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PRESENTATION AND EVALUATION

***For sustainable growth,
“financial communication -
suitable promotion” group
should be established
besides legal and institutional
regulations***

In terms of construction and real estate sector, the year 2017 was quite active. Despite the fluctuations experienced from time to time, it was a productive year for the components of the sector such as construction materials suppliers, contractors, fund providers and demands. The Turkish construction sector has been able to demonstrate a highly elastic management style in recent years thanks to its know-how despite all kinds of positive or negative developments stemming from different reasons. The institutionalization of contractors and their better analysis on the dynamics of Turkey with more professional management, their awareness about the natural demand that real estate sector has have played a significant role at this stage.

Construction and substantially the housing construction sector, together with its sub-sectors are the most important elements of the economy. The Turkish housing sector has developed very rapidly over the past 15 years. This development is due to the macro-economic impact of the construction sector, which triggers approximately 250 sub-sectors, thus affecting both growth and employment. The construction sector has different components such as residential, commercial and infrastructure. The year 2017 had a certain amount of vitality for all three business structures.

***Supply and demand in the
housing are being balanced***

The housing sector has a different structure than the construction for commercial purposes. Especially in countries like Turkey “housing” is considered both as a traditional saving tool and a vital need, thus such composition strengthens the demand structure. Constructions for commercial purposes and the real estate sector connected to them are more

dependent on economic dynamics and expectations and can sometimes be very active or off-peak at times. If the real estate is considered as an “asset”, it should be taken into account that both the price and value may fluctuate.

Demographic factors in our country also show that the housing and other construction activities are in parallel with them. According to the Turkish Statistical Institute (TUIK) data; Turkey’s population as of December 31, 2016 was 79 million 814 871. The annual population growth rate was 13.4‰ in 2015, and 13.5‰ in 2016. The middle age increased to 31.4 in 2016 compared the previous year. The middle age was 30.8 in males and 32 in females. In view of the above mentioned data, it is seen that our country has a very young population structure compared to the European and North American countries.

Another demographic dynamic is marriage and divorce rates. These figures also have a direct impact on housing and other construction activities. According to the TUIK data, 594.493 couples were married in 2016 and reached a marriage rate of nearly 7.5‰. The number of couples divorced was 131.830 in 2015, but decreased by 4.3% in 2016 to 126.164. The approximate divorce rate was realized as 1.59‰. On the other hand, geopolitical risks and conflicts occurring in our neighboring region, Turkey is also getting serious external migration.

Supply and demand for housing in Turkey has started to be stabilized gradually. In the last five years, about 1 million 200.000 residential properties have been exchanged annually, and the need for 650.000 new residential properties continues. According to TUIK data; the number of households in our country is around 19 million 481 thousand. The average household size is 3.8 persons. While the housing ownership rate was 60.9% in 2006, it was 67.3% in 2015.

Turkey is such a country that rural-urban migration still continues. The urbanization rate in Turkey is around 78% and the related population is 60 million. It is expected that urban migration will continue until 2023 and the rate of urbanization will increase over 84%. According to this, urban population is predicted to be 71 million in 2023. Due to this migration-based urbanization, it is thought that housing demand will continue until 2025 in cities letting in migration.

Sales continue to increase

Another factor that increases the potential of the real estate sector is “urban transformation and related activities” as a whole. According to the statements of the Ministry of Environment and Urbanism; approximately 6 million 500.000 independent units will have to undergo urban transformation over the next 20 years.

When the housing sales figures, one of the important indicators of the real estate sector, are taken into consideration, the results of the above mentioned natural demand are observed. In 2011, 997.550 units of residential sales were realized, while 971.757 units in 2012, 1 million 157.190 units in 2013, 1 million 165.371 units in 2014, and 1 million 289.320 in 2015 which was a new record. In 2016, the housing sales figures in Turkey indicated a new record and reached 1 million and 341 453 despite the systemic risks encountered within the country and the global problems. As of the end of 2017, the sales figure reached 1 million 409.314. The trend seen in housing sales figures seems to be quite positive from the sectoral view point.

Foreign citizens’ real estate purchases in Turkey show a clear upward trend since 2012 when the reciprocity regulation is made. Housing sales made to foreigners reached 22.234 units in 2017 with an increase of 22.2% compared to the previous year. In the period between 2013 and 2017, an average of 18.879 real properties was purchased by foreigners.

When we evaluate the sector as a whole, it is seen that from 2013 until the end of 2017, nearly 2 million 349 thousand real properties have been exchanged. 1 million 272 thousand of this figure is stemming from housing sales. In the same period, 54.1% of the total real property sales were realized due to housing trade. When we look at the breakdowns of housing sales, the rate of mortgage transactions is 34.8%, whereas 65.2% is due to other types of sales. When we look at the first-hand sales in order to determine the buoyant and demand structure, they represent 46.5% of the total sales between 2013 and 2017, while the second-hand market that is important for liquidation has a share of 53.5%.

Course of inflation limited real price increases

One of the important points discussed on socio-economic basis is housing prices. The course in housing prices and correct pricing are important indicators not only for the housing sector but also for the entire economy. This situation is of vital importance for central banks and practitioners of economic policies.

While there are many economics and financial methods for the analysis and formation of asset prices, it is not possible to determine a “correct price” for “always and everywhere”. The main reason for this is that the elements, which are more difficult to measure and arising from the people and their behavior patterns, become influential from time to time. Moreover, the fact that housing projects have a rather different structure, such as location, size and social facilities, does not enable a homogeneous comparison.

Although there are frequent discussions in the public opinion whether or not there is a “price-oriented bubble in the Turkish housing market”, the following results were obtained from the study, which is based on the analysis method made by R.Shiller. Following the equation of the results of Turkey’s Housing Price Index between October 2012 and October 2017 announced by the Central Bank with the inflation of the same period, the real price increase during the related period is found out to be 46.21%. The change in the New Housing Price Index in the same period is only 38.9%. The Hedonic House Price Index recorded a real increase of 26.99%. The course of inflation seems to have limited real price increases in housing prices.

There is no bubble effect in Turkey regarding real price increases. According to the analysis conducted in overall Turkey as per the latest data, it is observed that the price increase is still in a reasonable trend. However, “bubbling” tendency can be seen at region and/or neighborhood-based prices. In some regions, however, the price “adjustments” can also be seen. When analyzing such price movements, it should not be forgotten that there may be some special price dynamics of the respective places.

Cost increases are putting upward pressure on prices

Another important indicator to be noted for the construction sector is the costs. The Building Construction Cost Index (BİME) announced by TUIK increased by 19.7% on average in 2017 compared to 2016. In the same period, an increase of 21.9% in material prices is noteworthy. Cost increases are reflected to sales prices on a very limited scale. Contractors seem to have undertaken significant costs for the time being. While cost increases adversely affect profit margins, they put upward pressure on prices on the other hand.

The “excessive luxury avoidance and the construction activities according to purpose”, which is planned to be started under the leadership of Emlak Konut REIT in order to reduce the cost pressure of real estate producers can be seen as a solution to the related issue created by the sector.

Looking at the housing prices in overall Turkey, we see that the real estate market tries to attain the dynamism and reach the equilibrium price. In this sense:

- Dynamic and rationalizing trends are seen in the Turkish housing market on the basis of sub-markets. Especially in price movements, there can be “adjustments” or “increases” when necessary.

- The dynamic reduction and increase of the building licenses by the contractors according to market expectations continue. It is seen that the consumer is increasingly making rational decisions and not only looking at the price criterion, but also evaluating many factors such as building quality, materials and transportation convenience.

- 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.

- It is observed that the traces of the event of June 2016 were rapidly removed. At this stage, the branded housing manufacturers (Emlak Konut REIT, GYODER Members, etc.) significantly contributed to the positive transformation of the

expectations and reassurance of the industry. The fact that similar campaigns occur at different ranges from time to time is not only a motivator for branded housing manufacturers but also for the whole sector.

- Good-conditioned loans provided by the banking sector periodically to the final consumer and financing models jointly carried out by corporate companies and banks are very beneficial for the sector. However, there is an increase in the loan interest rates provided to both contractors and consumers by the financial sector. The rising interest rates due to the general economic conditions and risk factors have the potential to adversely affect the sector.

- 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 İstanbul are the most typical example of this case.

When REIDIN Residential Purchasing Power Index data is analyzed, it is seen that housing prices are very high compared to the income of persons, and it is possible for them to pay back if the housing loans can be given at low cost and long term.

For example, according to the REIDIN Residential Purchasing Power Index, the cost of loan for a person with an average income living in Istanbul should decrease by 0.70% monthly, or the credit periods should extend to 15 years. It is important that the funding mechanism in the banking sector for the extension of the credit periods is correctly structured and that the securitization processes in particular are renewed at this point. On the other hand, when the Banks Association of Turkey and the Central Bank statistics are analyzed, it is possible to say that housing loans reaching a total of 2.2 million people and an amount of 200 billion TL were used. On the other hand, when we examine the interest rates and the development of housing loans, the existence of a high correlation between the two variables is widely accepted. The interest rates of housing loans were 0.98% per month on average during January-September 2017; but they exceeded 1% in the last 3 months. It can be said that the increased loan costs will reduce demand relatively. The most important factor that may create vulnerability in the coming period and

give rise to shrinking in demands will be the increase in loan interest rates.

Cost-cutting measures should be taken

When the year 2017 is examined, it is observed that the industry had a balanced growth tendency. The positive effects of both the sectoral incentives and legal regulations as of the last quarter of 2016 seem to have continued in 2017. However, some of the temporary tax reductions have the potential to slow down the demand-oriented positive course. Taking cost-cutting measures in particular will have positive impacts both in terms of the sector and demand.

The incentive and support exercises realized by the government for the real estate sector are ongoing. These incentives are not only positive for the construction sector, but also generate value for all stakeholders. The development and maintenance of the following aspects for the sector have produced positive results. These are;

- 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,
- Application of the stamp tax rate as zero percent in real estate preliminary sales contracts and prepaid housing sales contracts,
- 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 housing purchases and savings (15% governmental support in housing purchases) and their effects on the economy.

