

# GYODER Indicator

Issue: 7



## Turkey Real Estate Sector 2016 4<sup>th</sup> Quarter Report and Annual Results

## GYODER Indicator, Turkish Real Estate Sector 2016 4<sup>th</sup> Quarter Report

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# Evaluation



## *A Glance to the World's and Turkey's Economy*

There are many factors affecting the real estate and in particular the housing sector. As global systemic risks, the developments in the world economy and politics as well as the different risk factors in our country affect the sector from time to time.

The insufficient growth in the world economy and the consequential decrease in the trade volume affect all countries in different aspects. Two different periods are noteworthy in the analysis of the world economy.

The first one is the period before 2008 global crisis. During this period, the western economies shifted more to the service sector, making real sector productions through countries in the Far East, Asia and partly in Africa. Their continuation on the production of high added value goods and services through their production capacities and technological allowed them to be ahead of the competition in terms of GDP.

The second one is the period where the economic decision-makers trying to find a direction after the crisis through their policies determined (or not determined). It can be said that we are experiencing a different stage of crisis in the sense of world economy. The growth and demand problems, fluctuating asset prices, falling raw material prices, increasing geopolitical tension are the result of this process.

Following the satisfactory performance of the BRIC-T countries from the crisis until 2013; Brazil's, China's and Russia's experiencing economic problems, the countries' such as Turkey and India having lower growth rate compared to the past, the Far Eastern developing markets' not achieving the proper balance have kept away the developing countries from their old power.

A serious "public" intervention in the economy occurred as a result of the globalization of the crisis and its impact on many sectors. Here, the most efficient task was undertaken by the central banks. However, despite the implementation of different policies in each country, the desired results in the economic sense could not be fully achieved.

Through the critical measures taken after the 2001 crisis, the Turkish economy has undergone a very impressive process during the last 15 years, owing to the regulations implemented on the public administration as well as financial sector. On account of the rapid growth we achieved in this very subject, we became the world's number two following Chinese economy and we have been through a period where a severe change was experienced in the investment and consumption aspects due to the rapidly regressing interests, we have been envied by the economies of many developed countries in respect of the increase in employment meanwhile we managed to increase the interest of the foreign investors severely as a result of the increase in the level of predictability.



The Turkish economy has begun to take macro precautionary measures starting from 2013 in order to protect itself from possible external fluctuations. On account of these measures, the current account deficit and exchange rate vulnerability have been tried to be prevented.

Another development in our economy that has been affected by increasing geopolitical risks in 2016 was the July 15th coup attempt. This attempt prevented by the common sense of our people has not caused any permanent damage to our economy. Another development in our country where main macroeconomic variables are sound is that some credit rating agencies overemphasized the above risk factors and pulled down our credit rating below “investable” level.

However, thanks to the experiences and flexibility gained, the Turkish economy has achieved the recovery process quite quickly. A similar trend was observed in the last quarter of 2016. It is one of the important superiorities of the Turkish economy and its stakeholders to be able to easily recover from the incidents that would normally take a long time for many countries to recover from.

### ***Developments in the Real Estate Sector***

The effects of the above mentioned developments in the real estate sector can be mentioned as follows:

There are many factors that affect both supply and demand within the real estate sector. The location of the projects, architecture, social areas and transportation facilities are amongst the most important criteria that affects the decisions of the buyers. However, in addition to these, facilitating the financing of housing accelerates the purchase decision regardless of other conditions.

The housing supply and demand balance in Turkey has gradually started to align. An average of 1.000.000 residential buildings is exchanged annually, and an average of 650.000 unit/year new housing is required. According to TÜİK data, the

number of households in our country is around 19.481.000. The average household size is 3.8 people. In 2006 the housing ownership rate was 60.9%, while in 2013 it was 61.0%.

As per the Address Based Population Registration System data (TÜİK), Turkey’s population is 79 million 814 thousand 871. The annual rate of increase is 13.5 per thousand. The population rate in the 15-64 age group (working age) in our country increased by 1.6% compared to the previous year and reached 68% in 2016. The population rate in the 0-14 age group, defined as the child age group, decreased to 23.7%, while the population rate in aged 65 and over rose to 8.3%. While the proportion of residents in city and town centers was 92.1% in 2015, this rate increased to 92.3% in 2016. The rate of residents in villages was 7.7%. When the demographic variables are examined, it should be noted that the demands towards real estate sector products, especially the housing sector products are keeping on.

Another factor affecting the housing prices is that the different income levels and social characteristics influence the decision makers’ preferences. Housing stock is non-homogeneous at the same time. On the other hand, another important feature of the residence is the need for “basic accommodation”. It should be expected that the new housing requirements emerged as a result of the natural population increase and the gradually shrinking and individualized family structure keep the demand interest our country alive.

The need for housing in the middle and lower-middle group continues severely in the Turkish housing sector. It can be said that the need for the upper-middle and luxury segment is slowing down slightly compared to the lower-middle segment. However, the demand for branded luxurious housing by real and legal persons (domestic-foreign) is also keeping this segment alive. The commercial housing market, on the other hand, is more influenced by the developments in the economy and commercial life, but still survives as a consequence of the demographic factors as well as a certain rate of growth.

Looking at the housing sales figures, which are one of the important indicators of the real estate sector, the above mentioned vitality can also be seen. In 2011, 997.550 residential sales were realized. In 2012, this figure declined to 971.757; in 2013, 1.137.190 units of sales were realized; 1.165.381 units in 2014 and a new record of 1.289.320 units in 2015. The year-end figure for 2016 is 1.341.453, with a 4% increase compared to the previous year. This figure is not just an increase, but it shows the sector and the demand power despite all negative developments. In Turkey, 3.675 units daily (calendar day), 153 units per hour, and 2.5 units per minute were exchanged in 2016.

The price increases in the housing market as a result of the developments in 2016 have been continuing more moderately. The housing demands for both investment and own use purposes are continuing and there is a possibility of a new record regarding sales in 2017 as well.

Hedonic Housing Price Index is calculated by using hedonic regression analysis in order to separate the Housing Price Index calculated by the CBRT from the quality impact. According to the results, it can be said that about one fourth of the nominal increase and nearly half of the real increase in housing prices in Turkey is caused by the increase in quality.

Another important point that we should take into account in the price dynamics is that the market mechanism is gradually balancing the price, the prices are recovering in the places having low price increases and the increase rate is slowing down in places where there is a rapid price increase. This can be considered as a leading indicator of the housing market which is becoming rational.

An effective housing financing system is evaluated with the existence of long term housing loans in sufficient amounts which could be supplied in a given market. The supply of the loans in the level allowing the purchase of real estates and the extension of the repayment periods in a relatively longer term are the factors identifying the success of the hous-

ing financing. When the statistics of the Banks Association of Turkey and the Central Bank of Turkey are examined, it is possible to claim that with the last quarter of 2016, housing loans exceeding 2 million people and in a scale capturing 160 billion Turkish Liras were utilized in total. The decrease in the expansion of volume in loan utilization brought recession in demand for 2017 as well. However, the 240 month-term campaigns initiated with the leadership of Emlak Konut, GYODER and KONUTDER within January also indicate that the consumers will be facing lower costs compared with the previous terms. With such efforts aiming to reduce the instalments and the inclusion of small and middle income earners into the system through extending the term to 20 years in housing sales, the positive contribution can be expected in the first quarter of the year.

Turkey's construction and housing sector will continue to be one of the locomotive sectors of our growing country. When demographic and economic developments are taken into consideration and compared to the world, it can be seen that the industry involves more potential. However, the fluctuations that may occur from time to time in prices should not be considered as "collapse" or "balloon". Regardless of the asset type, there will be no continuous price increase or decrease. Therefore, as the stabilization and dynamic structure of our country and the sector continue, the trend in the medium term will be in the direction of growth.

The following factors will support the uptrend in housing sales by creating a parallel direction to the dynamics mentioned in 2017:

- The regulation granting citizenship to foreigners buying at least \$ 1 million worth property with a condition not to sell it for 3 years
- The extension of VAT reduction on housing from March to September
- In the delivery of the houses with tax value per square-meter varying from 1 to 2 thousand TL also in the housing construc-

tion projects with construction licenses granted after January 1 and housing projects with tenders to be conducted by the government as from January 1, the VAT will be constantly applied over 8 percent.

- The rate of the stamp tax of the real estate preliminary sales contract and prepaid house sale contracts will be implemented as zero percent.
- The 20 year-term and low interest housing loans led by the members of Emlak Konut GYO and GYODER gain impetus to the sector.

On the other hand, the realizable housing demands especially for the middle and lower segments could be achieved through the availability of the long term investment in the capital markets in addition to the production of lands with affordable costs. Development and presentation of the real estate certificates - which are the most convenient financial instrument in the capital markets - to the people and investors will enable the balance between demand and supply in the long run.

It will be appropriate to evaluate the expectations for 2017 under the topics of Sectoral developments and trends, Global economy and national economy, Legal and financial practices, Urbanization and urban transformation. Within this scope;

#### **Sectoral developments and trends:**

- Equity Spiral of construction firms
- Sales problem in major real estate projects,
- Increased land costs,
- Informality,
- Foreign effect on real estate,
- Alternative real estate investments: health, parking, private dormitory, elderly care center investments
- Increasing value fact in the market.

Global economy and national economy:

- Developments in the US economy: interest raising process,
- Developments in the EU economy: expansionary monetary policies of the EU Central Bank,
- Global capital's preference for developed/emerging market/country,
- Investment prospects of the Gulf and Far East funds,
- Corporate foreign fund/investor entry into real estate market.

#### **Legal and financial practices:**

- Need for supreme board by the construction sector,
- Integration of real estate and financial markets (financial instruments: real estate investment trusts-infrastructure RE-IT-real estate investment fund-real estate certificate-lease certificate),
- Activation of banks in secondary markets (securitization)
- Increasing importance of real estate valuation profession.

#### **Urbanization and urban transformation:**

- Urbanization Council and its impacts,
- Demographical developments: decrease in the number of households (large family> core family> individual life) - deceleration of population growth rate - aging population - internal and external migration
- Mega projects (establishment of new development zones),
- Expansion of transportation facilities,
- Earthquake,
- Renovation of the areas that lost their functions,
- Success of urban transformation (identification of priority areas + financing)

Perhaps the most important issue regarding 2017 and afterwards will be the Urbanization Council and its impacts. The Urbanization Council organized within the scope of the regulations made on organizational structuring of our country and legislation, national and international developments experienced in the agenda of urbanization, and development of municipalities' service capacities are important in terms of Turkey's determination of its new urbanization vision together with its stakeholders within the framework of developing and changing circumstances. All the elements that we mentioned here from financing conditions to urban transformation, from legislation to urbanization and even to sectoral developments, will be affected by the consequences of the Council ●

*Regards,*

*Supreme Board of Data Assessment*



# Main Economic Data



**The** Turkish economy underwent a 1.8% economic shrinkage in the third quarter of 2016 and the annual growth for the first nine months was 2.2%. In terms of expenditures, the reason for the third quarter shrinkage was the 3.2% contraction in household consumption and the increase in negative contribution from external demand. In terms of production, the decline by 7.7% in agriculture due to the shrinkage in exports in the third quarter of the year, by 8.4% in services affected by tourism and transformation and by 1.4% in the industry production having higher weight led to the economic shrinkage. According to the data where the season and calendar effect are isolated, there was a contraction on GDP by 2.66% compared to in the previous quarter in the third quarter of 2016, the GSYHI had a contraction of 2.66% in the in the third quarter of 2016 compared to the previous quarter. As of the end of September 2016, the size of the Turkish economy is at the level of TL 2.5 trillion (USD 850 billion).

With the GDP calculation method and base year changes of TÜİK, the data of the previous periods have been revised. With revisions, the 2013 data increased from 4.2% to 8.5%, the 2014 data increased from 3% to 6.2%, and the 2015 data

increased from 4% to 6%. The growth rates were revised from 4.7% to 4.5% for the first quarter of 2016 and from 3.1% to 4.5% for the second quarter.

The inflation has risen 8.53% in 2016, exceeding the Central Bank's estimate of 7.5% and the OVP's target of 6.5%. Despite the decline in food prices, the tax adjustments on alcoholic beverages and tobacco, automotive and fuel products, as well as the negative effect of the exchange rate coming from 2015, were the reasons for the high inflation rate. The annual inflation was 5.7% for food, 32% for alcoholic beverages and tobacco, and 12% for transportation.

Due to the previous decline trend in commodity prices, the foreign trade deficit in 2016 fell to the level of USD 56 billion by 12% decline. The annual foreign trade deficit, which has been decreasing for two and a half years until August 2016, has started to rise since September and reached 56 billion USD by the end of December. The current accounts deficit, going through a downward course in the first half of 2016 with a contraction in foreign trade, increased again with the slowdown in tourism revenues in summer and reached 34 billion USD, which is the level of the previous year ●

## 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 (TRY/USD)
2013	1,809,713	23,766	823,156	12,480	8.49	1.904
2014	2,044,466	26,489	798,987	12,112	5.17	2.19
2015	2,337,530	29,885	719,620	11,014	6.06	2.713

Source: Turkish Statistical Institute

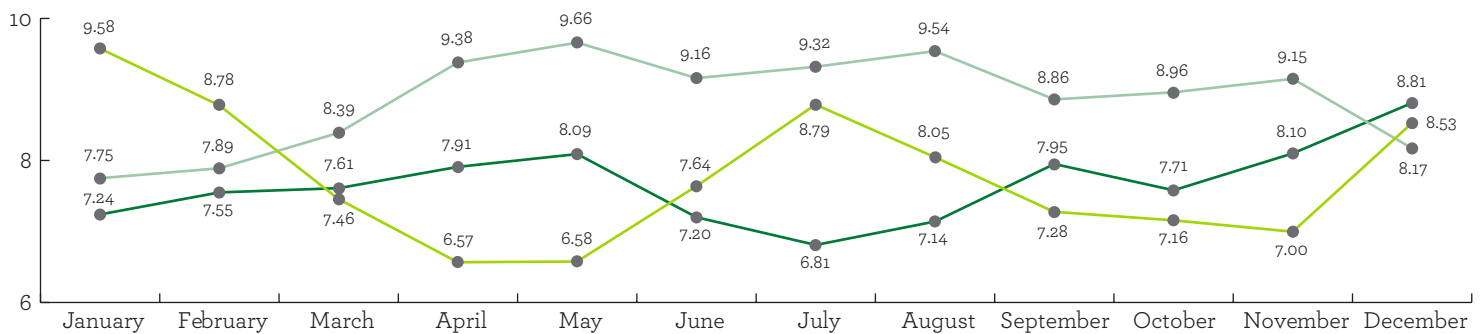
Buying rate for last day of each month was used to establish average USD rate for that year.

