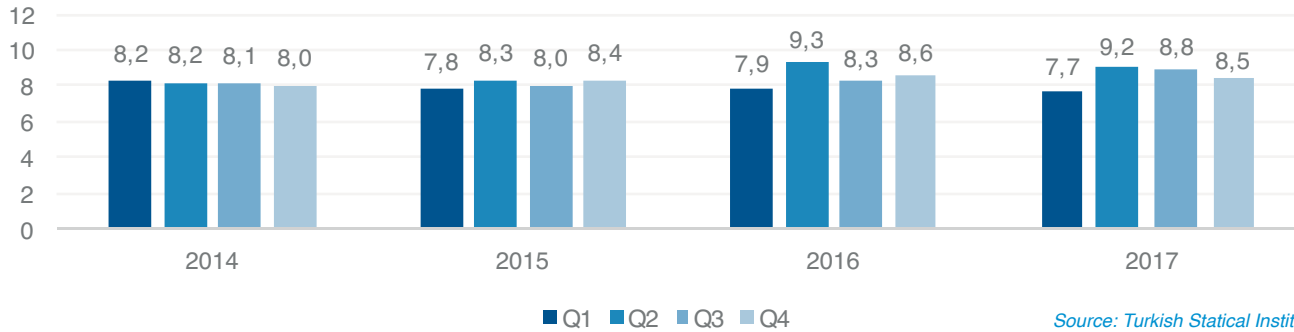
Share of Construction Received from the GDP by Production Approach at Current Prices



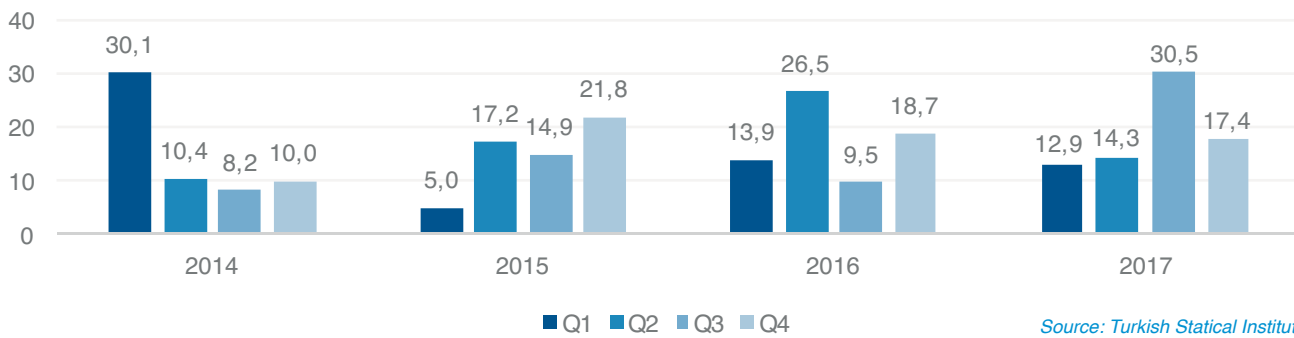
The construction sector's share of GDP at current prices was 8.5% at the end of the year. While the construction sector growth rate was 18.9% as of the end of 2017, the growth of real estate activities was 10.6%. GDP growth rate was 19%.

Source: Turkish Statistical Institute
 *Values from 2013 and before have been updated

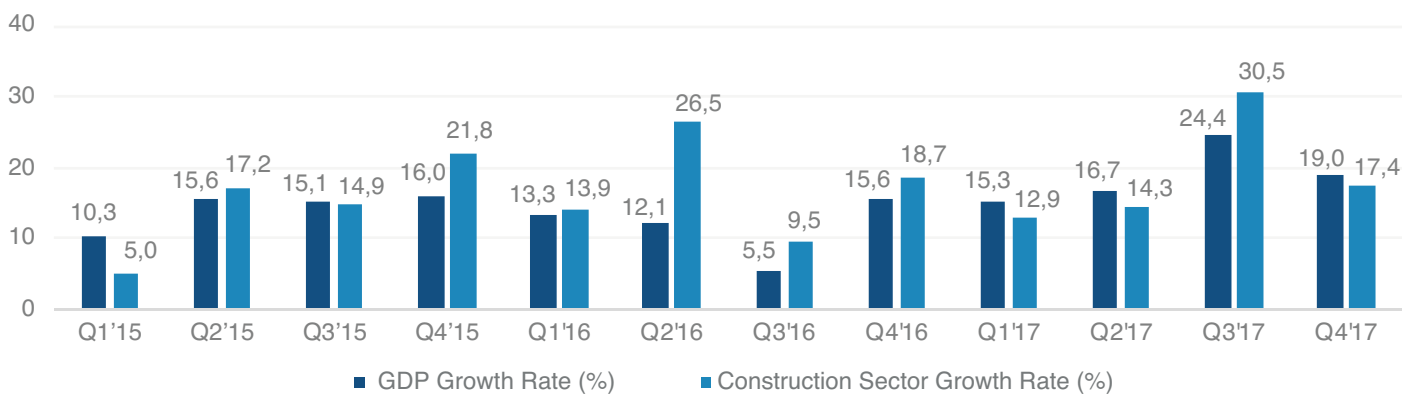
Share in GDP (%)



Growth compared to same month of previous year (%)



Construction Sector - National Income Growth Figures Comparison (%)





HOUSING

As of the end of March 2018, housing sales decreased by 6.7% during the last year

Housing sales in 2018 Q1 closed at 303.877 units, showing a decrease of approximately 6.7% compared to the same period of the previous year. When the incentives and campaigns provided to the final consumer in housing sales, which were periodically active in 2017, ended and the housing loan interest rates showed a rising trend, there was a serious contraction and it was seen that this slowdown trend in housing sales continued in the first quarter of 2018.

In the first quarter of 2018, there was a decrease of 4.8% in first hand sales and 8.3% in second hand sales compared to the same period of the previous year. It was seen that the underlying reason for the shrinkage in demand was mortgage sales and the mortgage sales decreased by about 28.5% on a unit basis compared to the same period last year. It is possible to relate this to mortgage interest rates. No downward movement has been observed in other sales except for mortgage sales in the first quarter.

The impact of the shrinkage experienced in demand over the housing prices continued. According to the CBRT data, the noticeable slowdown in the housing price index increase, especially seen in 2017 Q2 was also seen in 2018 Q1. As of the year end, the annual increase in the housing price index, which was 11.13% compared to the same period of the previous year, declined to 10.09% in February.

On the other hand, housing sales made to foreigners seem to lose some momentum in the last quarter. However, while the growth rate was approximately 24.1% compared to the same period of last year, its share in total sales was realized as 1.7%. In housing sales to foreigners in the first quarter of the year, Istanbul was in the first place with a share of 32.2%, Antalya ranked second with a share of 24.3%.

Building Permits Statistics and Percentage Changes

Year	Housing Stock
2000*	16.235.830
2001*-2014**	5.478.603
2015	732.948
2016	753.426
2017	820.526
Total	24.021.333

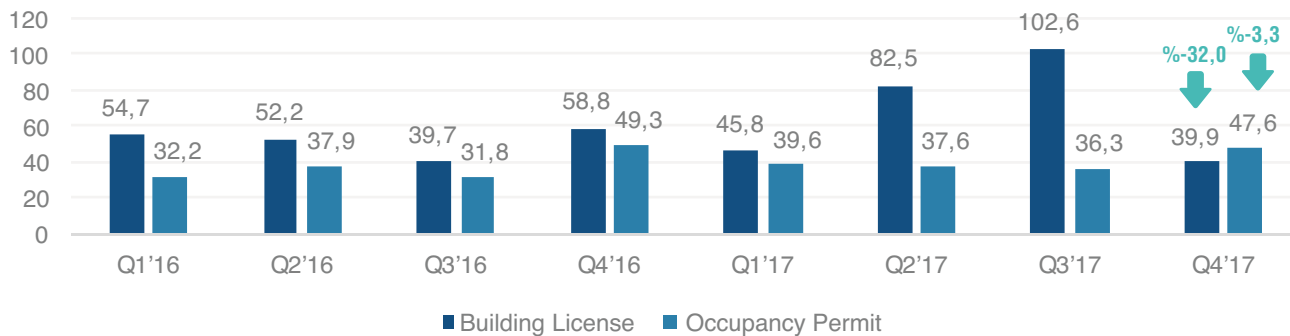
Based on area at the end of 2017; the number of building licenses increased by 31.8% compared to the same period of previous year and the number of building permits increased by 6.6%. According to the number of apartments, the amount of building license increased by 32.3% compared to the same period of previous year while the amount of building permit increased by 8.91%. The new housing production and supply of completed housing continue.

Source: Turkish Statistical Institute

* Total number of flats specified in the 2000 building census report

** Number of flats that received occupancy permit between 2001 and 2014

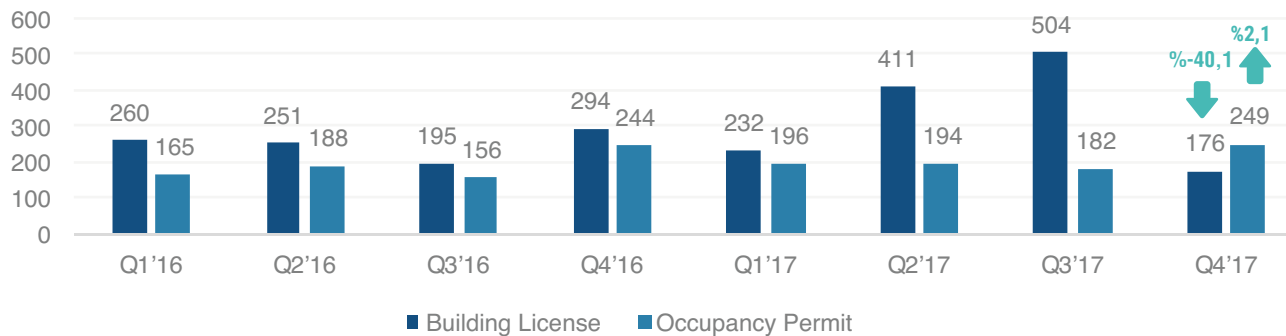
Surface Area (million m²)



Source: Turkish Statistical Institute

*Rates of change are given according to the same period of the previous year.

Number of flats (thousands)



Source: Turkish Statistical Institute

*Rates of change are given according to the same period of the previous year.

Housing Sales on Quarterly Basis (number)

	First Sale	Second Hand Sale	Total Sales	Mortgaged Sales
Q1'15	130.120	167.098	297.218	115.445
Q2'15	152.801	185.061	337.862	126.652
Q3'15	140.174	161.361	301.535	95.459
Q4'15	175.572	177.133	352.705	96.832
2015 Total	598.667	690.653	1.289.320	434.388
Q1'16	139.860	163.604	303.464	95.861
Q2'16	152.305	175.030	327.335	105.223
Q3'16	142.585	162.427	305.012	102.297
Q4'16	196.936	208.706	405.642	146.127
2016 Total	631.686	709.767	1.341.453	449.508
Q1'17	145.826	179.954	325.780	125.093
Q2'17	150.397	178.186	328.583	120.282
Q3'17	180.466	195.899	376.365	117.852
Q4'17	183.009	195.577	378.586	109.872
2017 Total	659.698	749.616	1.409.314	473.099
Q1'18	138.777	165.100	303.877	89.380