However it is also true that the economy and, in essence, the real estate sector need both legal and institutional regulations in order to be able to grow “sustainably”. Below are the points that can be summarized for this purpose:

- Providing advantages especially for those who purchase their first houses by making a permanent tax regulation
- Review of the amount of housing purchase that grants citizenship to foreigners
- Provision of specific exemptions to the sector regarding the corporate and income taxes
- Making simple and day-specific regulations (value-based tax) on value increase and property tax
- Making regulations according to population density, infrastructure situation, earthquake and other natural disasters and urbanization plans
- Making an arrangement for once only for closing the difference between “official construction value” and “actual real estate value” which causes problems in financial markets, taxes and buying/selling. The source to be obtained in this way can either be used in the urban transformation through İller Bank or by Emlak Bank to be re-actualized
- As in some other countries, the establishment of a public bank that provides long-term housing loans to both individuals and institutions, and makes “securitization” based on real estate
- Making the necessary changes and arrangements for easier securitization of real estate based rights, and for issuance of sukuk, lease certificates, real estate certificates as well as hybrid instruments associated with these,
- Establishment of markets related with the securitization of real estates within the BIST,
- Solving the problems arising from VAT by continuing the tax exemptions of Real Estate Investment Funds and Real Estate Investment Trusts,
- Making arrangements for the establishment of real estate based asset leasing companies and making them compatible with the market,

■ Establishment of private cooperatives in order to meet the housing needs of middle and lower income group

We observed that important steps were taken for the integration of the real estate and capital market within the context of the Capital Markets Legislation, which was enacted in 2012. Applications such as the real estate investment fund and real estate certificate show that people or investors are getting returns by investing not only in physical real estate ownership but also in real estate based capital market instruments. In the first half of 2017, real estate certificate issuance was successfully realized. In the last quarter, we also observed the public offering of the real estate investment fund certificates in BİST. Thus, for the first time, the real estate investment fund has been quoted on the stock exchange. The issuance of such investment instruments is expected to continue increasingly in 2018.

In addition to the summary stated above, an establishment of a “financial communication – suitable promotion” group that is quite important both for Turkey and the sector and could create value will be appropriate. Especially in fairs, exhibitions, events, etc. to be held abroad, there is a need for a roof organization that can transfer the right information to the interested parties correctly.

The Turkish economy and the real estate sector are adapting to the evolving conditions in a very dynamic way with years of experience. If the deficiencies of the sector are eliminated both in terms of production and finance, it is clear that much more successful and value added works can be accomplished.

Sincerely yours,
GYODER Training, Publications and
Information Production Committee



Expectations are positive in the first half ... Wish the same for the second half...

Let me begin my words by saying that the year 2018 has more positive outlook and expectations than the previous year with regard to Turkey's and the world's economy.

The World Bank, IMF and other international organizations have made optimistic revisions on their reports in September and December 2017. This case may have positive effects on Turkey for the export, funds flow and other parameters.

Some of the people will likely to be distant or skeptical against positive developments. However, when we think rationally, we cannot ignore that there are very positive remarks made for 8 out of 10 conditions required for the positive passage of the year 2018. Below is the list of these conditions:

- Growth in the global economy
- Growth in the European Union market
- Growth in nearby and neighboring markets
- Private sector investments
- Export prices of industrial products
- Level of energy and commodity prices
- Euro / Dollar parity
- Long-awaited movement in global trade

However, two of the factors still pose a risk. One of them is the global financial conditions, namely borrowing and financing. The second is the political and geopolitical risks.

Majority of the experts think that as from 2018, there will be a "third wave of growth after the crisis". They point out that a supply-side and employment oriented global growth will emerge based on the fact that PMI data in the industry is at its highest level since 2011 Q4.

It is a significant indicator that China, which has been our rival for a long time, is making changes on its growth model, focusing on domestic consumption and services, will no longer provide any hidden support to the industry sector, and most importantly will continue on its way by producing high value-added technological innovation.

Let's not ignore the risks!

The most important development for Turkey is the continuation of the quantity based growth together with the monetary based growth in commodity trading. In other words, the sales of goods with high discount levels will cease and the exporters will be able to sell their products at or near the price they want. At least this is the wish. It is also a promising development that the transportation indexes, which were in a poor condition for a few years, have recovered and come to higher levels.

In all of these developments, it is clear that there is a rise in food prices in the world. It is said that this increase occurred due to the climatic conditions, but if this increase continues in the future, inflationary pressures possibly emerge. This may be a boom sign for the developed countries but it would be a negative development for Turkey.

Oil prices will try to remain above 60 USD, as I mentioned in the previous reports, but the 90 USD level desired by the oil-producing countries is not likely achieved in the medium term. There is a similar rise in metal prices; however it is not in a position to disturb the industry costs, at least for now.

It seems that the Ministry of Economy has re-extended the import facilities with regard to iron and steel. The iron and steel producers in Turkey are very unpleasant about it. However, since they have already sold the significant portion of their production, they have currently no problem. It appears that the Ministry of Economy has intervened through the liberalization of import, as a consequence of the high cost iron and steel sales to the construction industry by traders.

Nevertheless, I would like to underline that in the upcoming periods, such decision could lead to sharp falls in iron and steel prices and that this may cause troubles for the industry representatives. This may be a positive course for the construction sector. I would like you to analyze the issue by yourselves.

Parity issue

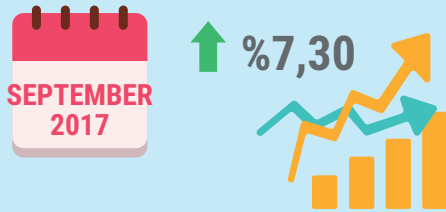
Finally, I would like to pass onto the Euro / Dollar parity forecast. The course of Euro / Dollar parity seems to be in favor of Turkey's exports in 2018. The 2018 average is expected to be 1.1244, though it is likely that the highest could be 1.20, the lowest 1.07 during the year.

In order for the parity to climb over 1.25 again, it is required that Trump should go through serious troubles by the inquiries, the government should be formed in time in Germany, and the growth in the European Union should turn out to be substantial.. Some of them are short-term developments, but some of which are questionable.

Prof. Dr. Emre Alkin
Istanbul Kemerburgaz University
Vice Chancellor

MAIN ECONOMIC DATA

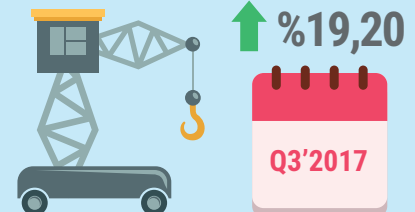
■ Annual Growth (Dollar)



■ Inflation



■ Construction Sector Growth Rate

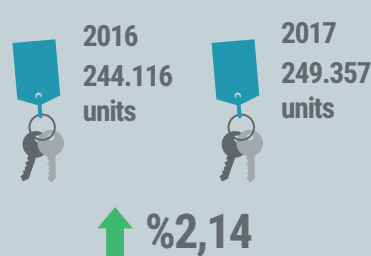


HOUSING

■ Building License



■ Occupancy Permit



■ Housing Sales



SHOPPING MALLS

■ Total Stock



■ Leasable Area Per 1.000 persons

↑ 158 m²



■ Turnover Index

↑ 276



■ Visitor Index

↑ 111



TOURISM AND HOTEL

■ Number of Total Visitors

↑ 30,7 million to Turkey 9,8 million ↑ to Istanbul



■ Tourism Revenue

↑ 8,7 million \$
↓ Per Capita Average Expenditure 634 \$

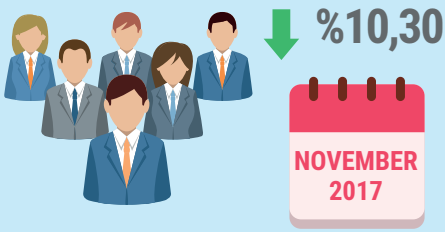


■ Occupancy Rates

↓ Istanbul % 41,8 Turkey % 41,5 ↓

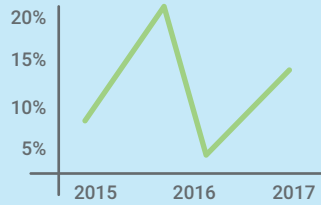


■ Unemployment Rate

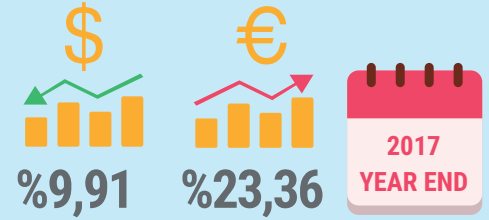


■ GDP

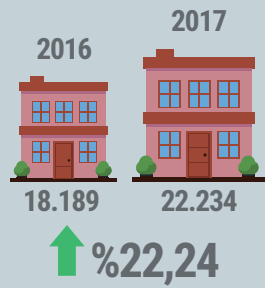
2 trillion 212 billion 254 million TL



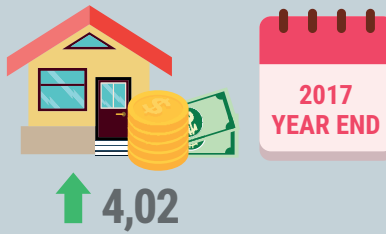
■ Exchange Rate Increase



■ Housing Sales to Foreigners



■ New Housing Price Index



■ Housing Loan Stock

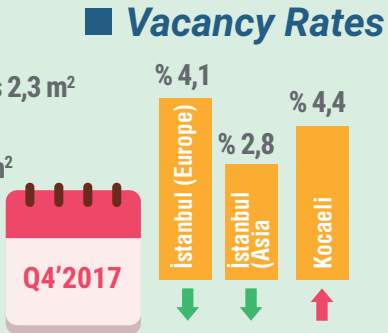
177,0 billion TL with %19,02 increase

Monthly Interest %1,08 ↑
Compound Interest %13,78 ↑



LOGISTICS

- ↑ Total Stock 9,6 million m²
- ↑ On Project Basis 2,3 m²
- ↑ On Construction Basis 876,814 m²



■ Leasing Transaction Volume



REITs

- Number of REIT (Q2'17) 31 units
- REIT Market Value (Q1'17) 25,81 billion TL ↑
- XGMYO (Sept'17) 39.563 ↓

OFFICE

■ Total Stock

↑ 5,7 milyon m²

■ Vacancy Rates

↓ % 24,03

■ Leasing Transaction Volume

↑ 74.000 m²

■ Primary Rent

↓ 34\$ / m² / month



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



MAIN ECONOMIC DATA

While foreign portfolio inflows increasing, the rise in inflation and the tightening steps of the Central Bank raised bond yields

Turkey's economy achieved a solid growth of 11.1% in the third quarter of 2017 thanks to the measures to stimulate domestic demand and production and the effects of recovery in exports. Although it seems difficult to achieve this high figure in the fourth quarter of the year, the indicators point to the continuation of the growth trend in the economy. In industrial production, the average increase of 10% in the third quarter of the year compared to the same period of the previous year remained its strong course as 7.4% in October and 7.0% in November. In the first 11 months of the year, the total exports of iron, steel, energy and automotive sectors increased strongly with 10.4% and reached 143.2 billion USD. During this period, 37% of increase in energy imports and 201% in gold imports resulted in 16.9% increase in total imports and it reached 210.7 billion USD. As a result, foreign trade deficit increased by 33.8% and reached 67.5 billion USD. A 37% increase was observed in current account deficit as a result of the increase in foreign trade deficit. The annual deficit closed 2016 at 32.6 billion USD and rose to 39.4 billion USD at the end of November 2017. On the other hand, the inflation, which completed the year 2016 at 8.53%, ended the year at 11.92% due to the delayed effects of the exchange rate appreciation in the last quarter of the

previous year and the increase in food prices and global commodity prices. The ongoing rise in exchange rates and energy prices increased the upside risks in inflation outlook and the Central Bank announced that it would maintain its tight stance.