6



The rising of annual inflation rate was recorded as a negative development for 2016.

## Annual Inflation\*



Source: Turkish Statistical Institute

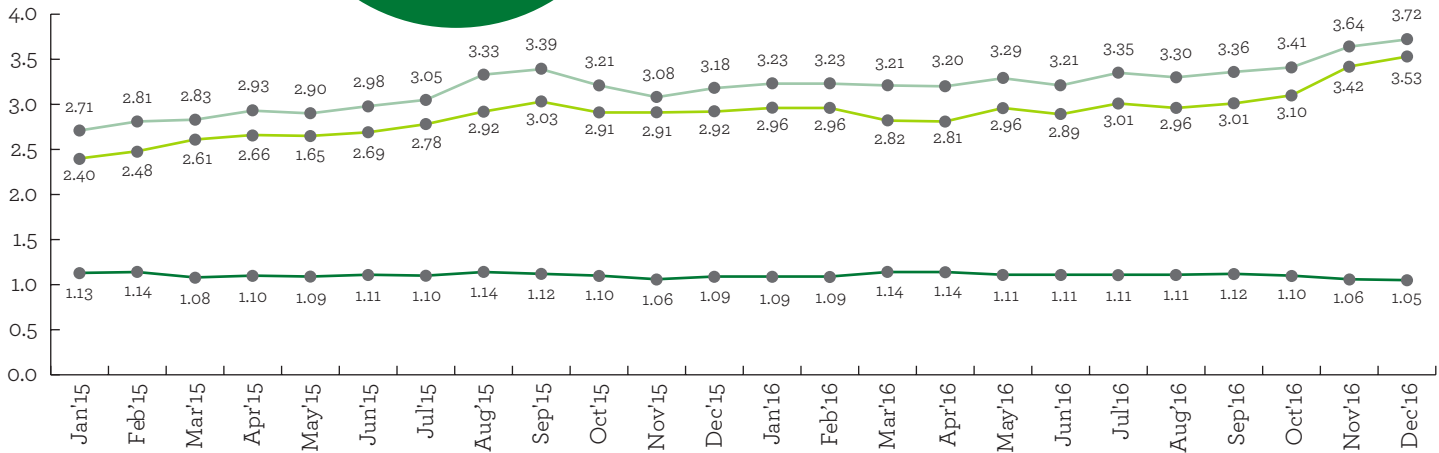
\*Change according to same month of previous year

— 2016  
— 2015  
— 2014



## Exchange Rate\*

The rapid increase in the TL depreciation seen in the last quarter of 2016 has started relatively steady in the first months of 2017.



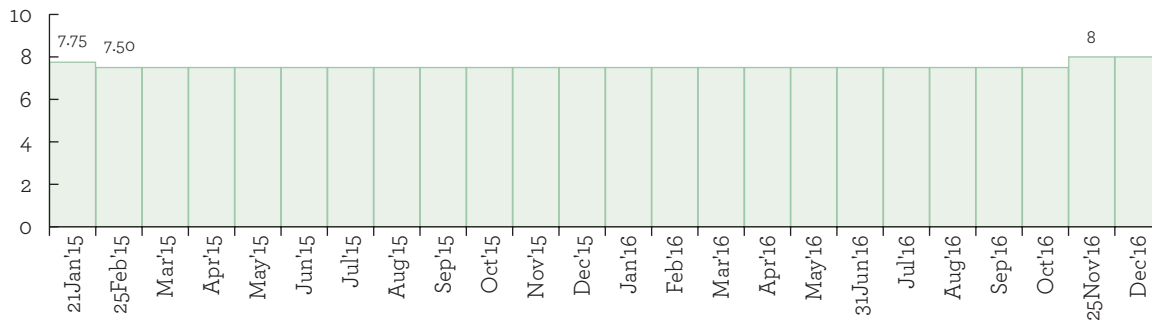
Source: Central Bank of the Republic of Turkey

\* By the last day of each month

— EUR/TL  
— USD/TL  
— EUR/USD

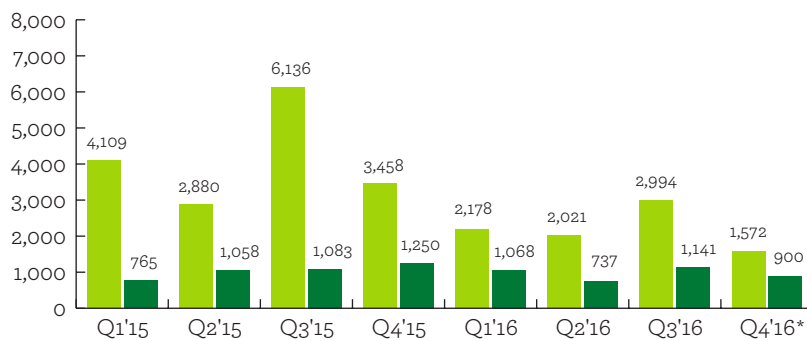
## Policy Rate

### Lending Rate (%)



Source: Central Bank of the Republic of Turkey

## Foreign Direct Investment (million USD)



Source: Ministry of Economy

\* Total data for October and November. December has not been announced yet.

— Direct investment inflow  
— Real estate sales to foreigners

The negative consequences of the decline in Foreign Direct Investment on the country's economy are still continuing. It is expected that the figures will increase with the new regulations on sales of real estates to foreigners.



## Age 15+ Unemployment (%)

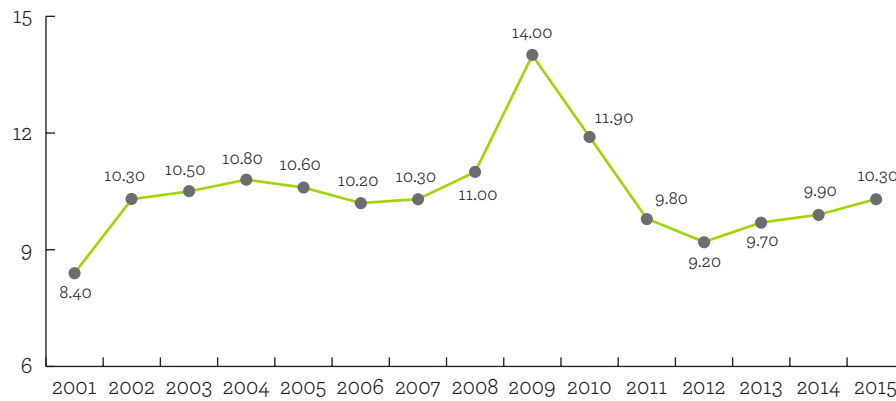
### Monthly Average\*

Dec'15	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16
10.8	11.1	10.9	10.1	9.3	9.4	10.2	10.7	11.3	11.3	11.8	12.1

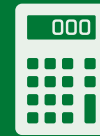
Source: Turkish Statistical Institute

\* Job search time in unemployment data has been revised as 4 weeks by May 15, 2015, which was 3 months

### Annual Average

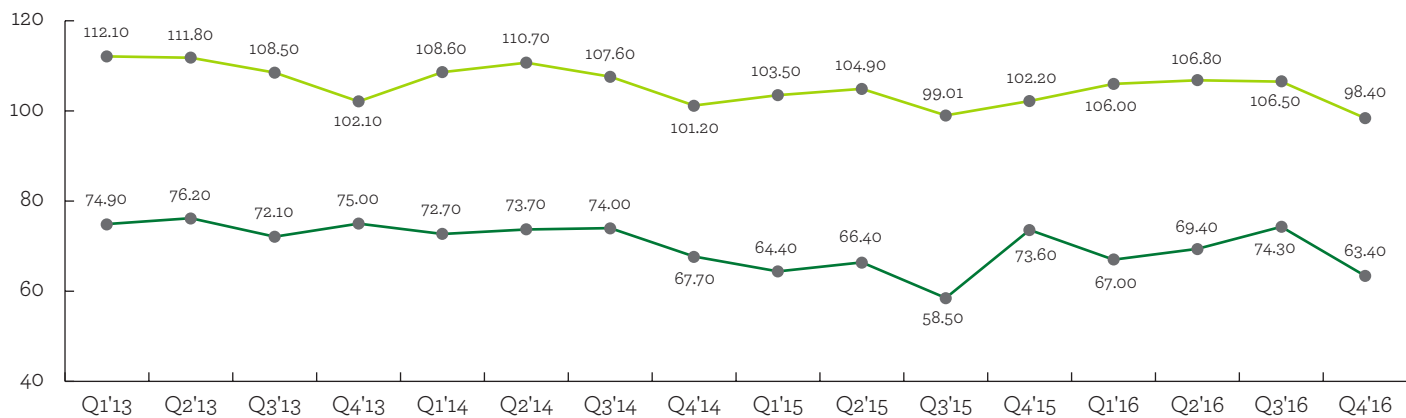


Source: Turkish Statistical Institute



The decline in real sector expectation and confidence indices affects the markets negatively.

## Expectation and Confidence Index



Source: Central Bank of the Republic of Turkey

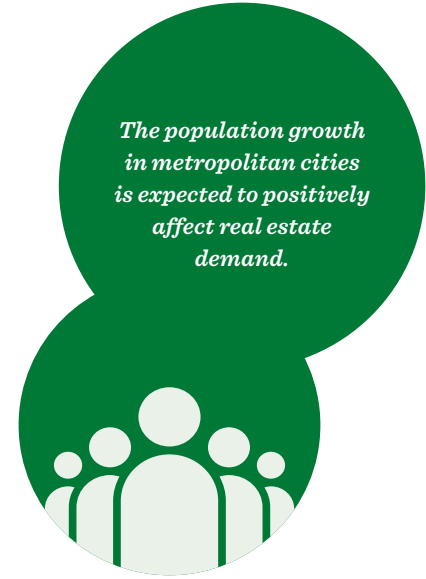
Real Sector Expectation Index  
Consumer Confidence Index

### Population Growth in Major Cities (thousand)

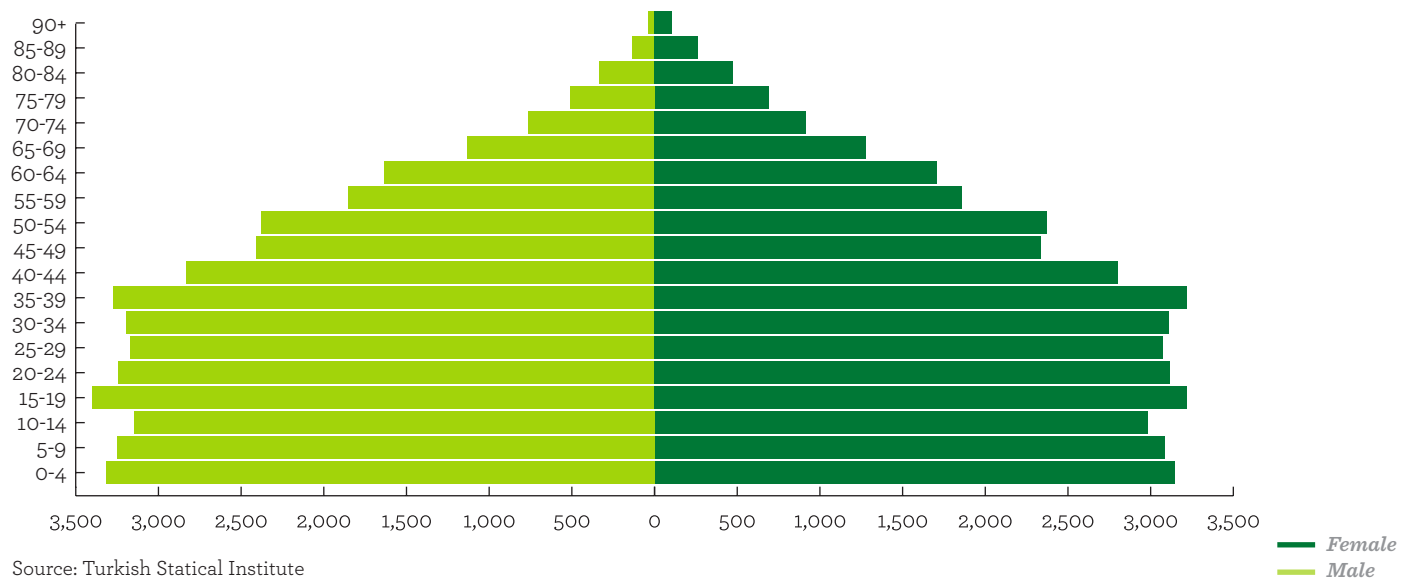
	2014	2015	2016
<b>Istanbul</b>	14,377	14,657	14,804
<b>Ankara</b>	5,150	5,271	5,347
<b>Antalya</b>	2,158	2,288	2,329
<b>Izmir</b>	4,113	4,168	4,224
<b>Bursa</b>	2,788	2,843	2,901

Source: Turkish Statistical Institute

*The population growth in metropolitan cities is expected to positively affect real estate demand.*