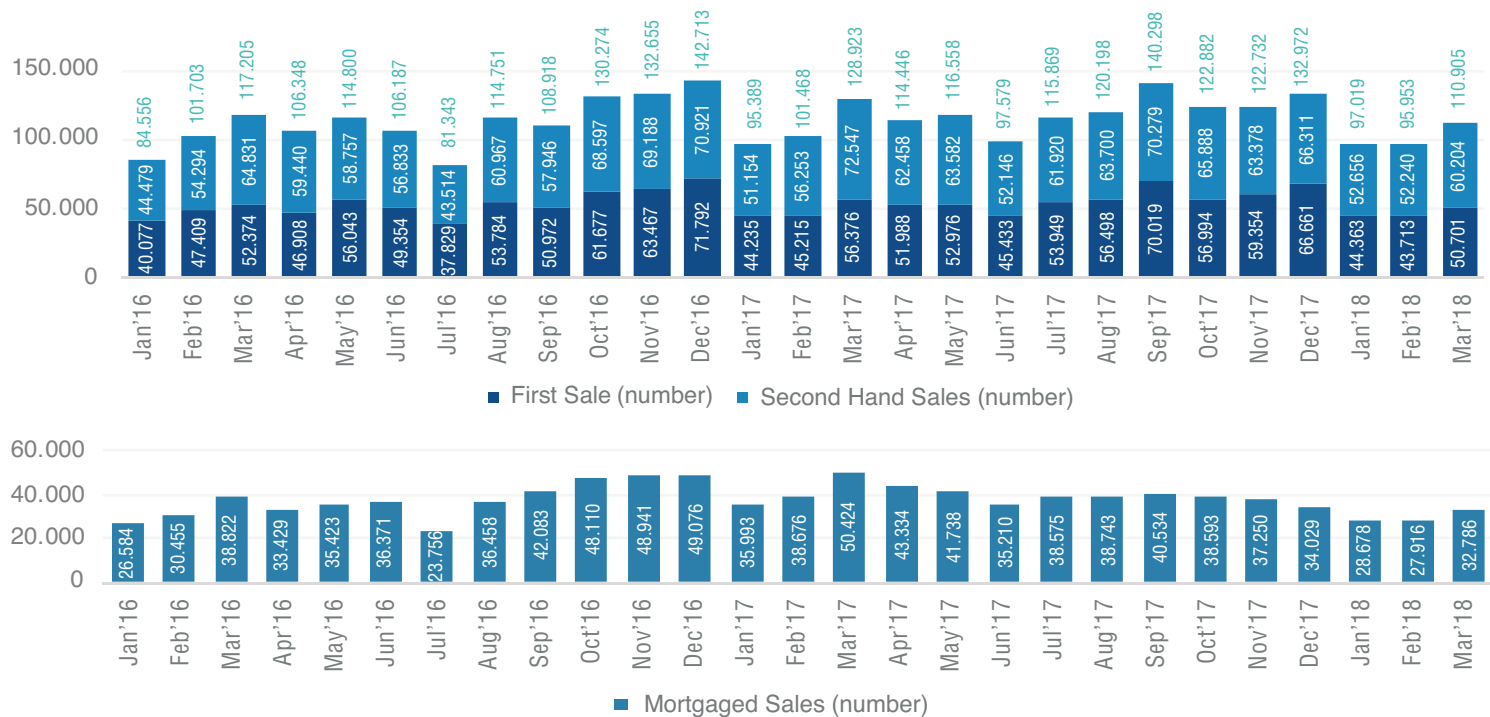
Decreased by approximately 6.72% in the first quarter of 2018 compared to the same period of the previous year.

Source: Turkish Statistical Institute

First Sale: The first sale of a housing by producer or by people making an agreement with the producer in return for a flat.
Second hand sale: Resale of the housing by the person obtaining the house from first sale.

In the first quarter of 2018, the first hand housing sales decreased by 4.83% compared to the same period of the previous year, while the contraction experienced in second hand sales was around 8.25%. Mortgaged sales decreased by 28.55%. The share of mortgage sales in total sales decreased from 38% in the first quarter of 2017 to 29% in the first quarter of 2018.

Housing Sales on Annualy Basis (number)

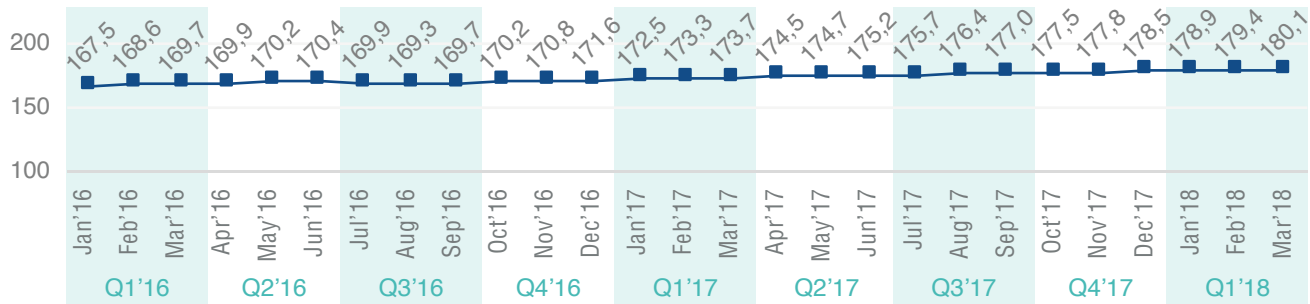


Source: Turkish Statistical Institute

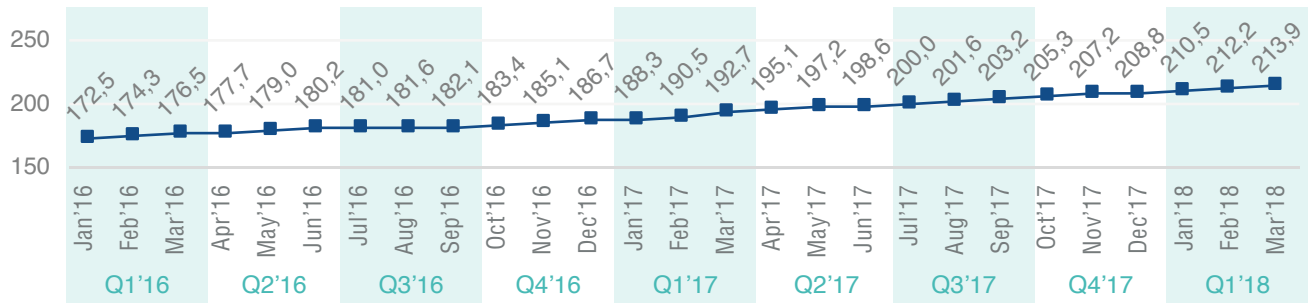
First Sale: The first sale of a housing by producer or by people making an agreement with the producer in return for a flat.
Second hand sale: Resale of the housing by the person obtaining the house from first sale.

Housing Price Indexes (Country-wide)

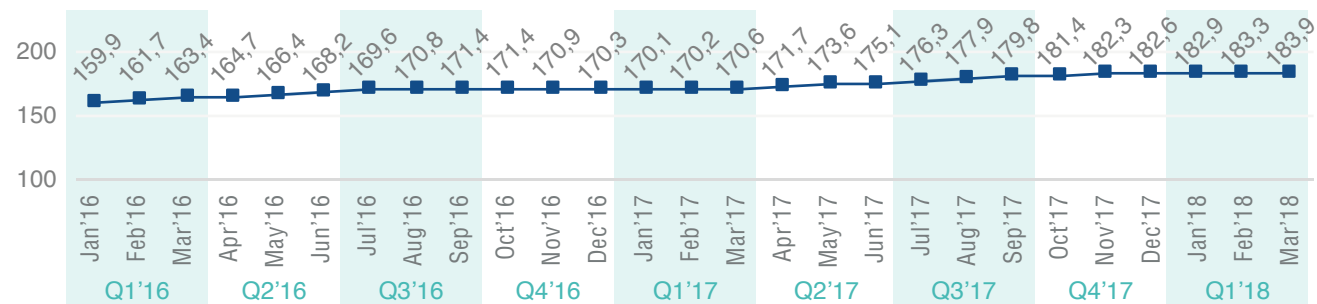
Reidin GYODER New Home Price Index (January 2010=100)



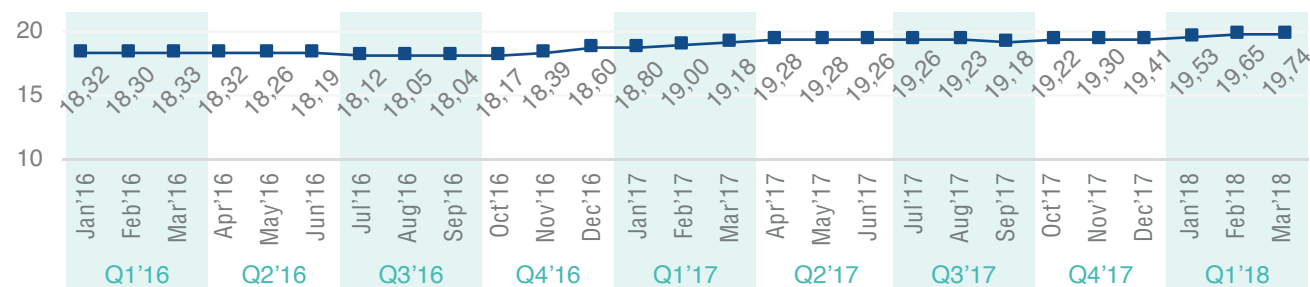
Reidin Turkey Residential Property Price Index



Reidin Residential Rent Value Index (January 2012=100)

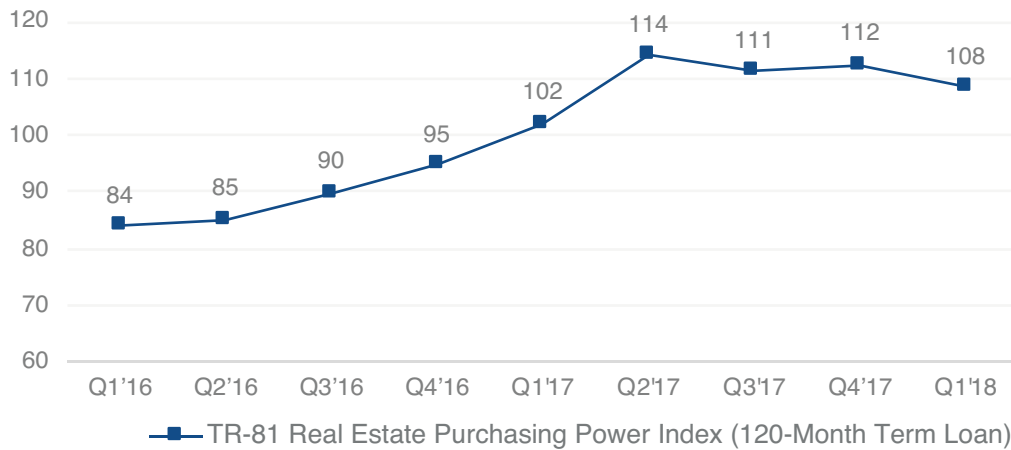


Reidin Home Return on Investment Time (Year)



The upward trend in the REIDIN housing indices that started in the first quarter of the year has been continuing. According to REIDIN-GYODER New Housing Price Index, the price increase in March 2018 was 0.39% compared to the previous month and 3.68% compared to the same period of last year.

Real Estate Purchasing Power Index (120-month Term Loan)

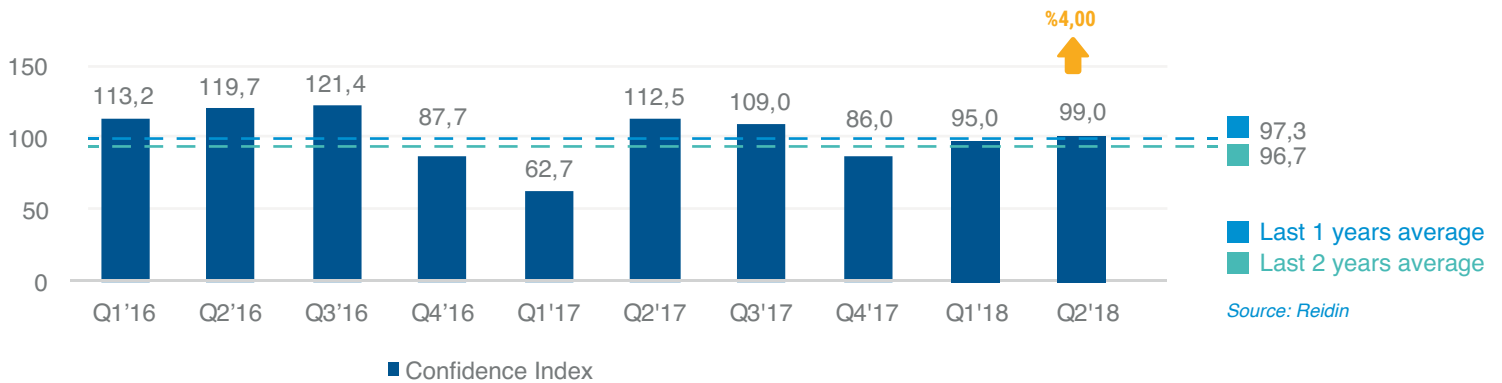


Housing Purchasing Power Index Turkey average decreased by 3.48% compared to the previous quarter and reached 108 in the first quarter of 2018 with 6.23% increase compared to the same quarter of the previous year.

*It is an important economic indicator that measures whether a family lives in any 68 cities of Turkey with an average income can own a house by using a 120-month term housing loan or not. The index values of 100 and above indicate that one can own a house by using a 120-month term loan with the existing interest rate; values below 100 indicate that a family cannot own a house by using a housing loan under current financial terms.