Financial markets, on the other hand, showed positive performance with improved risk appetite abroad and foreign portfolio inflows. According to IIF data, a portfolio entry at an amount of 235 billion USD was observed in the developing countries in 2017. This represents a significant increase over the figure of the last year's same period at an amount of 152 billion USD. While a positive outlook was observed on stocks that benefit from the increasing portfolio entry to the developing countries; global developments, upward trend in inflation and the tightening steps of the Central Bank raised the bond yields. The Dollar / TL starting the year at 3.52 was 3.55 at the end of September, but completed the year at 3.77 with the expectation of tightening in the US and increasing geopolitical risks. Two-year benchmark bond yields started the year at 10.63% and rose to 13.8% at the end of the year from 11.89% at the end of September. The BIST-100 Index rose by 47% in 2017 and reached 115.333.

Nominal Gross Domestic Product by Expenditure

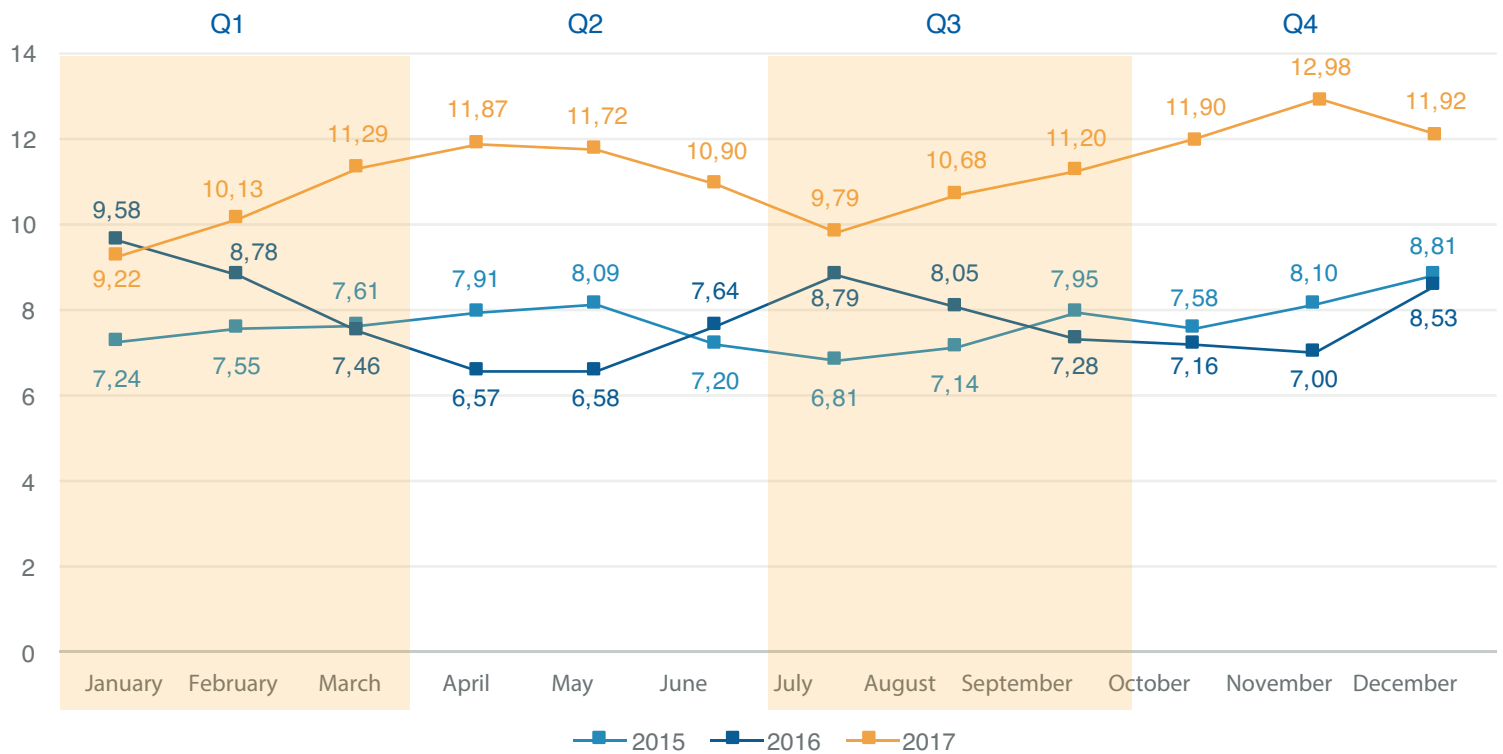
Year	GDP (million TRY)	Income per Capita (TRY)	GDP (million USD)	Income per Capita (USD)	Growth (%)	Average Rate during the year
2014	2.044.466	26.489	798.987	12.112	5,17	2,19
2015	2.338.647	29.899	861.879	11.019	6,03	2,75
2016	2.608.526	32.904	862.744	10.883	3,30	3,04
2017	2.212.254*	-	615.643*	-	7,30*	3,64

The growth rate, which was 6.03% in 2015, was 7.30% in the first quarter of 2017.

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

*July-September 2017

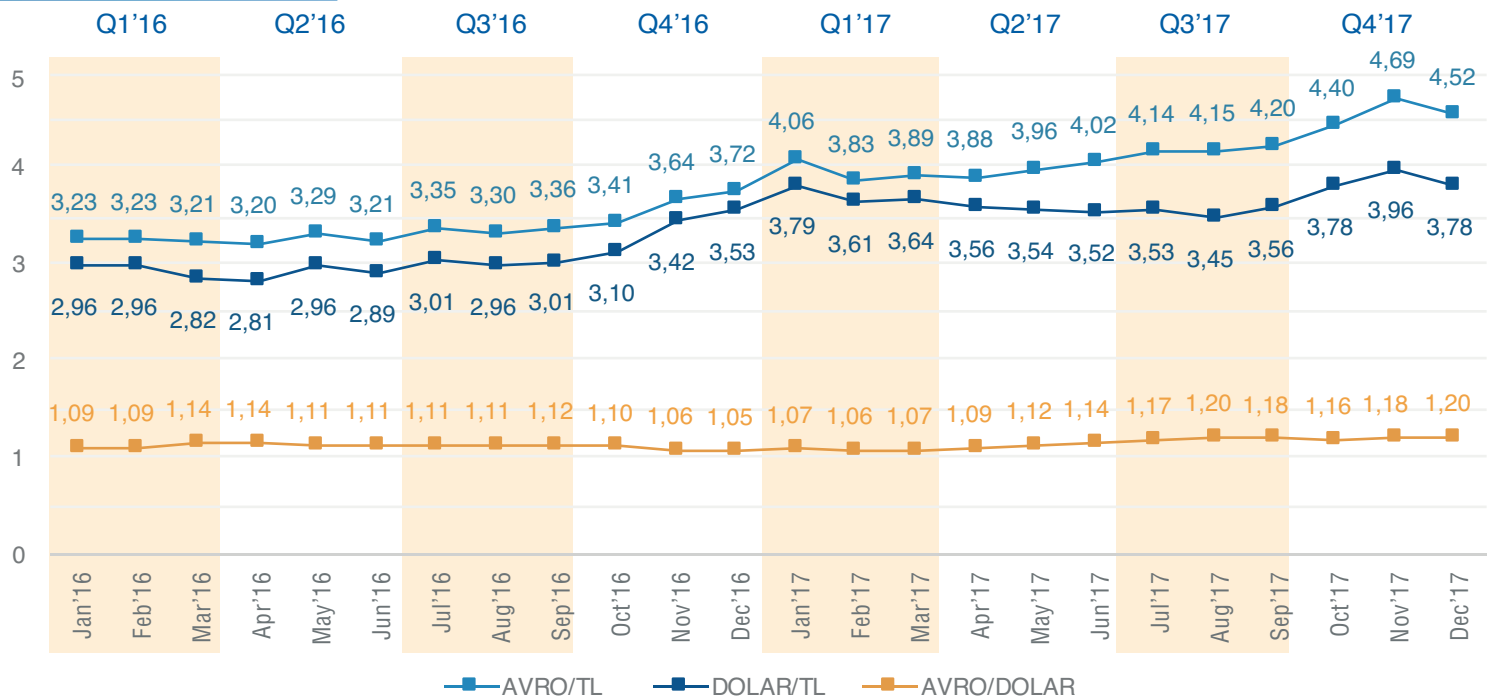
Annual Inflation*



The inflation rate, which had been slowing down since May of last year, continued its upward trend as from August.

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

Exchange Rate*



The depreciation of the TL against the Dollar and the Euro continues.
The dollar closed the year at 3.78, while the euro closed at 4.52.