### Population by Age Group and Gender, 2016





## Percentage of Construction in GDP current prices

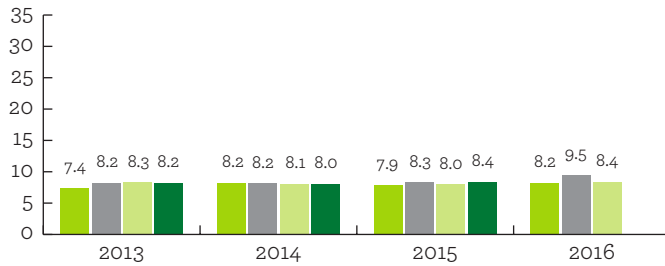


Source: Turkish Statistical Institute

\*Values from 2013 and before have been updated

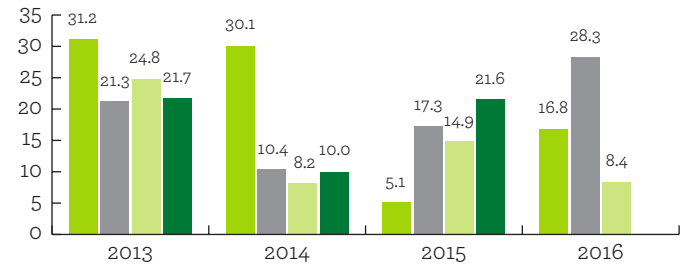
— Growth Rate (%)  
— Sector Percentages (%)

## Share in GDP (%)



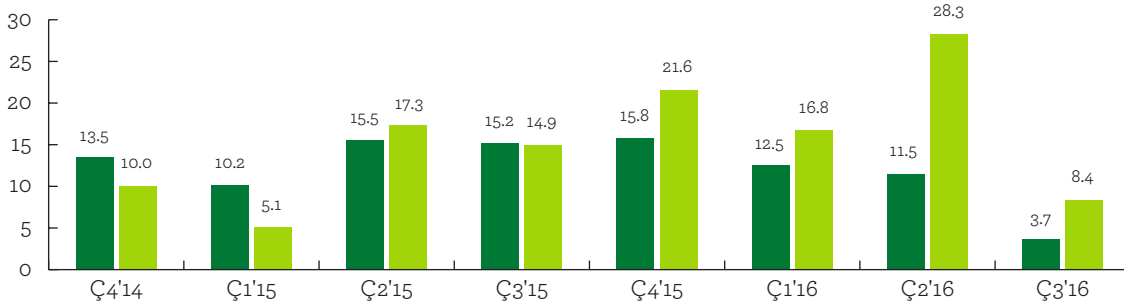
Source: Turkish Statistical Institute

## Growth compared to same month of previous year (%)



— I. Quarter  
— II. Quarter  
— III. Quarter  
— IV. Quarter

## Construction Sector- National Income Growth Figures Comparison (%)



Source: Turkish Statistical Institute

— Construction Sector Growth Rate (%)  
— GDP Growth Rate (%)

# Housing



The extraordinary developments encountered in our country and in the world in 2016 affected all sectors including the real estate sector. It is possible to say that the housing component within the real estate sector is one of the least affected in 2016 due to the fact that it always holds the widest portion within the real estate sector.

It is possible to summarize the most important topics affecting the housing sector during such unusual developments, especially in the second half of the year:

- 1) The collaboration campaign realized by GYODER and Emlak Konut GYO after math July 15th
- 2) The reduction in the interest rates of the housing loans that the banks started in August
- 3) In housing sales, the reduction of the VAT of houses larger than 150 square meters from 18% to 8% effective until 31 March 2017,
- 4) The increase of the housing loan/total financing ratio from 75% to 80% by BDDK,
- 5) The amendments made in the Bag Law within the scope of Law No 6306 and accordingly the announcement of the new regulation
- 6) Extension of the temporary article in the Planned Areas Type Development Regulation until 30 June 2017

Housing sales completed the year 2016, full of unusual developments, at 1.341.453 units with 4% increase. During this period, the housing sales to foreigners declined 20% with 18.189 units while its share in total sales was 1.3%.

There has been a slowdown in the housing prices increase since the beginning of 2016. According to CBRT data, the 18.4% annual price increase at the end of 2015 decreased to 12.8% at the end of October 2016.

Various campaigns towards housing sales in the second half of the year have had a positive impact on buying motivation. The banks' lowering their housing loan interest rates below 1% monthly as of August had a stimulating effect on credit purchases. The credit sales in the first six months of the year were approximately 32% of the total sales, compared to 35% in the second half of the year. Looking at the year in general, it can be seen that the mortgage sales of 2016 showed the same performance as the previous year and they were recorded as 34% of the total sales.

The share of houses sold for the first time in total sales increased by 1%. It is evaluated that the new apartment deliveries as well as Emlak Konut GYO and GYODER campaigns were effective on the first time sold houses.

In the distribution of housing sales according to gender that was announced for the first time this year by TÜİK, 59.7% male (801.048 units), 29.2% female (391.344 units) and 2.2% female and male jointly purchased houses.

When we analyze the investments made by the foreigners in Turkey during the last two years on the basis of all real estate types, 6.7% decline is seen in 2016 compared to 2015 on area basis and 14.3% decline on the basis of transactions.

In 2016, the real estate investments made by Saudi Arabians decreased by nearly 46% compared to the same period of the previous year. With regards to the number of people, 20% decrease was observed.

This year, Muğla has become the most preferred province in the investments made by the foreigners on real estate, as it was last year. The real estate investment covering 1 million 199 thousand 231 m2 was realized with a decline of nearly 17% compared to 2015. When the top 5 preferred province list is examined, it is seen that Kocaeli was replaced by Yalova this year ●



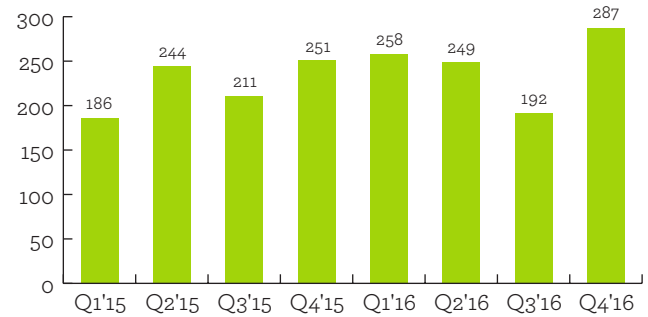
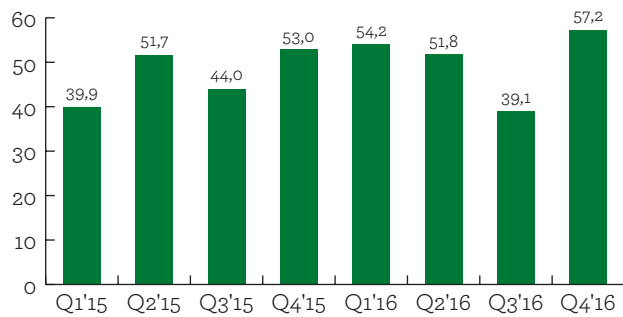
## Building Permits Statistics and Percentage Changes

Year	Housing Stock
2000 *	16,235,830
2001-2014 **	5,478,603
2015	732,125
2016	750,336
<b>TOTAL</b>	<b>23,196,894</b>

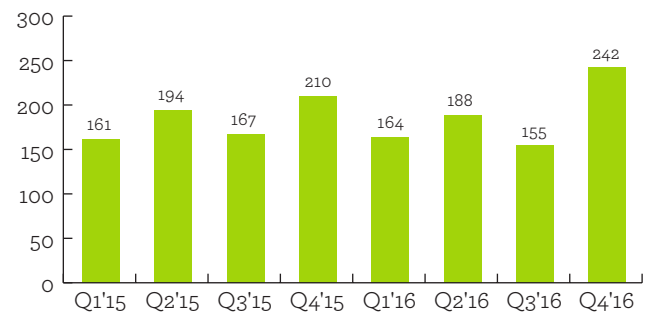
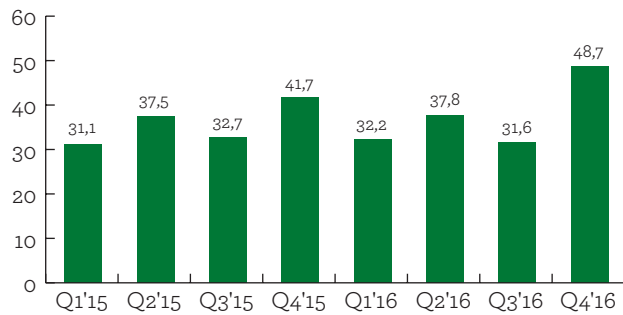
\* Total number of flats specified in the 2000 building census report

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

### Building License



### Occupancy Permit



Source: Turkish Statistical Institute

— Total Area (million m²)  
— Number of flats (thousands)

The fact that the figures of last year in housing sales been exceeded was recorded as the most important development for 2016.



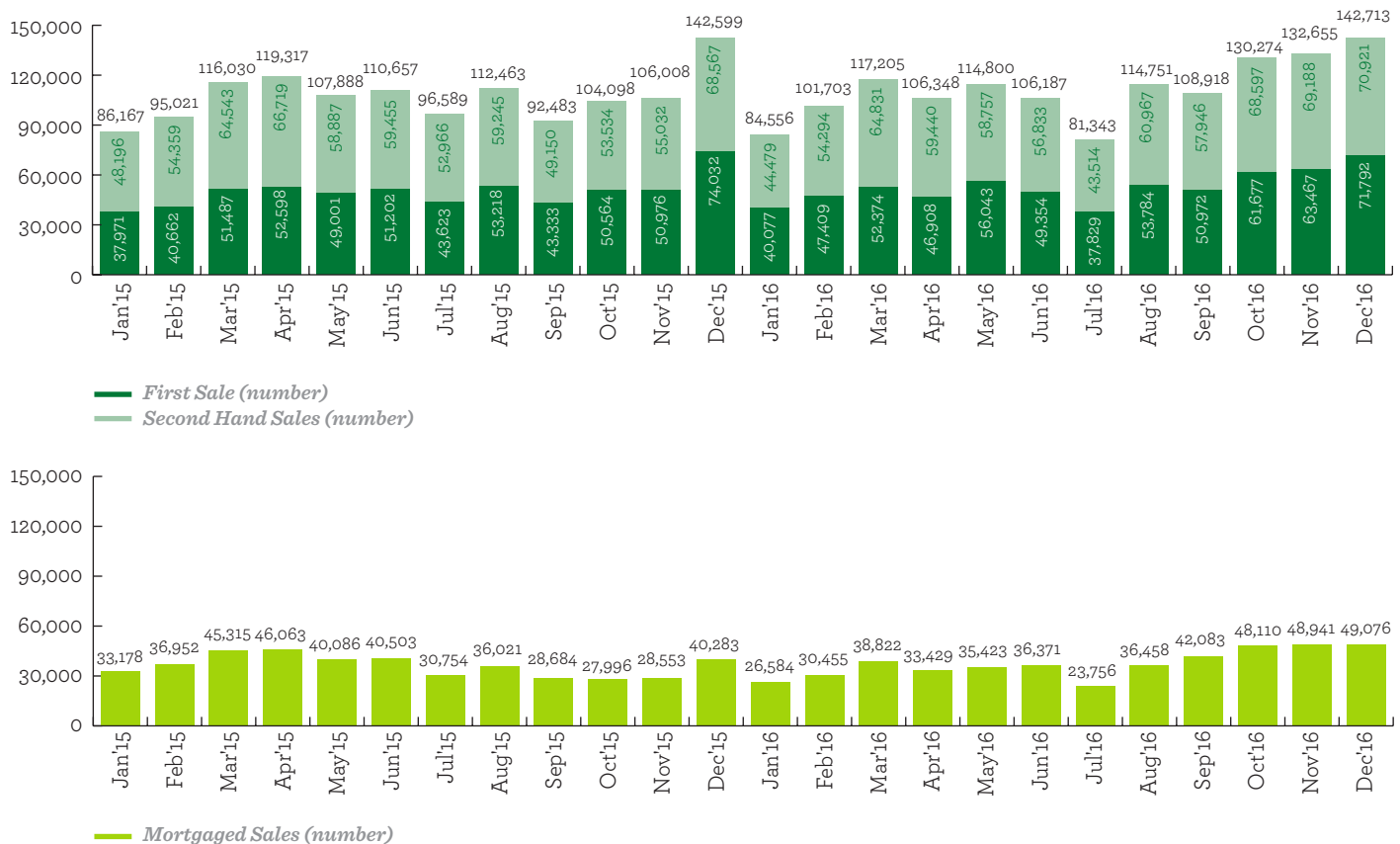
### Housing Sales on Quarterly Basis (number)

	First Sale	Second Hand Sales	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

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 Sales on Annualy Basis (number)

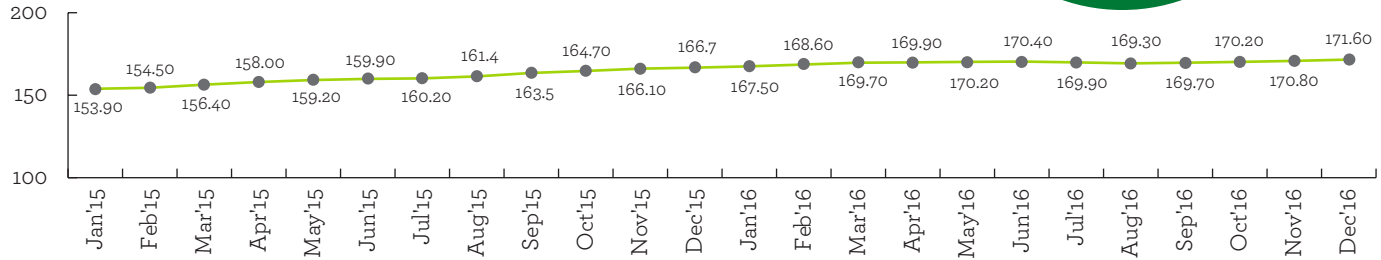




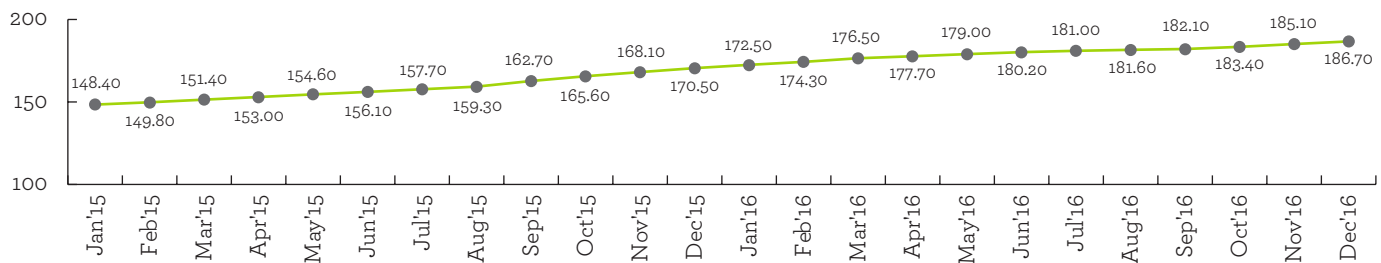
The housing price indices continue their upward trend. The rental value index experienced a slight decline in December.