Source: Reidin

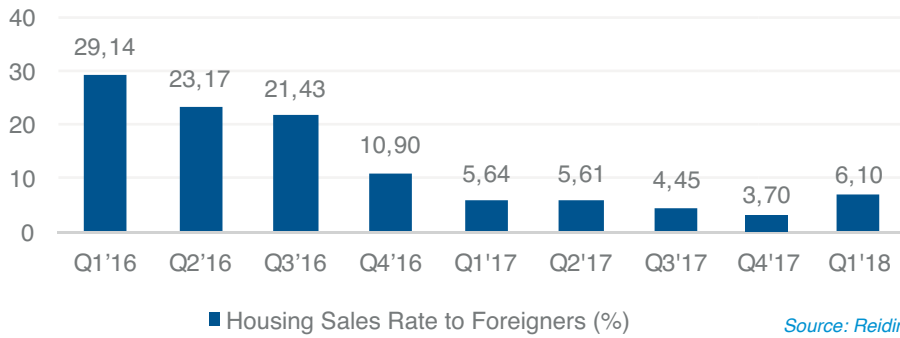
Real Estate Confidence Index & Price Sentiment Index



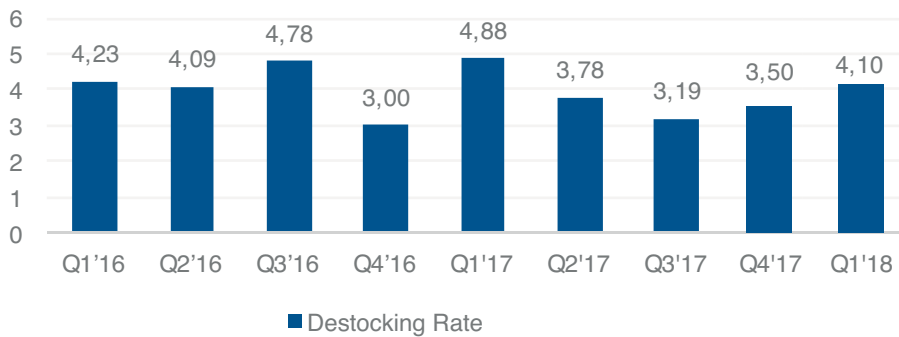
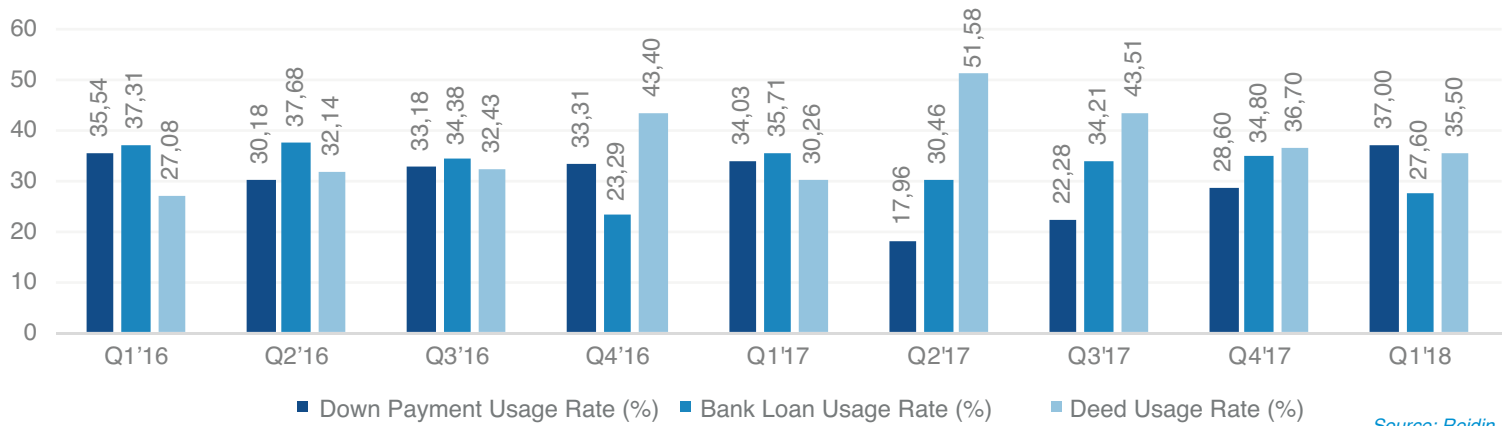
In the second quarter of 2018, the Confidence Index, which was measured as 99, remained above 97.3 - the average of the last year, while the Price Expectation Index, which was measured as 94, was announced above the average of 93.8 last year.



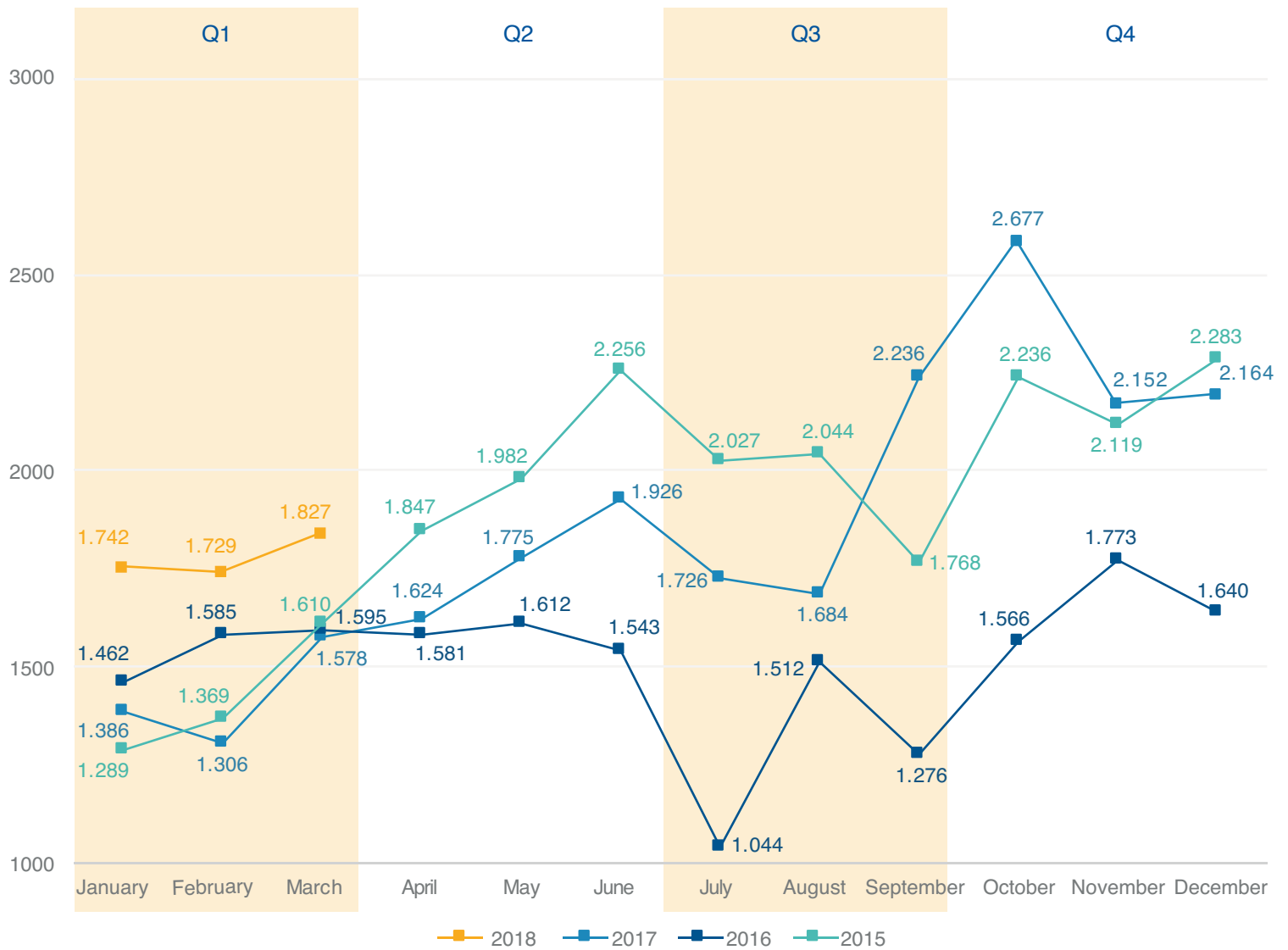
Indicators of Branded Housing Projects



Consumers, who purchased houses from branded housing projects, preferred mostly to use cash in the first quarter of 2018 from the options of cash payment, deed and bank loans. In the first quarter of 2018, the rate of de-stocking was 4.10% while 6.10% of the sales in branded housing projects was made to foreign investors.



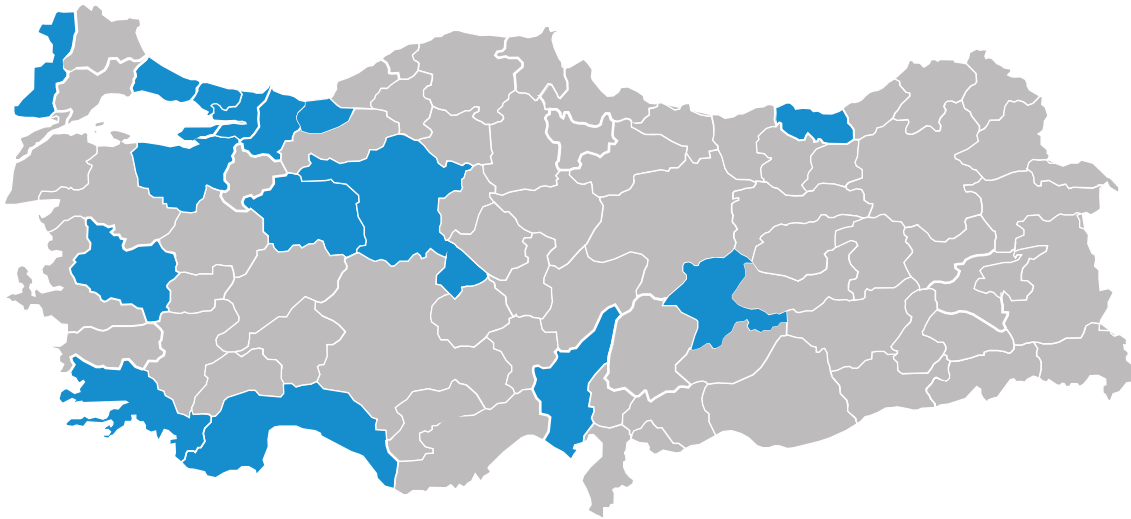
Number of House Sales to Foreigners in Turkey



Housing sales made to foreigners increased by 24.1% at the first quarter of 2018 compared to the same period of the previous year and reached 5.298 units.

Kaynak: TÜİK

Top 10 Cities Preferred by Foreigners for Housing Purchase



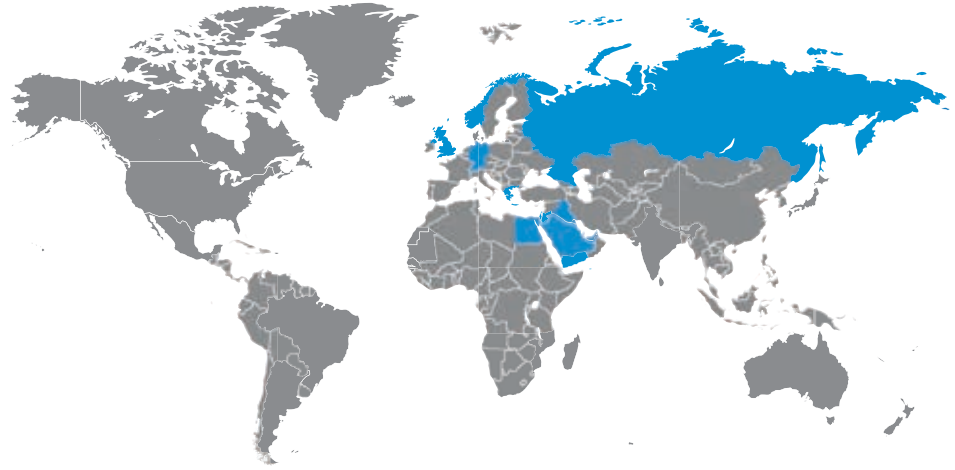
In the first quarter of 2018, Eskişehir became the most preferred city for foreigners in real estate investments. When the investments made by foreigners in Turkey regarding all types of real estates in the first quarter of 2017 and first quarter 2018 are examined, 135.5% increase was observed in 2018 compared to 2017 on area basis, while the number of transactions increased by 46.0%.