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

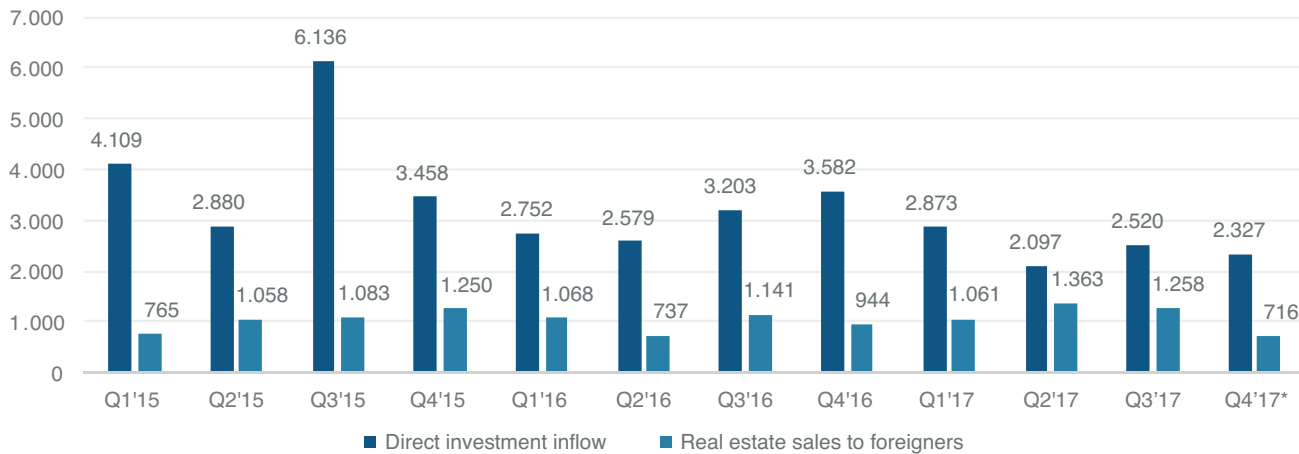
Comparison of Investment Instruments (%)

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	-9,9	11,31	11,57	5,8	-1,52
Q3'15	3,99	2,25	2,63	0,11	-3,01	-6,12	-7,5	3,1
Q4'15	4,59	1,96	2,67	-9,4	2,85	-0,76	-2,38	0,47
Q1'16	3,37	1,8	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	17,47	14,4	-2,44
Q1'17	3,2	1,22	2,55	17,5	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
Q3'17	2,37	1,03	3,03	7,16	-1,26	4,78	2,68	1,61
Q4'17	2,78	0,85	3,08	3,11	10,53	9,78	6,55	-1,84
2017 Year End	11,87	4,02	9,82	43,17	9,91	23,36	20,52	6,67

The BIST-100 Index provided a total return of nearly 44%. On the other hand, the US Dollar provided a relatively limited return, with an annual return of 9.91%. The deposit rate which provided relatively regular returns, offered a lower return than the annual inflation at around 10%.

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

Foreign Direct Investment (million USD)



Fluctuations in direct investment inflows and the change in foreign real estate sales figures continued.

Source: Ministry of Economy
*Data of October and November

Age 15+ Unemployment (%)

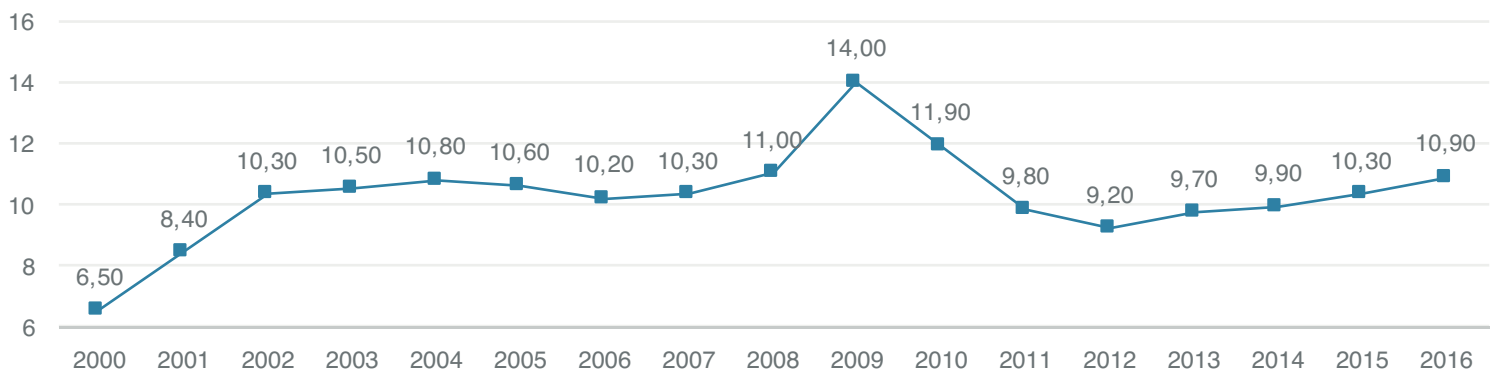
Monthly Average*

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

The unemployment rate, which was 13% as of January, declined to 10,30% as of November.

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

Annual Average



Source: Turkish Statistical Institute

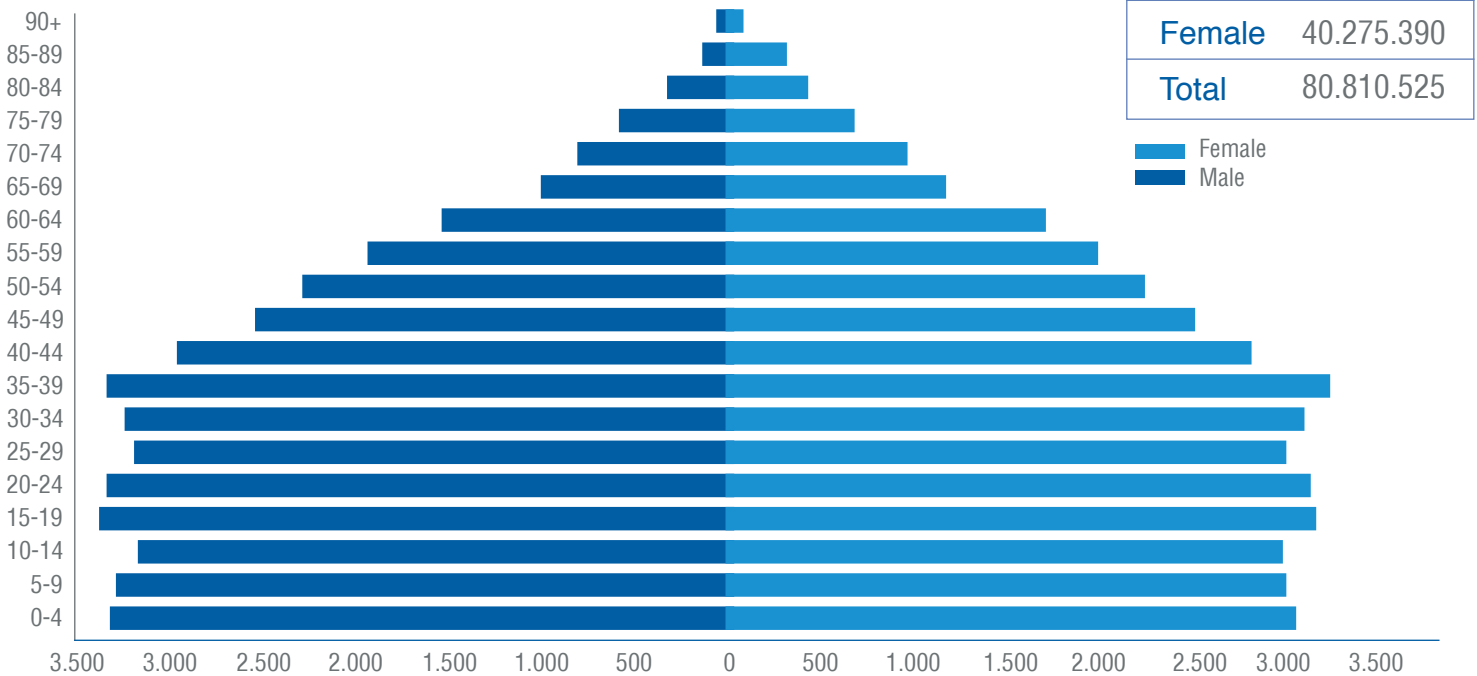
Population Growth in Major Cities (thousand)

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

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

Source: Turkish Statistical Institute

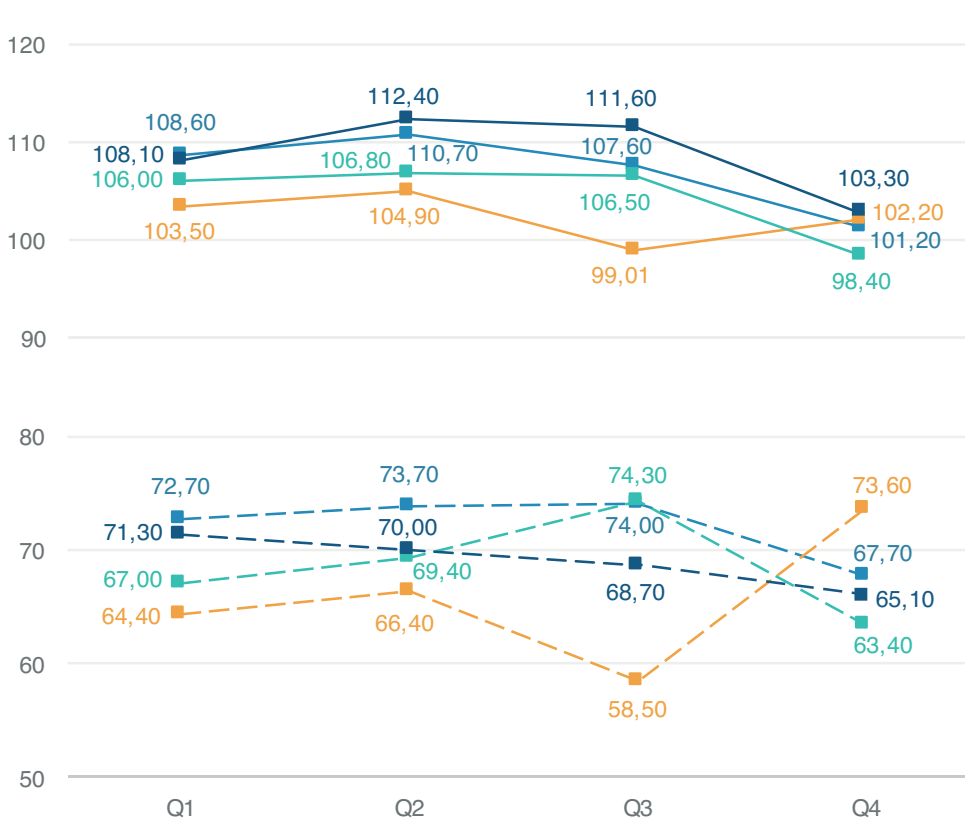
Population by Age Group and Gender, 2016



The proportion of active population in the 15-64 age group in our country increased by 1.2% and reached 67.9% in 2017 compared to the previous year. The proportion of the population aged 65 and above rose to 8.5%.