## Housing Price Indexes (Country-wide)

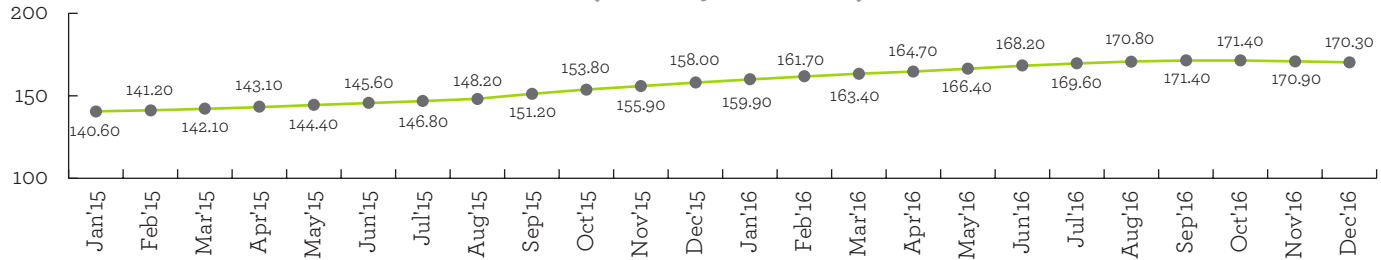
Reidin GYODER New Home Price Index (January 2010=100)



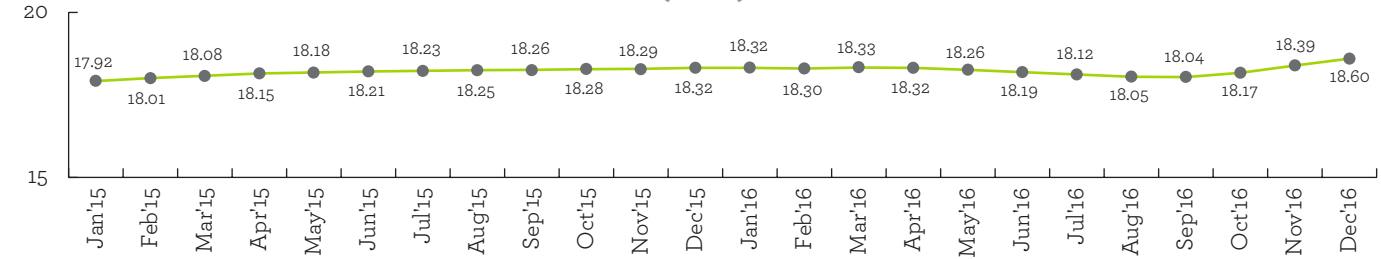
Reidin Second Hand Home Price Index (January 2012=100)



Reidin Residential Rent Value Index (January 2012=100)



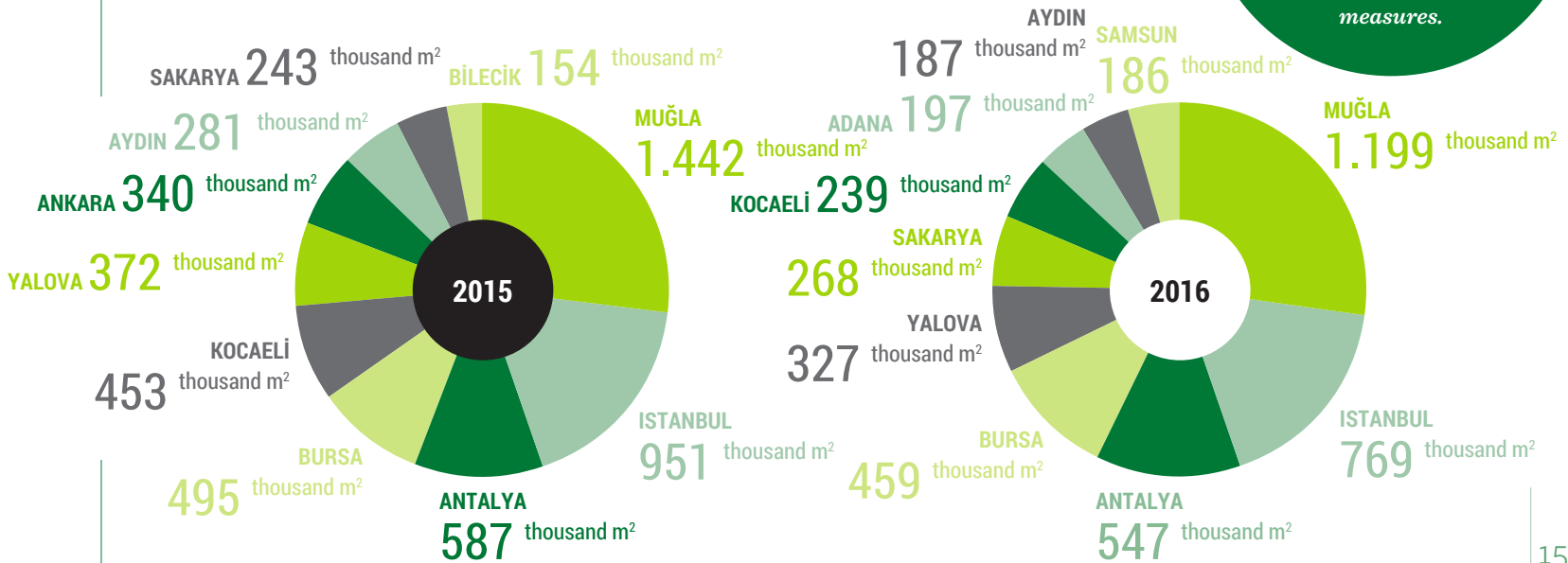
Reidin Home Return on Investment Time (Year)



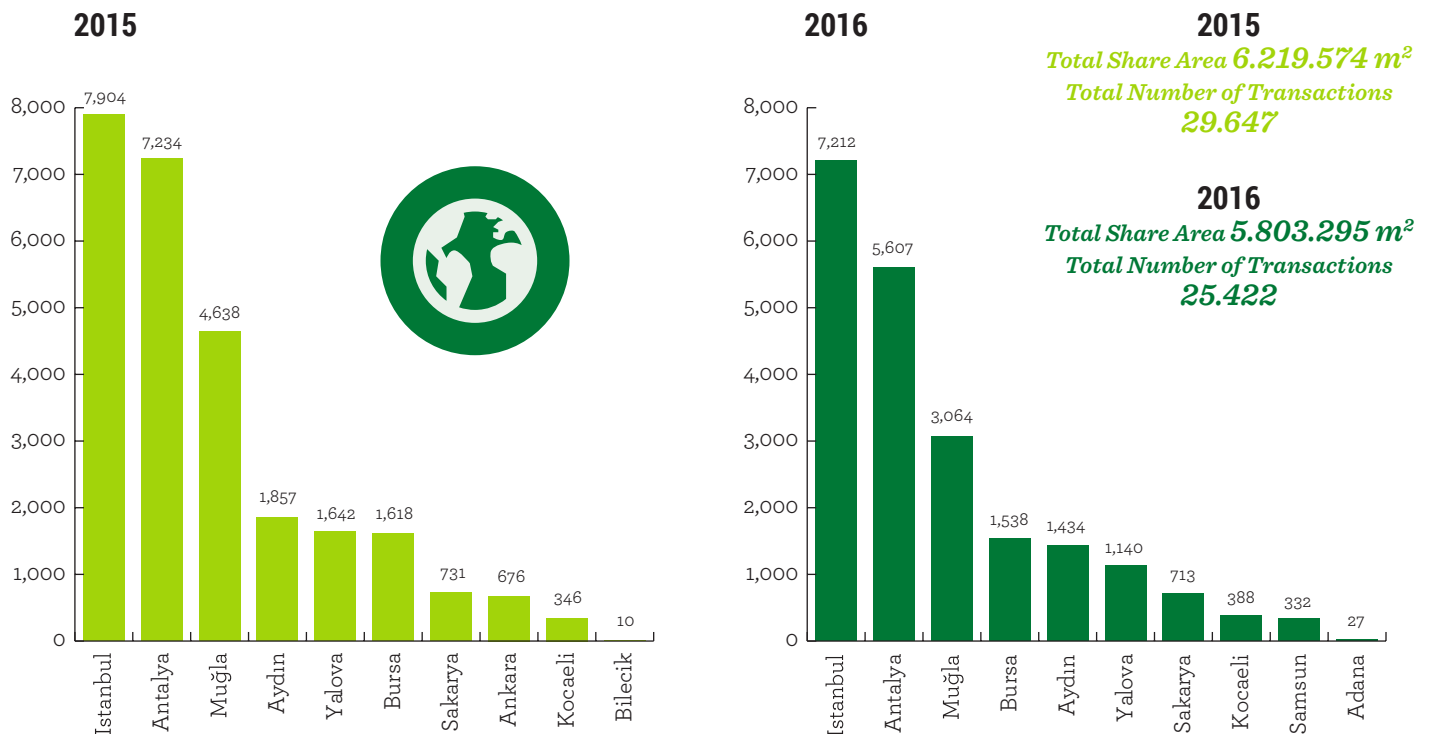
Source: REIDIN

## First 10 Cities Preferred by Foreigners

Surface Area per Total Stock (thousand m<sup>2</sup>)



Total Number of Transactions

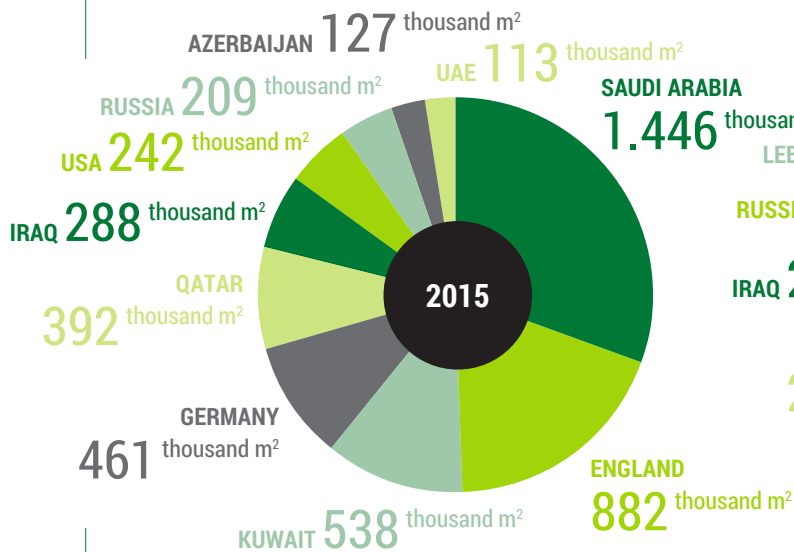


Source: General Directorate of Land Registers Department of Foreign Affairs

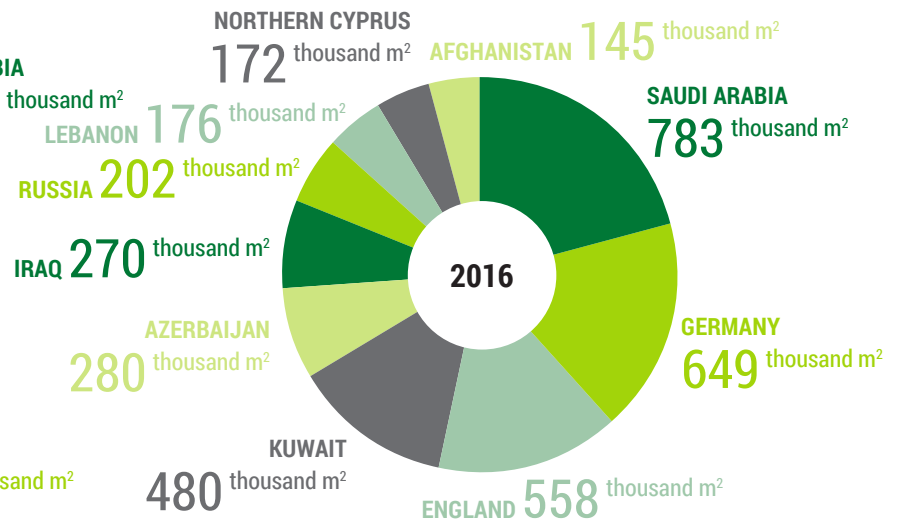
\*Figures include all real estate sales and their transactions.