Q1'18				Q1'17	
Q1'18 Ranking (Q1'17 Ranking)	(End of the Year) First 10 Cities	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions
1 (-)	Eskişehir	251.691	58	970	20
2 (1) ↓	Istanbul	164.097	2.297	192.558	1.824
3 (2) ↓	Antalya	159.364	1.642	122.991	948
4 (-)	Manisa	144.677	33	983	3
5 (4) ↓	Muğla	134.488	268	54.872	176
6 (3) ↓	Bursa	122.150	594	75.525	457
7 (-)	Malatya	112.150	6	453	3
8 (-)	Adana	109.127	43	21.687	13
9 (-)	Edirne	95.943	41	1.530	41
10 (7) ↓	Sakarya	82.626	223	45.008	139
- (5)	Ankara	21.226	301	50.059	237
- (6)	Yalova	30.898	354	46.574	270
- (8)	Trabzon	34.294	248	31.128	146
- (9)	Düzce	6.852	41	29.082	13
- (10)	Kocaeli	24.545	97	27.672	77
	Other	609.225	1.230	192.154	743
	Total	2.103.353	7.476	893.246	5.110

Source: General Directorate of Land Registers Department of Foreign Affairs
*Figures include all real estate sales and their transactions.

Top Ten Countries Preferring to Purchase Housing from Turkey

When we examine all kinds of real estate investments made by foreigners in Turkey, it is seen that in 2018 Q1 Palestine, Egypt, Norway, Greece and Israel were amongst the first 10 countries that prefer Turkey, different from the same period of 2017.



		Q1'18		Q1'17	
Q1'18 Ranking (Q1'17 Ranking)	(End of the Year) First 10 Countries Citizen	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions
1 (1)	Germany	394.472	480	97.514	218
2 (-)	Palestine	255.558	114	10.879	104
3 (3)	Saudi Arabia	150.581	445	75.007	408
4 (-)	Egypt	131.514	226	15.473	154
5 (2) ↓	Iraq	111.063	1.166	85.873	896
6 (-)	Norway	101.243	87	3.849	59
7 (6) ↓	Jordan	99.398	217	41.969	105
8 (7) ↓	England	81.617	335	39.171	206
9 (-)	Greece	62.485	211	24.270	149
10 (-)	Israel	58.711	63	1.297	16
- (4)	Kuwait	55.588	343	67.323	388
- (5)	United Arab Emirates	22.075	59	47.134	76
- (8)	Russian Federation	52.866	430	39.169	290
- (9)	Yemen	31.476	133	36.564	69
- (10)	Switzerland	2.657	19	32.938	13
	Other	492.048	3.126	274.813	1.953
	Total	2.103.353	7.454	893.246	5.104
	Gulf Countries	447.812	2.664	321.118	2.017
	Ratio of Gulf Countries in Total Investments	21%	36%	36%	40%

Source: General Directorate of Land Registers Department of Foreign Affairs
*Figures include all real estate sales and their transactions.



HOUSING LOANS

As of the end of 2017, the housing loan volume reached 191.4 billion TL

The increasing cost of resources due to the bank's spoilt credit deposit ratios in the first quarter of 2018 continues to put pressure on interest rates on mortgage loans and the upward trend in mortgage interest rates continues today since the first quarter of 2017. As of the first quarter of 2018, the monthly interest rate on housing loans increased by 9 basis points and reached 1.17% compared to the end of the previous quarter. The annual compound housing loan interest rate, which was 13.78% in the last quarter of 2017, was 14.96% as of the end of the first quarter of 2018.

While the sector interest rates continue to rise, the public banks' competitive pricing policies continue. As a

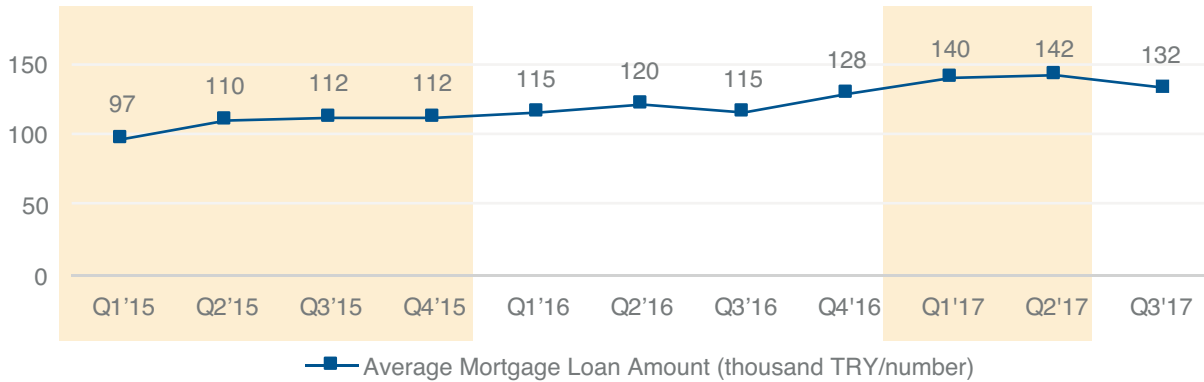
reflection of this pricing policy, the share of public banks in housing loans reached 43.53% at the end of 2017.

As of the end of 2017, the total housing loan volume exceeded 191 billion TL. The share of housing loans in individual loans* was 37.9%, in parallel with the previous year. The ratio of nonperforming housing loans to total housing loans was 0.42% in the fourth quarter of 2017 and dropped by 11 basis points compared to the same period of the previous year. The declining trend in the ratio of nonperforming housing loans to total housing loans continues today since the third quarter of 2016.

(*)Deposit Banks are taken into account.

Mortgage Extension

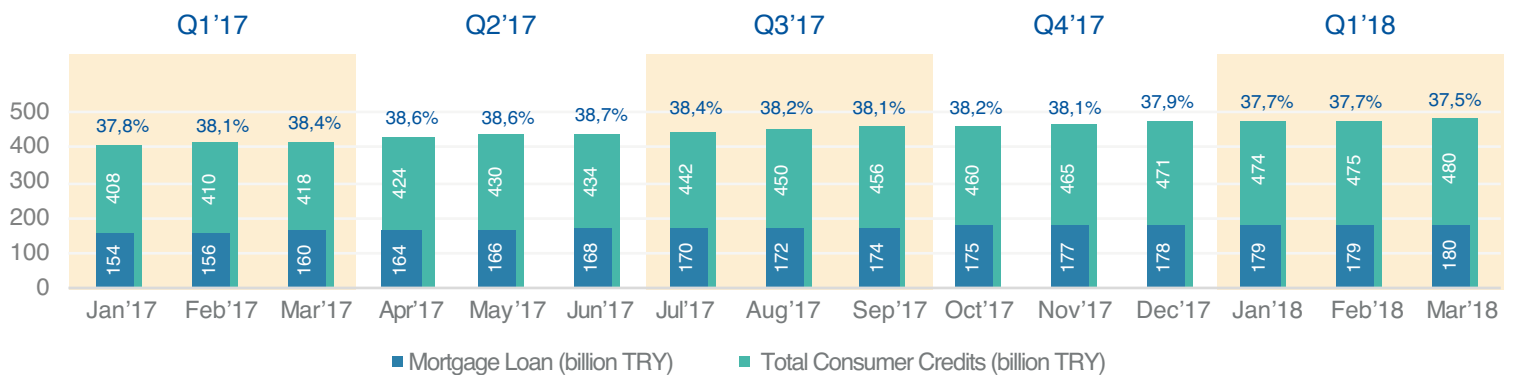
Period	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Total Credit Extension (million TRY)	12.483	12.748	11.173	10.382	11.223	13.280	13.215	19.378	18.815	17.790	16.343
Credit Extension Figure (number)	129.040	116.023	100.141	92.963	98.016	110.918	115.179	151.019	134.212	125.085	123.674



The amount of new housing loans used in the third quarter increased by 23.7% compared to the same period of previous year and reached 16.343 billion TL. The average loan amount in the third quarter of 2017 increased by 15.2% compared to the same period of previous year and reached 132.000 TL.

Source: The Banks Association of Turkey

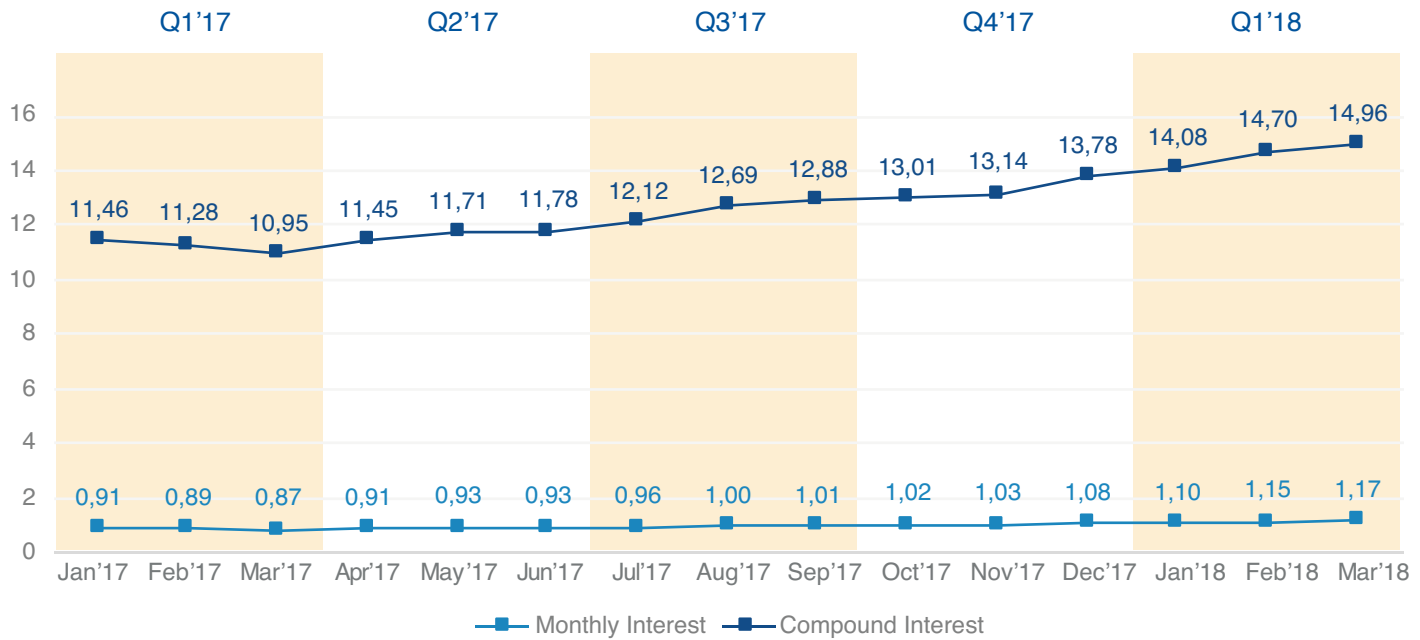
Mortgage Loan - Total Consumer Credits Comparison



The share of housing loans in individual loans decreased in March 2018 compared to the same period of previous year and was recorded as 37.5%.

Source: Central Bank of the Republic of Turkey

Mortgage Loan Interest Rate (%)



Housing loan interest rates have been on the rise since the second quarter of 2017. As of March 2018, the monthly interest rate on housing loans was 1.17% and the annual compound interest rate was 14.96%.