Source: Turkish Statistical Institute

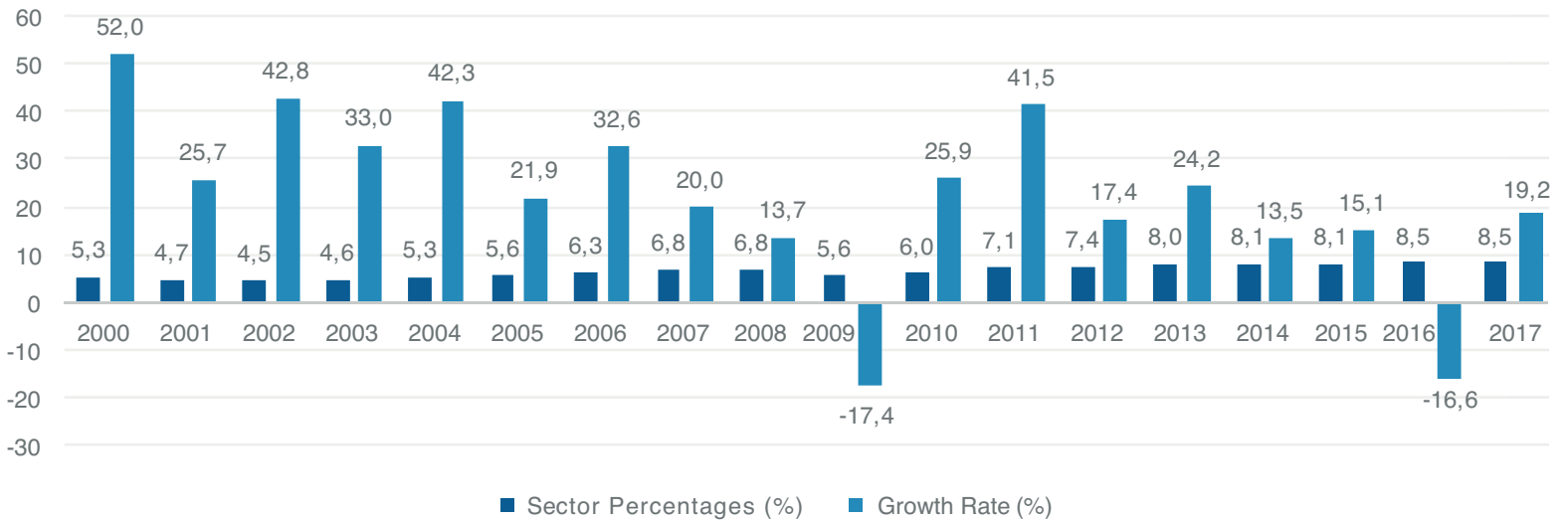
Expectation and Confidence Index



The Expectation Index, which showed a decline compared to previous periods, dropped to 103,30 and the Confidence Index fell to 65,10.

Source: Central Bank of the Republic of Turkey

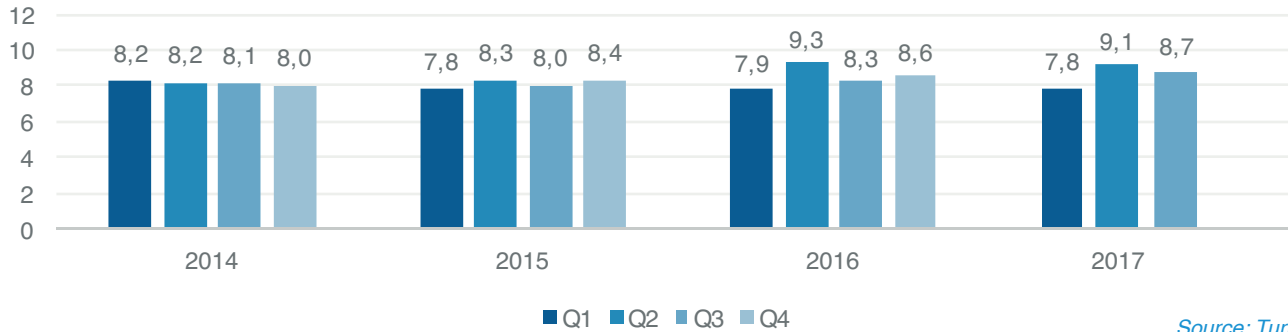
Percentage of Construction in GDP current prices



The construction sector's share of GDP at current prices was 8.7% in the third quarter of the year. Construction sector growth rate was 29.4%, while GDP growth rate was 24.2%.

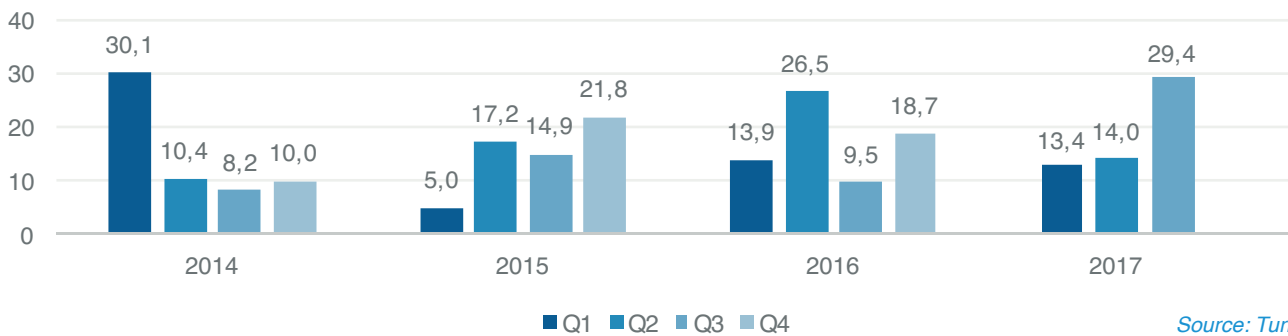
Source: Turkish Statistical Institute
*Values from 2013 and before have been updated
**First 6 months.

Share in GDP (%)



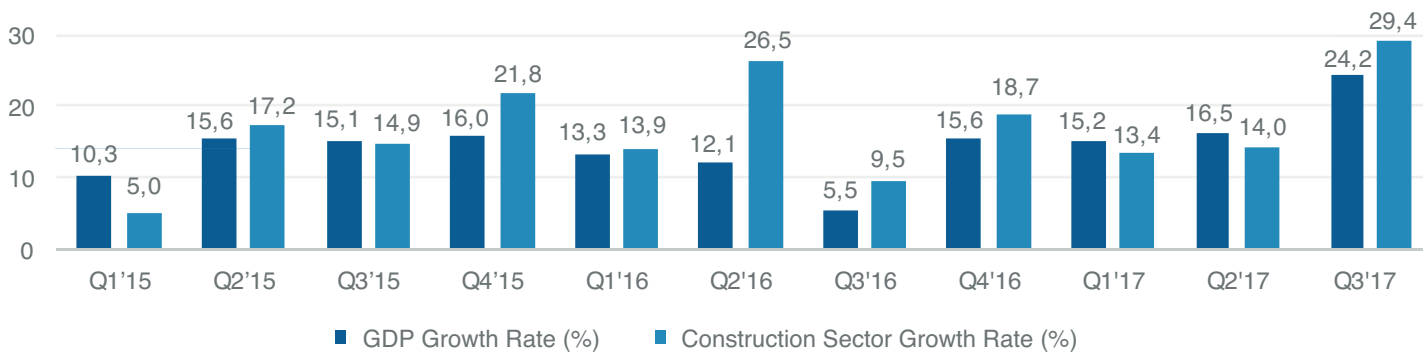
Source: Turkish
Statistical Institut

Growth compared to same month of previous year (%)



Source: Turkish
Statistical Institut

Construction Sector - National Income Growth Figures Comparison (%)



Source: Turkish
Statistical Institut



HOUSING

Demand shrinking due to increase in loan rates slowed down price indices

In 2017, housing sales were 1 million 409.314 units with 5.06% increase compared to the previous year. The incentives provided to the end consumers in the second half of 2016 also continued in the first quarter of 2017, and accordingly the status of housing loans and housing sales was active. Housing sales slowing down in connection with the bank holidays and holiday season in the midst of the second quarter recovered with the extension of incentive terms. When the incentives and campaigns were over and the interest rates on housing loans were on the rise, serious demand shrinkage started.

In 2017, second-hand housing sales increased by 5.6% compared to the previous year, while the increase in first-hand sales remained at 4.4%. On mortgage sales, there was an increase of 5.25% on quantity basis compared to the previous year. The share of mortgage sales in total housing sales was 33.6% of total sales, showing a similar performance with the previous year.

The effects of the shrinkage in demand on housing prices started to be seen clearly soon enough. The slowdown in housing price increase in 2016 and continued in 2017 as well. According to the CBRT data, as from the second quarter of 2017, the increase in the housing price index has become noticeably slower and it continued increasingly in the third quarter. The annual increase in the housing price index, which was 13.13% in April, dropped 11.7% in October.

Housing sales to foreigners increased by 22.2% to 22.234 units, while its share in total sales was 1.6%. It was observed that sales were active in the last quarter and nearly 30% of which were realized in the last quarter. In housing sales to foreigners, Istanbul took the first place with 8.182 houses and Antalya was the second order with 4.707 houses. When we look at the housing sales according to nationalities, Iraqi citizens came in first with 3.805 people and the Saudi Arabian citizens were the second with 3.345 people.