## First 10 Countries Who Prefer Turkey

Surface Area per Total Stock (thousand m<sup>2</sup>)



Germany's taking the 2<sup>nd</sup> place, UK's taking the 3<sup>rd</sup> place in the preferred country list in 2016 was recorded as a remarkable development.



Total Number of Transactions

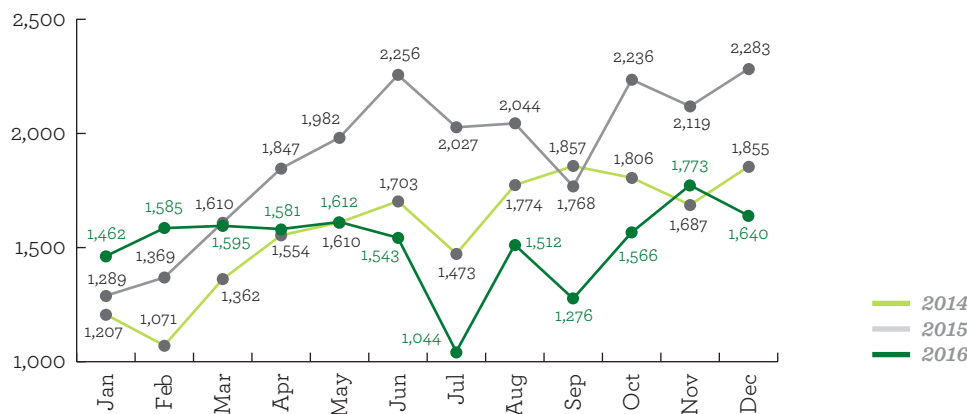
**2015** ENGLAND 4.552 IRAQ 4.407 RUSSIA 2.377 KUWAIT 2.299 SAUDI ARABIA 2.292 GERMANY 1.280  
AZERBAIJAN 864 UAE 329 QATAR 279 USA 263

**2016** IRAQ 3.726 ENGLAND 2.556 SAUDI ARABIA 1.827 KUWAIT 1.749 AFGHANISTAN 1.623 GERMANY 1.474  
RUSSIA 1.449 AZERBAIJAN 724 LEBANON 191 NORTHERN CYPRUS 180

Source: General Directorate of Land Registers Department of Foreign Affairs

\*Figures include all real estate sales and their transactions.

## Number of House Sales to Foreigners in Turkey



Source: Turkish Statistical Institute

\* Figures include only sales in residential type.

**2015**  
Total Share Area 6.219.574 m<sup>2</sup>  
Total Number of Transactions 29.548

**2016**  
Total Share Area 5.803.295 m<sup>2</sup>  
Total Number of Transactions 25.321

# Housing Loans

**The** year 2016 was a period full of challenges which are hardly understood and assessed in many aspects. The developments both in the world and in Turkey caused significant turbulences and consequences.

As will be recalled, the housing loans opened the year at a higher level (1.13% monthly, 14.41% annual compound) with the effect of market interest rates that started to increase at the end of 2015. The gradually declined interest rates in the following months closed the year at 0.91% (11.46% annual compound interest). The most important remark of the course of interest rate in 2016 is the interest support given by the banks- the public banks being in the first place- especially in the second half of the year for the purpose of supporting the housing market. This interest support given to the campaign organized by the housing producers significantly accelerated the increase observed in the housing sales.

Throughout 2015, 438.167 people used a loan of TL 46.8 billion, while in the first nine months of 2016, 324.113 people used a loan of TL 37.7 billion. It is estimated that in 2016, approximately 450.000 people will use around a total of TL 52 billion worth loan. Thus, it is estimated that the housing loan will reach TL 152.4 billion with an increase of 15.9% at the end of 2016 from TL 131.5 billion at the end of 2015.

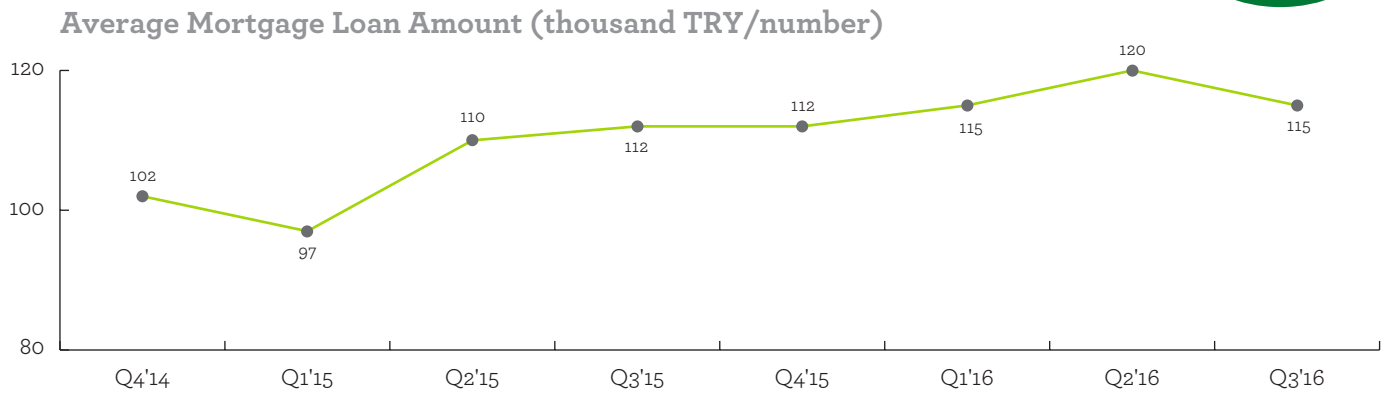
The market variables such as the continuation of the increase in the housing price level, the downward trend in the interest rates and the interest support provided by the public banks ensured the housing sector's furtherance and contributed to the slight decrease of non-performing loans to remain at 0.5%.

There was no significant change in the share of three major cities receiving from the total housing loans, which is Istanbul 33.6%, Ankara 12.3% and Izmir 7.3% ●



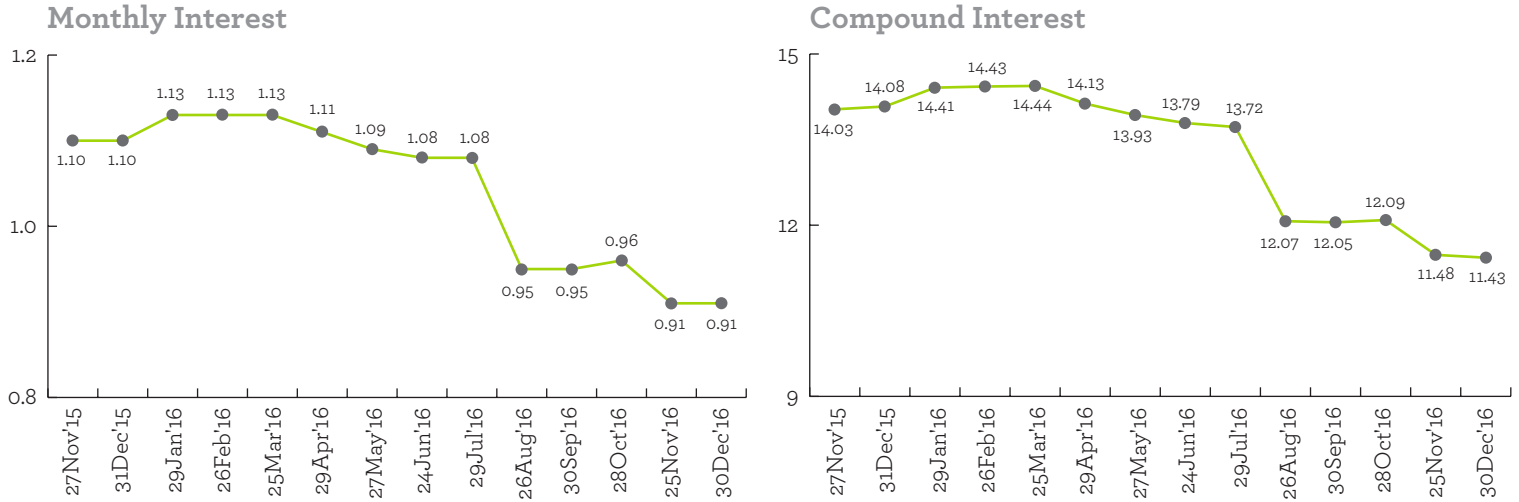
## Mortgage Extension

Period	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
<b>Total Credit Extension (million TRY)</b>	10,991	12,483	12,748	11,173	10,382	11,223	13,280	13,215
<b>Credit Extension Figure (number)</b>	107,664	129,040	116,023	100,141	92,963	98,016	110,918	115,179



Source: The Banks Association of Turkey

## Mortgage Loan Interest Rate (%)

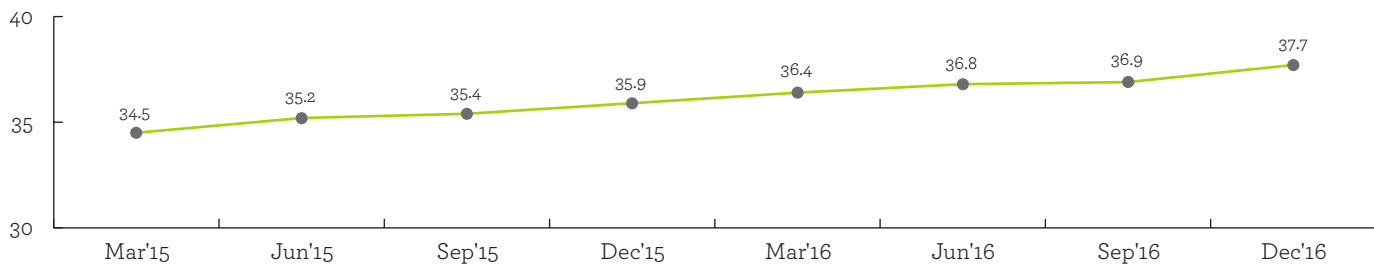


Source: Central Bank of the Republic of Turkey

## Mortgage Loan - Total Consumer Credits Comparison\*

	Mar'15	Jun'15	Sep'15	Dec'15	Mar'16	Jun'16	Sep'16	Dec'16
<b>Mortgage Loan (billion TRY)</b>	120	126	129	132	134	139	143	152
<b>Total Consumer Credits (billion TRY)</b>	348	357	365	368	368	378	388	404

### Ratio of Mortgage Loan to Total Consumer Credits (%)

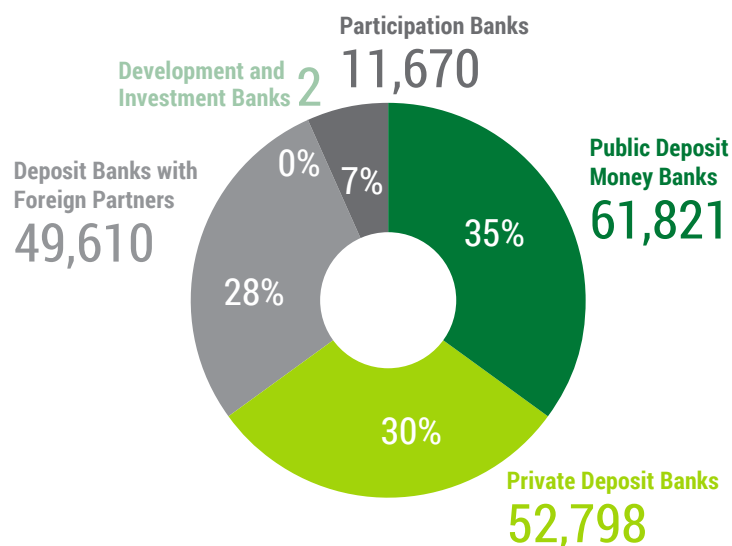


Source: Central Bank of the Republic of Turkey

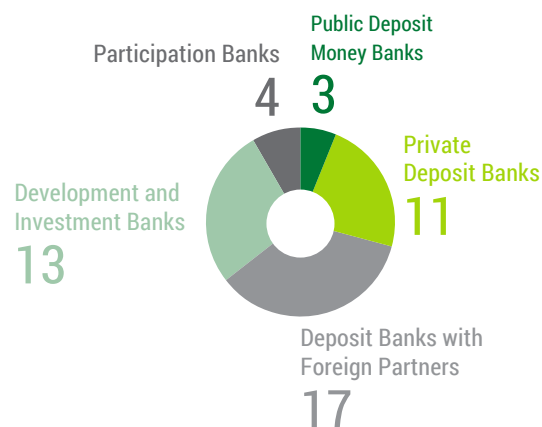
\*Only Deposit Banks

## Distribution of Mortgage Loan According to Banks

Distribution of Mortgage Loan Volume (billion TRY)



Number of Banks

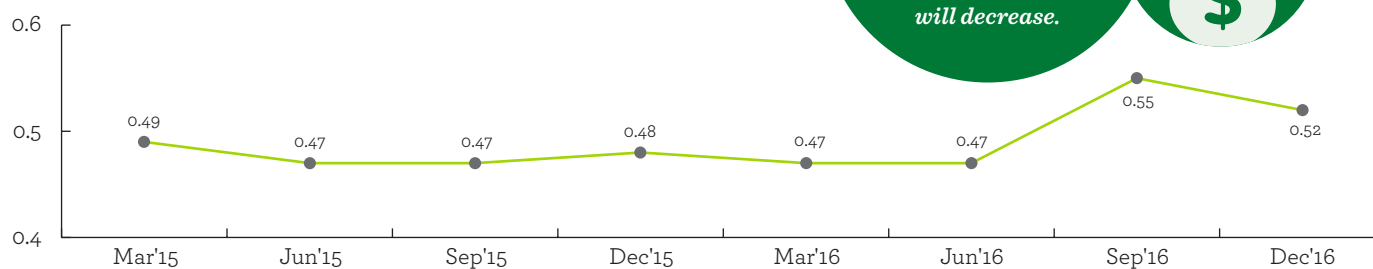


\* Banking Regulation and Supervision Agency data from December 2016 (2016 4Q)

## Mortgage Loan Stock and Non-performing Loan

	Mar'15	Jun'15	Sep'15	Dec'15	Mar'16	Jun'16	Sep'16	Dec'16
Total Stock (million TRY)	119,809	125,964	129,143	131,487	134,114	139,088	143,168	152,396
Total Loans Under Supervision (million TRY)	593	590	607	628	625	656	782	800

Ratio of Loans Under Supervision to Total Stock (%)



The restructuring of debts due to the decline in loan interest rates indicates that the non-performing loans will decrease.