Source: Central Bank of the Republic of Turkey

Distribution of Mortgage Loan According to Banks

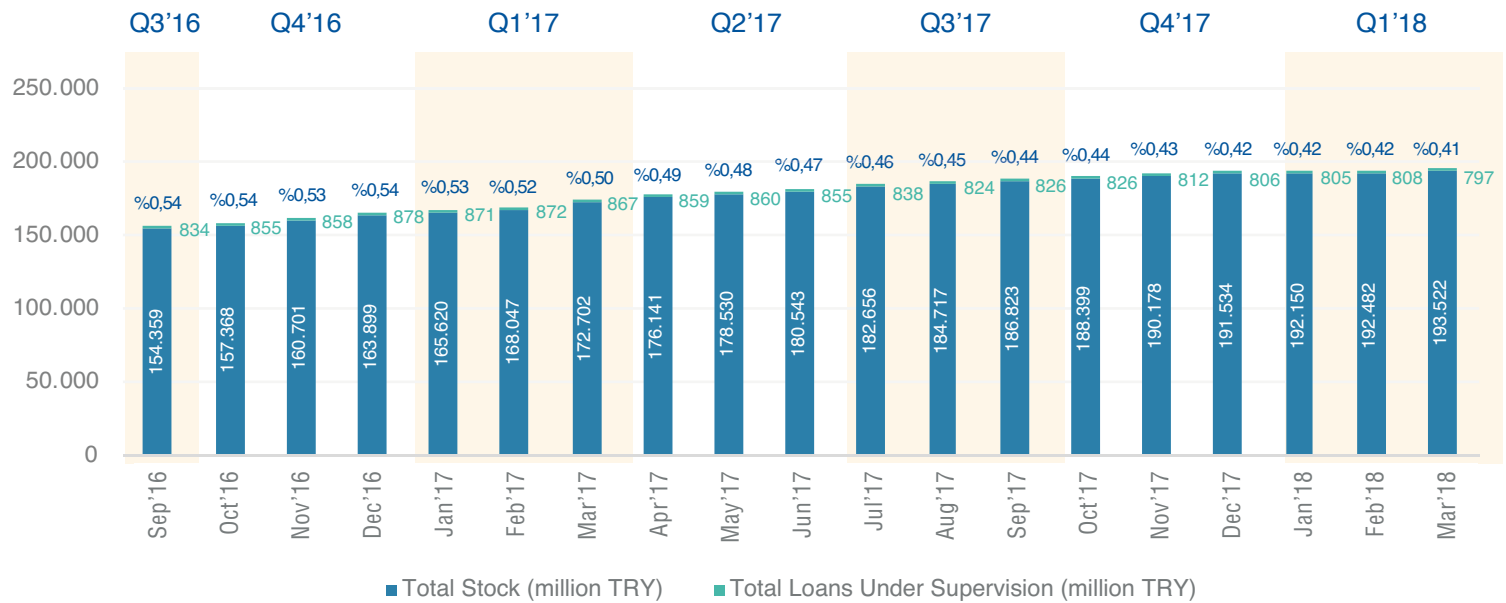
Distribution of Sector in General	Number of Banks	Sector Shares	Distribution of Mortgage Loan Volume (billion TRY)*
Total Banking Sector	50	%100	191.424
Total Deposit Banks	32	%93	178.275
<i>Public Deposit Money Banks</i>	3	%44	83.322
<i>Private Deposit Banks</i>	9	%29	56.072
<i>Deposit Banks with Foreign Partners</i>	20	%20	38.881
Development and Investment Banks	13	%0	0
Participation Banks	5	%7	13.149

Source: BDDK

*The recently announced data are those of the BDDK's data of December 2017 (Q4'17).

The total volume of housing loans has exceeded 193 billion TL as of March 2018.

Mortgage Loan Stock and Non-performing Loan*



The share of nonperforming loans in total housing loans has been 0.41% as of March 2018.

Source: Central Bank of the Republic of Turkey



OFFICE

New leasing in 2018 Q1 increased by 19.6% compared to the same period of the previous year

Turkey's economy grew by 7.4% in the last quarter of 2017 compared to the same period of previous year. In March 2018, the real sector confidence index was recorded as 109.50, consumer confidence index as 71.30; both figures decreased compared to the previous month. However, the continuation of unemployment rate in January as 10.8%, the inflation rate in March as 10.23%, and the increase in exchange rate were the main reasons for the decline in leasing level, which generally affect leasing activities and investments in the office market.

The general supply remained at the same level as 5.79 million m². In the first quarter, new leasing increased by 19.6% to 69.720 m² compared to the same period of the previous year, but decreased by 5.85% compared to the previous quarter.

In the first quarter, 53.9% of the agreements on a square meter basis were realized at the Anatolian side, 22.6% at the CBD and 23.5% at the European side, outside the CBD. The reason for the increase in agreements made

particularly at the European side, outside the CBD is the extensive leasing activity that takes place in the Cendere region.

Office vacancy rate in the first quarter of 2018 was realized as 23.27%. The biggest property owner user agreement in this quarter was Alternatif Bank (12.000 m², Vadistanbul) and major new leases were Petrol Ofisi (9.400 m², Emaar Square), Tekfen Engineering (4.400 m², Premier Campus) and 3M (4.109 m², Nidakule Ataşehir Güney).

Investment activities in the first quarter were limited to office units.

As a result of the decline in primary rentals, it is expected that the rents of office submarket will be further loosened. As a result, the main locomotive of the expected demand is rental discounts. It is foreseen that the favorable environment for the lessee will continue in short and medium term.

Istanbul Office Market by Regions

	Q1'17			Q4'17			Q1'18		
European Side	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)
Levent - Etiler	782	19,8	41	849	22,4	35	852	19,8	32
Maslak	838	22,9	28	838	20,7	28	838	21,3	25
Z.Kuyu - Şişli Line (Z.kuyu - Gayrettepe- Esentepe - Mecidiyeköy - Şişli)	438	26,1	25	451	22,4	22	451	22,1	22
Taksim and surrounding area (Taksim - Elmadağ - Bomonti - Piyalepaşa)	139	13	20	148	27,9	17	139	21,8	15
Kağıthane	253	45,1	16	259	26,2	15	259	32	18
Beşiktaş (Nişantaşı - Akaretler - Barbaros - Maçka - Teşvikiye)	102	18,6	22	102	20,5	17	102	22,7	16
Western İstanbul (Güneşli - Yenibosna - Bakırköy - İkitelli)	806	6,4	13	814	6,2	11	814	6,9	11
Cendere - Seyrantepe	-	-	-	284	78,4	15	284	67	15
Anatolian Side	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)
Kavacık	121	5,6	17	131	19	16	131	19,6	15
Ümraniye	706	20,1	21	716	14,1	20	714	14,3	20
Altunizade	59	1	23	59	1,0	20	59	1	20
Kozyatağı (İçerenköy - Göztepe - Ataşehir)	455	35	25	689	41,8	25	715	43,7	25
Eastern İstanbul (Küçükyalı - Maltepe - Kartal - Pendik)	437	23,6	13	437	17,8	12	446	17,4	16

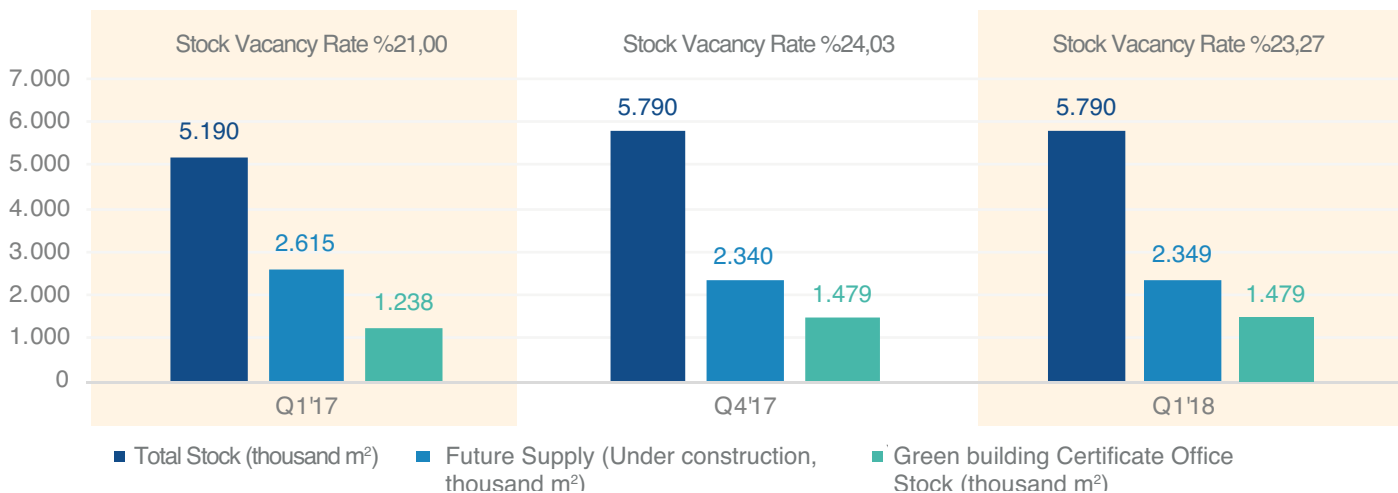
In the first quarter of 2018, the total supply remained at the same level as 5.79 million m². The new leasing amounted to 69.720 m² in the first quarter, increasing by 22.32% compared to the same period of the previous year, but declined 5.78% compared to the previous quarter.

Source: Office data
were prepared by
Cushman&Wakefield
specifically for GYODER.



Leasing	Q1'17	Q4'17	Q1'18
Total Occurring Take-up Transactions (thousand m ²)	58,29	74,05	69,72
Prime Rent (USD/m ² /month)	41	35	32
Prime Yield (%)	7,15	7,25	7,25

The general supply was 5.79 million m², which remained at the same level compared to the previous quarter. In the first quarter, new leases increased by 19.6% compared to the same period of the previous year and reached 69,720 m², but decreased by 5.85% compared to the previous quarter.





SHOPPING MALLS

The number of shopping malls reached 439 as of 2018 Q1

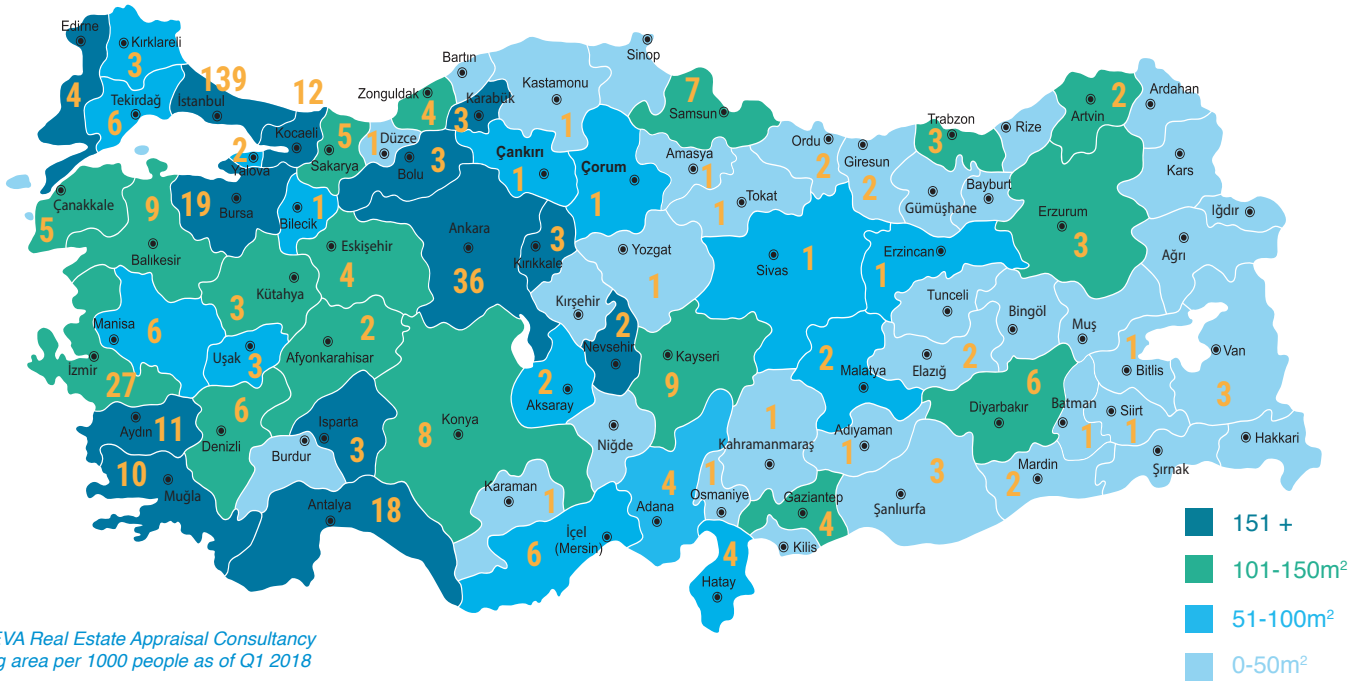
The total number of shopping malls in overall Turkey as of the end of 2017 was 429 and it reached 439 as of the first quarter of 2018. With the new shopping malls to be opened by the end of 2018, it is expected that this number will reach 491 and the total leasable area will exceed 15,000,000 m². However, it can be said with reference to the previous year that the expected leasable area cannot be realized for various reasons such as delays in openings, defects in the construction process or loss of function. For instance, 57 shopping centers were declared to be opened in 2017, but 39 of them were opened.