Building Permits Statistics and Percentage Changes

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

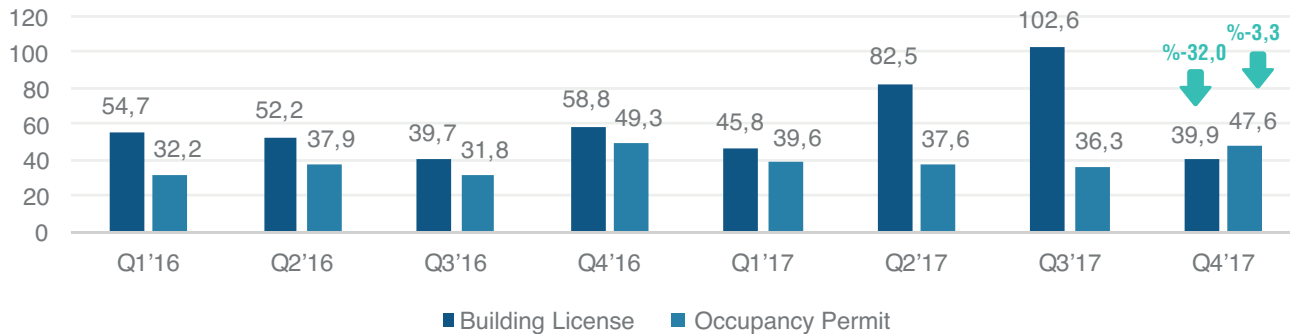
Based on area in the 4th quarter of 2017; the number of building licenses decreased by 32,0% compared to the same period of previous year and the number of building permits decreased by 3,3%. According to the number of apartments, the amount of building license decreased by 40.1% compared to the same period of previous year while the amount of building permit increased by 2.1%. The new housing production and supply of completed housing continue.

Source: Turkish Statistical Institute

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

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

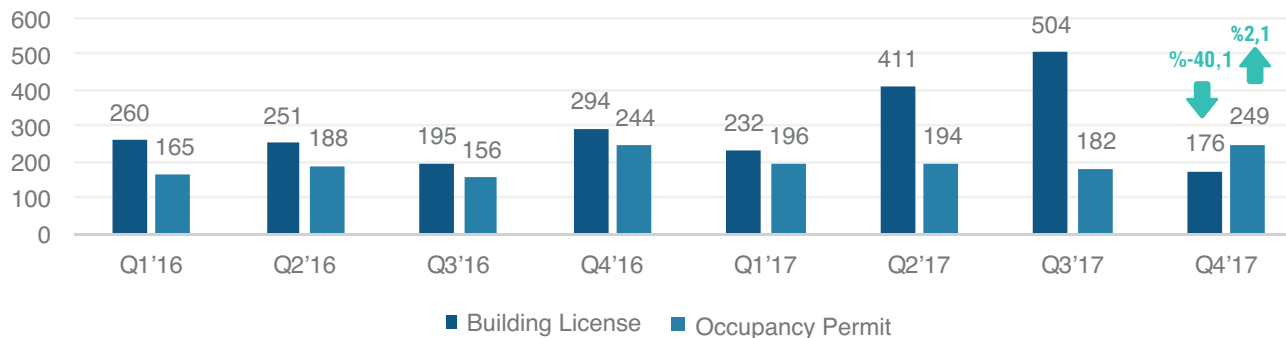
Surface Area (million m²)



Source: Turkish Statistical Institute

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

Number of flats (thousands)



Source: Turkish Statistical Institute

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

Housing Sales on Quarterly Basis (number)

	First Sale	Second Hand 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
Q3'17	180.466	195.899	376.365	117.852
Q4'17	183.009	195.577	378.586	109.872
2017 Total	659.698	749.616	1.409.314	473.099

In 2017, the growth was about 5% compared to the previous year.

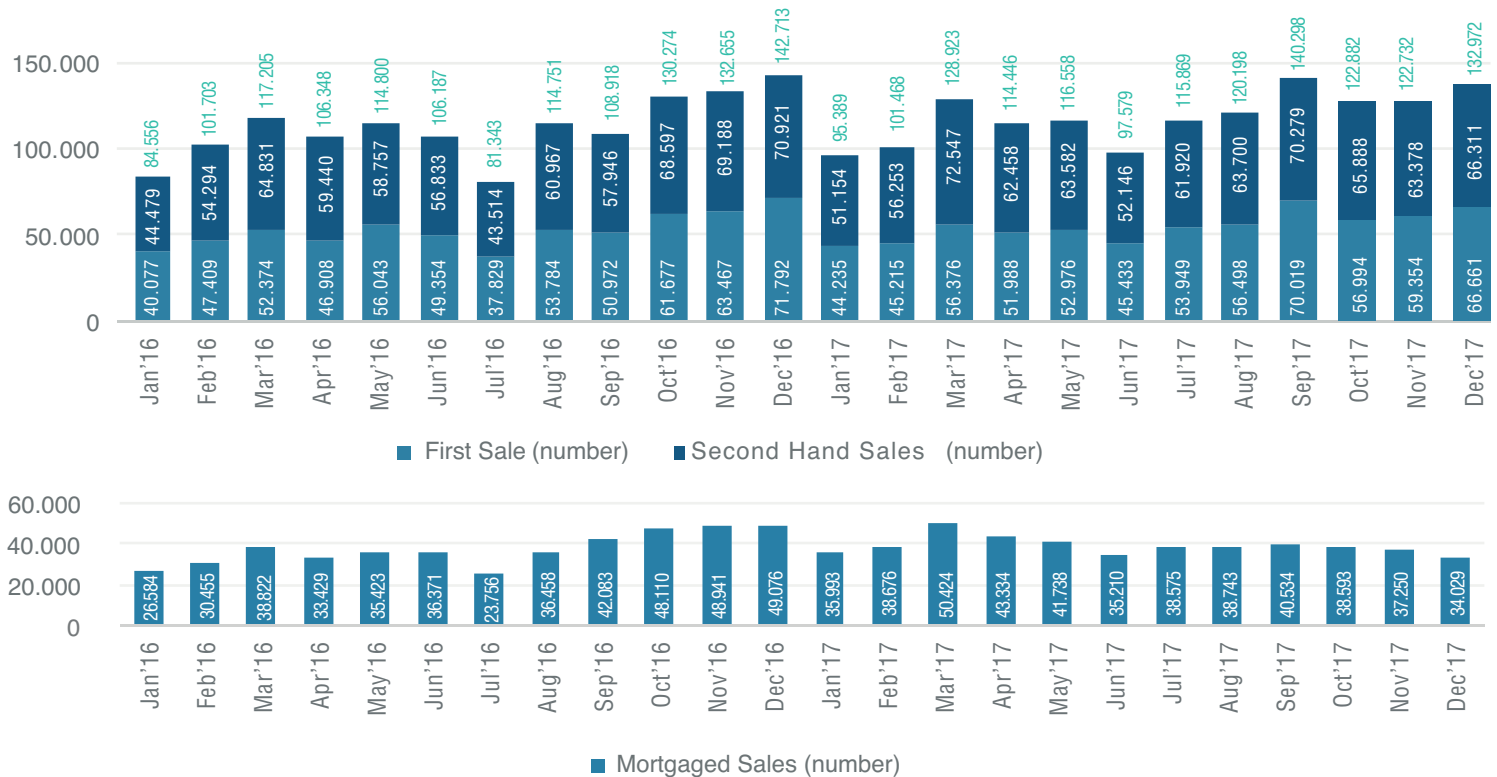
Source: Turkish Statical Institute

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.

The first-hand housing sales experienced a 1.4% increase compared to the third quarter, while the contraction in second-hand sales was around 1.6%. Mortgaged sales decreased by 6.7%.

Housing Sales on Annualy Basis (number)



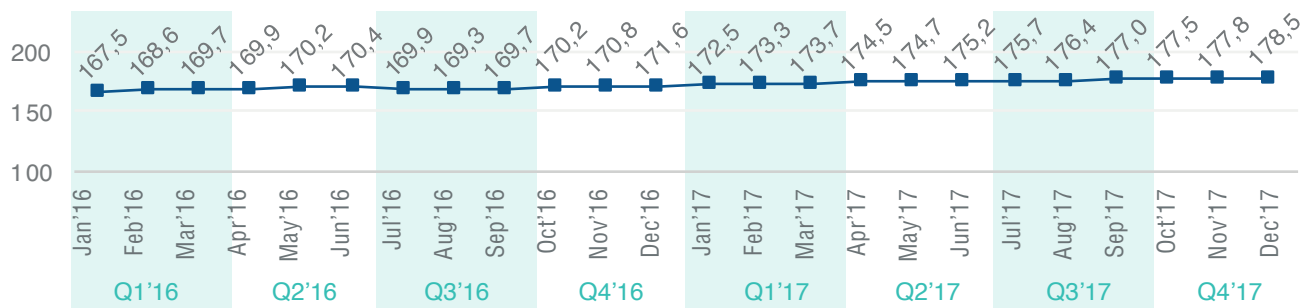
Source: Turkish Statical Institute

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

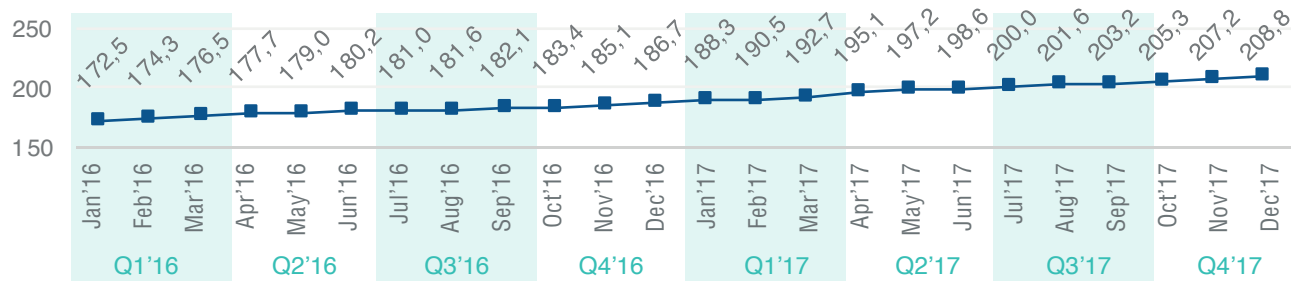
Second hand sale: Resale of the housing by the person obtaining the house from first sale.