Source: Central Bank of the Republic of Turkey





**Istanbul** office market performed effectively with the large number of new projects completed in the last quarter of 2016 and high leasing transaction volume. The total A-class office supply exceeded 5 million m<sup>2</sup>, achieving an annual increase of 9%.

In the last quarter of the year, approximately 54,000 m<sup>2</sup> of leasing transactions were made and the annual leasing volume reached approximately 200.000 m<sup>2</sup>. The leasing transaction volume of the last quarter increased by 23% compared to the previous quarter, but annual leasing transaction volume remained at the lowest level in the last four years.

In the fourth quarter of 2016, nearly 300.000 m<sup>2</sup> of new supply entered in the market and the overall vacancy rate increased to 23.6%. The highest vacancy rate increase

amongst all sub-markets was seen in the sub-regions of Zincirlikuyu-Şişli, Kağıthane and Kozyatağı where new supply entries were realized.

Taking into consideration the supply of about 2.8 million m<sup>2</sup> under construction, it is estimated that the total office supply will exceed 7.5 million m<sup>2</sup> by 2020. For this reason, vacancy rates in some sub-markets are expected to increase. It is expected that both the increase in the vacancy rate and the fluctuations in the exchange rate will cause pressure on rental fees ●

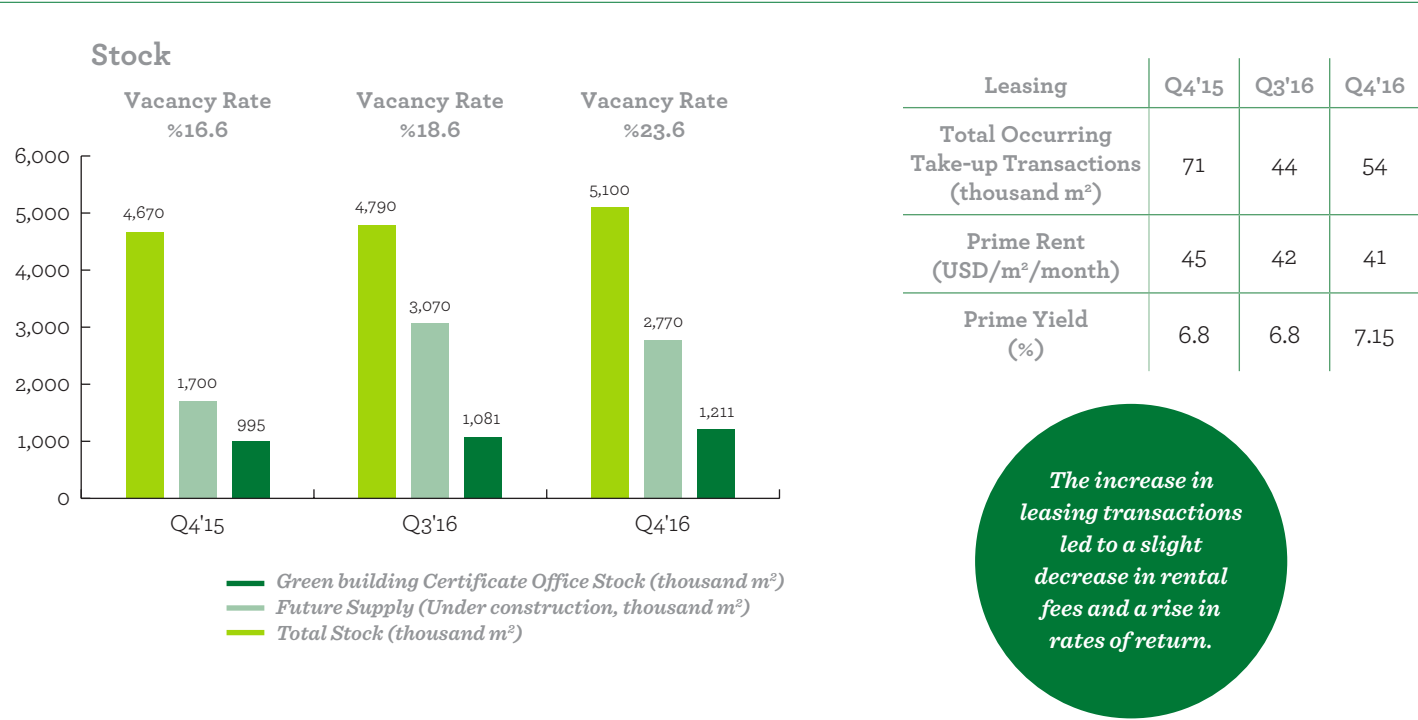
Vacancy rates  
increased at all  
locations.

### Istanbul Office Market by Regions

European Side	Q1'16			Q2'16			Q3'16			Q4'16		
	Stock (thousand m <sup>2</sup> )	Vacancy Rate (%)	Prime Rent (\$/m <sup>2</sup> /month)	Stock (thousand m <sup>2</sup> )	Vacancy Rate (%)	Prime Rent (\$/m <sup>2</sup> /month)	Stock (thousand m <sup>2</sup> )	Vacancy Rate (%)	Prime Rent (\$/m <sup>2</sup> /month)	Stock (thousand m <sup>2</sup> )	Vacancy Rate (%)	Prime Rent (\$/m <sup>2</sup> /month)
Levent-Etiler	757	14.3	45	757	14.6	44	757	17.7	42	757	17.6	41
Maslak	813	21.8	30	813	21.5	28	813	21.6	30	838	23.3	28
Z.Kuyu-Şişli Line (Z.kuyu-Gayrettepe-Esentepe-Mecidiyeköy-Şişli)	401	14.1	34	361	13.9	32	361	14.9	29	405	25.1	27
Taksim and surrounding area (Taksim-Elmadag-Bomonti-Piyalepaşa)	151	15.2	20	139	10.5	20	139	13	20	139	13.2	20
Kağıthane	177	40.8	22	191	44.2	22	191	40.8	18	253	52.7	16
Beşiktaş (Nişantaşı-Akaretler-Barbaros-Maçka-Teşvikiye)	107	13	26	102	13	24	102	12	22	102	12.5	22
Western Istanbul (Güneşli-Yenibosna-Bakırköy-İkitelli)	724	12.9	15	724	11.3	15	724	10.9	15	806	20.0	14

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

## Istanbul Office Market



## Istanbul Office Market by Regions

Anatolian Side	Q1'16			Q2'16			Q3'16			Q4'16		
	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)
Kavacık	127	5.1	20	121	5.3	18	121	6.1	17	121	6.1	17
Ümraniye	569	9.3	23	569	11.4	23	633	20.6	22	646	22.3	21
Altunizade	60	0	23	60	0	23	59	0	23	59	2.2	23
Kozyatağı (İçerenköy-Göztepe-Ataşehir)	371	30.4	28	403	32.3	27	403	31.5	27	463	43.0	26
Eastern Istanbul (Küçükyalı-Maltepe-Kartal-Pendik)	439	17.8	17	424	16.8	17	424	18.1	15	439	22.0	12

# Shopping Malls



24

As of the end of 2016, the total number of shopping malls in Turkey has reached 387. The cities having the most shopping malls are Istanbul (123), Ankara (35) and Izmir (21) respectively. The total leasable area is 11 million 402 thousand m<sup>2</sup>. When analyzed in terms of leasable area, Istanbul constitutes approximately 38% of the total stock. The average leasable area per 1000 people in Turkey is 145 m<sup>2</sup>.

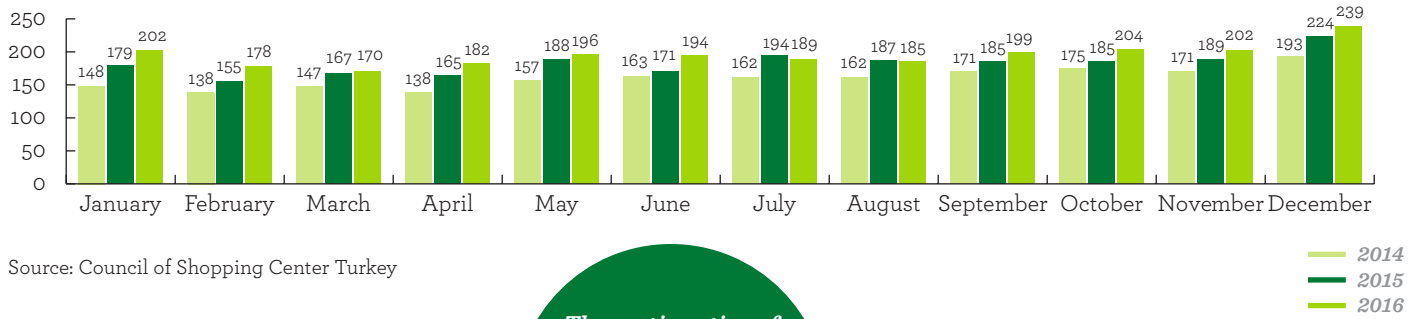
Our foresight is that 2017 will be a hopeful year for the organized retail industry. There are 10-12 new shopping malls throughout the country which are under construction or project process. These developments indicate that the shopping mall investments and growth will continue in the upcoming period. We also foresee that this situation will increase the number of visitors by 3%, carry the door openings to 2.16 billion and reach a turnover of 110 billion TL with a 10% increase.

In the current situation, in order for the sectors to grow and investments to continue, the dynamics of the sector as well as the economic decisions to be taken will be determinant. It is very important for the investors to take necessary steps to ensure that the fluctuations in the currency do not leave investors hesitant and that the project owners continue to invest with this faith and hope. On the other hand, we need to revitalize retail sales by developing projects that will provide consumer confidence. If the decisions that encourage the economy management go away, the positive public perception, both in terms of investment and sectoral growth, will gain momentum in the positive direction in 2017.

Both the decisions that encourage the management of economy and the positive perception of public opinion will give acceleration to the sector in a positive way in 2017 in positive in terms of increase in investments and turnover growth ●

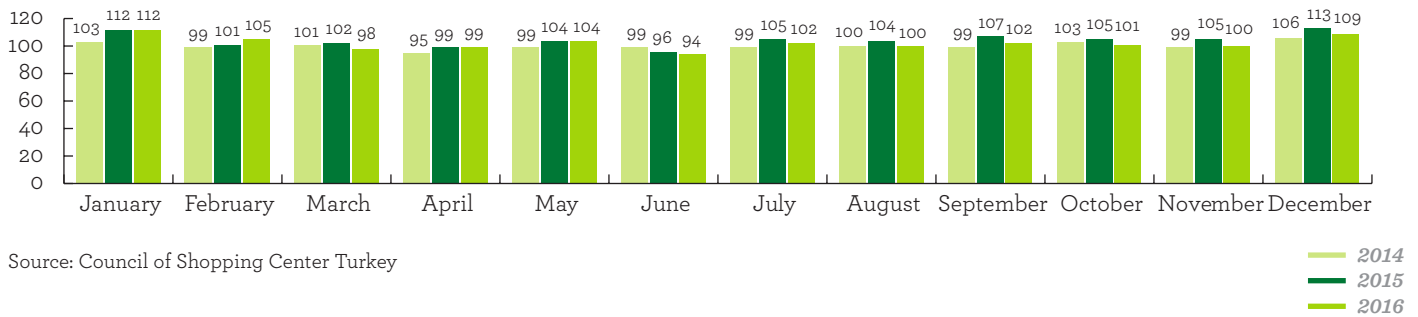
## Shopping Mall Indexes

### Revenue Index by Months



*The continuation of increase in turnover index was recorded as a positive development in terms of shopping mall market.*

