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Alignment with the financial system essential for the sustainability of the industry

When the last 1-year period of the Turkish economy is examined, quite swift survival from the critical systemic risks is seen. Despite the fact that a big part of the risks in our country are of geopolitical essence and that the corresponding results affect Turkish economy, with the help of the correct structural measures adopted after the year 2001, quick recoveries upon the processes emerging in the aftermath of 2008 and 2016 were achieved.

Economy and social policy of the world have been going through a very unsteady period and this became more observable after the US elections held at the end of year 2016. Most of the measures adopted following the crisis of 2008 were launched by the central banks yet the expansionary monetary policies implemented by the major central banks failed to reach the intended success level. Despite the relative success of the US economy on account of the reactive measures adopted by FED, the balance size was increased to 4.5 trillion USD. Despite the relative improvement of the macro-economical variables on which FED set targets such as inflation, employment and growth, these figures fall far from the targets from time to time. The model intended to be applied by the newly elected US President in order to revitalize the economy is based on the principle of attracting the US companies to their mainland in order to increase the governmental investments and employment. On the other hand, FED has been struggling to gradually launch the steps for decreasing the amount of money in the market. There is a chance of US Dollar's gaining more value in respect of circulation and cost throughout the process.

On the other hand, the ECB and BoJ declared that they would be continuing to pursue the monetary expansion for some more time. The desired level of recovery both in the EU and in Japanese economies has not been achieved yet. The issues regarding the growth and employment levels in global scale continue as well.

Moreover, in order to protect itself from the potential external fluctuations, Turkish economy has been adopting precautionary macro measures since 2013. Current deficit and currency vulnerability were tried to be prevented through these precautions. These timely measures had positive effects over the asset prices (especially housing prices) as well.

With the tight monetary policies implemented by the Central Bank of Turkey (TCMB) as of 2016 and the additional fiscal policy tools applied by our government, revitalization in our economy and rapid recovery in sectoral basis started to be observed. It is obvious that the regulations made especially regarding the domestic appliances, furniture and housing industry provided essential support to the growth of the economy. A similar process has been created through the CGF (credit guarantee fund) for businesses in various layers of the economy.

Turkish economy ended the year 2016 with a 2.9% growth rate despite all negative developments and reached quite a good level in the first quarter of 2017 with 5%. The growth rate expectations for 2017 have also gone into an upward tendency. Relative improvements were recorded in data such as consumer confidence and employment in parallel with the growth. However, the desired level of recession could not be achieved in inflation and interest rates. It is observed that the high level of interests is creating pressure over the cost and propensity of consumption-investment. Then again, in addition to the ongoing efforts exerted to this end, the positive transformation of the macro variables also increases the probability of the recession of the interests.

Despite the relatively better condition of the Turkish economy considering many other developing countries, it still faces the problem of failing to increase the national income to the determined level and the income per capita remains unchanged as well. However, the measures adopted, rapid fall of the energy input prices in international conjuncture, continuation of new monetary expansion of the European Central Bank and the expectation that FED will be increasing the interest rates in a longer while than planned in parallel with the growth issue of the world economy might be providing dynamic Turkish economy the required amount of time for improvement.

The policy of increasing the money supply and decreasing the monetary costs (the interest) seen as the most typical example of the Keynesian policies implemented as a prescription in the world for overcoming the crisis not only affected the US, EU and Japanese economies that take the lead within this context but also affected the international fund flows and asset values at the same time.

Asset prices (housing, precious metals, oil and other sources of energy, equity shares, agricultural products, debt instruments, etc.) are essential for the world economy both as commodities and financialized assets. Therefore, all types of change and fluctuation that may occur in the asset prices affect the economy as well as the investors. Since the change in the prices is capable of easily differentiate the perception of risks, both the economic developments and the non-economic developments that may have impact assets need to be carefully followed.

The asset prices have always been one of the most controversial subjects in economy. Yet, it is quite hard to claim that in concern with the asset prices, there lays a concept of value connected with an 'absolute' output as in positive sciences. The reason of this is the amplitude of behavioural value judgments (humane) that take part within the 'value and price' concepts. Since the human behaviours lack a complete mathematical model, a theoretical price valid for good for each asset is not possible, too. The developments in the housing prices constitute one of the best examples of this case. Different prices may occur in every country, even in various regions of the same country or between the different streets or neighbourhoods of the same city.

The initial effect observed over the real estate prices similar with all the prices is formed based on the changes in supply and demand. The change and structure of the demand directly influence the real estate prices and the change in supply occurs a bit slower compared with the demand in construction industry. However, since 2001 the players of the housing industry that have been through both many internal and external shocks display quite elastic structure and adapt the current conditions. The institutionalisation of the construction companies and their execution of more effective financial management and the increasingly rational actions

of the demand holders increase the efficiency of the housing and construction markets.

The fluctuations in the exchange rates will affect the internal demand

When the housing price index data of the last period (June 2017) issued by Reidin for 68 cities and overall Turkey is taken into consideration, it is seen that the price increase in the housing prices displayed a monthly decreasing momentum on nominal basis in the last one-year period and furthermore the housing price increase even remained under the deposit interests especially both in 7 metropolitan cities (Istanbul, Ankara, Izmir, Adana, Antalya, Bursa, Kocaeli), 30 big cities and in 38 other cities not in big city scale. On the other hand, without doubt the upward flows in the exchange rates will be shrinking the demand. At this point, the findings we reached as a result of our analysis conducted over the consumer confidence index, exchange rates, inflation and housing prices are as follows:

- In short term, the consumer confidence rapidly reacts to the increase in the US Dollar's exchange rate with a decrease, and as this increase continues the market gets used to it, and when the rate increases further, then a sharp fall occurs.

- Consumer confidence is influenced by the increase in the US Dollar's exchange rate quite late compared with the increase in the inflation in the short run. This may result from the relatively more population receiving raise every year in parallel with the annual increase in inflation. If the inflation increase continues in the long term, the consumer confidence starts to fall as the purchasing power is also affected.

- The consumer confidence is highly affected from the increase in the Reidin Turkey Housing Sales Price Index. Consumer gets used to the price increases in the market in the long term and the confidence starts to build up a bit more.

Therefore, it should not be forgotten that the fluctuations in exchange rates will create negative impact over the consumer confidence, that they will delay the purchasing tendencies of the consumers, and this will have a shrinking effect and downwards pressure regarding the real estate prices in the upcoming periods.

Changing family structure will keep the demand alive

Another factor affecting the real estate prices is the impact of different income levels and social characteristics over buyers' choices. Housing stock is at the same time a 'non-homogenous' stock. On the other hand, another important feature that is the 'basic need for shelter' should not be dismissed. The requirement for new houses emerging as a result of the natural increase in the population is expected to keep the demand alive in our country with an ever-decreasing and individualised family structure.

In order to separate the housing price index calculated by the Central Bank of Turkey (TCMB) from the quality effect, the Hedonic Housing Pricing Index is calculated through utilizing the hedonic regression analysis. According to the results, it can be said that approximately one fourth of the nominal increase occurring in the housing prices in overall Turkey and almost half of the reel increases are affected by the increases in quality.

Taking a look at the real estate prices in overall Turkey, we observe that the 'real estate market' has been struggling to reach the equilibrium price in addition to dynamism. In this sense;

- On the basis of submarkets, dynamic and rationalizing tendencies are seen in the Turkish housing market. Particularly, in concern with the price movements, 'adjustments' or 'increases' are observed when required. Konya/Karaman region continues its price level close to Turkey's average.

- The decrease and increase of the housing building licenses by the contractors in accordance with the market expectations continue in a dynamic fashion.

- It is observed that instead of merely evaluating the price criteria, the consumers started to make more rational decisions and assess various factors such as the construction quality, material, and accessibility.

- The traces of the event of June 2016 were rapidly removed. At this stage, the branded housing manufacturers (Emlak Konut GYO AŞ, GYODER Members, etc.) transformed the expectations positively and reassured the industry.

- The foreign investors not only regard the quality and quantity of the housing but also consider the city where they purchase real estate as a 'living space' and this notion has remarkable effects as well. The housing sales to foreigners in Istanbul are the most typical example of this case.

According to the data of the Address Based Population Registration System, the population of Turkey has reached 79 million 814.871. The annual increase rate has been 13.5 per thousand. In our country, the rate of the population in the age group of 15-64 (working age population) increased by 68% in 2016 compared to the previous year and reached 54 million 274.113. The rate of the child population (0-14) fell by 23.7% (18 million 916.124) while the population of the ages 65 and over increased by 8.3% (6 million 624.463).

The supply and demand of housing started to gradually settle in Turkey. A yearly average of 1 million houses is being exchanged and still the demand for 650.000 new houses continues. According to the data of the Turkish Statistical Institute, the number of households in our country is around 19 million 481.000 and the average size of the household is 3.8 person. Where the rate of house ownership was 60.9% in 2006, in 2015 it was 67.3%.

Turkey is a country with an ongoing rural-urban migration. The rate of urbanization in Turkey is 78% and the corresponding population is around 60 million people. The rural-urban migration is expected to continue until 2023 and the urbanization rate is expected to exceed 84%. According to the aforementioned point, the number of is foreseen to reach 84% with 71 million people in 2023. As a result of this migration based urbanization, it is envisaged that the housing demands would continue in the migration-receiving cities until 2025. With urbanization, basic differences occur in the population structure. The level of employment falls in agricultural places while the employment levels increase in the cities. Within this context, the existence of a 'natural' housing demand caused by population increase and migration should not be ignored.

The housing requirement of the middle and lower – middle class continues quite intensively in Turkey's real estate industry. However, it can be said that the demand of the middle – upper class and high- end market has been slowing down compared with the lower – middle segment. Yet, the brand and luxurious housing demands of the real and legal bodies (domestic – foreign) having the purpose of investment keep this segment alive. Meanwhile, the commercial housing

market has the tendency to become more affected by the economic developments and commercial life. Then again, it remains alive as a result of both demographic factors and the certain growth level achieved.

Turkish construction and housing industry will continue to be one of the leading industries of growing Turkey. When the demographic and economic developments are taken into consideration and compared with the world, the size of the potential involved in the industry will be seen. However, the fluctuations in the prices that may occur from time to time should not be named as 'collapses' or 'balloons'. Regardless of the type of the asset, the price will never increase or decrease forever. Therefore, as long as the stability and dynamic structure of both our country and the industry continue, there will be a tendency for growth in the medium term.

When the figures of the housing sales which are one of the most crucial indicators of the real estate industry are taken into consideration, the results of the aforementioned natural demand will be observed. While 997.550 housing sales were accomplished in 2011, this figure respectively became 971.757 in 2012, 1 million 157.190 in 2013 and 1.165.381 in 2014, and in 2015 it reached to a record breaking number of 1 million 289.320. Despite the systemic risks internally faced by Turkey and the global issues, in 2016 the housing sales broke a new record and increased to 1million 341.453. In Turkey, in year 2016, daily 3.675, hourly 153 and over 2.5 houses per minute were exchanged.

The housing sales reached a figure of 654.363 in the first six-month period of 2017. This figure was 630.799 within the same period of 2016.

Issues to form the agenda of the industry

The factors influencing the Turkish real estate and construction industry in 2016 and the points to be taken into account in 2017 can be summarized as follows:

- The regulation granting citizenship to the foreigners who purchased real estates of minimum 1 million USD worth with the condition of not selling them for three years,

- Extension of the VAT discount in housing from March until September,

- The continuous implementation of the VAT as 8% in the delivery of houses with tax value per square meter ranging from 1.000 TL to 2.000 TL in the housing construction projects to be tendered starting from January 1st by the government and the housing construction projects the construction licenses of which were obtained after January 1st,

- Application of the stamp tax rate as zero percent in real estate preliminary sales contracts and prepaid housing sales contracts,

- The positive effect of the low loan interests with 20 years term led for the first time by Emlak Konut GYO A.Ş and GYODER Members over other contractors and consumers by providing a driving force to the sector with a multiplier effect,

- The continuation of foreign investors' interest despite all developments, and at this point the relative advantages created by the increase in the exchange rate for foreign investors,

- Foreign investors' perception of the housing beyond the quality and quantity at the same time their approach to the city they invest in as a 'living space' and the effects of this perception and the typical example seen in the foreigners' demands in Istanbul,

- Another point considering the foreign house buyers and investors is the regulation decreasing the bureaucratic procedures on visa, citizenship and residence permit issues,

- Turkey's continuing geopolitical importance within the region it is located and the nearby regions and its protection of the relatively safe port position in the aforesaid region,

- The positive effect of the fall in the loan interests in the last quarter of 2016 and first quarter of 2017 on the demand for properties,

- Fluctuations in the housing construction permits by the contractors according to the market expectations,

- More rational decisions of the consumers, their taking into consideration many more factors such as structure quality, material, transportation facilities instead of merely assessing the prices,

■ Istanbul's attracting the investors all over the world as a brand city; and its becoming both commercial and geographical hub at this very point,

■ Execution of more concrete activities to render Istanbul a financial center and progress in the constructions,

■ Infrastructure projects creating a center of attraction and causing interest (Yavuz Sultan Selim Bridge, tube tunnel projects in Istanbul Bosphorus, Third Airport, Osmangazi Bridge, Çanakkale Strait, speed train projects between Ankara and Istanbul, rail transportation and underground projects in mostly all big cities and Kanal Istanbul activities),

■ Continuation of the urban transformation and related regulation in 2017 as well and the positive effect of the decisions planned to be taken related with the aforesaid issue,

■ The administrative and financial advantages enabled as a result of the more institutionalized management of the businesses directly related with the industry and these advantages strengthening the companies,

■ In addition to the urban-rural migration, the flow of the increasing number of refugees directly to major cities resulting in the price increase trend in the rents and properties in these major cities especially in the West,

■ The continuation of the natural demand as a result of having a young population structure,

■ The changes in the concept of the nuclear family, the continuous demand of housing as a result of marriages and divorces,

■ The demand and supply oriented housing market's further rationalization and their getting more flexible,

■ The investors following the developments in the housing prices starting to purchase houses in the regions with lower price increase and their increasing demands in overall Turkey,

■ Decreasing the rate of the initial rate in long term housing credits from 25% to 20% for the consumers having difficulty in gathering the required capital,

■ The measures adopted in order to encourage house purchases and savings (15% governmental support in house purchases) and their effect on the economy

■ The rapidly growing income per capita following the crisis of 2001 facilitated the property buying process however the rate of increase in the property prices is faster than the increase in the income per capita,

■ As a result of the launch of legal and administrative regulations required for the access of the construction and real estate industry through 'marketable securities', TOKİ's actualization of the real estate certificate export,

■ For the launch of the different marketable securities based on properties except the real estate certificate, the technical infrastructure activities are being executed.

On the other hand, establishment of the institutions through activities facilitating the harmonization between the real estate and finance system will provide a crucial acquirement in respect of 'sustainability' in medium term. The regulations regarding various financial instruments based on real estate, activities conducted/to be conducted by the banking industry for granting housing loans for longer terms, establishment of a bank specific to this industry, establishment of real estate investment trust and infrastructural real estate investment trust and increasing their activities in the system, transfer of resources to the securities from individual pension system and other funds are noteworthy and crucial activities. A lasting and sustainable trend of the real estate industry in our country will be positively affecting numerous macro variables from employment to growth.

Sincerely yours,
GYODER Training, Publications and
Information Production Committee

Despite everything, Turkey is marching on...

It is not easy, but we are slowly getting through. After the malicious attack we experienced last year, we started to receive good signals from many sectors within a year.

Especially with the revival of markets through the Credit Guarantee Fund, growth figures are higher than expected. Meanwhile, surveys conducted at Shopping Malls show that there has been an obvious increase in the retail sector since February. In other words, consumer confidence is no longer at the last year's fragile state.

There is rise in exports even during the time when the discussions with the EU are getting harder. The Turkish Exporters Assembly declares that exports that have made no progress for the last 3 years will break a record this year.

Significant steps are being taken to diversify energy sources. A very critical move has been made about solar energy and more exciting attempts are expected from now on.

There are also intense activities on infrastructure side in overall Turkey. Highway, bridge, airport constructions

are continuing rapidly. We almost got to see more trucks than cars. All these developments are really good. However, in the real estate sector, which has a significant portion of the growth dynamics of the Turkish economy, it seems that there are not intense activities at the same level. There is a "domestic demand" weakness that has not yet been reflected in real estate prices but is accepted by all. Foreign buyers are more interested. The domestic buyers' relatively less interest may be due to the fact that the financial institutions are not as bountiful as they were in the past.

However, political changes have started both in the world and in Turkey. What will happen to Trump and how will be the upcoming German elections is an issue of concern. The governing party in Turkey has been going through restructuring and it seems that the 2019 elections will not that easy.

Although a span of 2 years seems long in countries like Turkey, it is seen that investors are more conscious or selective compared to the past. Nowadays, "stability" has become more important than "future". Everyone has a doubt whether it is an opportunity to buy now or not. Although real estate prices seem to be cooling

down from time to time, it is quite not possible to take advantage of these opportunities as stock market. There is also no balloon in Turkey due to mortgage or housing loans. If there was, it would be reasonable to wait for prices to burst like a soap bubble. A significant number of project owners are strong enough to keep their heads on the water surface for a long time.

Unsurprisingly, as in every sector, some of those have troubles due to the lack of foresight. There are some people that they lose the profits they gain in this sector by investing in another sector and have difficulties. However, the market is big and deep. Therefore a few buyers or sellers do not have the power to trigger the market alone.