As of the end of the first quarter of 2018, 63 cities have shopping malls and 18 cities have not yet had shopping malls. However, it is expected that the number of cities that have not met with shopping malls will decrease to 16 in the next two years.

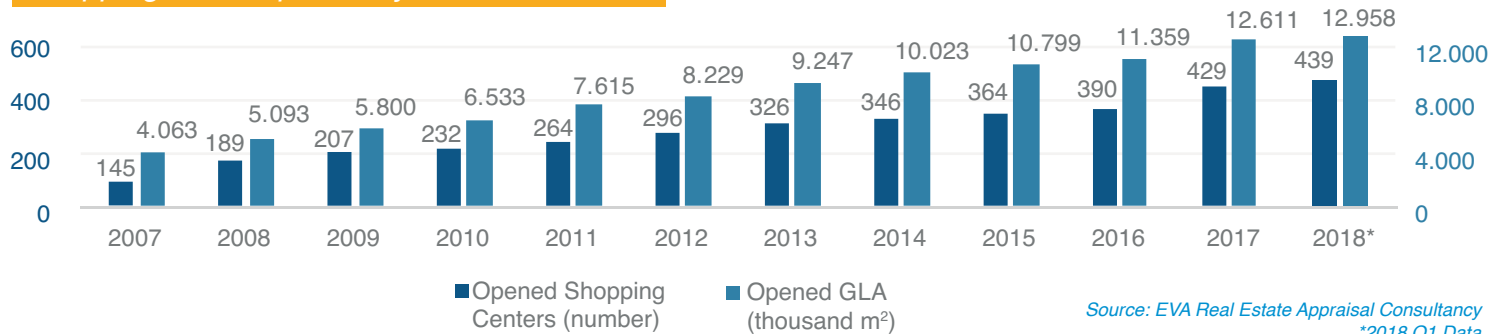
The cities having the most shopping malls are respectively; Istanbul with 139, Ankara with 36 and İzmir with 27. The total leasable stock is 12 million 958.257 m². When examined in terms of leasable area, Istanbul constitutes approximately 38% of the total leasable area stock. In Turkey, the average leasable area per 1.000 people is 160 m².

Growth of Shopping Mall in Turkey

GLA* Volume and Number of Shopping Malls according to Cities



Shopping Malls Opened by Years and GLA



In 2016, the size of the leasable area that lost its function decreased by 6% compared to the previous year. 67% of the shopping malls losing their functions constitute large scale malls with a leasable area size of 20.000 m² and above.

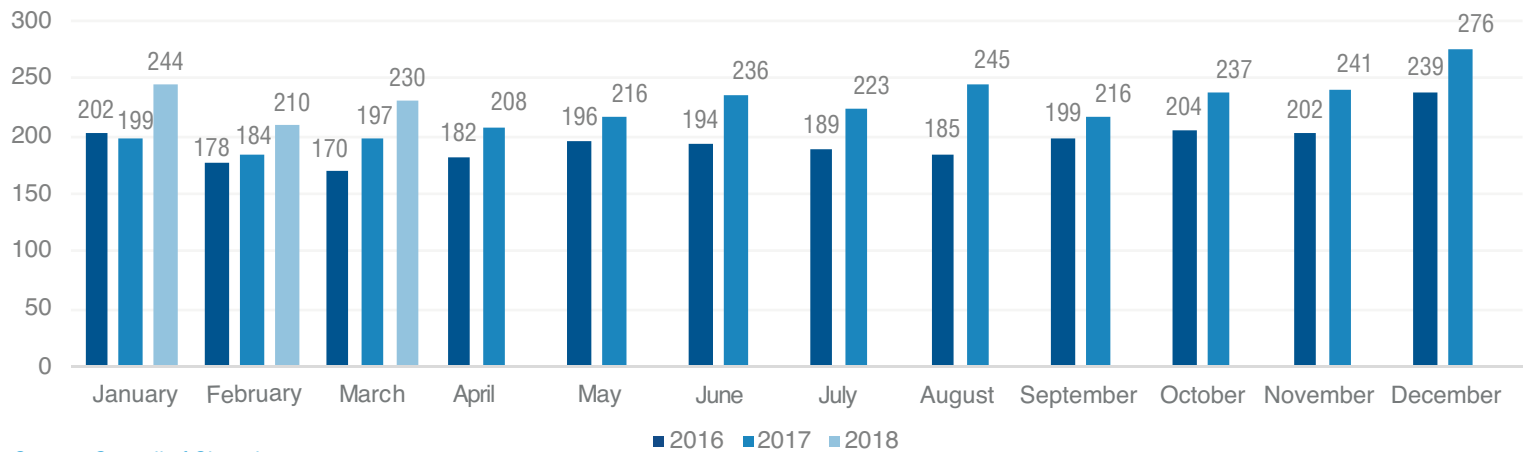
Shopping Centers That Have Lost Their Functions

2016	Leasable Area (m²)	M² Range of Shopping Centers That Have Lost Their Functions	Percentage (%)
İstanbul	58.226	5 - 10 thousand	%2
Ankara	86.037	10 - 20 thousand	%31
Other	143.924	20 thousand and above	%67
Total	288.187		

In 2016, the size of the leasable area that lost its function decreased by 6% compared to the previous year. 67% of the shopping malls losing their functions constitute large scale malls with a leasable area size of 20.000 m² and above.

Source: EVA Real Estate Appraisal Consultancy
Shopping Mall Definition: leasable area above 5,000 m², at least 15 independent sections, organized shopping areas creating synergy by centralized or joint management mentality.

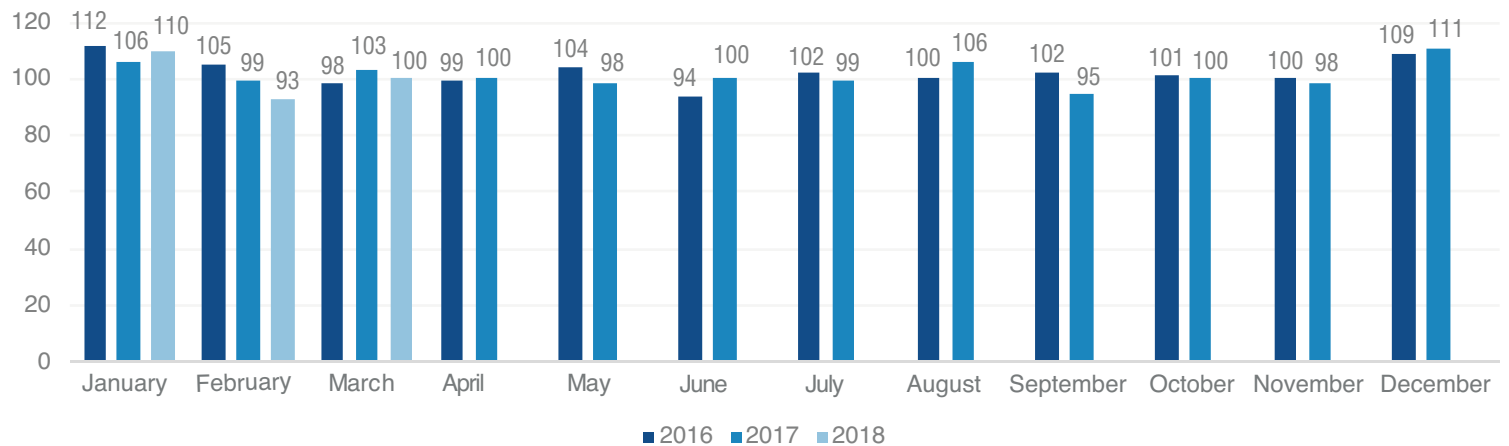
Revenue Index Turkey in General



Source: Council of Shopping Center Turkey

Turnover Index reached 228 points in 2018 Q1, compared to the same period of the previous year with 18.1% increase.

Number of Visitors Index



Source: Council of Shopping Center Turkey

In the first quarter of 2018, the Visitor Index fell to 101 with a decrease of 0.98% compared to the same period of the previous year.



TOURISM AND HOTEL

In the first two months of 2018, the occupancy rate for Istanbul has reached the highest level in the last 5 years

According to the data obtained from the Ministry of Culture and Tourism, the number of tourists visiting Turkey in 2017 totaled approximately 38.6 million in 2017. 28% of foreign tourists coming to Turkey came to Istanbul, 25% to Antalya and 5% to Muğla. These three provinces were followed by İzmir with 1.9% and Ankara with 1.2%. When the number of tourists is compared with the year 2016; it is seen that the number of tourists visiting Turkey increased over 50%. The reason is that the external relations with Russia that were ruined in 2016 were recovered in 2017 and the decrease in terrorist actions. If a general evaluation is made, it can be said that the number of tourists in 2017 is higher compared to 2016 and that Turkey is recovering in terms of tourism.

Spending made by 38.6 million foreign tourists coming to Turkey in 2017 per person is stated as 681 USD. Given that this figure was 633 USD in 2016, it is seen that there was an increase in per capita spending in the last year.

When the number of facilities with operation certificates and investment certificates is examined, it is seen that there are 3.641 facilities having operational certificates with a total capacity of 426.000 rooms and 1.135 facilities having investment certificates with 144.000 room capacity in overall Turkey. When we look at the city breakdowns of the facilities with operation certificates, Antalya takes place on the top with 755 facilities and 193.000 room capacity. İstanbul follows Antalya with 531 facilities and 51.000 room capacity. Muğla ranks number three with 394 facilities having operation certificates and 51.000 room capacity.

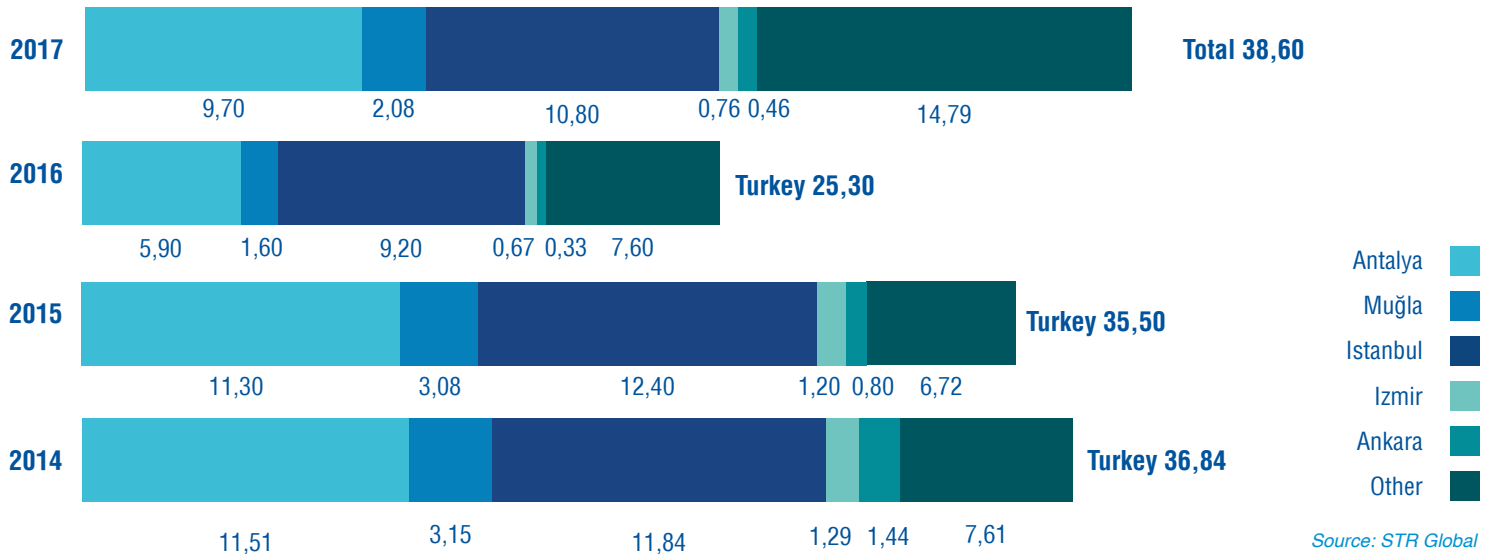
Considering the facilities with investment certificates, the biggest share amongst 1.135 facilities that will be included in the hotel supply in the near future is Istanbul with 200 facilities and 21.000 room capacity, Antalya with 154 facilities and 40.000 room capacity and Muğla with 109 facilities and 13.000 room capacity.