Housing Price Indexes (Country-wide)

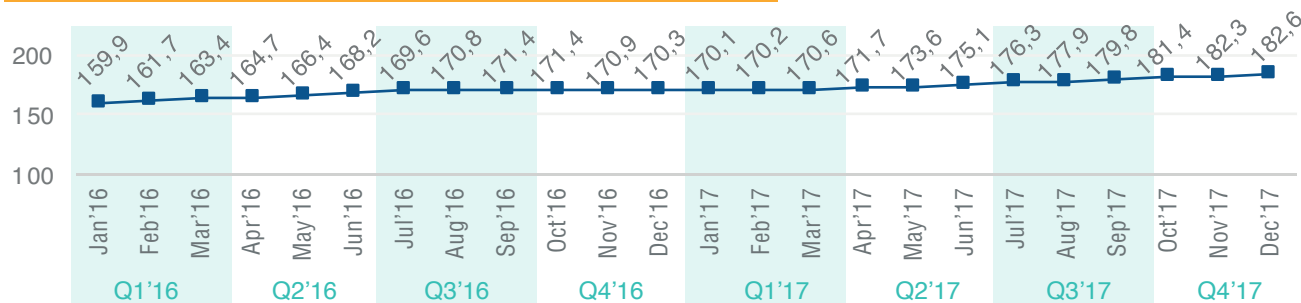
Reidin GYODER New Home Price Index (January 2010=100)



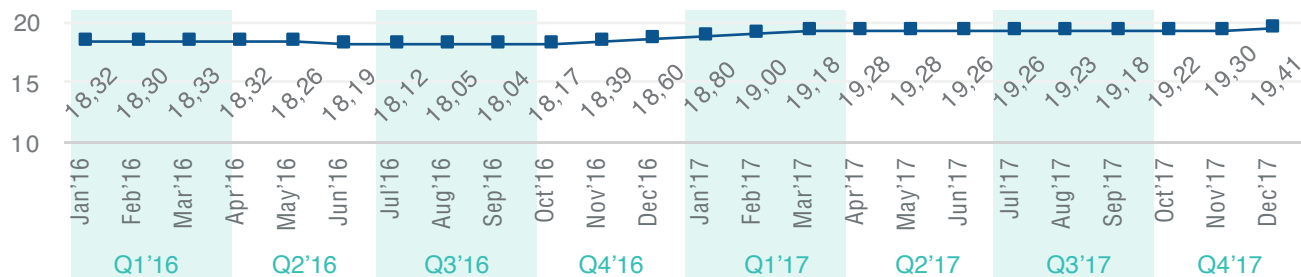
Reidin Turkey Residential Property Price Index



Reidin Residential Rent Value Index (January 2012=100)

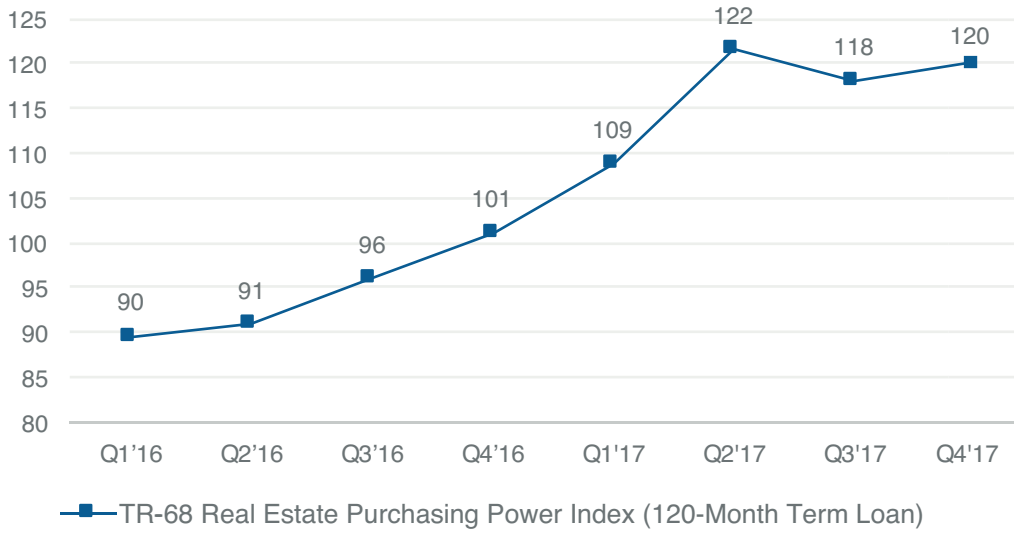


Reidin Home Return on Investment Time (Year)



The upward trend started in the first quarter of the year in the REIDIN housing indices, which was stable during the previous year, has been continuing. According to the REIDIN-GYODER New Housing Price Index, December price increase was 0.39% compared to the previous month and 4.02% compared to the same period of last year.

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

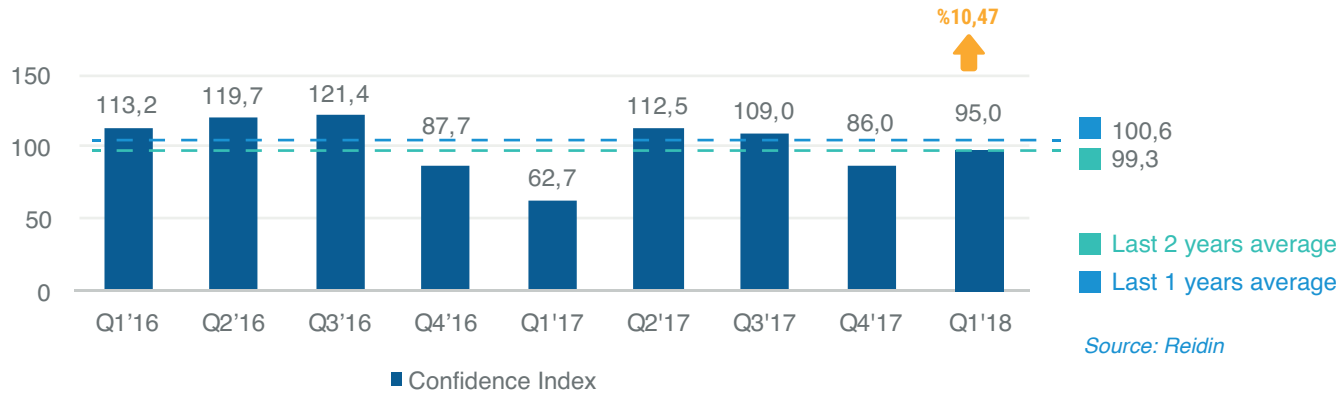


Housing Purchasing Power Index Turkey average rose by 1.69% compared to the previous quarter and reached 120.

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

Source: Reidin

Real Estate Confidence Index & Price Sentiment Index



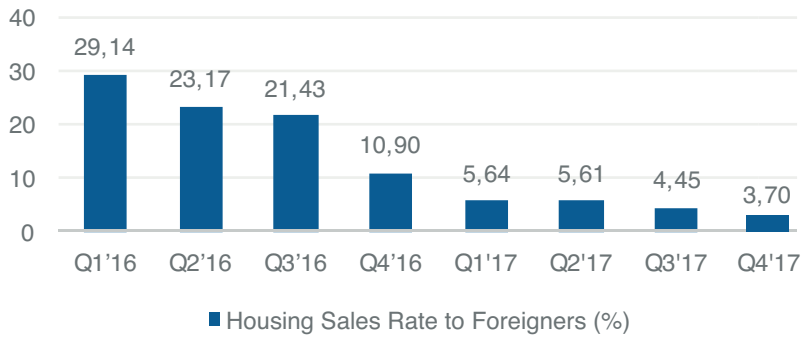
Source: Reidin

The Confidence Index, which was measured as 95 in the first quarter of 2018, remained below 100,6, average of the last year, while the Price Expectation Index, measured as 85, remained below last year's average of 96,8. The indices fell from the level of "Partially Optimist" to the "Partially Pessimist".



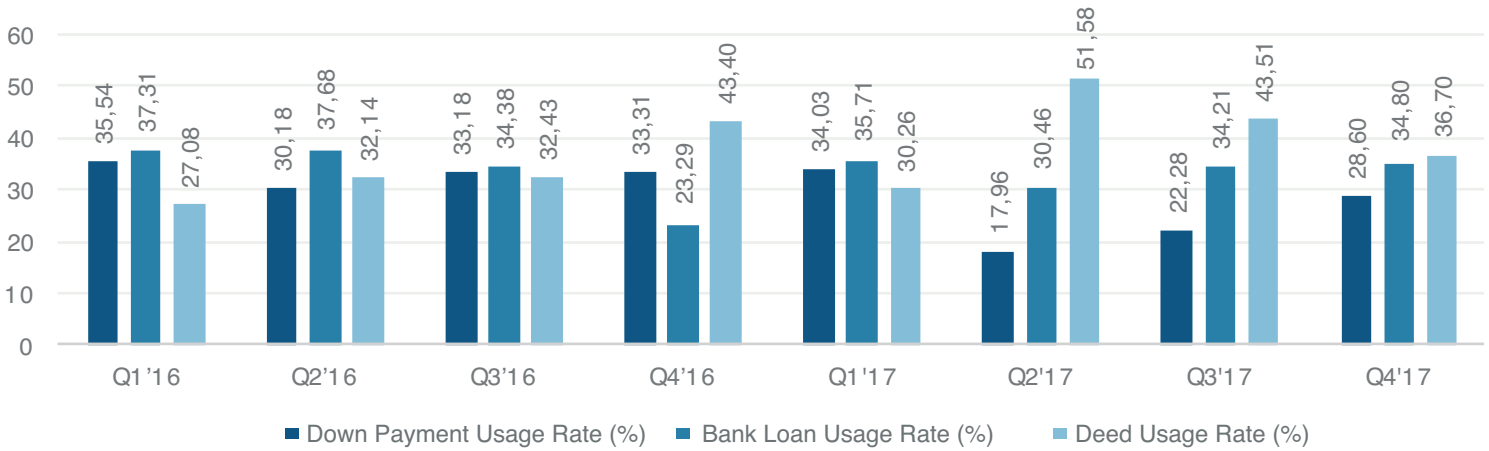
Kaynak: Reidin

Indicators of Branded Housing Projects

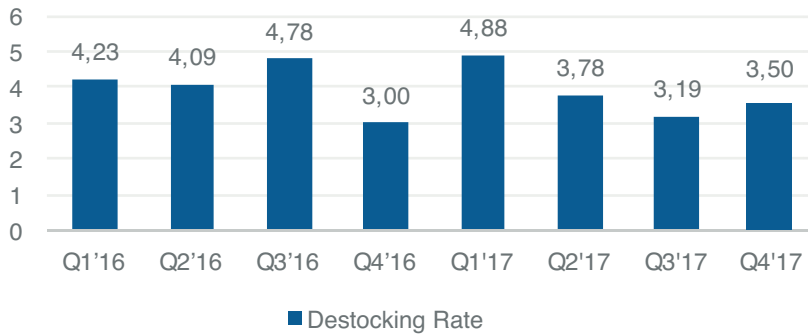


Source: Reidin

Consumers, who purchased houses from branded housing projects, preferred mostly to use deeds in the fourth quarter of 2017 from the options of down payment, deed and bank loans. In the last quarter of 2017, the rate of de-stocking was 3,50% while 3.70% of the sales in branded housing projects was made to foreign investors.