I remember very well that in the 1980s it was possible to buy a waterside flat with the money nearly 1.000 times of the salary of a research assistant in university. Despite the crises, bottlenecks and troubles that have been encountered, it is impossible to say the same today. Even though the prices are sometimes cooling down, they have gained more than any kind of investment instrument until today.

Turkey is quite ahead not only on the trading side, but also on the marketing and use of real estate in various forms. Undoubtedly the most important issue is the financing of both production and demand in the real estate. The longer the term and the lower the cost, the more efficient performance there will be.

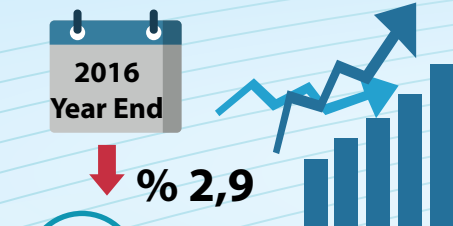
Both the global conditions and local realities do not give good news about the decline in financing costs, at least in the near future. Therefore, Turkey will have to stand on its own feet for a while. In this case, I would like to state that the most important problem is not the "exchange rate risk" but the "receivable risk".

In the study namely "Olaylarla Türkiye Ekonomisi - Economy of Turkey with Events", which we wrote with Yalın Alpay and which is selected as one of the best business books of the year, we underlined the fact that, even though we have been exposed to countless devaluations, we have managed to survive. Therefore, it will not be a problem for those who take measures to manage risk. However, the risk of receivables will be an issue that needs to be taken seriously during this period.

Prof. Dr. Emre Alkin
Istanbul Kemerburgaz University
Vice Chancellor

MAIN ECONOMIC DATA

Annual Growth



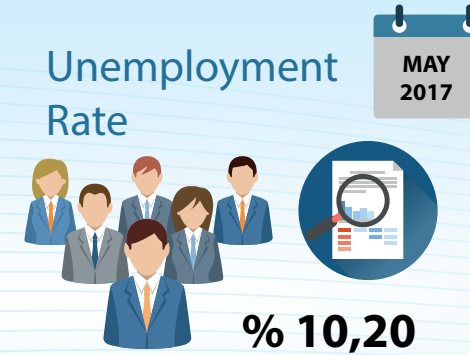
Inflation



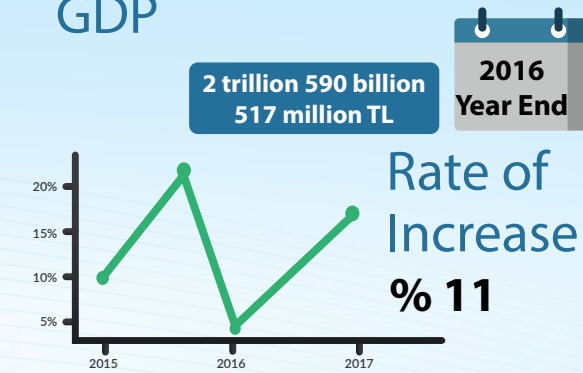
Construction Sector Growth Rate



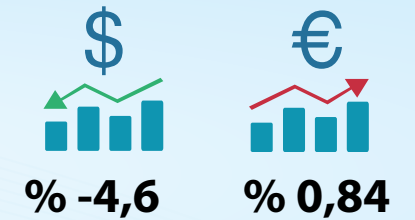
Unemployment Rate



GDP



Exchange Rate Increase



SHOPPING MALLS

Total Stock



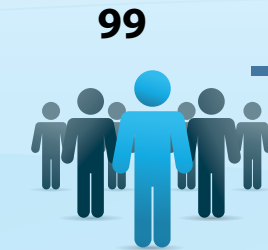
Leasable Area Per 1.000 persons



Turnover Index

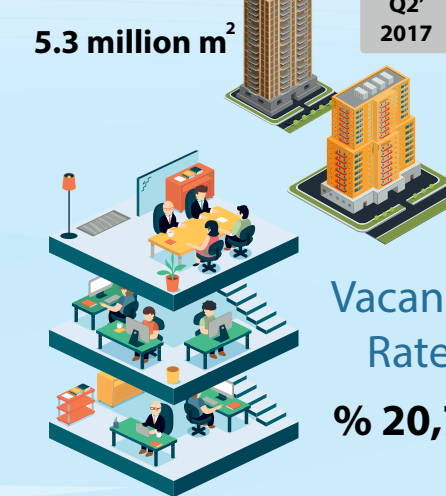


Visitor Index



OFFICE

Total Stock



Vacancy Rate

% 20,7

Leasing Transaction Volume



Primary Rent

41\$ / m² / month



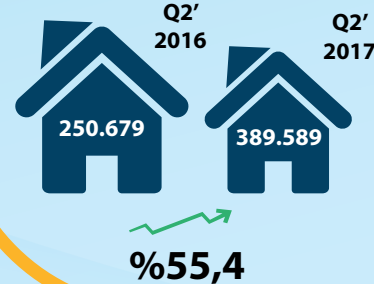
Housing Loan Stock



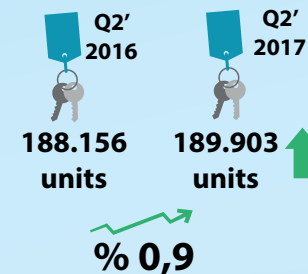
Monthly Interest % 0,93
Compound Interest % 11,78

HOUSING

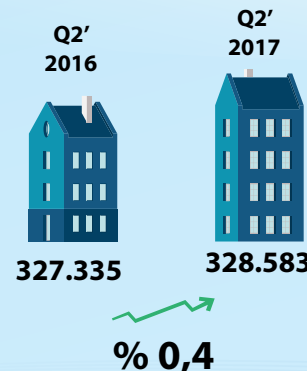
Building License



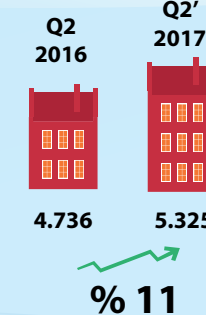
Occupancy Permit



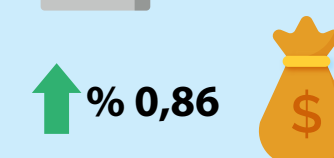
Housing Sales



Housing Sales to Foreigners



New Housing Price Index



TOURISM AND HOTEL

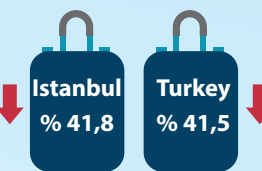
Number of Total Visitors



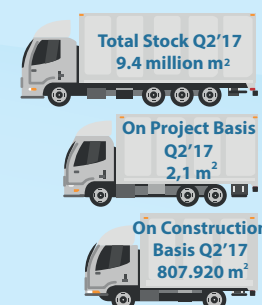
Tourism Revenue

4,3 million \$
Per Capita Average Expenditure 570 \$

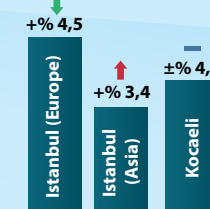
Occupancy Rates 2016



LOGISTICS



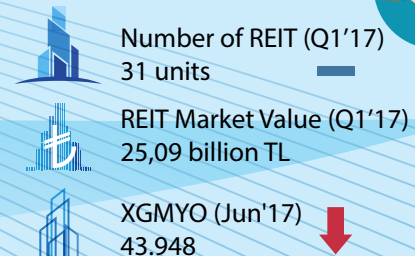
Occupancy Rates



Leasing Transaction Volume



REIT's





MAIN ECONOMIC DATA

While the financial markets performed positively, the current account deficit continued to increase

After a strong growth in the first quarter of 2017 with the help of measures taken to stimulate domestic demand and production as well as the recovery in exports, the Turkish economy is giving signals that this performance is ongoing in the second quarter of the year. The increase in the first quarter of the year at an average of 1.7% in industrial production compared to the same period of last year reached 3% in the first five months with an accelerated increase in the second quarter. In the first five months of the year, the total export figure was 64.3 billion USD with 9.5% rise due to the strong export increases in iron-steel and automotive sectors. However, the 258% increase in gold imports led to a 15.7% rise in foreign trade deficit which reached 24.8 billion USD. As a result of the reflection of the increase in the foreign trade deficit, a 28% increase in the current account deficit was observed. The annual deficit that closed 2016 at 32.6 billion USD rose to \$ 35.3 billion at the end of May 2017. On the other hand, the inflation that closed 2016 at 8.53% rose to 11.87% at the end of April which is the highest level in the last 13 years, due to the delayed effects of the increase in exchange rates observed in the last quarter of last year and the rise in food prices and global commodity prices. Then it fell to the level of 10.90% at the end of June with the reflection

of the horizontal course of the exchange rate and the drop in oil prices. With the measures adopted by the Central Bank and the volatility decrease observed in the exchange rates, it is forecasted that a downward trend in the second half of the year could begin.

On the other hand, financial markets showed positive performance with the improved risk appetite and foreign portfolio inflows. According to IIF data, the developing countries had a portfolio inflow of 157 billion USD in the first half of 2017. This figure represents a significant increase compared to the inflow at an amount of 23.4 billion USD in the same period of last year. In developing countries, while a positive outlook was being observed in stocks benefiting from increased portfolio inflows, the bond yields increased due to global developments, inflation increase and the tightening steps of the Central Bank. Although Dollar / TL started the year at 3.52 and rose to 3.94 during the period, it is at the level of 3.53 recently with tightening steps of the Central Bank and foreign portfolio inflows. Two-year benchmark bond yields started the year at 10.63% and rose to 11.55% in July. The BIST-100 Index has reached 107,206 with 37% rise since the beginning of the year.

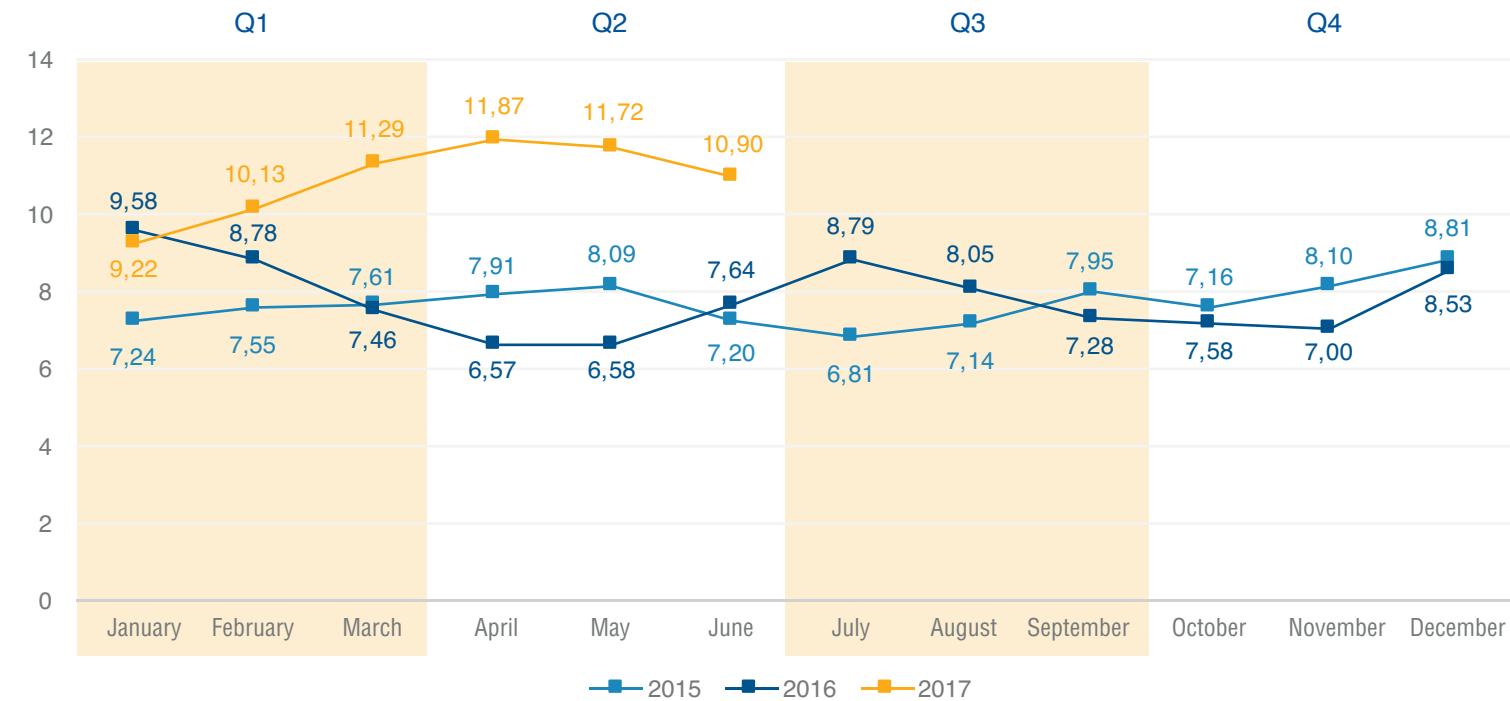
Nominal Gross Domestic Product by Expenditure

Year	GDP (million TRY)	Income per Capita (TRY)	GDP (million USD)	Income per Capita (USD)	Growth (%)	Average Rate during the year
2014	2.044.466	26.489	798.987	12.112	5,17	2,19
2015	2.337.530	29.885	861.468	11.014	6,10	2,71
2016	2.590.517	32.676	856.791	10.807	2,90	3,02

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

GDP declined in USD terms, although it increased by about 10% in TL terms compared to the previous year. The 6.10% growth rate in 2015 fell to the level of 2.90% in the previous year.

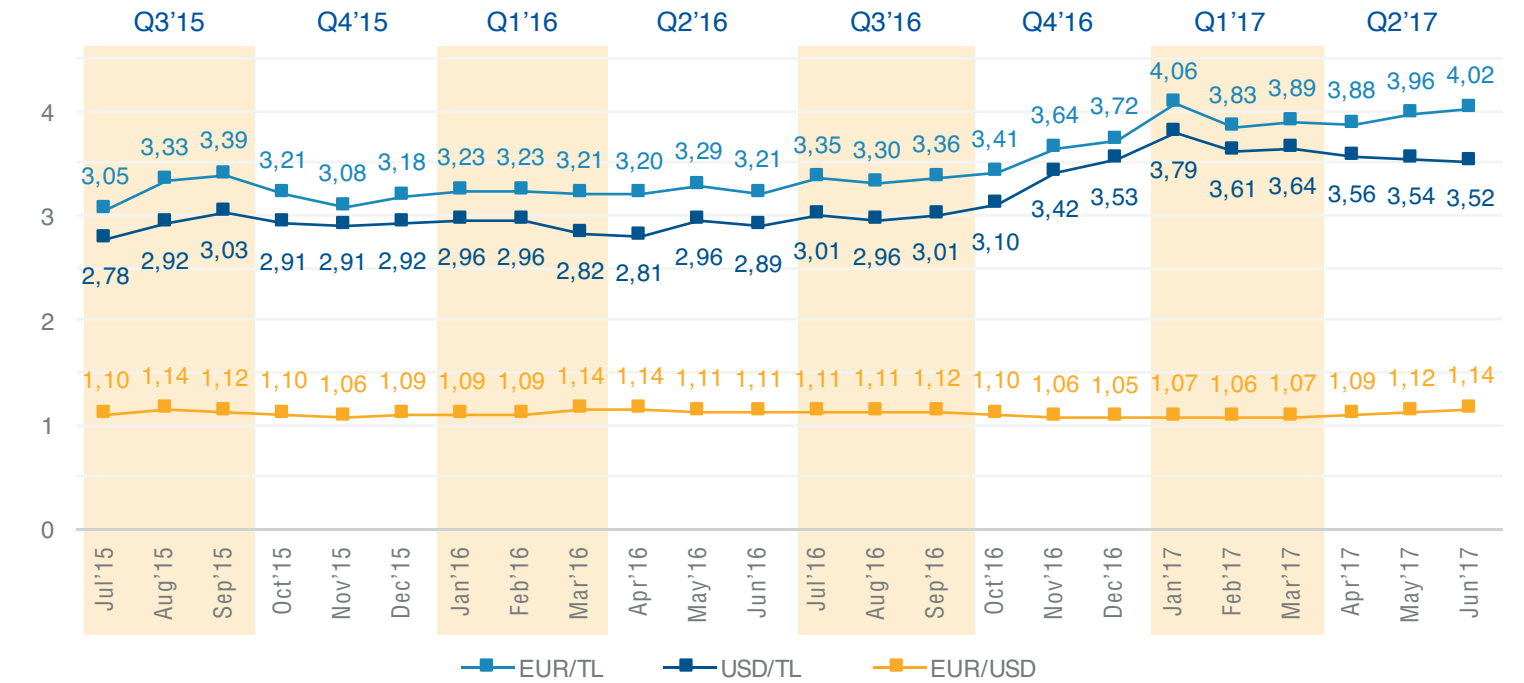
Annual Inflation*



Source: Turkish Statistical Institute
*Change according to same month of
previous year

The annual rate of inflation, which was on the rise as of December 2016, was on the downward trend as of May 2017.

Exchange Rate*



Depreciation of TL against Dollar and Euro continues.