In 2016 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 41.51%. The city with the highest occupancy rate was Antalya with 46.77% followed by Muğla and İstanbul with 41.87% and 41.60%. Bed occupancy rates of İzmir and Ankara were nearly 39.80% and 31.51% respectively. According to the information obtained from STR, in the first half of 2017, the occupancy rates of the luxury segment hotels in İstanbul, Ankara and İzmir were 54.5%, 71.1% and 53.6% respectively.

In 2016, the occupancy rates and prices of hotels in Turkey and Istanbul dropped sharply due to the slowdown in overall tourism sector. Although there was no increase in falling prices in 2017, there was an upswing in occupancy rates. This indicates that tourism, which is adversely affected by factors such as agenda, terrorist incidents and external relations, started to recover in 2017. In the first two months of 2018, the occupancy rates of the hotels in Turkey exceeded 61.6%. For Istanbul, the occupancy rate was 65.3% and reached the highest level in the last 5 years. During the same period, the average room price in Turkey was 58.54 EUR, while in Istanbul it was 70.32 EUR.

Tourism and Hotel Performance

Total Number of Foreign Visitors (million people)



As of the end of 2017, 27.9% of foreign tourists coming to Turkey at a total of 38.6 million came to Istanbul, 25% to Antalya and 5.3% to Muğla. It is observed that the number of tourists increased by more than 50% compared to 2016.

Number of Facilities with Investment and Operating Permits 2016

	With Operating Permit		With Investment Permit	
	Facility	Room (thousand)	Facility	Room (thousand)
Antalya	755	193.506	154	40.020
Muğla	394	51.146	109	13.547
Istanbul	531	51.483	200	21.838
Izmir	182	17.291	83	6.278
Ankara	175	13.318	26	2.375
Turkey	3.641	426.981	1.135	144.616

Source: Republic of Turkey Ministry of Culture and Tourism

There are 3.641 facilities having operational certificates with a total capacity of 426.000 rooms and 1.135 facilities having investment certificates with 144.616 room capacity in overall Turkey.

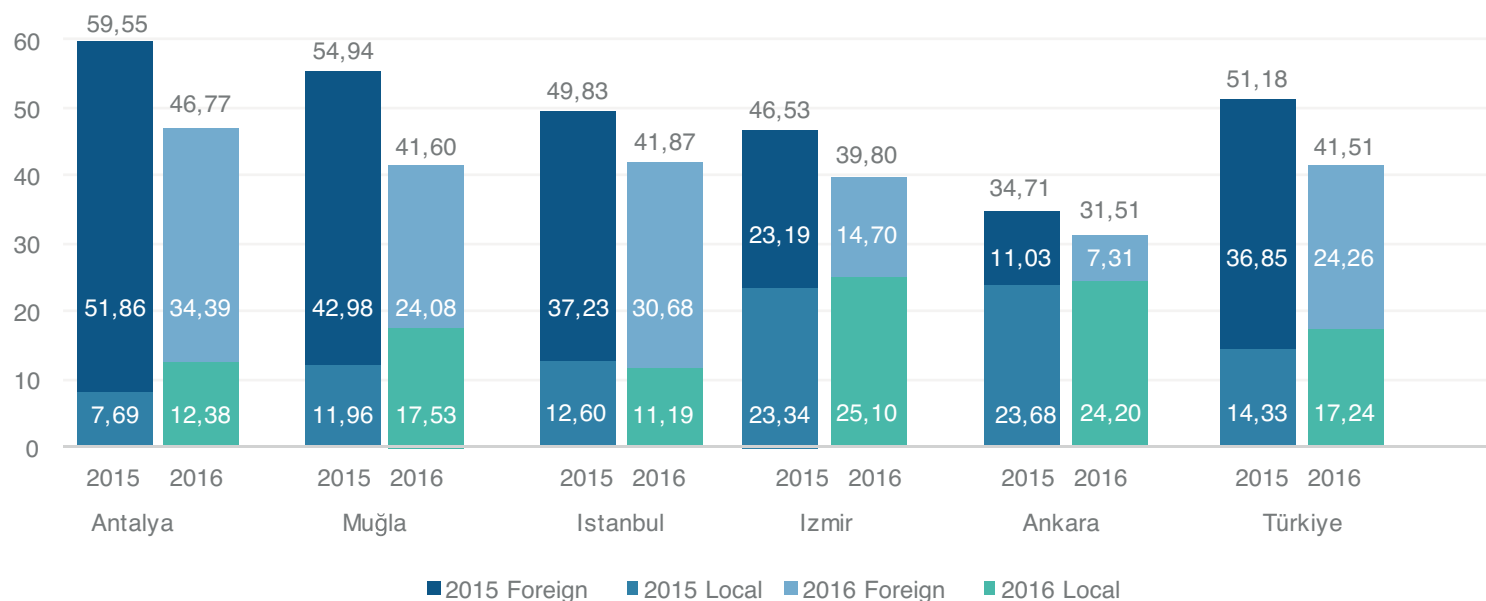
Spending made by the foreign tourists coming to Turkey as of the end of 2017 per person was 681 USD. Given that this figure was 633 USD in 2016, it is seen that there is an increase in per capita spending. Expenditures made by foreign tourists in the fourth quarter of 2017 were 741 USD per person when compared to the fourth quarter figures, which is higher than the per capita expenditure of 626 USD in the same period of 2016. Turkey's tourism revenue in 2017 rose to about 26.3 billion USD.

Total Tourists & Expenditures (2016)

	Total Foreign Tourist	Per Capita Expenditure (\$)		Total Foreign Tourist	Per Capita Expenditure (\$)		Total Foreign Tourist	Per Capita Expenditure (\$)		Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'14	4.140.524	877	Q1'15	4.314.332	884	Q1'16	4.014.546	717	Q1'17	4.844.761	696
Q2'14	9.926.316	759	Q2'15	9.637.458	691	Q2'16	6.330.571	602	Q2'17	8.863.391	611
Q3'14	14.664.611	712	Q3'15	14.761.540	670	Q3'16	9.466.509	622	Q3'17	16.663.265	684
Q4'14	7.118.835	867	Q4'15	6.878.830	737	Q4'16	5.453.780	626	Q4'17	8.248.929	741
2014	35.850.286	775	2015	35.592.160	715	2016	25.265.406	633	2017	38.620.346	681

Source: Turkish Statistical Institute

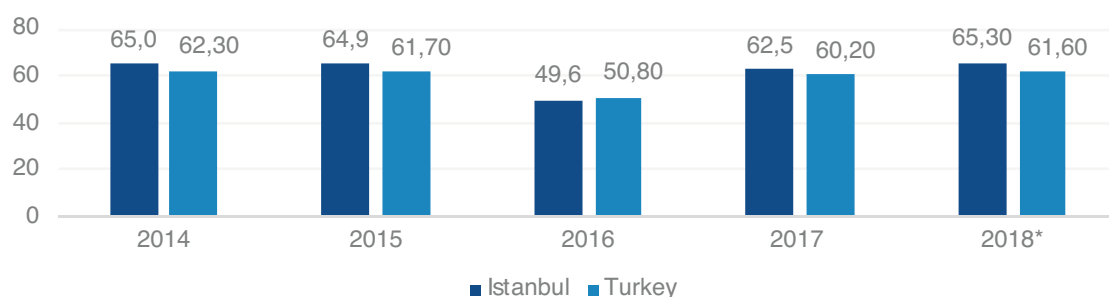
Hotel Occupancy Rate (%)* and Average Daily Rate (ADR)



In 2016 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 41.5%. The city with the highest occupancy rate was Antalya with 46.7% followed by İstanbul and Muğla with 41.8% and 41.6%.

Source: Republic of Turkey
Ministry of Culture and Tourism
*Occupancy values published by Ministry of Tourism show bed occupancy instead of room occupancy.

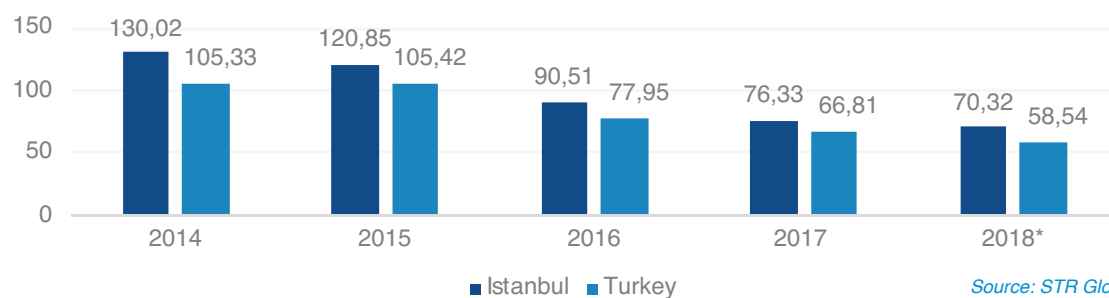
Turkey - İstanbul Yearly Room Occupancy (%)



Source: STR Global
*2018 January-February data used.

While the occupancy rates of the hotels in Turkey were 61.6% in the first quarter of 2018 (January and February data), it was 65.3% in İstanbul. During the same period, the average room price in Turkey was 58.54 EUR, while in İstanbul it was 70.32 EUR.

Turkey - İstanbul Yearly ADR (EUR)



Source: STR Global
*2018 January-February data used.



LOGISTICS |

Leasing transaction volume decreased in 2018 Q1

When we look at the indicators of Istanbul-Kocaeli Region, which is the primary logistics market of Turkey, it is seen that as of the first quarter of 2017 the leasing transaction decreased by 54% compared to the same period of the previous year. The noteworthy decrease in the transaction volume stems from the fact that the postponed transactions due to economic and political developments in 2016 were realized in the first months of 2017. According to the current data, there is 12.7% vacancy in warehouse stock of approximately 10 million m² and the increase in the vacancy rate remained at the level 0.8% compared to the first quarter of 2017, despite the new supply of 612.000 m² warehouses during one year. On the other hand, it is observed that the vacancy is primarily from class B buildings. The volume of projects under construction is increasing and there is a warehouse project of 2.2 million m² being planned.

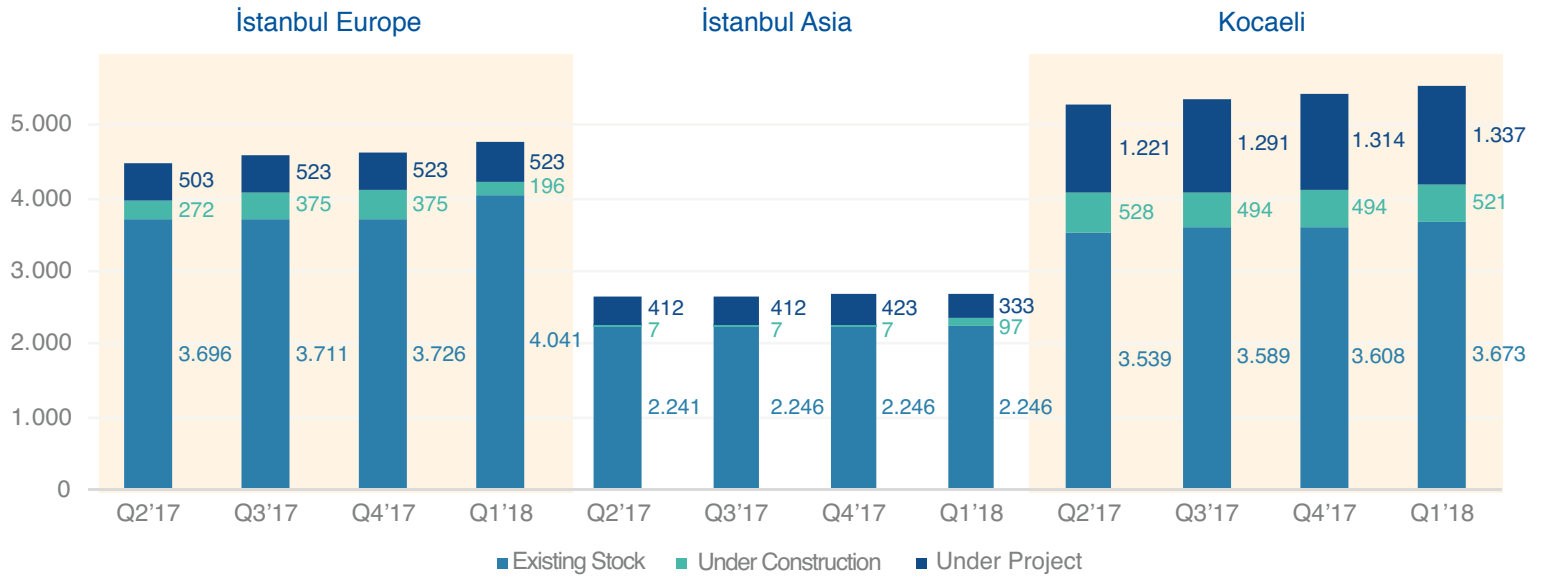
It is seen that the leasing transactions realized over TL, which started to be seen in the second half of 2017,

continued to increase in the first quarter of 2018 due to the increased demands of the lessee candidates in this direction. On the other hand, the optimum contract period seems to be 5 + 5 years in the process of moving to a new warehouse since the cost of moving and decorating is high, many companies have started to consider shorter-term options such as '3 + 2' years due to political and economic uncertainties.