### Visitor Index by Months



## Shopping centers that have lost their functions

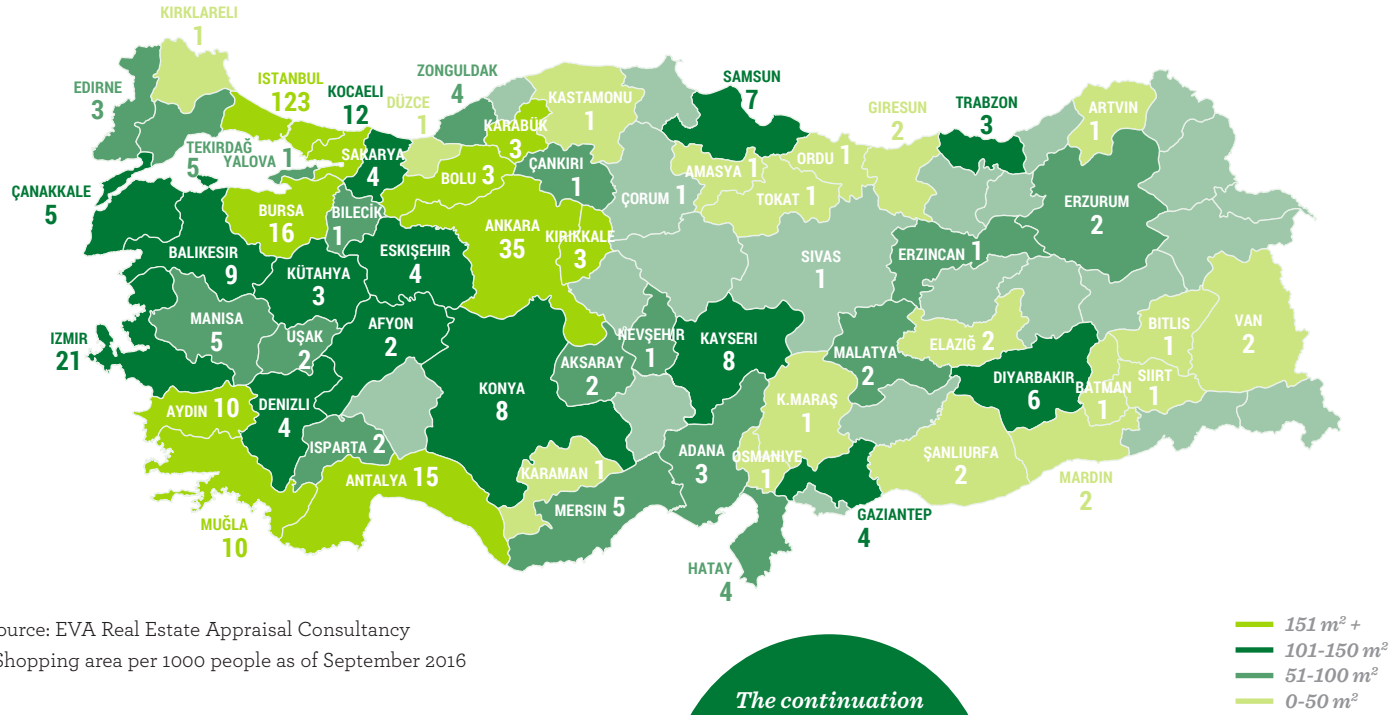
2015	Leasable Area (m <sup>2</sup> )	M <sup>2</sup> Range of Shopping Centers That Have Lost Their Functions	Percentage (%)
Istanbul	175,669	5-10 thousand	8%
Ankara	24,500	10-20 thousand	36%
Other	113,266	20 thousand and above	56%
<b>TOTAL</b>	<b>313,435</b>		

Source: EVA Real Estate Appraisal Consultancy

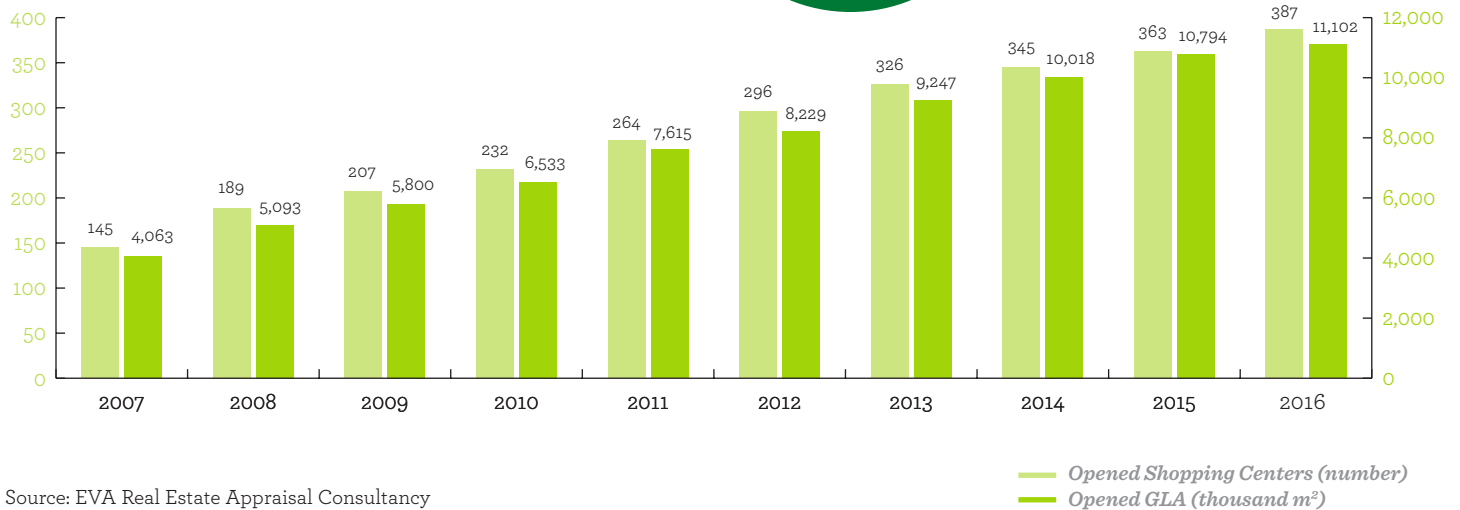
Shopping Mall Definition: leasable area above 5,000 m<sup>2</sup>, at least 15 independent sections, organized shopping areas creating synergy by centralized or joint management mentality.

## Growth of Shopping Mall in Turkey

GLA\* Volume and Number of Shopping Malls according to Cities



Shopping Malls Opened by Years and GLA



# Logistics



**Turkey** is amongst the developing logistics markets in EMEA (Europe, Middle East and Africa) region with its strong demand, existing stock and projects under construction (9.2 million m<sup>2</sup> existing and around 800,000 m<sup>2</sup> under construction in Istanbul and its vicinity). Turkey's Logistics Master Plan 2023 and Logistics Development Plan 2014-2018 aim to position the city as a global logistics hub. The Marmara Region covering Istanbul and Kocaeli provinces is Turkey's primary logistics market. Hadımköy and Esenyurt in the European side of Istanbul, Tuzla in the Asian side and Gebze, Çayırova and Dilovası in Kocaeli are the main logistic sub-markets of Marmara Region. It is expected that Adapazarı, Dilovası and Yalova will be on the forefront with new highways and bridges as well as due to the increase in land prices suitable for logistic warehouse development in primary locations such as Tuzla, Gebze and Esenyurt.

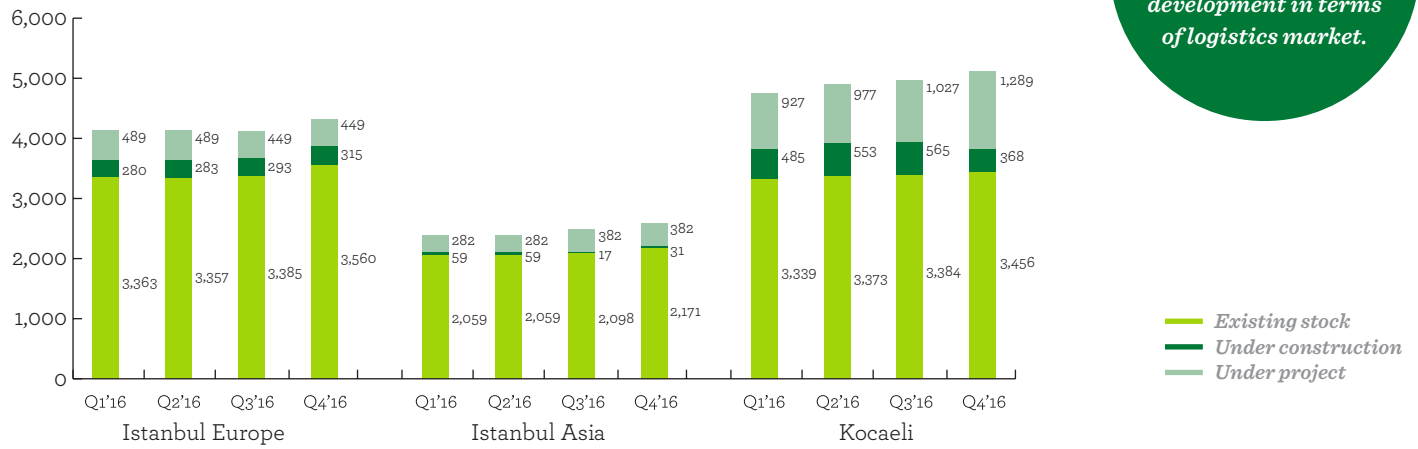
The slowdown that started in mid-2015 for industry and logistics markets that are directly affected by the political and economic conditions continued in 2016, and one year passed where the strategies were set for the revival of demands. Under the current economic and political conjuncture, many warehouse users approach growth cautiously. Within this context, the recent leasing transactions seen on the market are not as

a consequence of the growth of the companies but due to the strategies of efficiency, downsizing or merger. The user's limited demand also affects the development of the supply negatively. The investors and developers are cautious about building new warehouses.

A total of 481.500 m<sup>2</sup> of logistics leasing was realized during 2016, but a significant decrease (45%) was seen compared to the end of 2015. No changes observed after 2010 in the logistics market primary leasing, and the primary leasing level, which was 7 USD m<sup>2</sup>/month, continued in the same course in 2016. The logistics companies with 55%, retail companies with 14% and e-commerce companies with 8% on the basis of total transactions are noteworthy as the most active sectors in leasing transactions. With the growth of the e-commerce industry, the companies using these channels have started to make studies for the reorganization of their warehouse operations and for making them productive in order to deliver the best solutions to their customers. This issue brings to the agenda of the companies not only the warehouse usage efficiency but also the supply chain efficiency. It is observed that the new warehouse projects and investments are being designed also to satisfy the e-commerce operations of the companies ●

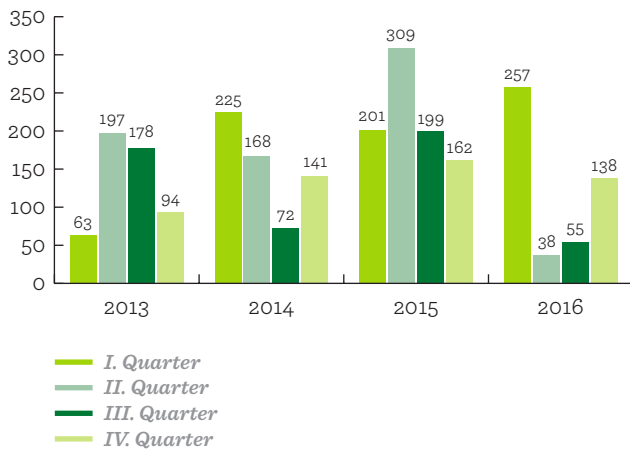


### Logistics Total Area (A, B, C Class (thousand m<sup>2</sup>))

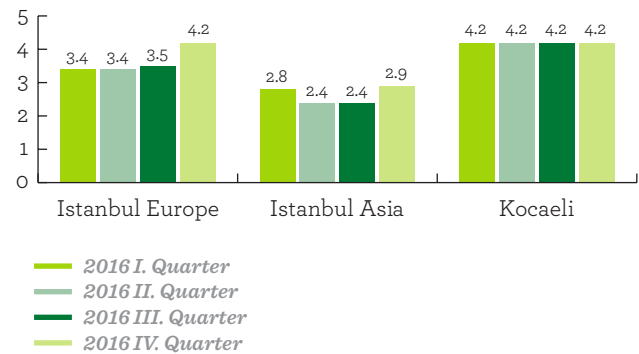


The continuing increase in the existing was recorded as an important development in terms of logistics market.

### Total Leasing Transactions (thousand m<sup>2</sup>)



### Free Space Ratio (%)



The vacancy rates in İstanbul's European and Anatolian sides showed slight increases in the last quarter of 2016.

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

# Hotel

**Expenditures** made by 12 million foreign tourists coming to Turkey in the third quarter of 2016 are specified as USD 686 per person. Considering that this figure is USD 775 in 2014, it seems that there has been a cutback in per capita expenditure during the last two years. The reason for this is the rock bottom prices due to the general slowdown in the tourism sector and the changes in USD/TL exchange rate.

According to the information obtained from the Ministry of Culture and Tourism, the number of foreign tourists coming to Turkey in 2015 was 35.5 million. It was 24 million for the 11 months of 2016. Out of this 24 million foreign tourists coming to Turkey for the 11 months of 2016, 38% came to Istanbul, 25% to Antalya and 8% to Muğla. İzmir and Ankara followed these three cities with a share of 3% and 1% respectively. While the number of tourists coming to Antalya in 2015 constituted 35% of the total number of tourists, there was a severe decrease in this share in 2016. The reason of this decrease is that a large part of hotel bookings in Antalya are group-based rather than individual reservations, and that such group bookings are more affected than individual bookings due to troubled external relations. In 2016, it was observed that there is a 32% decrease in the number of tourists coming to Turkey compared to 2015. Compared with 2015, there has been no increase in the number of tourists arriving on any metropolis. The factors that cause this downturn are mainly the relations with Russia, Syrian civil war and the increase in terrorist incidents. It is anticipated that the year 2017 will be dull as 2016 due to both internal and external agenda. But Turkey is a very important tourism destination with its historical and natural wealth. It is thought that this recession experienced in tourism will easily be overcome and the anticipated recession in the years ahead will be compensated in a short time depending on the peace in the whole world.