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

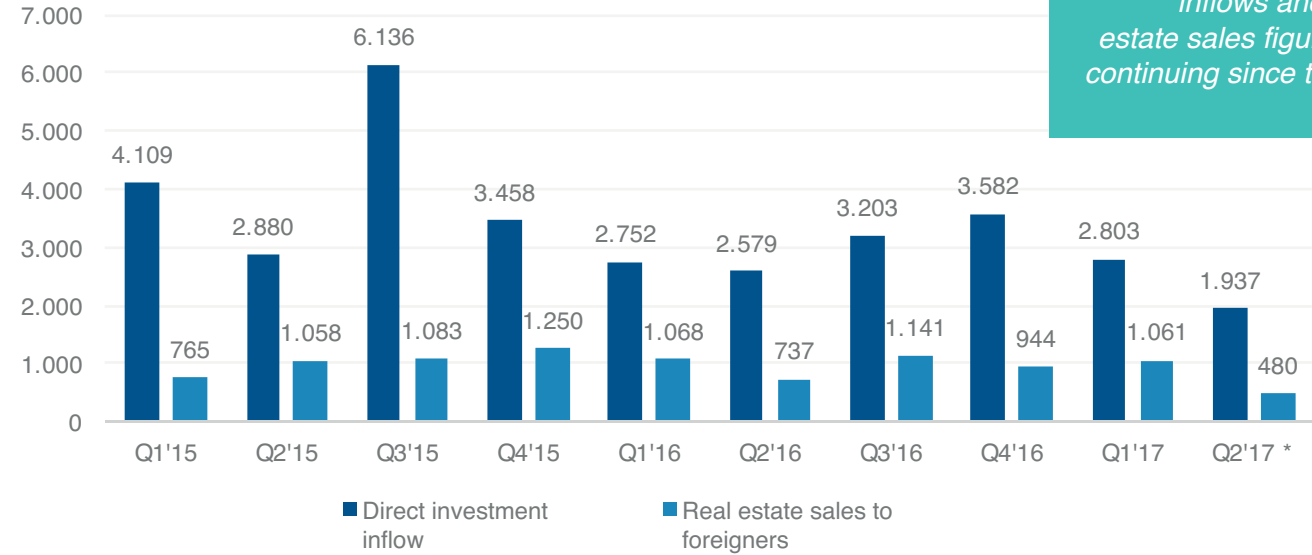
Comparison of Investment Instruments (%)

Period	*TR-68 Reidin	Reidin GYODER New House Price Index	Deposit Rate	BIST 100 Index	USD	Euro	Gold (Bullion)	Government Debt Securities
Q1'15	4,36	2,62	2,35	-3,95	12,85	-0,78	10,94	1,15
Q2'15	3,06	2,24	2,48	-9,90	11,31	11,57	5,80	-1,52
Q3'15	3,99	2,25	2,63	0,11	-3,01	-6,12	-7,50	3,10
Q4'15	4,59	1,96	2,67	-9,40	2,85	-0,76	-2,38	0,47
Q1'16	3,37	1,80	2,75	8,88	-1,09	0,98	14,86	4,45
Q2'16	1,99	0,41	2,63	0,77	1,66	1,42	6,14	2,38
Q3'16	1,07	-0,41	2,59	-1,31	17,92	10,98	2,63	-2,49
Q4'16	2,39	1,12	2,56	3,53	22,00	17,47	14,40	-2,44
Q1'17	3,20	1,22	2,55	17,50	4,97	6,35	11,77	2,38
Q2'17	3,12	0,86	2,62	10,27	-4,06	0,84	-1,44	4,46
2017 first 6 months	6,32	2,08	5,17	27,77	0,91	7,19	10,33	6,84

While the investment instrument that showed the highest increase in the first half of the year was the BIST 100 Index with an increase of 27.77%, the bar gold in the last quarter decreased value of 1.44%.

Source: Reidin and Turkish Statistical
Institute
Reidin Turkey Residential Property
Price Index (68 Cities average)

Foreign Direct Investment (million USD)



The decline in direct investment inflows and foreign real estate sales figures has been continuing since the beginning of the year.

Source: Ministry of Economy
*Data of May and April

Age 15+ Unemployment (%)

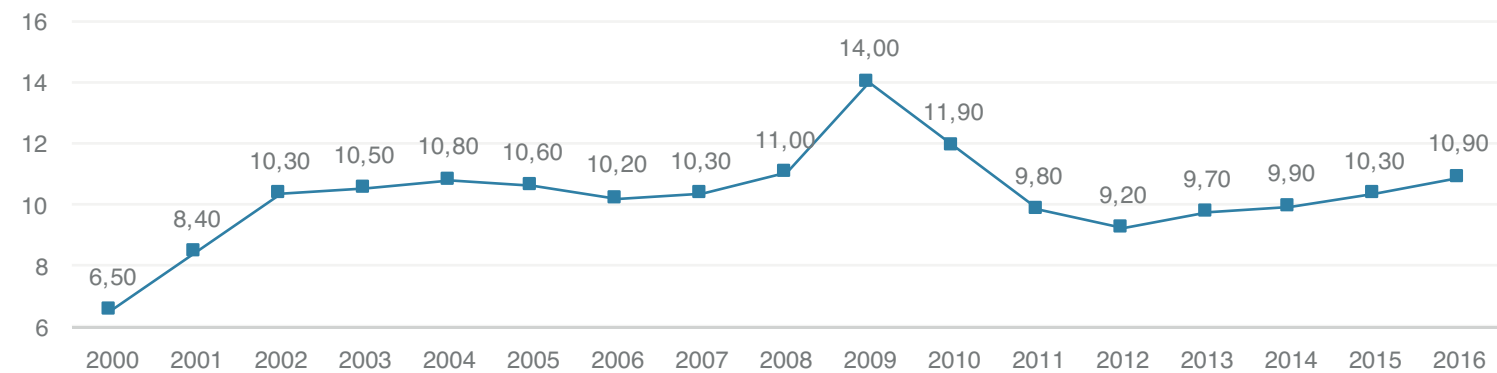
Monthly Average*

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

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

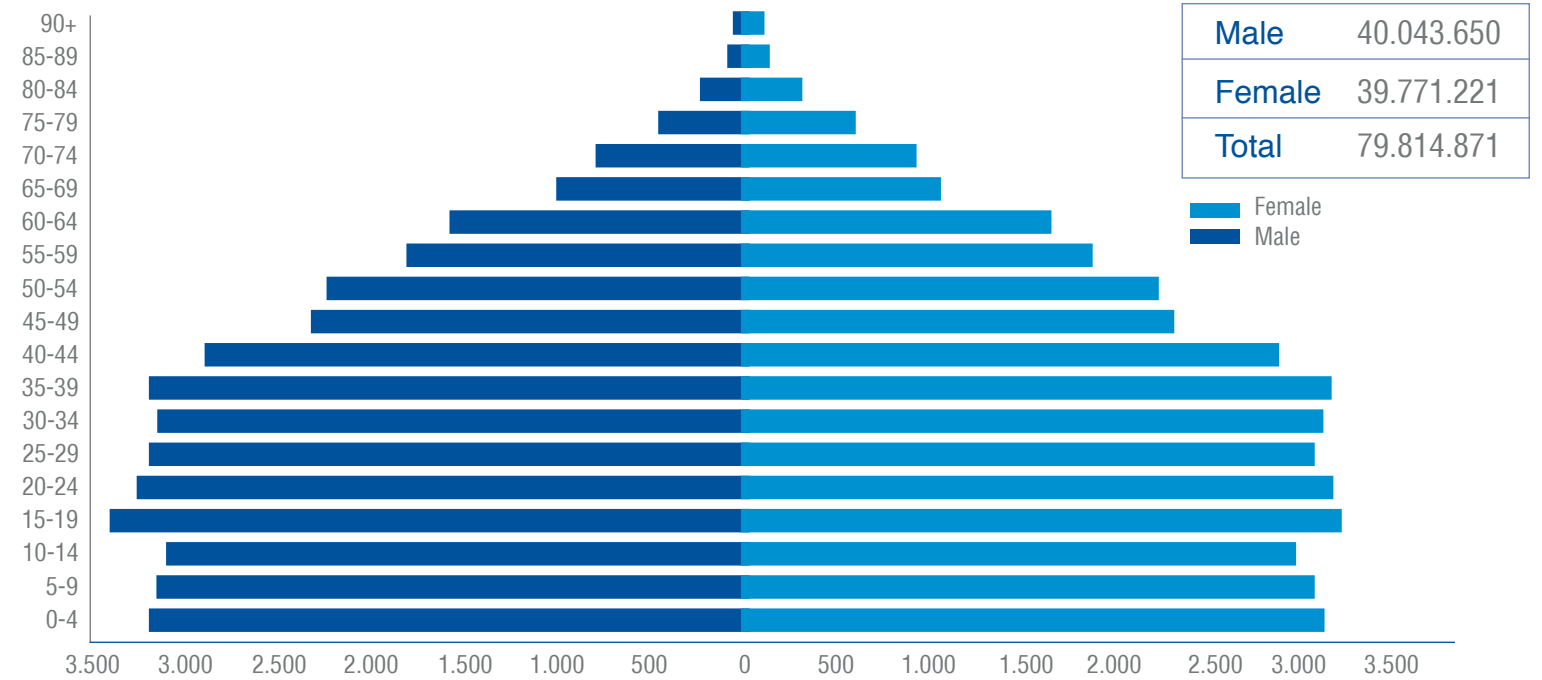
Population Growth in Major Cities (thousand)

	2014	2015	2016
Istanbul	14.377	14.657	14.804
Ankara	5.150	5.271	5.347
Antalya	2.158	2.288	2.329
Izmir	4.113	4.168	4.224
Bursa	2.788	2.843	2.901

Source: Turkish Statistical Institute

Population growth in big cities indicates that the demand for the housing sector will continue to increase.

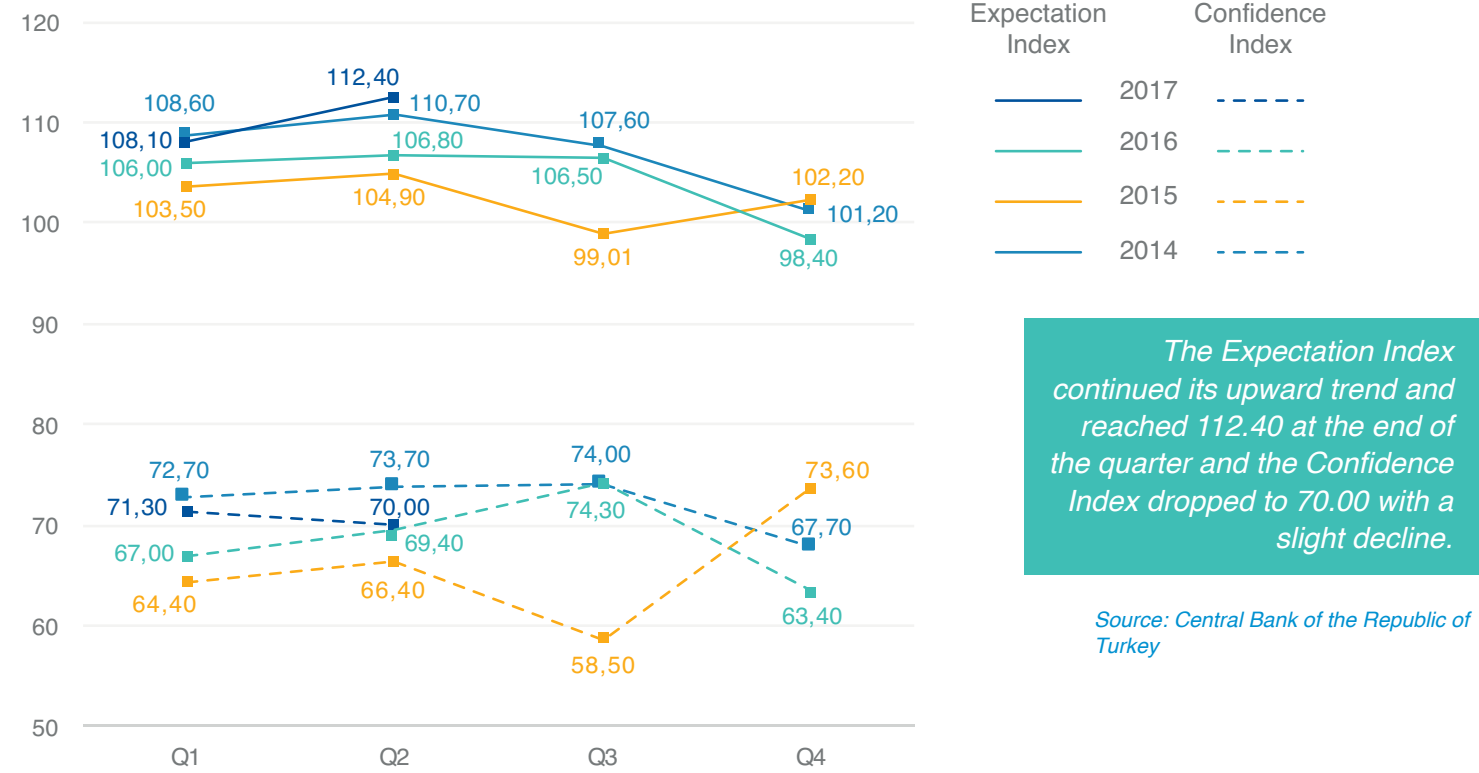
Population by Age Group and Gender, 2016



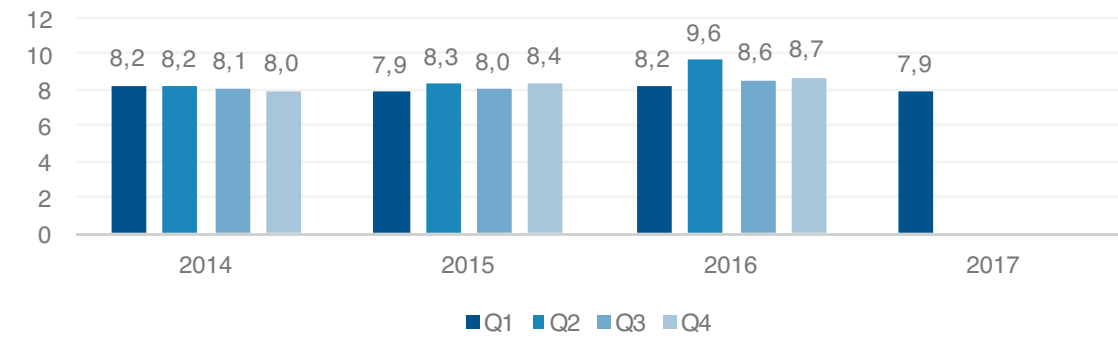
Source: Turkish Statistical Institute

The population rate between the ages of 15 - 64 in our country increased to 68% with 1.6% rise in 2016 compared to the previous year. The population rate of ages of 65 and above increased to 8.3%.

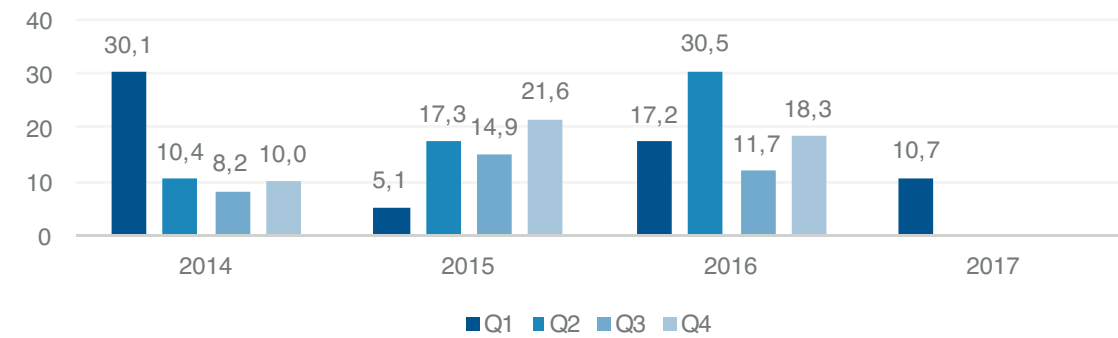
Expectation and Confidence Index



Share in GDP (%)



Growth compared to same month of previous year (%)



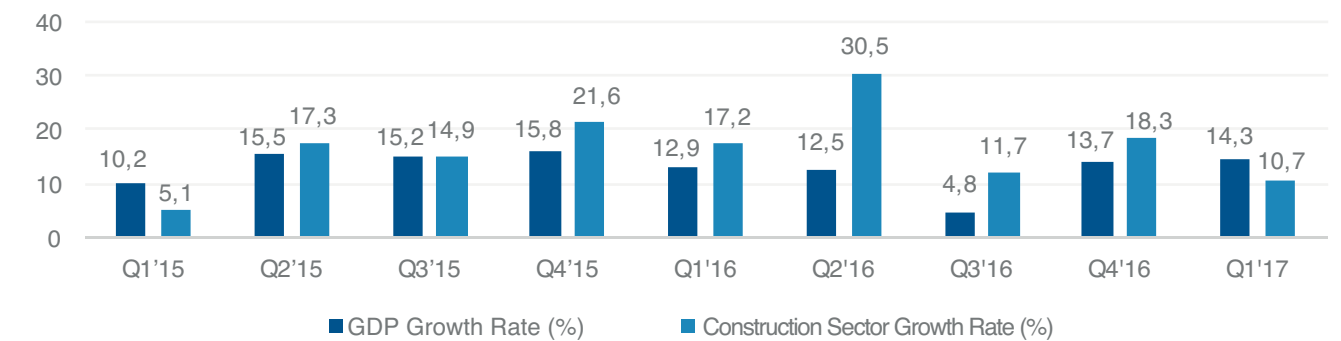
Percentage of Construction in GDP current prices



The construction sector's share of GDP at current prices on an annual basis rose to 8.8 last year. In the first quarter of 2017, the construction sector growth rate was 10.7%, while the GDP growth rate was 14.3%.