Tuzla-Gebze line at the Anatolian side and Esenyurt-Hadımköy-Kıraç triangle at the European side are the main markets that are highly demanded in 2018 Q1. Dilovalı, Yalova, Sakarya and Çatalca are the alternative regions that are preferred by warehouse users.

It is seen that the demand for warehouses in the first three months of 2018 was concentrated on warehouses between 2.500-5.000 m² and 15.000-20.000 m².

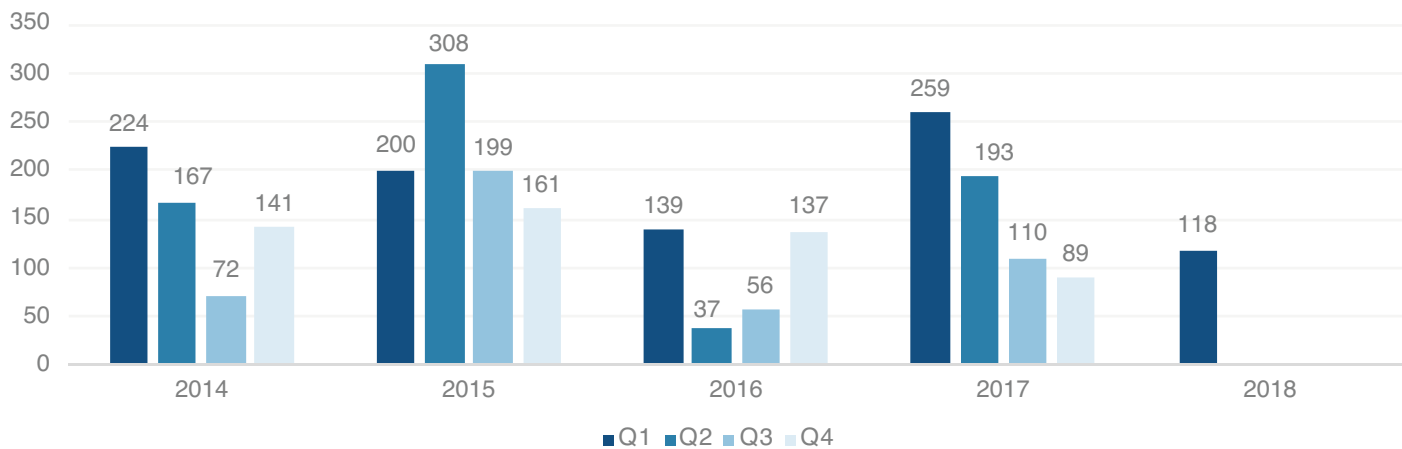
Logistics Total Area (A, B, C Class (thousand m²))



As of 2018 Q1, the existing stock reached 9.96 million m². While the project stock fell to 2.2 million m² compared to the previous quarter, the stock under construction fell to 815.198 m².

Source: Logistics data were prepared by Jones Lang Laselle specifically for GYODER.

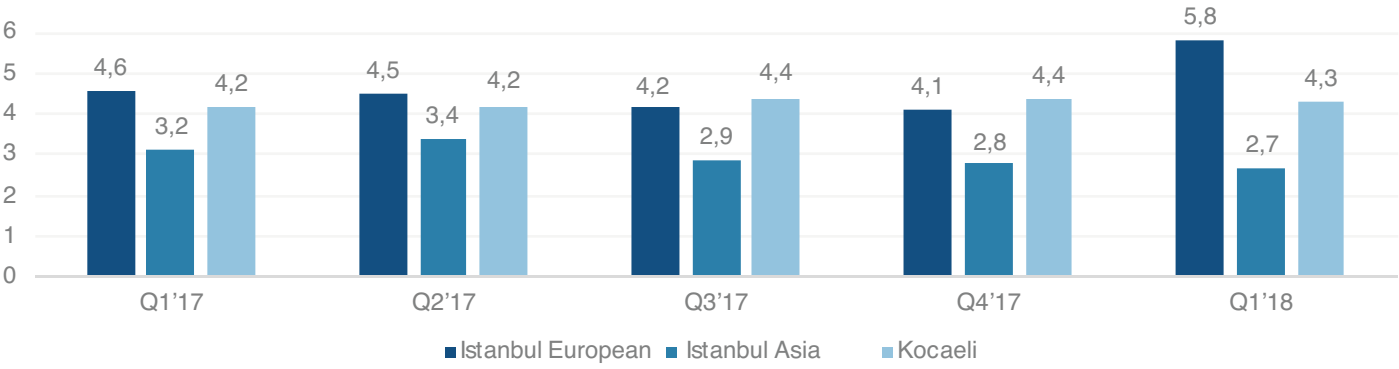
Total Leasing Transactions (thousand m²)



The leasing transaction volume increased by 76% as pf the end of 2017 compared to the previous year end and exceeded 653.000 m². When we look at 2018 Q1 figures, it is seen that the said volume was 118.919 m².

Source: Logistics data were prepared by Jones Lang Laselle specifically for GYODER.

Free Space Ratio (%)



As of 2018 Q1, 87.3% of the total stock is being utilized.

Source: Logistics data were prepared by Jones Lang
Laselle specifically for GYODER.



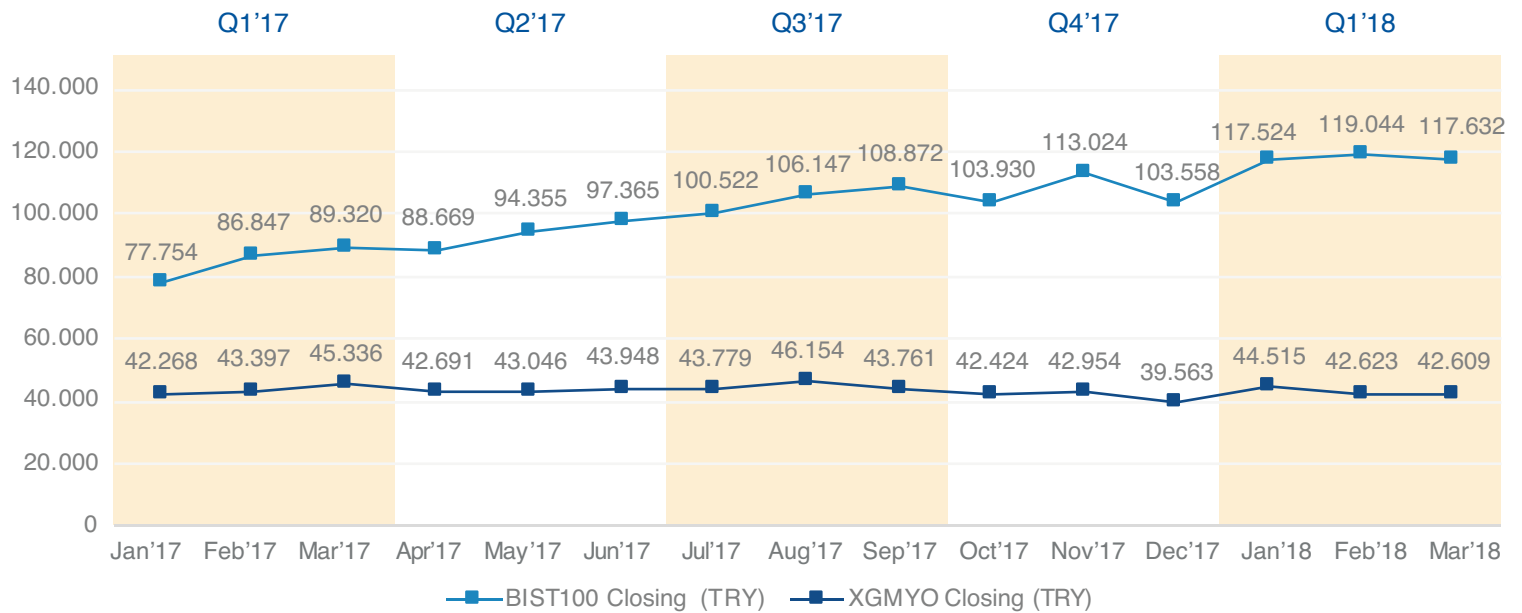
REIT's

2018 Q1 BIST- REIT Market Value - Consumer Expectations and Confidence Indices

When the performance of the Stock Exchange Istanbul is examined, it is seen that it started 2018 with 117.524 points. REIT index also started from 44.515 in the first quarter and closed at 42.609 at the end of the quarter. REIT Market value data was announced on 2017 Q4 basis. In 2017, the number of REIT is 31, Turkish Lira

based value is 26.9 billion TL, Dollar based value is 7.12 billion and it showed a slight increase when compared to the same period of 2016. In Expectation and Confidence indices; the Expectations Index rose to 111.2 at the end of the quarter and the Confidence Index rose to 71.9.

BIST REIT Index Performance*



The REIT Index closed its course at 42.609 at the end of the quarter where it started at 44.515 at the beginning of 2018. In the BIST, REIT Index started the year 2018 with 117.524 points.

Source: BIST
*Index closing prices for the first day of every month were taken into consideration.

REIT Market Value

	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
REIT Number	31	31	31	31	31	31	31	31	31	31	31	31
Million Try	23.073	22.326	20.515	21.279	23.531	23.704	24.446	24.962	25.096	26.077	25.818	26.924
Million USD	8.813	8.393	7.025	7.279	8.315	8.202	8.133	7.080	6.889	7.402	7.255	7.125

As of the fourth quarter of 2017, the REIT Market Value rose to TL 26.9 billion. The dollar-based value with 7.12 billion USD increased slightly compared to the same quarter of the previous year.

Source: Capital Markets Board of Turkey
Exchange rate of dollar, was taken as the first trading day of next quarter period.
Q4 data not taken part in the report published by the CMB.

General Informations of REITs in Company Basis

	Name of Company	Total Assets (TL)	Market Value (TL)
1	AKFEN REIT	1.217.053.500	443.440.000
2	AKİŞ REIT	4.264.607.448	1.346.187.491
3	AKMERKEZ REIT	240.541.899	762.421.440
4	ALARKO REIT	926.964.533	541.592.875
5	ATA REIT	96.717.405	113.762.500
6	ATAKULE REIT	388.587.305	315.700.000
7	AVRASYA REIT	175.460.856	113.760.000
8	DENİZ REIT	249.932.600	135.000.000
9	DOĞUŞ REIT	1.165.054.708	1.075.705.227
10	EMLAK KONUT REIT	20.527.994.000	10.678.000.000
11	HALK REIT	2.376.934	787.200.000
12	İDEALİST REIT	8.153.067	20.400.000
13	İŞ REIT	5.311.947.256	1.242.700.000
14	KİLER REIT	1.941.060.448	453.840.000
15	KÖRFEZ REIT	107.458.478	109.560.000
16	MARTI REIT	533.327.575	233.200.000
17	MİSTRAL REIT	287.433.543	288.210.000
18	NUROL REIT	1.841.010.507	380.000.000
19	ÖZAK REIT	2.525.074.338	585.000.000
20	ÖZDERİCİ REIT	540.540.365	156.000.000
21	PANORA REIT	926.112.775	425.430.000
22	PERA REIT	166.088.353	78.408.000
23	REYSAŞ REIT	1.895.927.195	312.420.001
24	SERVET REIT	423.584.991	158.080.000
25	SİNPAŞ REIT	1.992.895.169	462.000.000
26	TORUNLAR REIT	11.335.817.000	3.330.000.000
27	TSKB REIT	466.563.935	109.500.000
28	VAKIF REIT	1.152.183.130	565.500.000
29	YAPI KREDİ KORAY REIT	82.634.767	92.800.000
30	YENİ GİMAT REIT	1.954.234.951	1.460.121.600
31	YEŞİL REIT	2.039.708.960	148.122.895
	TOTAL	64.787.047.991	26.924.062.028

Source: CMB
*Q4'17 data

NOTES

With the Contributions of



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