When the number of facilities with an operation certificate and investment certificate of 2015 is analyzed, it is seen that there are accommodation facilities having a total of 3.309

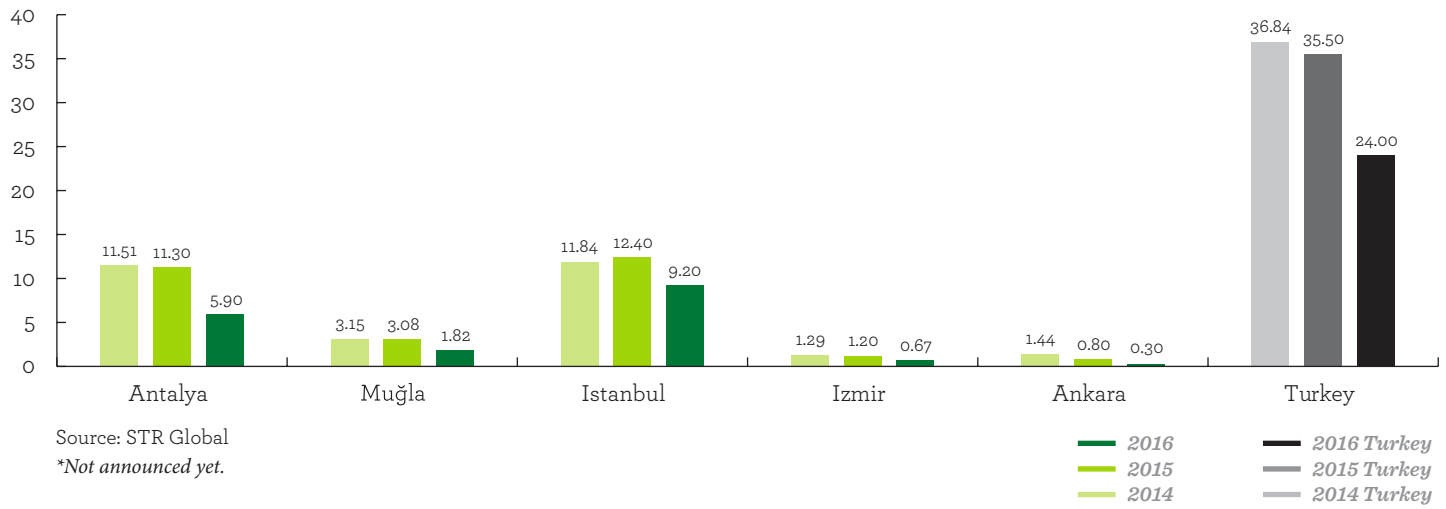
operation certificates with a capacity of 404 thousand rooms in Turkey and having a total of 1.125 investment certificates with a capacity of 146 thousand rooms. When the city breakdowns of the facilities with operating licenses are examined, Antalya is in the first place having 734 facilities with 186 thousand room capacity. İstanbul follows Antalya with its 489 facilities having 48 thousand room capacity. Muğla has 393 facilities having operation certificates with 49 thousand room capacity.

Taking into consideration the facilities with investment certificates, the biggest share amongst 1.125 facilities that will be included in the existing hotel supply in the near future is İstanbul with 207 facilities and 22 thousand rooms capacity; followed by Antalya with 155 facilities and 39 thousand rooms capacity, and by Muğla with 110 facilities and 14 thousand rooms capacity.

In Turkey in 2015, the occupancy rates of the facilities with operation certificate were determined as 12%. The city with the highest occupancy rate was Antalya with 59.5%, followed by Muğla with 54.9%. The occupancy rates of Istanbul, İzmir and Ankara were approximately 50%, 47% and 35%, respectively. According to the information obtained from STR, Turkey's hotel occupancy rate between January-October (cumulative) in 2016 was 50%. As per this data, it is seen that Turkey dropped behind Europe in general in terms of hotel occupancy. When the performances of the two biggest doors of Turkey opened abroad are compared, this decline can easily be seen. While the occupancy rate in Istanbul was 62.7% in 2015, it was recorded as 50.4% in 2016. The ADR dropped from EUR 124 to EUR 93. The occupancy rate in Antalya was 61.7% in 2015 and 53.6% in 2016. The ADR dropped from EUR 123 to EUR 83 (10 months data). It is anticipated that the recession will continue in terms of both occupancy and ADR in 2017, and if domestic politics become stable and a peaceful atmosphere is achieved in the world, it is considered that Turkey will re-achieve its former performance rapidly ●

## Tourism and Hotel Performance

Total Number of Foreign Visitors (million people)



Number of Facilities with Investment and Operating Permits 2015

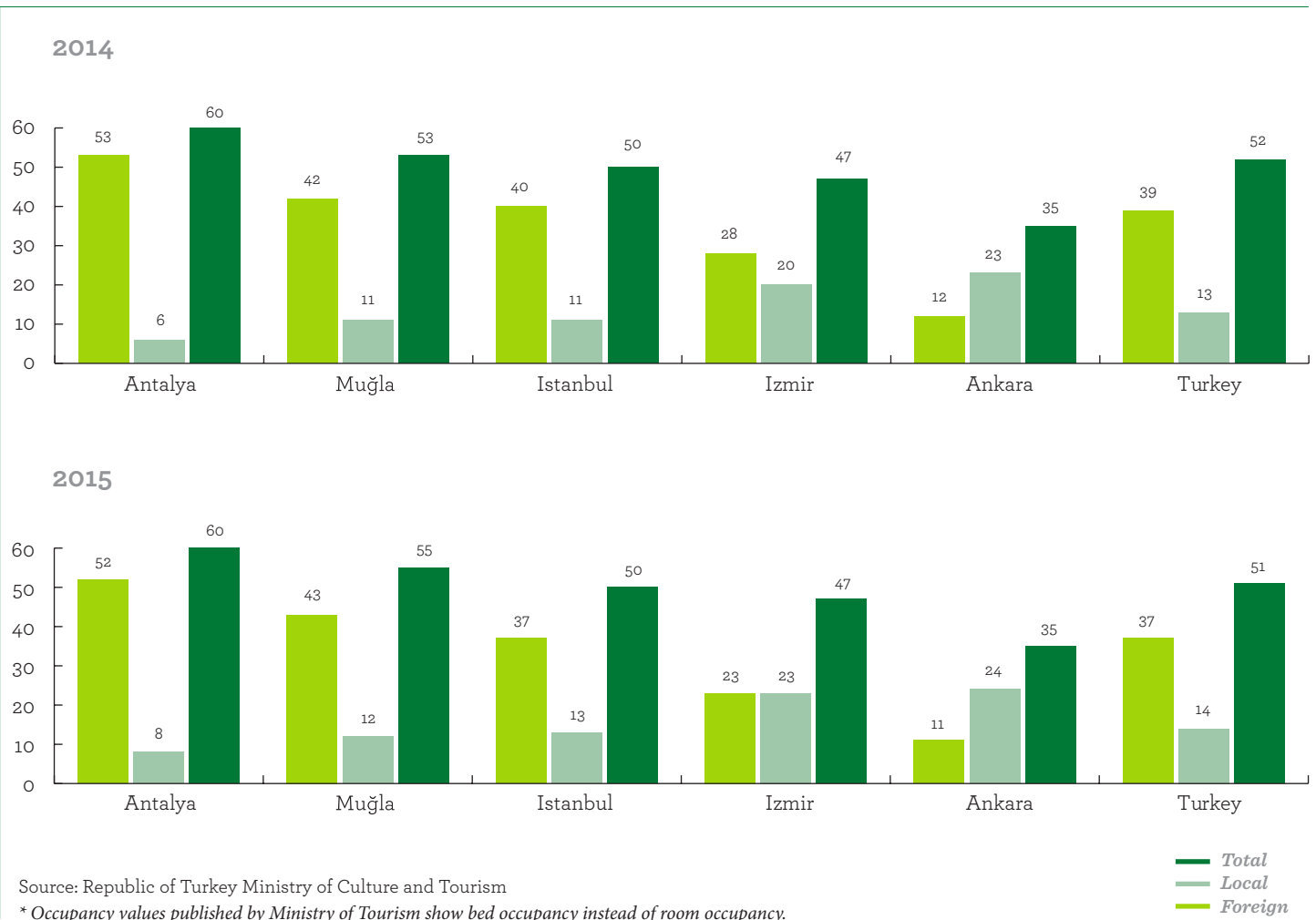
	With Operating Permit		With Investment Permit	
	Facility	Room (thousand)	Facility	Room (thousand)
Antalya	734	186,245	155	39,084
Muğla	393	49,901	110	14,780
Istanbul	489	48,423	207	22,223
Izmir	172	16,030	73	6,843
Ankara	164	12,270	25	2,676
<b>Turkey</b>	<b>3,309</b>	<b>404,462</b>	<b>1,125</b>	<b>146,162</b>

Source: Republic of Turkey Ministry of Culture and Tourism





## Hotel Occupancy Rate (%)\*



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The negative developments encountered have led to the decline in the number of tourists and reduction per capita expenditures.



## Total Tourists & Expenditures (2016 Q3)

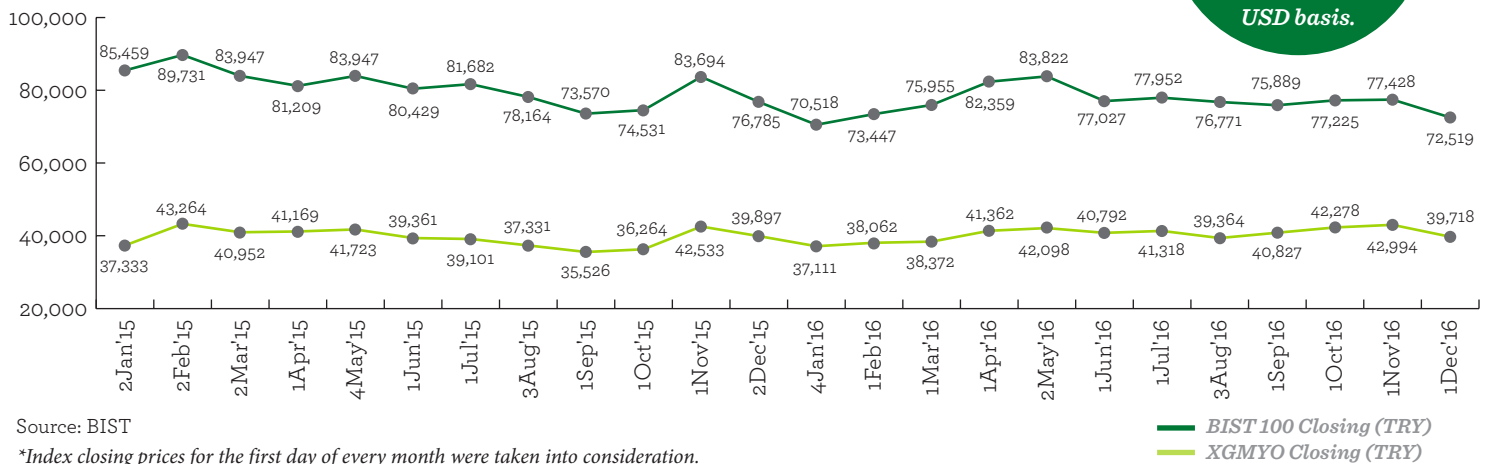
	Total Foreign Tourist	Per Capita Expenditure (\$)
Turkey	12,063,311	686

# REIT's

When the performance of Borsa Istanbul (BIST) from the beginning of 2016 to May is examined, it is seen that it reached the highest value of the year, from 72 thousand to 86 thousand in mid-April. The following developments and aftermath 15th July, it went into a decline and ended the year at 72 thousand levels with slight increases. In parallel to BIST, the REIT index started from 34 thousand and closed its course at 39 thousand at the end of the year.

When GYO market value data is analyzed, the value, which increased from 21 billion TL to 24 billion TL level, decreased from 8.3 billion USD to 8 billion USD due to USD/TL exchange differences. The expectation and confidence indices continued their downward course during the year and remained at the levels of 98.40 and 63.40 at the end of the year. In the coming days, these figures are expected to increase ●

## BIST REIT Index Performance\*



## REIT Market Value

	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16
REIT Number	27	29	30	30	30	31	31	31	31	31	31	31	31	31	31
Million TRY	16,877	16,431	17,084	18,632	19,956	20,671	19,432	21,981	23,073	22,326	20,515	21,279	23,531	23,704	24,446
Million USD	9,324	8,558	8,500	8,730	9,282	9,750	8,486	9,462	8,813	8,393	7,025	7,279	8,315	8,202	8,133

Source: Capital Markets Board of Turkey

Exchange rate of dollar, was taken as the first trading day of next quarter period.

As of January 26, 2017 data pertaining to Q4 has not been published in CMB's released report.

**General Informations of REITs in Company Basis**

	Name of Company	Total Assets (TL)	Market Value (TL)
1	AKFEN REIT	1,223,847,901	276,000,000
2	AKIŞ REIT	1,753,869,646	560,000,000
3	AKMERKEZ REIT	233,966,459	658,082,240
4	ALARKO REIT	610,447,514	330,813,662
5	ATA REIT	63,332,806	108,062,500
6	ATAKULE REIT	296,182,508	159,600,000
7	AVRASYA REIT	130,247,492	70,560,000
8	DENİZ REIT	190,613,587	73,500,000
9	DOĞUŞ REIT	980,938,874	848,451,175
10	EMLAK KONUT REIT	18,641,949,000	11,552,000,000
11	HALK REIT	1,104,093,944	679,400,000
12	IDEALIST REIT	8,701,354	13,100,000
13	IŞ REIT	4,491,823,394	1,377,000,000
14	KILER REIT	1,269,915,672	230,640,000
15	KÖRFEZ REIT	113,376,675	91,740,000
16	MARTI REIT	518,855,438	37,400,000
17	NUROL REIT	1,838,387,168	380,000,000
18	ÖZAK REIT	1,774,894,472	600,000,000
19	ÖZDERICI REIT	446,956,214	118,000,000
20	PANORA REIT	762,373,326	380,190,000
21	PERA REIT	203,001,504	32,967,000
22	REYSAŞ REIT	898,950,895	159,900,001
23	SAF REIT	2,000,803,547	727,013,369
24	SERVET REIT	264,469,377	130,000,000
25	SINPAŞ REIT	2,196,721,319	348,000,000
26	TORUNLAR REIT	8,983,975,000	2,470,000,000
27	TSKB REIT	418,865,023	97,500,000
28	VAKIF REIT	975,646,212	472,860,000
29	YAPI KREDİ KORAY REIT	96,509,758	47,200,000
30	YENİ GİMAT REIT	1,780,982,810	1,307,443,200
31	YEŞİL REIT	1,739,040,292	108,153,225

Source: Capital Markets Board of Turkey, 2016, 3<sup>rd</sup> Quarter Data

## With the Contributions of



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