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

Construction Sector - National Income Growth Figures Comparison (%)



Source: Turkish Statistical Institut



HOUSING

Housing sales to foreigners increased, demand in domestic market slowed down

In the second quarter of the year 2017, the housing sales figures were at the level similar to the previous quarter. During the second quarter, the housing loans and housing sales were on a progressive course until April 16th Referendum period, and with the Ramadan which started at the end of May and due to the Festive Holiday, they were in a trend of slowing down.

In the second quarter, the biggest shrinkage in the housing market was in mortgage housing sales, with nearly 4% decrease compared to the first quarter. While the share of mortgage sales in total sales in the first quarter was 38.4%, this ratio was 36.6% in the second quarter. In the emergence of this situation, the deposit interest rate and housing loan interest rate, which are on the rise trend, were effective. Although there was a decline in mortgage sales in the second quarter, when the first half of 2017 was assessed cumulatively, the share of mortgage sales in total sales was 37.5%. As of the second quarter of 2016, this ratio was approximately 32%.

In the first-hand housing sales, an increase of 3% compared to the first quarter was observed, while the decline experienced in the second-hand sales was around 1%. When it is evaluated on the first half basis, the increase in the second hand sales volume was realized as 5% compared to the first half of 2016. Due to the base effect, when the last quarters including year-ends are not taken into account, it can be said that in the quarters of the last 3 years the ratio of the number of second-hand sales to total sales remained at the

band of 53-55%. On the other hand, we can say that the rate of first-hand sales indicates the slowdown in new housing sales.

While the trend for housing demand is similar to that in the first quarter, we can say that there is a surprise in housing sales to foreigners in the second quarter. The number of foreign housing sales was 5.325 with an increase of about 25% compared to the first quarter. The largest share of this increase was the sales made to Saudi Arabian investors, with nearly 149% increase on quarter basis.

According to the CBRT data, the annual rate of increase in the housing price index for May decreased from 13.13% to 12.58%. The key factor in this slowdown was the decrease in the rise of new housing prices. It can be said that the slowdown in the rise in the housing price index has also brought about the slowdown in housing demand.

Housing sales in the second quarter were similar to the first quarter. The slowdown in sales due to the seasonality effect, which we started to see in the second quarter, is expected to continue in the third quarter, together with the increase in interest rates on housing loans and the slowdown trend in the new housing price index.

Building Permits Statistics and Percentage Changes

Year	Housing Stock
2000*	16.235.830
2001*-2014**	5.478.603
2015	732.821
2016	752.868
Total	23.200.122

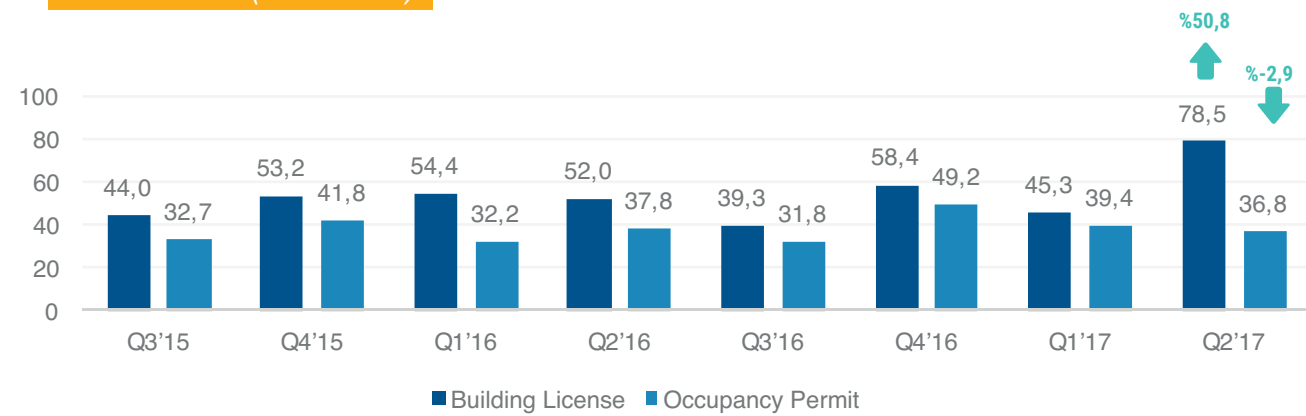
Source: Turkish Statical Institute

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

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

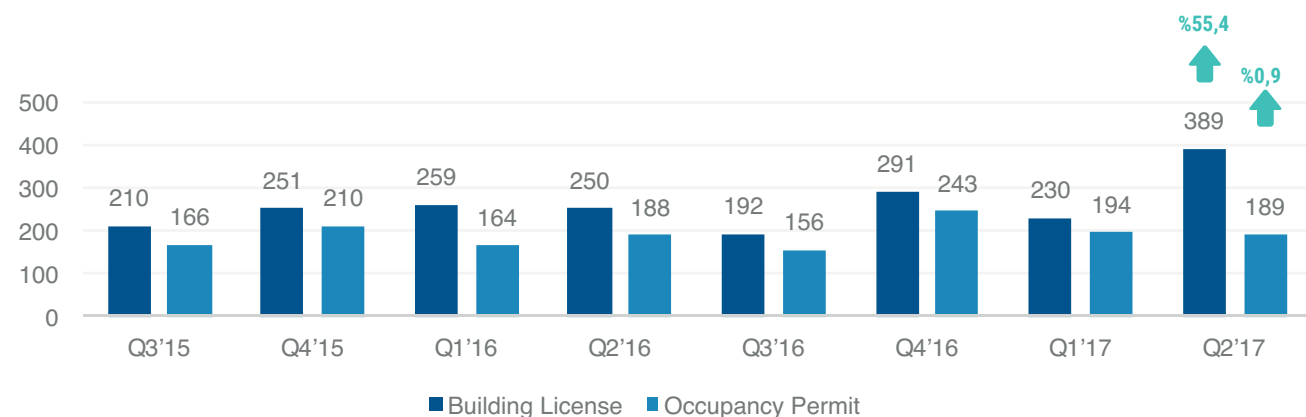
In the last year, 752.587 new housing units were included in the total housing stock. On area basis; while the number of building licenses decreased by 17.2% compared to the same period of previous year, the number of building permits increased by 22%. According to the number of apartments, the number of building licenses decreased by 11.6% compared to the same period of previous year while the number of building permits increased by 17.9%. New housing production and supply of completed housing continue.

Surface Area (million m2)



Source: Turkish Statical Institute

Number of flats (thousands)



Source: Turkish Statical Institute

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
Q1'17	145.826	179.954	325.780	125.093
Q2'17	150.397	178.186	328.583	120.282

In the second quarter, the biggest contraction in the housing market was in mortgage residential sales, with a decrease of nearly 4% compared to the first quarter. In the first quarter, the share of mortgage sales in total sales was 38.4%, compared to 36.6% in the second quarter.

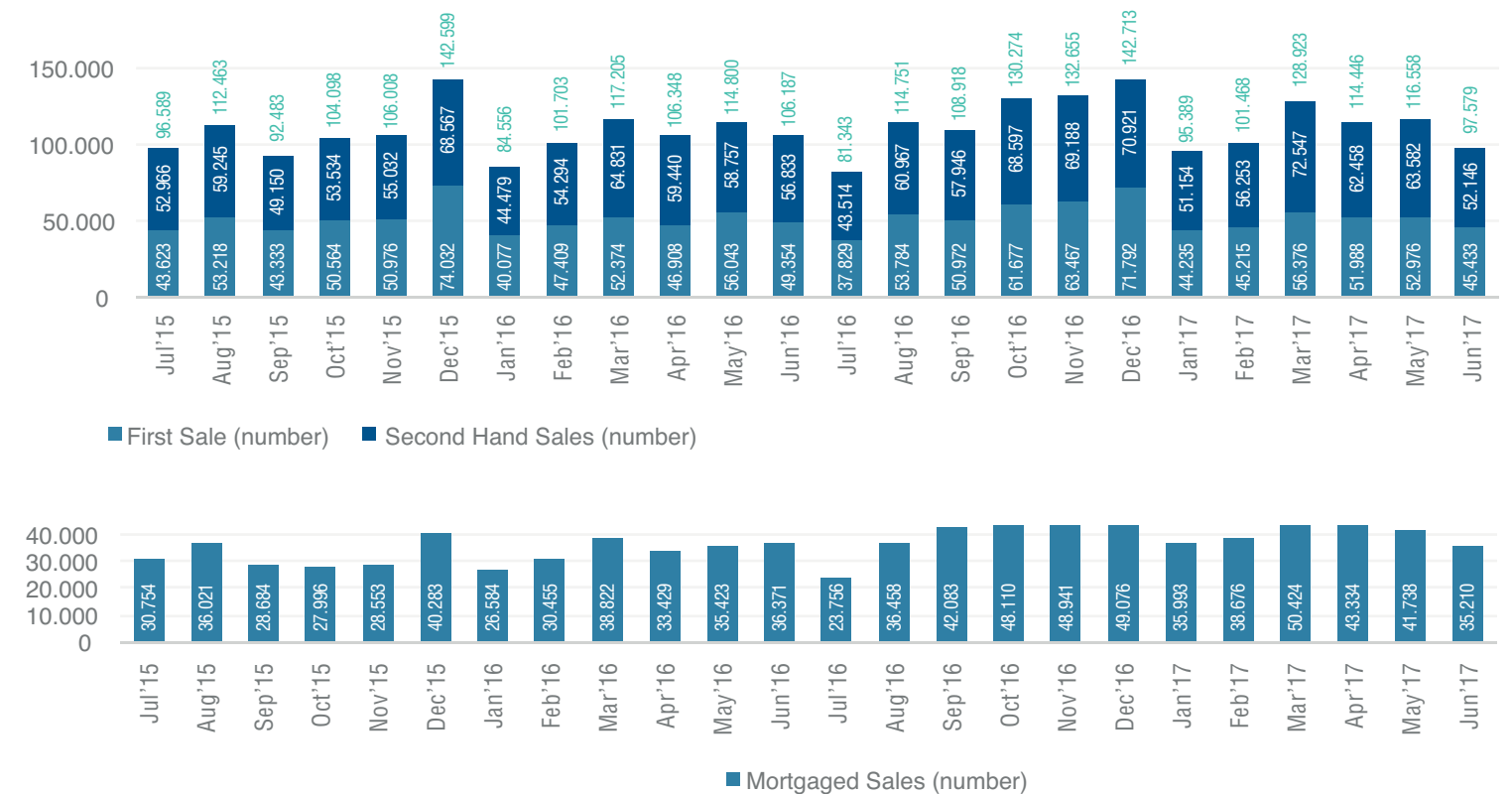
Source: Turkish Statical Institute

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.

Houses sold for the first time experienced a 3% increase compared to the first quarter, while the contraction experienced in second-hand sales was at about 1%. When evaluated as the first half, second-hand sales on quantity basis increased by 5% compared to the first half of 2016.

Housing Sales on Annualy Basis (number)



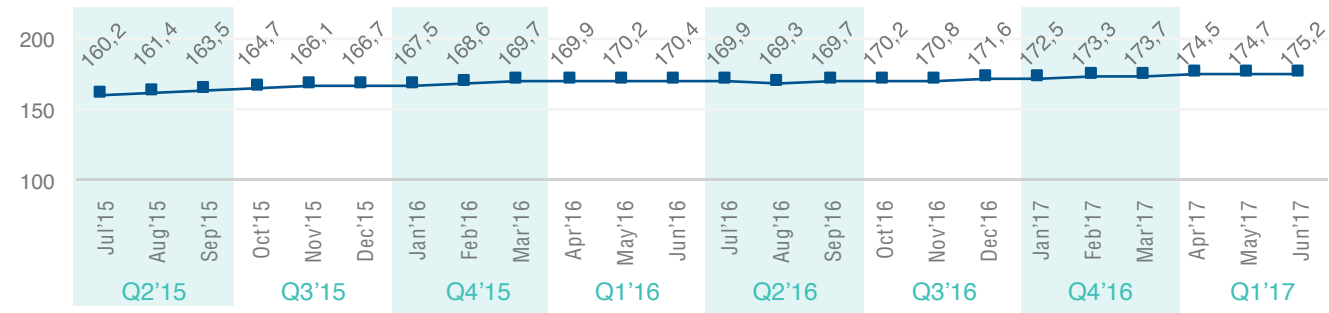
Source: Turkish Statical Institute

First Sale: The first sale of a housing by producer or by people making an agreement with the producer in return for a flat.

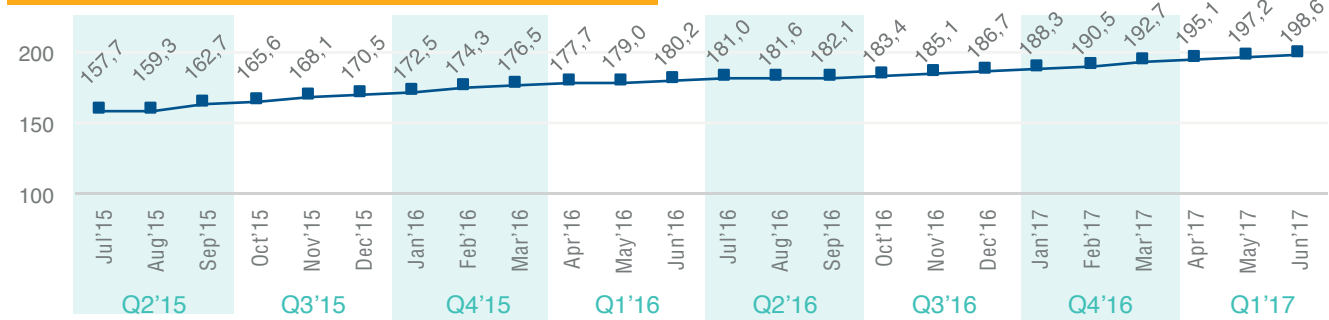
Second hand sale: Resale of the housing by the person obtaining the house from first sale.

Housing Price Indexes (Country-wide)

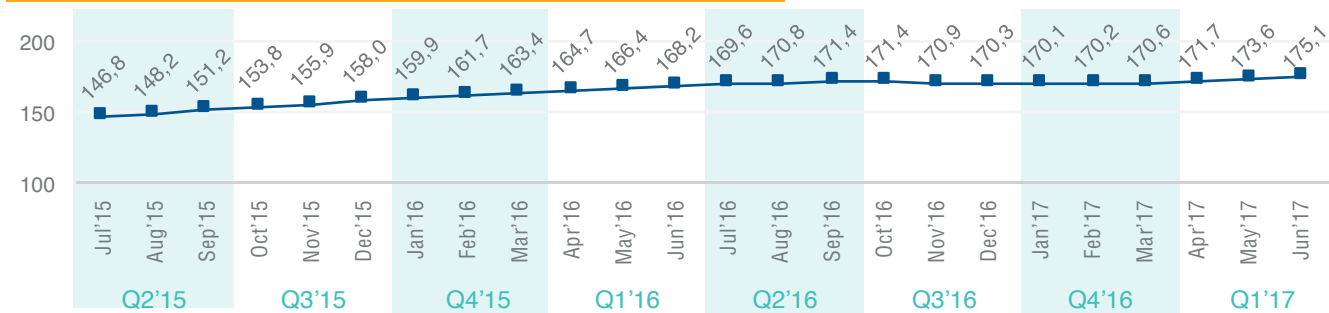
Reidin GYODER New Home Price Index (January 2010=100)



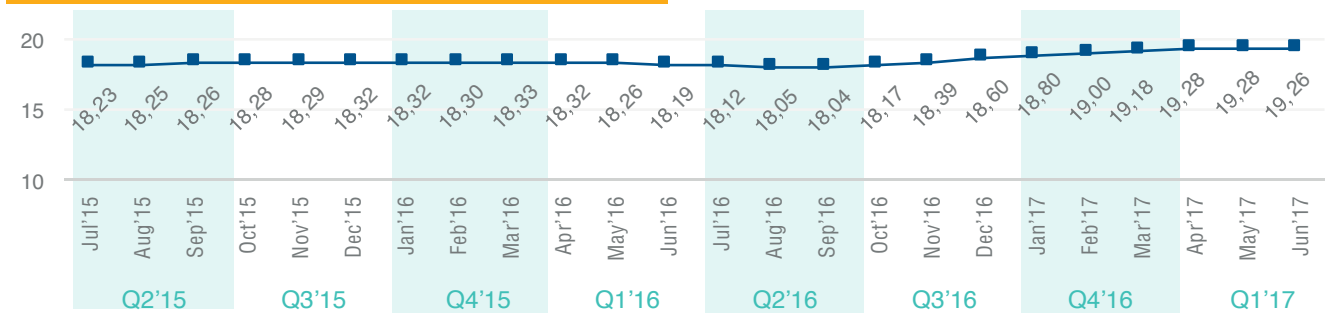
Reidin Turkey Residential Property Price Index



Reidin Residential Rent Value Index (January 2012=100)



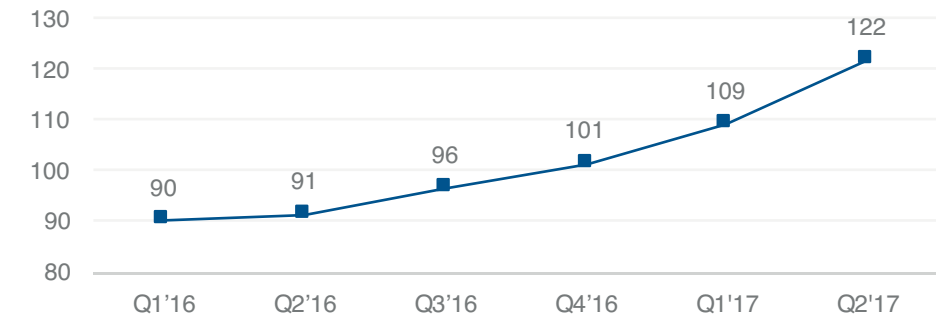
Reidin Home Return on Investment Time (Year)



The upward trend during the first quarter in the REIDIN housing indices that followed a stable course in the last year has been continuing. According to REIDIN-GYODER New Housing Price Index, June price increase was 0.29% compared to the previous month and 2.74% compared to the same period of last year.

Source: Reidin

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



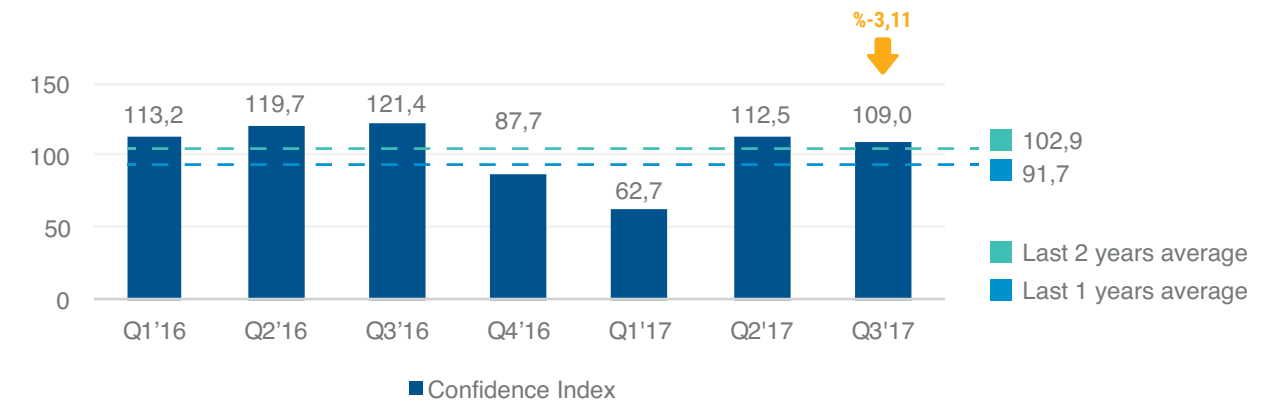
TR-68 Real Estate Purchasing Power Index (120-Month Term Loan)

Source: Reidin

Housing Purchasing Power Index
Turkey's average in the second quarter of 2017 rose to 122.

*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.

Real Estate Confidence Index & Price Sentiment Index



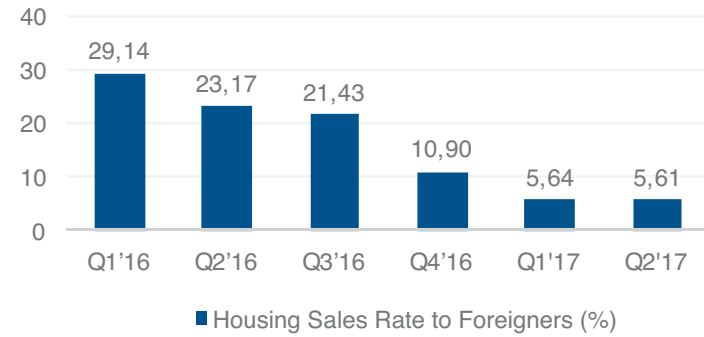
Source: Reidin

In the third quarter of 2017, the Real Estate Confidence Index decreased by 3.11% to 109.0 (Partially Optimistic) and Real Estate Price Expectancy Index decreased by 2.16% to 104.0 (Partially Optimistic).



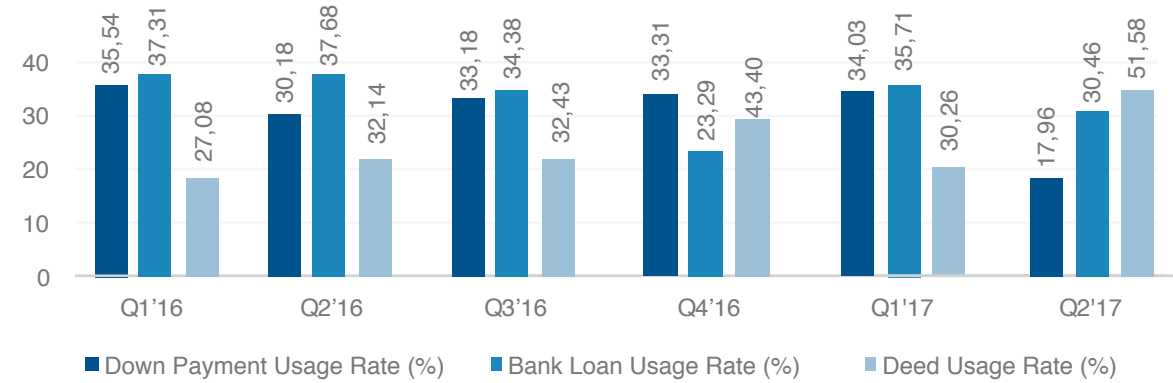
Source: Reidin

Indicators of Branded Housing Projects

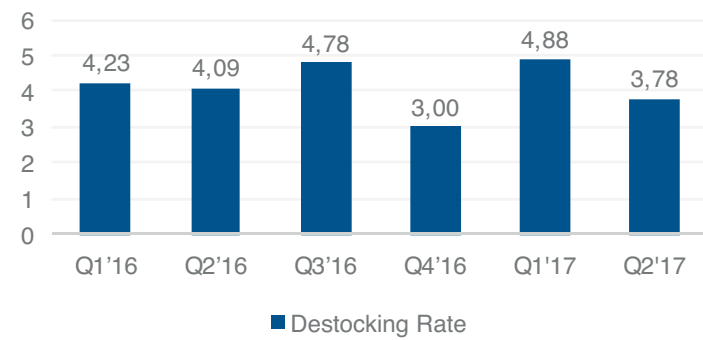


Source: Reidin

5.61% of the sales realized in the second quarter under branded housing projects were made to foreign investors. For customers who bought houses from branded projects in the second quarter, the down payment rate was 17.96%, the bank loan usage rate was 30.46% and the deed usage rate was 51.58%. The destocking rate was 3.78%.

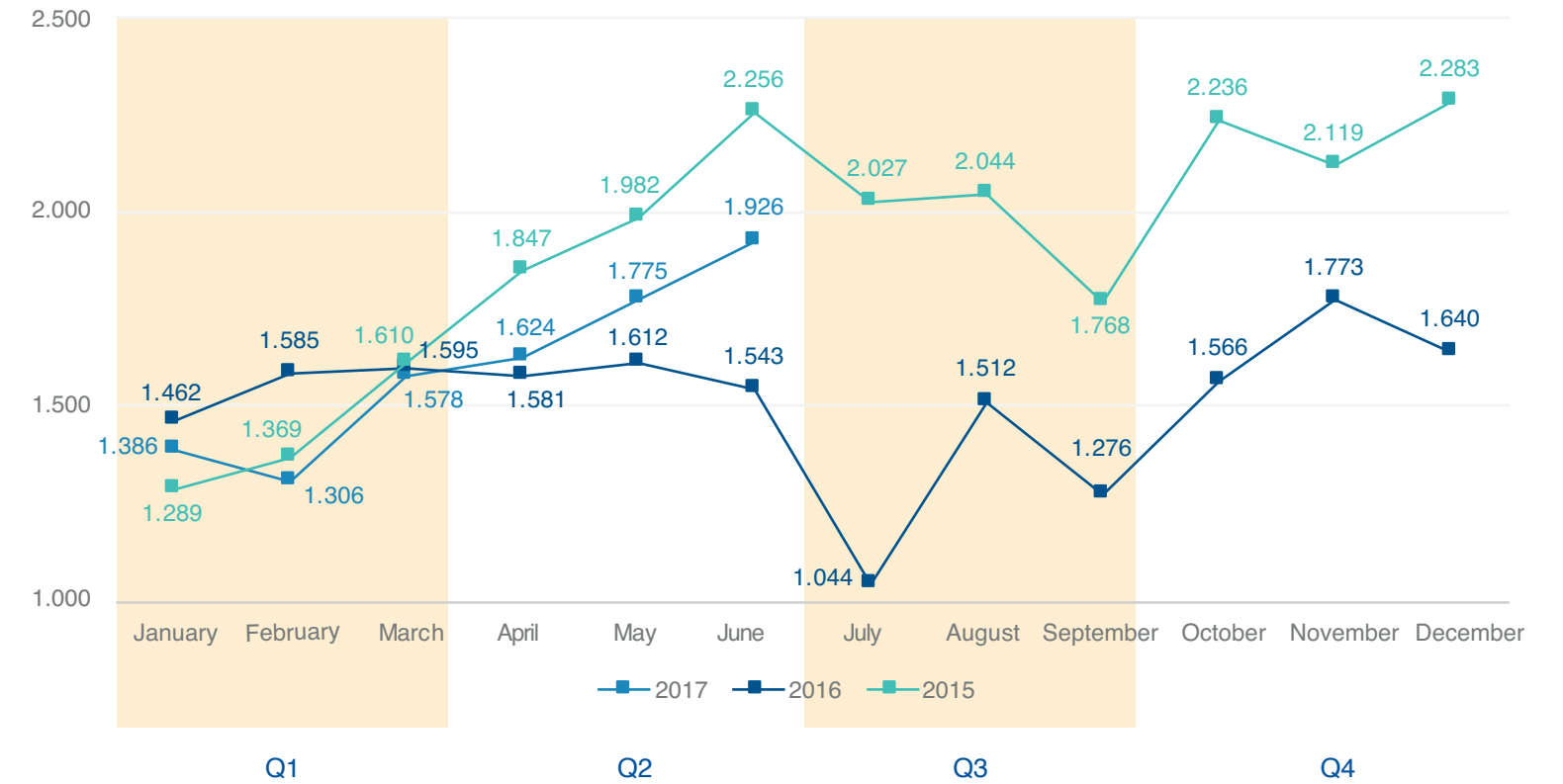


Source: Reidin



Source: Reidin

Number of House Sales to Foreigners in Turkey



Source: Turkish Statistical Institute

Housing sales to foreigners was 5.325 units with an increase of approximately 25% over the first quarter.

Top 10 Cities Preferred by Foreigners for Housing Purchase



In the first 6 months of 2016 and 2017, Istanbul became the most preferred city for foreigners in real estate investments. However, in the first six months of 2017, there was an 8% decrease compared to the same period of 2016.

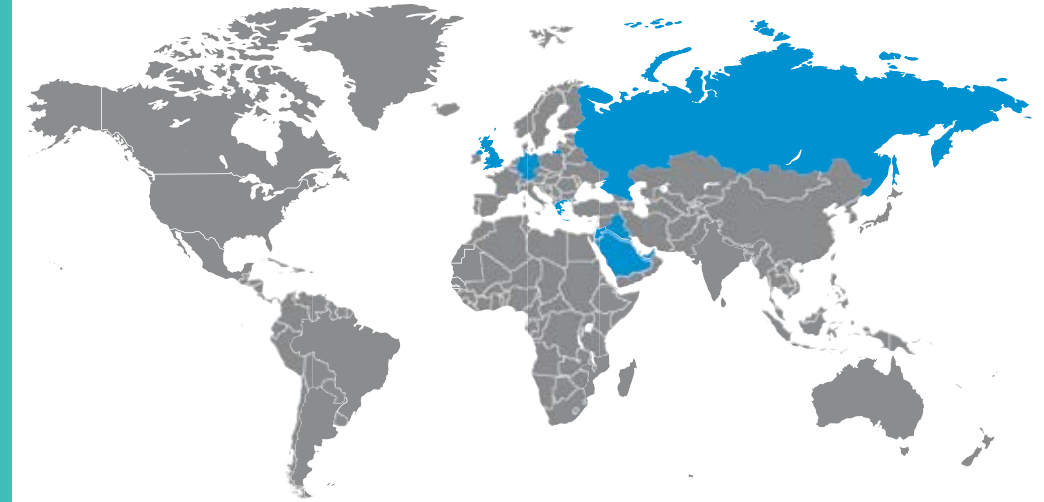
		Q2'17		Q2'16	
Q2 '17 Ranking (Q2 '16 Ranking)	(First 6 months) First 10 Cities	Surface Area per Total Stock (thousand m²)	Total Number of Transactions	Surface Area per Total Stock (thousand m²)	Total Number of Transactions
1 (1)	Istanbul	360.644	3.790	391.775	3.583
2 (2)	Antalya	307.684	2.566	275.068	2.604
3 (-)	Adana	289.963	25	1.519	10
4 (3) ↓	Muğla	226.766	476	259.963	971
5 (4) ↓	Bursa	182.101	899	253.603	740
6 (9) ↑	Kocaeli	147.086	168	75.575	179
7 (-)	Samsun	126.844	224	6.139	156
8 (6) ↓	Sakarya	109.069	325	117.032	320
9 (7) ↓	Yalova	86.064	565	92.113	529
10 (-)	Trabzon	84.361	414	23.355	293
- (5)	Hatay	16.938	28	151.760	15
- (8)	Aydın	61.559	461	81.466	684
- (10)	Konya	40.711	82	74.923	49
	Other	588.090	1.627	496.335	1.960
	Total	2.627.882	11.650	2.300.625	11.634

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

Foreigners' investments in Turkey in the first six months of 2016 and 2017 based on all real estate types increased by 14.2% on area basis and 0.2% on the basis of number of transactions in the first six months of 2017 compared to the same period of the previous year.

In the first six months of 2017, real estate investments by Saudi Arabians increased by about 15% compared to the same period of the previous year. There was 27% decrease in the number of people.



		Q2'17		Q2'16	
Q2 '17 Ranking (Q2 '16 Ranking)	(First 6 months) First 10 Country Citizens	Surface Area per Total Stock (thousand m²)	Total Number of Transactions	Surface Area per Total Stock (thousand m²)	Total Number of Transactions
1 (3) ↑	Germany	365.971	663	203.561	682
2 (1) ↓	Saudi Arabia	279.199	962	309.598	845
3 (2) ↓	Kuwait	232.571	822	255.662	919
4 (6) ↑	Iraq	225.425	1.945	112.468	1.763
5 (-)	Greece	217.593	130	13.572	53
6 (9) ↑	United Arab Emirates	101.268	172	75.144	112
7 (4) ↓	England	98.840	583	157.513	931
8 (10) ↑	Russian Federation	95.335	707	61.912	650
9 (-)	Palestine	80.147	204	11.711	93
10 (-)	Jordan	79.343	216	32.720	128
- (5)	Lebanon	9.529	99	157.492	98
- (7)	Bahrain	12.975	34	94.557	37
- (8)	TRNC	33.074	56	89.390	88
	Other	796.611	5.029	725.326	5.205
	Total	2.627.882	11.622	2.300.625	11.604
	Gulf Countries	928.372	4.441	936.227	4.221
	Ratio of Gulf Countries in Total Investments	%35	%38	%41	%36

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



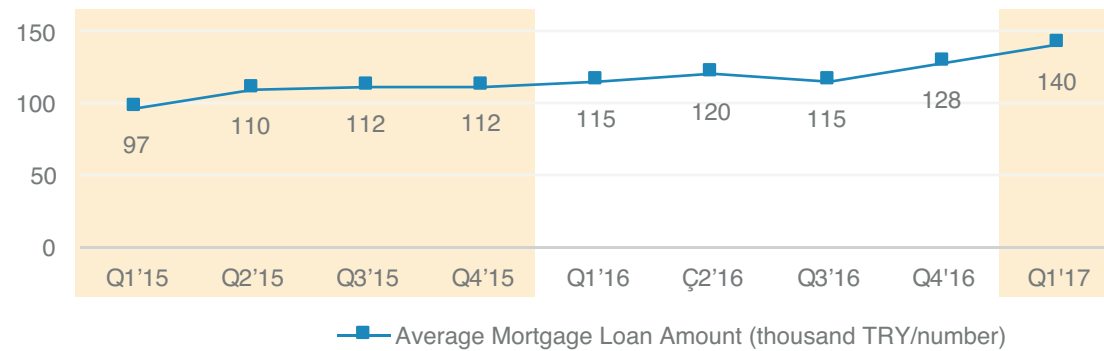
Housing loan volume reached 185 billion TL at the end of the first quarter

The amount of new housing loans used increased by 68% in the first quarter of 2017 compared to the same period of the previous year and reached 18.8 billion TL. This rate was 87% in the last quarter of 2016 at its highest level. The average loan amount increased by 22.4% in the first quarter of 2017 compared to the same period of previous year and reached 140.000 TL. While the decline in housing loan interest rates has been continuing since the second quarter of the last year, the interest rates have been rising since the second quarter of this year. As of June 2017, the monthly interest rate on housing loans was 0.93% and the compound interest rate was 11.78%.

Within the total banking sector, the number of Domestic Private and Foreign Deposit Banks increased compared to the previous year, and the total housing loan volume exceeded 185 billion TL as of the first quarter of 2017. The share of housing loans in personal loans increased by 38.7% both compared to the same period of the previous year and the previous quarter. Non-performing loans have decreased in both quantity and as per the share in total housing loans compared to the first quarter of 2017.

Mortgage Extension

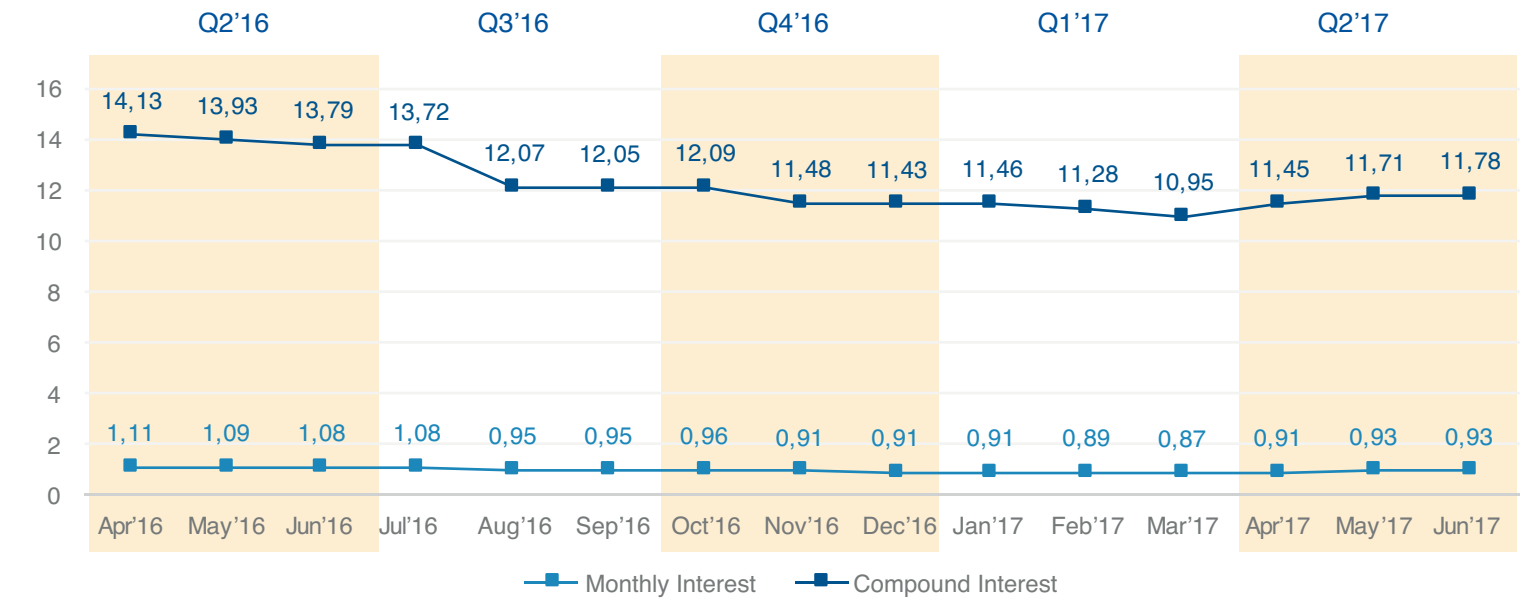
Period	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17
Total Credit Extension (million TRY)	12.483	12.748	11.173	10.382	11.223	13.280	13.215	19.378	18.815
Credit Extension Figure (number)	129.040	116.023	100.141	92.963	98.016	110.918	115.179	151.019	134.212



The amount of new housing loans used in the first quarter of the year increased by 68% compared to the same period of the previous year and reached 18.8 billion TL. The average loan amount increased by 22.4% in the first quarter of 2017 compared to the same period of previous year and reached 140.000 TL.

Source: The Banks Association of Turkey

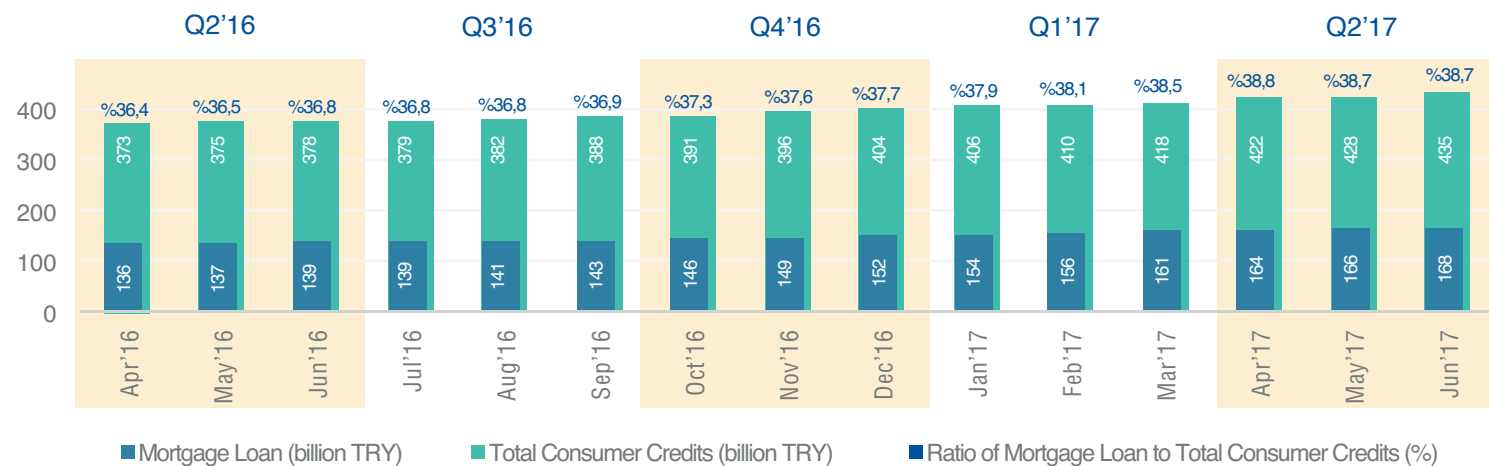
Mortgage Loan Interest Rate (%)



Source: Central Bank of the Republic of Turkey

While the decline in housing loan interest rates has continued since the second quarter of 2016, interest rates have risen since the second quarter of this year. As of June 2017, the monthly interest rate on housing loans was 0.93% and the compound interest rate was 11.78%.

Mortgage Loan - Total Consumer Credits Comparison



Source: Central Bank of the Republic of Turkey

The share of housing loans in individual loans increased by 38.7% both in the same period of the previous year and in the previous quarter.

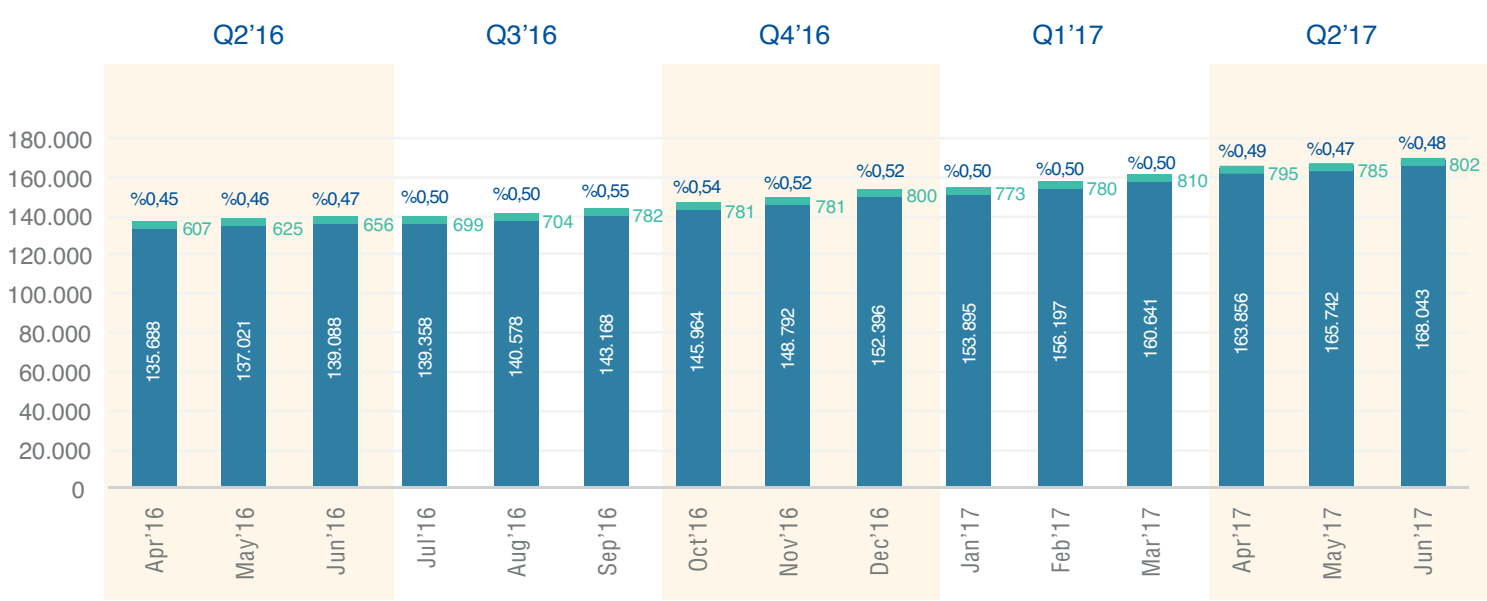
Distribution of Mortgage Loan According to Banks

Distribution of Sector in General	Number of Banks	Sector Shares	Distribution of Mortgage Loan Volume (billion TRY)*
Total Banking Sector	51	%100	185.254
Total Deposit Banks	34	%93	173.041
Public Deposit Money Banks	3	%37	68.082
Private Deposit Banks	9	%30	54.988
Deposit Banks with Foreign Partners	20	%27	49.971
Development and Investment Banks	13	%0	1
Participation Banks	5	%7	12.212

Source: BDDK
*The recently announced data are those of the BDDK's data of March 2017 (Q1 '17).

While the number of Foreign Deposit Banks in the total banking sector decreased, the total amount of housing loans exceeded 185 billion TL as of March 2017.

Mortgage Loan Stock and Non-performing Loan*



Source: Central Bank of the Republic of Turkey
*Only Deposit Banks are taking part.

The amount of non-performing loans and their share in total housing loans decreased as of the second quarter of 2017.



OFFICE

Rents will continue to fall despite economic recovery

In the second quarter of 2017, new office space of 82.774 m², which is approximately twice the size of the last year's same period, was completed and put on the market. In addition, new leases in the second quarter of 2017 increased by 19.3% compared to the previous quarter and by 72.5% compared to the previous year. With the removal of political uncertainty that continued for a while following the April referendum, the economic confidence index was 98.9 as of June 2017; a 1.6% decline compared to the previous month, but still above the first quarter level. The increase in the economic confidence index compared to the first quarter is an indicator of moderate economic recovery and can be considered as a development that can pave the way for the rental market activities and investments in the office market. However, it should be underlined that the unemployment rate of 11.7% and 2-digit inflation level and the fluctuations that continue at a certain level in the exchange rates affect primary rents and demands.

In the second quarter of the year, a total of 69.571 m² of leasing was completed, nearly half of which was new leases and the other half was contract renewals. 53% of the contracts on a square meter basis were in the CBD,

5% on the European side outside the CBD and 42% on the Anatolian side. The transactions on the European side outside the CBD were seen to have fallen to almost one third of the lease volume compared to the previous quarter. On the Anatolian side, transactions were mostly carried out in Ümraniye.

The vacancy rate for this period remained stable at 21%, nearly the same as in the last period. When the low-end market vacancy rates are analyzed in detail, it is noted that there is a significant increase in supply in Ataşehir-Kozyatağı-Göztepe-İçerenköy and Kavacık Districts - due to the increase in the number of deposits, whereas it decreases in Levent, Maslak and Kağıthane Districts.

Positive developments at the financial side are expected to improve the economic growth in the short run - and this is expected to lead to a rise in private investment - but it is expected that rents will continue to fall in the future due to fluctuations in ongoing exchange rates and high level of unemployment.

Istanbul Office Market by Regions

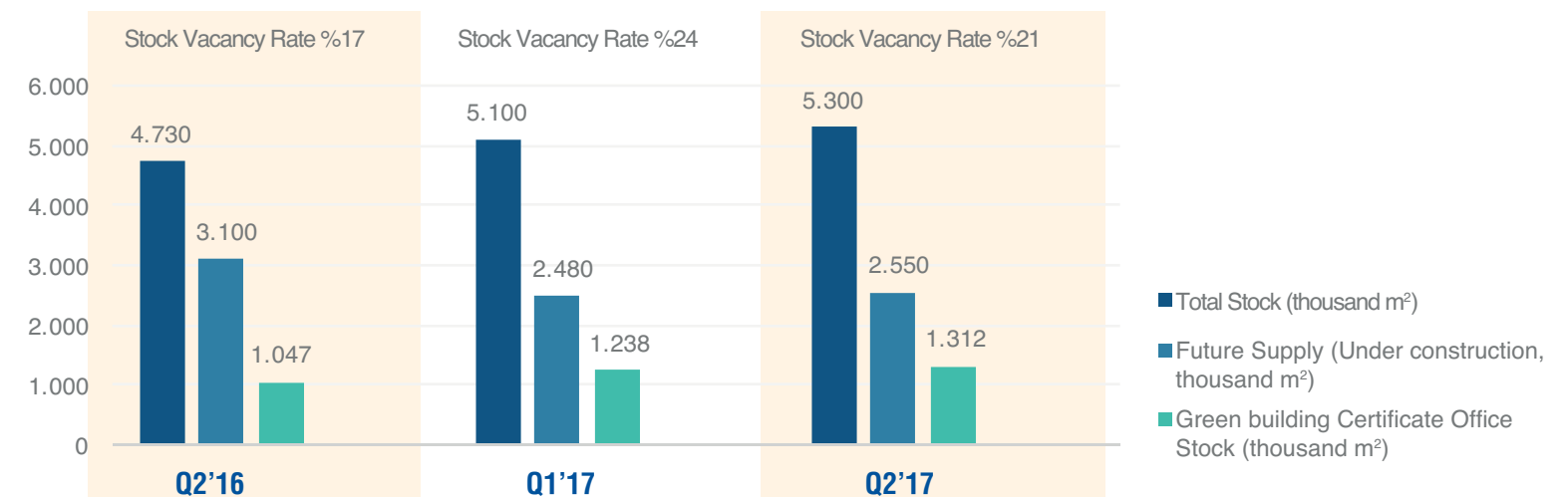
	Q2'16			Q1'17			Q2'17		
European Side	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)	Stock (thousand m²)	Vacancy Rate (%)	Prime Rent (\$/m²/month)
Levent-Etiler	757	14,6	44	782	19,8	41	782	17,0	41
Maslak	813	21,5	28	838	22,9	28	829	20,5	28
Z.Kuyu-Şişli Line (Z.kuyu Gayrettepe Esentepe Mecidiyeköy Şişli)	361	13,9	32	438	26,1	25	438	23,9	25
Taksim and surrounding area (Taksim - Elmadağ Bomonti-Piyalepaşa)	139	10,5	20	139	13	20	139	17,0	20
Kağıthane	191	44,2	22	253	45,1	16	259	36,4	16
Beşiktaş (Nişantaşı - Akaretler Barbaros - Maçka Teşvikiye)	102	13	24	102	18,6	22	102	22,1	22
Western Istanbul (Güneşli- Yenibosna Bakırköy-İkitelli)	724	11,3	15	806	6,4	13	814	5,9	13
Anatolian Side	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	121	5,3	18	121	5,6	17	131	14,4	17
Ümraniye	569	11,4	23	706	20,1	21	696	20,5	21
Altunizade	60	0	23	59	1	23	59	1,0	23
Kozyatağı (İçerenköy Göztepe- Ataşehir)	403	32,3	27	455	35	25	564	42,5	25
Eastern Istanbul (Küçükyalı - Maltepe - Kartal - Pendik)	424	16,8	17	437	23,6	13	437	22,6	13

In the second quarter of 2017, 82,774 m² of new office space, which is about twice the size of the same period last year, has been completed and entered the market. In addition, in the second quarter of 2017, new leases increased by 19.3% compared to the previous quarter and by 72.5% compared to the previous year.



Leasing	Q2'16	Q1'17	Q2'17
Total Occurring Take-up Transactions (thousand m²)	40	56,5	69,6
Prime Rent	44	41	41
(USD/m²/month)Prime	6,8	7,15	7,15

In the second quarter of the year, a total lease of 69,571 m² was realized. The vacancy rate was the same as last period and remained stable at 21% for this period.



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

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



Supply-Demand matchup is crucial in investments to Anatolia

As of the second quarter of 2017, the total number of shopping malls in Turkey has reached 400. The cities having the most shopping malls are Istanbul with 125, Ankara with 32 and İzmir with 23. The total leasable area stock reached 11 million 793.752 m² with an increase of approximately 5% compared to the previous year. Istanbul constitutes approximately 38% of the total leasable area stock. As of the end of the second quarter of 2017, the Retail Trade Index is 220 and the Visitor Index is 99.

67% of the shopping malls losing their functions constitute large scale malls with a leasable area size of 20.000 m² and above. There are 65 shopping malls under the project phase. 30 of them are in Istanbul.

When Turkey's overall shopping mall investments are examined today, shopping malls seem to concentrate especially in the Marmara Region, which has higher purchasing power, education level and literacy rate. This is followed by Central Anatolia and Aegean regions.

There is average 148 m² of leasable area per 1.000 people in Turkey and the top three cities are Istanbul with 303 m², Isparta with 277 m² and Bolu with 267 m². It is expected that with the new shopping malls to be built up to 2019 in Turkey, 176 m² of leasable area will fall per 1.000 people.

Site selection is very important in shopping mall investments. If the required shopping mall area is not brought to the location that is in demand and the shopping mall investment is not developed at the right point, the supply and demand will not match. Especially when investments are made in Anatolia, the size of area

the street retailing is made in the city should be taken into account. In some cities, there seems to be competition on areal basis, but there may be opportunities due the fact that existing shopping malls were not developed in the right place and synergy.

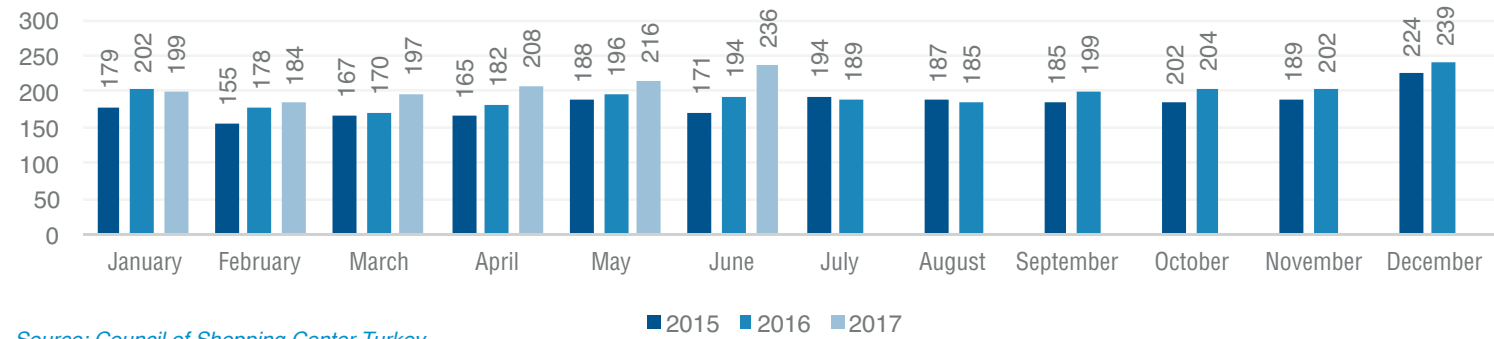
Our study completed in July 2017 has illustrated that there is a spread to the Anatolian cities as it was in our March 2016 study. According to the report, there is an investment of 1 million 477.867 m² of redundant leasable area in Anatolia for the next three years. This can be turned into an advantage with the right feasibility. In order not to increase the number of shopping malls that lose their functions in the future, investors should make more detailed analysis by taking the necessary measures.

The points need to be noted for Anatolian cities are also valid for Istanbul district scale. It is possible that the investment decisions taken without making detailed feasibility studies in the districts of the city may give rise to risks where the needs are not in line with what is offered. Therefore, in order to find the right location in Istanbul, the district scale should be detailed and analyzed by taking into account regional transportation network.

From the Turkey fact table, one should never infer not to make investment in Anatolia. The excess investment in some cities adversely affects the total when the whole Anatolia is taken together. The net result that can be concluded from the negative figure we found for Anatolia is the necessity of selecting the right location in cities where the investment is needed.

Revenue Index Turkey in General

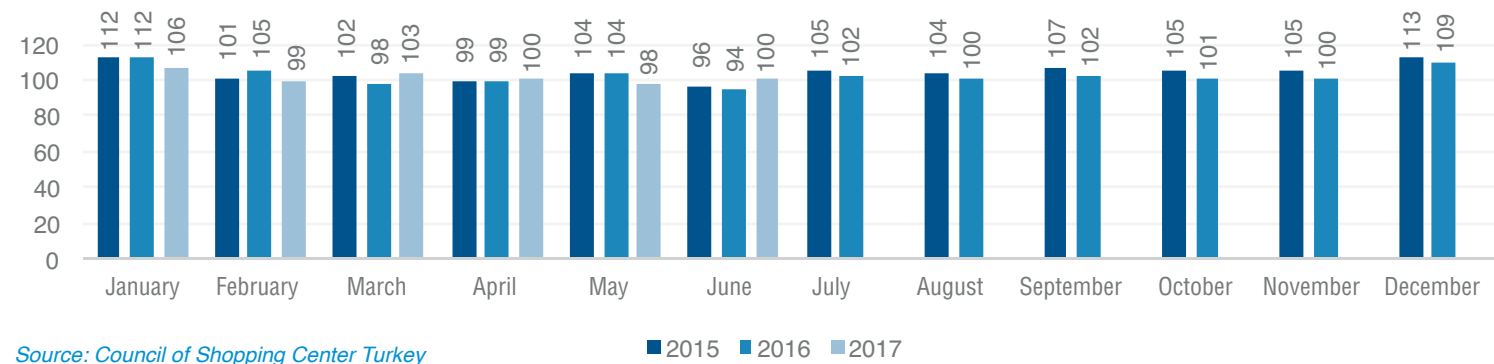
Turnover Index reached 236 points in June 2017 with an increase of 9.3% compared to the last month and reached 220 points with an increase of 15.8% in the second quarter compared to the same period of the last year.



Source: Council of Shopping Center Turkey

Number of Visitors Index

Visitor Index increased by 6.4% in June 2017 compared to the same month of the previous year and remained at the same level of the same period of the previous year which is 99 in the second quarter.



Source: Council of Shopping Center Turkey

Shopping Centers That Have Lost Their Functions

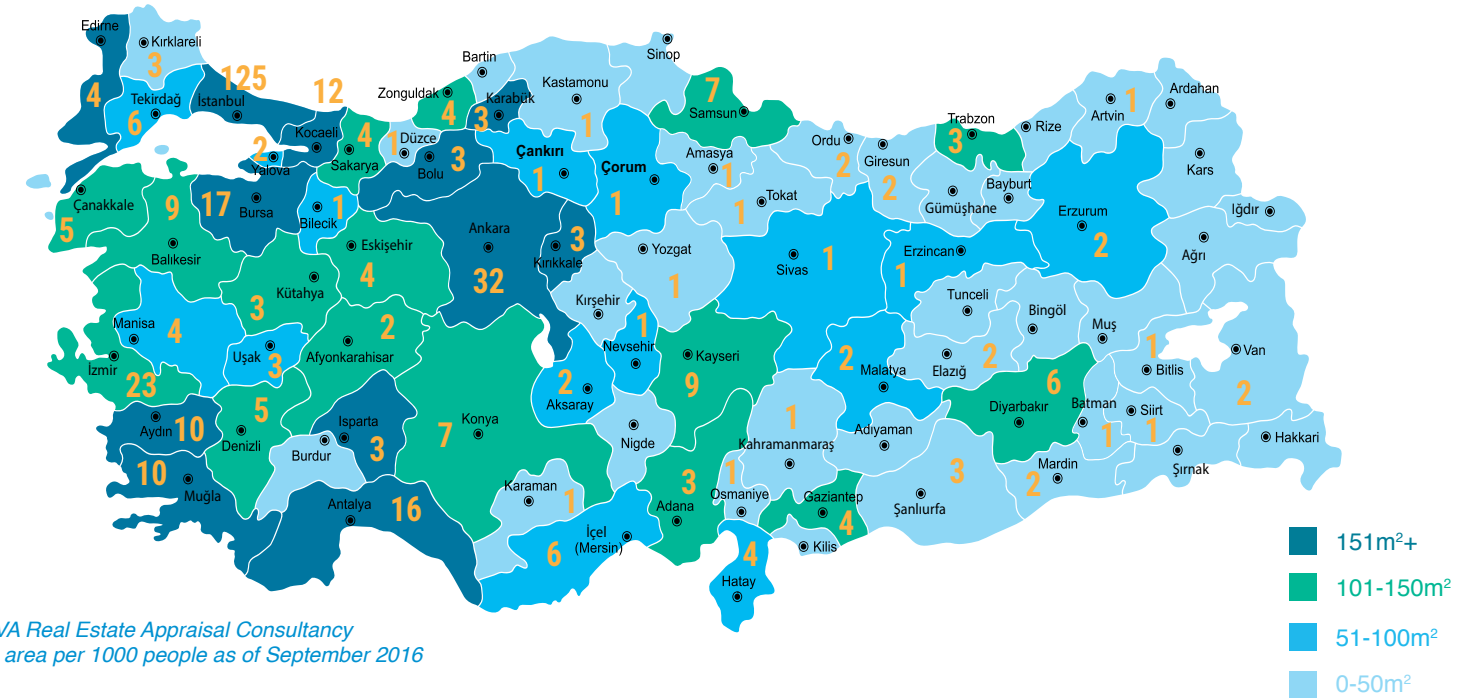
2016	Leasable Area (m²)	M² Range of Shopping Centers That Have Lost Their Functions	Percentage (%)
Istanbul	58.226	5-10 thousand	%2
Ankara	86.037	10-20 thousand	%31
Other	143.924	20 thousand and above	%67
Total	288.187		

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.

In the last year, nearly 6% decrease was recorded in the size of the leasable area that lost its function compared to the previous year. The large-scale malls having a leasable area size of 20.000 m2 and above constitute 67% of the malls that lost their functions.

Growth of Shopping Mall in Turkey

GLA* Volume and Number of Shopping Malls according to Cities



Shopping Malls Opened by Years and GLA



Source: EVA Real Estate Appraisal Consultancy

By the end of July 2017, the total number of shopping malls in Turkey was 400, while leasable area stock increased by approximately 4.6% to 11 million 794,000 m2. Istanbul constitutes approximately 38% of the total leasable area stock. In Turkey, the leasable area per 1.000 people is 148 m2 on average.



TOURISM AND HOTEL

Revitalized relations with Russia recovered Antalya market, reduced prices decreased per capita spending

The expenditures made by 11.4 million foreign tourists in Turkey in the first half of 2017 are determined as 604 USD per person. Given that this figure was 675 USD in the first half of 2016, it seems that there has been a decline in per capita spending. The reasons for this are the reduced prices due to the general slowdown in tourism and instabilities in USD/TL exchange rate.

In the first half of 2017, 37% of foreign tourists coming to Turkey came to Istanbul, 28% to Antalya and 5% to Muğla. These three provinces were followed by İzmir with 3% and Ankara with 1%. When the number of tourists is compared with the first quarter of 2016; tourists visiting Antalya increased by approximately 50% in the first half of 2017 from 2.1 million to 3.3 million. The reason is that the external relations with Russia were ruined in 2016 and recovered in 2017, and Russia is one of the biggest markets of Antalya. It is forecasted that 2017 will be stagnant like 2016 due to both internal and external agenda. Nevertheless Turkey is a very important tourism destination with its historical and natural richness. In the coming years, it is believed that this recession which is experienced in tourism can easily be left off and such recession can be compensated in a short time depending on the peaceful environment throughout the world.

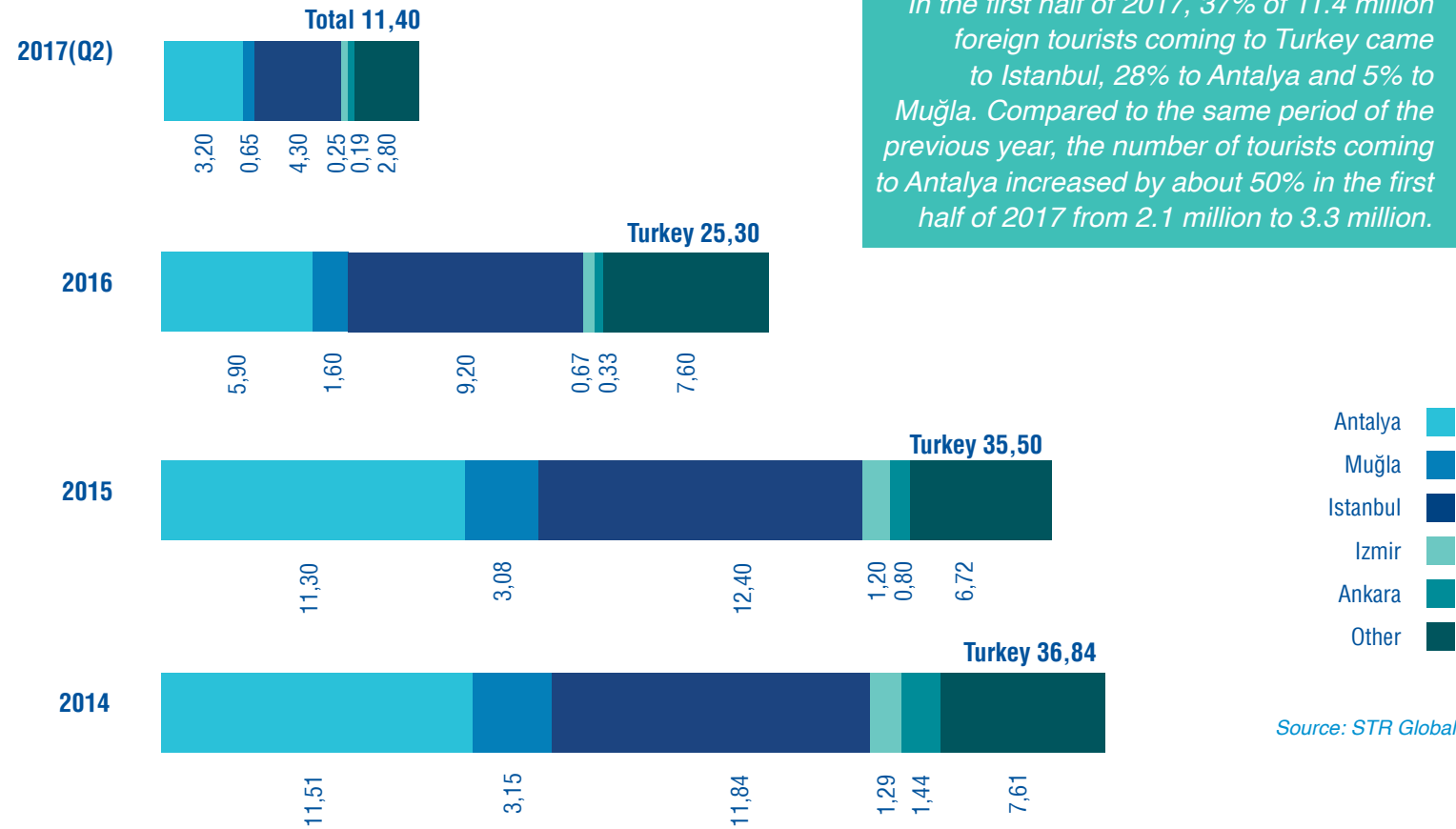
When the number of facilities with operation certificates and investment certificates is examined, it is seen that

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 you 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. Istanbul follows Antalya with 531 facilities and 51.000 room capacity. Muğla ranks number three with 394 facilities having operation certificates and 49.000 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%. The city with the highest occupancy rate was Antalya with 46% followed by Muğla and Istanbul with 41.8% and 41.6%. Bed occupancy rates of İzmir and Ankara were nearly 40% and 31% respectively. According to the information obtained from STR, in the first half of 2017, the occupancy rates of the luxury segment hotels in Istanbul, Ankara and İzmir were 52%, 58% and 68% respectively.

Tourism and Hotel Performance

Total Number of Foreign Visitors (million people)



In the first half of 2017, 37% of 11.4 million foreign tourists coming to Turkey came to Istanbul, 28% to Antalya and 5% to Muğla. Compared to the same period of the previous year, the number of tourists coming to Antalya increased by about 50% in the first half of 2017 from 2.1 million to 3.3 million.

Number of Facilities with Investment and Operating Permits 2016

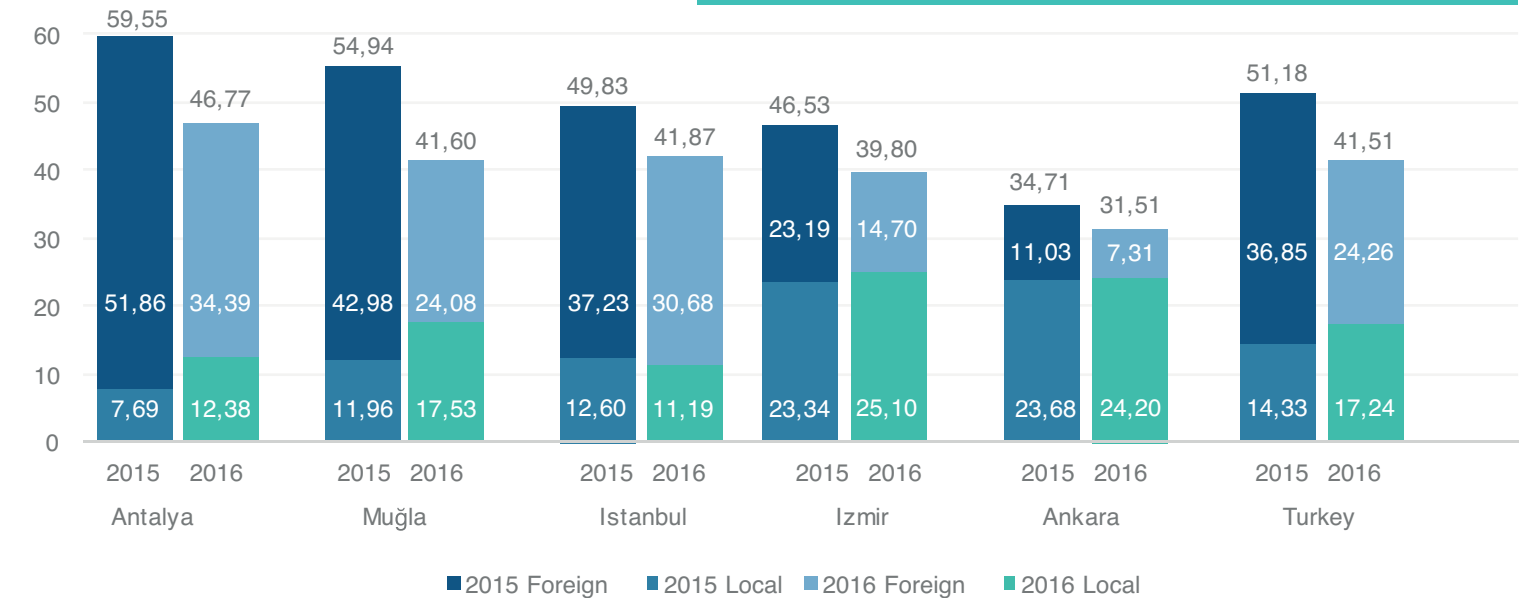
	With Operating Permit		With Investment Permit	
	Facility	Room (thousand)	Facility	Room (thousand)
Antalya	755	193.506	154	40.020
Muğla	394	51.146	109	13.547
Istanbul	531	51.483	200	21.838
Izmir	182	17.291	83	6.278
Ankara	175	13.318	26	2.375
Turkey	3.641	426.981	1.135	144.616

In Turkey, there are 3.641 facilities having operational certificates with a total capacity of 426.000 rooms and 1.135 facilities having investment certificates with a total capacity of 144.000 rooms.

Source: Republic of Turkey Ministry of Culture and Tourism

Hotel Occupancy Rate (%)*

In 2016 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 41%. The city with the highest occupancy rate was Antalya with 46% followed by Muğla and Istanbul with 41.8% and 41.6%.



Total Tourists & Expenditures

	Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'14	3.632.382	877
Q2'14	7.534.385	759
Q3'14	10.438.971	712
Q4'14	6.172.289	867
2014	27.778.026	775

	Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'15	3.814.817	884
Q2'15	6.662.817	691
Q3'15	9.893.997	670
Q4'15	5.067.284	737
2015	25.438.923	715

	Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'16	2.880.256	717
Q2'16	3.809.413	602
Q3'16	5.887.775	622
Q4'16	3.413.938	626
2016	15.991.381	633

	Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'17	3.772.293	637
Q2'17	7.675.032	570

The expenditures made by foreign tourists in Turkey in the first half of 2017 are determined as 604 USD per person. Given that this figure was 675 USD in the first half of 2016, it seems that there has been a decline in per capita spending.

Source: Turkish Statical Institute



LOGISTICS

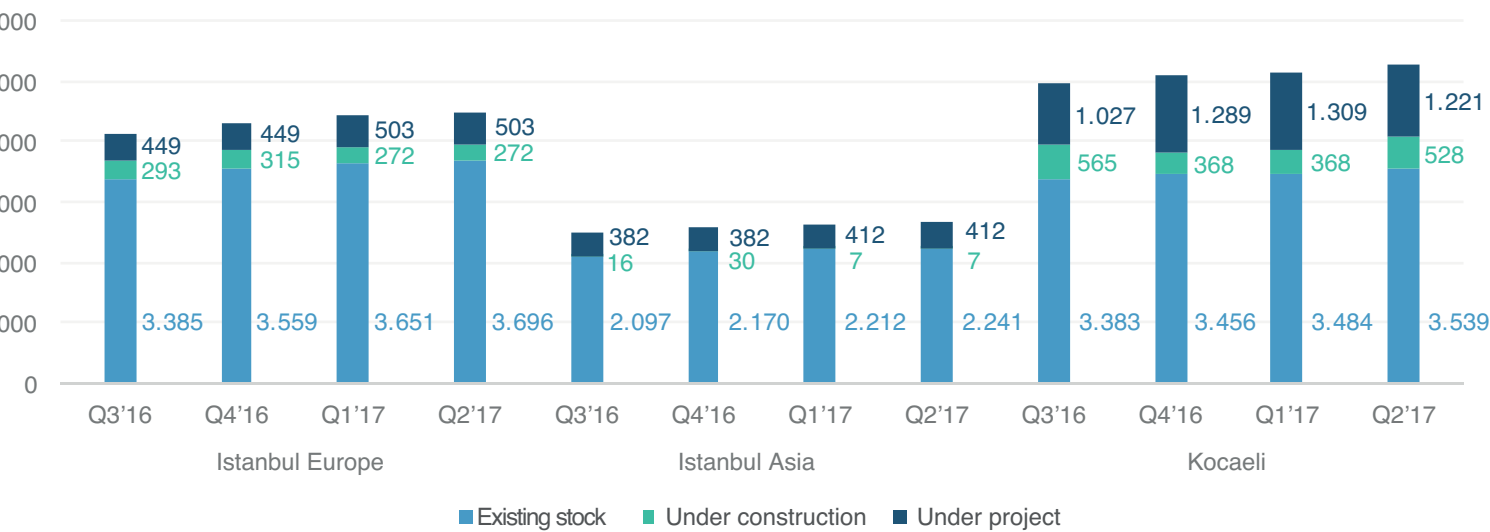
Despite the increase in transaction volume, the market is flat due to the economic measures taken by domestic companies

While the transaction volume is increasing because of the extension of warehouse needs to 2017 that could not be addressed due to the “wait-and-see” policy triggered by economic and political issues in 2016, the market actors, who anticipated that the Turkish economy and logistics market would follow a better course after the referendum, were influential in the positive atmosphere in the logistics market. There is no mobility observed resulting from the growth in the warehouse demand. Companies that require warehouse leasing are bringing together the existing warehouses to provide more efficient workflow or trying to lower their costs by renting warehouses at a lower lease level. It is not possible at this time to talk about the requirements of foreign companies’ production facilities seen in the last years, even if they were limited. Domestic companies provide the movements in the market.

Many investors, who are relatively strong until 2016 and prefer to build demand-oriented warehouses, have chosen not to invest with worries that they will remain vacant. However, during this period, the warehouses of the investors who invested by taking risks and incorporated modern warehouse projects into the market were demanded and leased.

Logistics leasing transactions increased significantly in the first half of 2017 (453.000 m²) compared to the same period in 2016 (58%). In the first half of 2017, the most active sectors in terms of leasing transactions are the 3PL (third party logistics) companies providing logistics service with 50% and the retail companies with 42%.

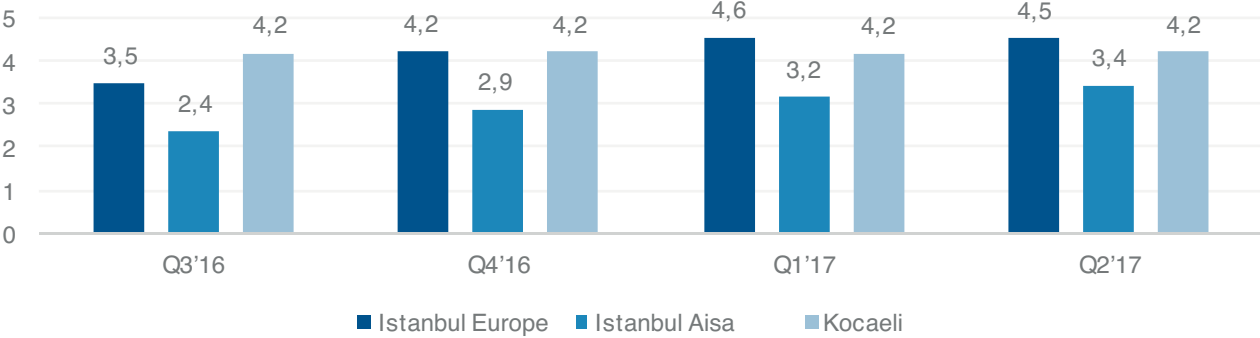
Logistics Total Area (A, B, C Class (thousand m²))



In the second quarter of the year, the current stock was 9.4 million m2 with an increase of 1.4%. While the project basis stock decreased to 2.1 million m2 with a 4.1% decline, the stock of construction reached 807,920 m2 with a rise of 19,8%.

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

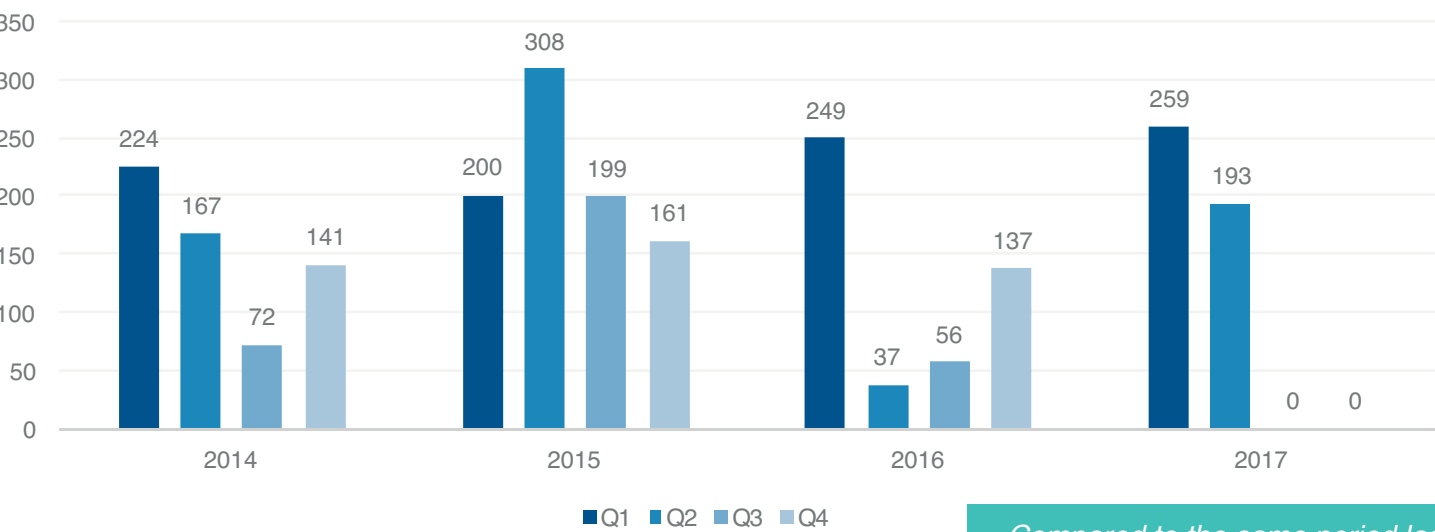
Free Space Ratio (%)



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

The vacancy rates increased by 2% compared to the same period of last year.

Total Leasing Transactions (thousand m²)



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

Compared to the same period last year, leasing transactions in the first half of 2017 increased by 58% and reached 453.000 m2.



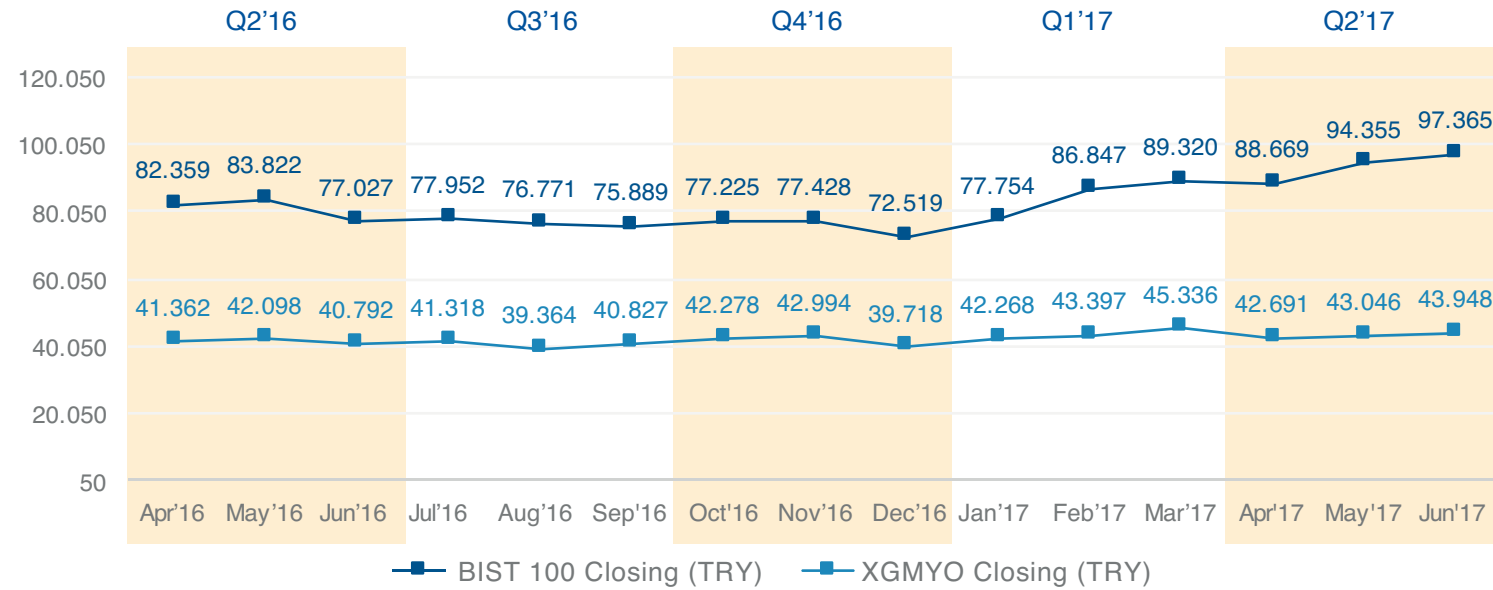
REIT's

BIST continued to increase in value

When the performance of the Istanbul stock exchange is examined which has been continuing in 88.000's in March from the beginning of the year, it is seen that it rose 97.000 in June and reached the top values. The REIT index also closed at 43.948 at the end of the quarter, starting from 42.000 with a more horizontal course than

BIST. REIT Market value data were not interpreted for they were not announced as of July. In Expectation and Confidence indices, the Expectation Index continued its upward trend and reached 112.40 at the end of the quarter and the Confidence Index fell to the level of 70.00 with a slight decline.

BIST REIT Index Performance*



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

Starting from 42.000 at the beginning of the year, REIT Index closed its course at 43.000 at the end of the first quarter. Starting from 77.000 at the beginning of the year with a parallel course to the REIT index, BIST closed its course at 97.000.

REIT Market Value

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
REIT Number	30	31	31	31	31	31	31	31	31	31	31	31
Million TRY	19.956	20.671	19.432	21.981	23.073	22.326	20.515	21.279	23.531	23.704	24.446	24.962
Million USD	9.282	9.750	8.486	9.462	8.813	8.393	7.025	7.279	8.315	8.202	8.133	7.080

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.

REIT Market Value increased from 21 billion TL to 24.9 billion TL and decreased from 8 billion USD to 7 billion USD as of the last quarter of 2016 due to USD / TL exchange rate differences.

General Informations of REITs in Company Basis

	Name of Company	Total Assets (TL)	Market Value (TL)
1	AKFEN REIT	1.101.055.178	220.800.000
2	AKİŞ REIT	4.042.118.118	1.277.372.795
3	AKMERKEZ REIT	253.317.491	862.288.960
4	ALARKO REIT	735.212.518	465.013.666
5	ATA REIT	68.769.190	110.912.500
6	ATAKULE REIT	324.895.736	200.760.000
7	AVRASYA REIT	134.069.979	236.880.000
8	DENİZ REIT	200.492.763	92.500.000
9	DOĞUŞ REIT	1.124.865.981	975.121.350
10	EMLAK KONUT REIT	19.627.012.000	11.020.000.000
11	HALK REIT	1.889.921.001	758.400.000
12	İDEALİST REIT	8.498.804	18.200.000
13	İŞ REIT	5.023.235.564	1.324.937.500
14	KİLER REIT	1.658.298.893	245.520.000
15	KÖRFEZ REIT	134.194.617	114.180.000
16	MARTI REIT	484.016.904	57.200.000
17	MİSTRAL REIT	378.483.382	206.700.000
18	NUROL REIT	1.878.543.497	370.400.000
19	ÖZAK REIT	2.029.030.174	515.000.000
20	ÖZDERİCİ REIT	479.254.317	154.000.000
21	PANORA REIT	760.724.293	355.830.000
22	PERA REIT	210.003.162	79.299.000
23	REYSAŞ REIT	1.515.751.074	191.880.001
24	SERVET REIT	316.923.210	169.000.000
25	SİNPAŞ REIT	2.254.570.489	360.000.000
26	TORUNLAR REIT	10.689.328.000	2.255.019.316
27	TSKB REIT	431.739.200	99.000.000
28	VAKIF REIT	1.039.810.998	602.790.000
29	YAPI KREDİ KORAY REIT	101.158.256	50.400.000
30	YENİ GİMAT REIT	1.898.814.212	1.525.708.800
31	YEŞİL REIT	1.957.540.790	181.039.094
	TOTAL	62.751.649.791	25.096.152.982

Source: Capital Markets Board of Turkey, 2017, 1st Quarter Data

NOTES

With the Contributions of



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