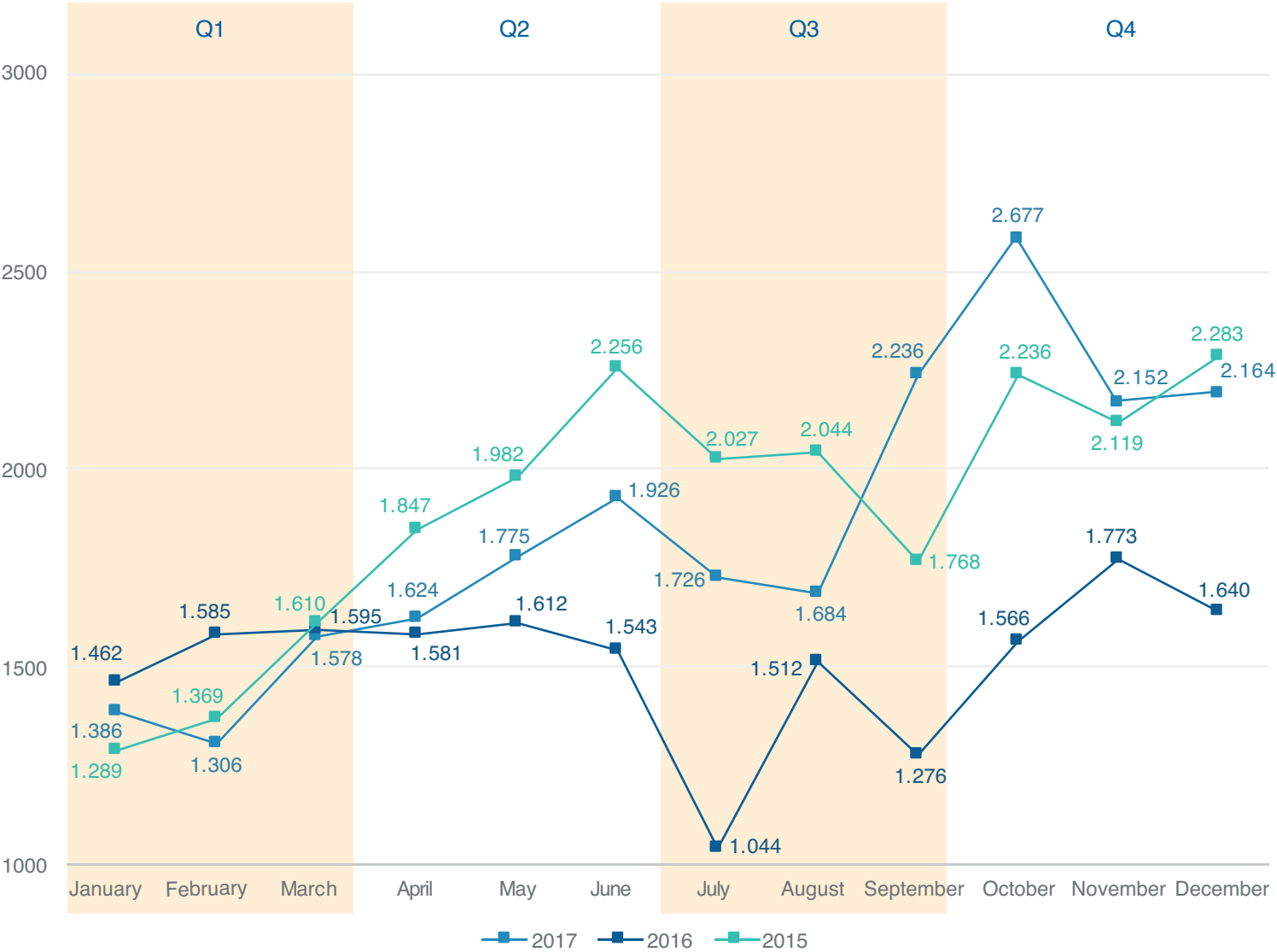


Source: Reidin



Source: Reidin

Number of House Sales to Foreigners in Turkey



Housing sales made to foreigners increased by 22.2% compared to the previous year and reached 22.234 units.

Source: Turkish Statical Institute

Top 10 Cities Preferred by Foreigners for Housing Purchase



In 2017, Istanbul became the most preferred city for foreigners in real estate investments. Sales in Istanbul showed an increase of 19% on the basis of area and 32% on the basis of individuals compared to the previous year.

Q4'17				Q4'16	
Ç4'17 Ranking (Ç4'16 Ranking)	(End of the Year) First 10 Cities	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions
1 (2) ↑	Istanbul	806.367	8.611	679.400	6.534
2 (3) ↑	Antalya	783.693	6.090	482.483	5.210
3 (1) ↓	Muğla	574.888	1.323	1.051.566	2.695
4 (6) ↑	Sakarya	329.903	797	216.483	617
5 (4) ↓	Bursa	304.784	1.793	410.930	1.382
6 (7) ↑	Kocaeli	267.108	429	202.693	343
7 (5) ↓	Yalova	235.864	1.357	299.333	1.018
8 (10) ↑	Aydın	216.059	1.187	150.794	1.316
9 (-)	Şırnak	214.320	5	0	0
10 (8) ↓	Samsun	177.831	523	182.248	281
- (9)	Hatay	46.084	29	151.760	15
	Other	1.743.049	4.806	1.090.973	3.568
	Total	5.699.950	26.950	4.918.664	22.979

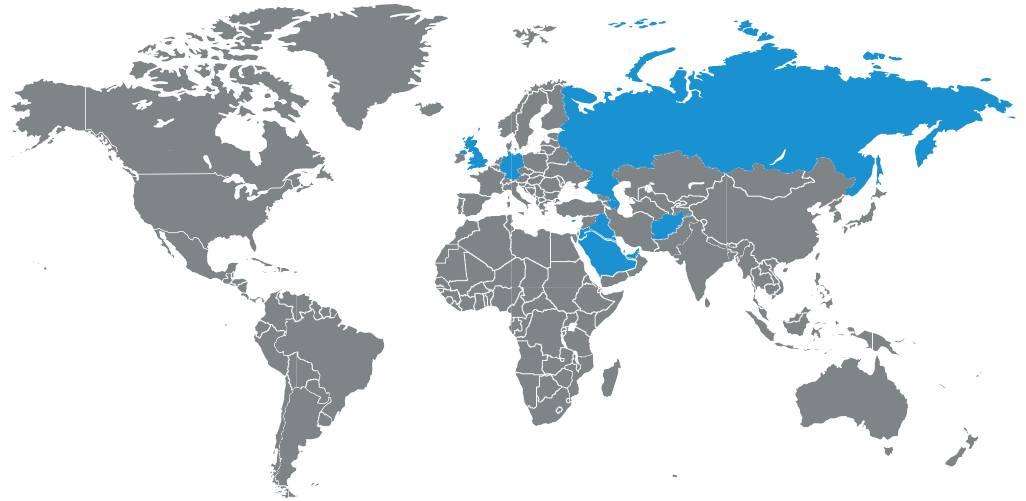
Source: General Directorate of Land Registers Department of Foreign Affairs

*Figures include all real estate sales and their transactions.

Top Ten Countries Preferring to Purchase Housing from Turkey

All kinds of foreign real estate investments made by foreigners in Turkey increased by 15.9% in 2017 on area basis, compared to the previous year and 17.1% on the basis of transaction number.

In 2017, real estate investments made by citizens of Germany increased by more than 100% compared to the year 2016 and by 26% on the basis of individuals.



Ç4'17 Ranking (Ç4'16 Ranking)	(End of the Year) First 10 Countries Citizen	Q4'17		Q4'16	
		Surface Area per Total Stock (thousand m²)	Total Number of Transactions	Surface Area per Total Stock (thousand m²)	Total Number of Transactions
1 (4) ↑	Germany	1.060.587	1.627	365.985	1.288
2 (1) ↓	Saudi Arabia	597.567	2.351	703.657	1.741
3 (6) ↑	Iraq	435.838	4.341	227.784	3.308
4 (3) ↓	Kuwait	400.635	1.771	448.109	1.689
5 (2) ↓	England	278.060	1.465	494.966	2.247
6 (9) ↑	TRNC	256.588	111	157.656	164
7 (5) ↓	Azerbaijan	231.525	867	268.899	656
8 (-)	Jordan	186.575	579	83.578	317
9 (7) ↓	Russian Federation	186.066	1.686	175.829	1.340
10 (-)	United Arab Emirates	147.922	387	116.026	212
- (8)	Lebanon	30.991	202	172.655	181
- (10)	Afghanistan	106.709	1.620	129.908	1.396
	Other	1.780.886	9.824	1.573.613	8.367
	Total	5.699.950	26.831	4.918.664	22.906
	Gulf Countries	1.796.136	10.351	1.797.862	8.081
	Ratio of Gulf Countries in Total Investments	32%	39%	37%	35%

Source: General Directorate of Land Registers Department of Foreign Affairs

*Figures include all real estate sales and their transactions.



HOUSING LOANS

Uptrend of interest rates increased the share of Public Banks in housing loans

The amount of new housing loans used increased by 24% in the third quarter of 2017 compared to the same period of the previous year and reached 16.3 billion TL. However, the amount of “new housing loans used”, which was 18.8 billion TL in the first quarter of 2017 and 17.8 billion TL in the second quarter, continued to fall in the third quarter of 2017. The average loan amount in the third quarter of 2017 increased by 15.2% compared to the same period of previous year and reached 132.000 TL. The decline in housing loan interest rates continued from the second quarter of 2016 to the end of the first quarter of 2017. As of December 2017, the monthly interest rate on housing loans was 1.08% and the annual compound interest rate was 13.78%.

The rising resource cost due to the deterioration of credit deposit ratios in banks has put pressure on mortgage loans interest rates, and since the second quarter

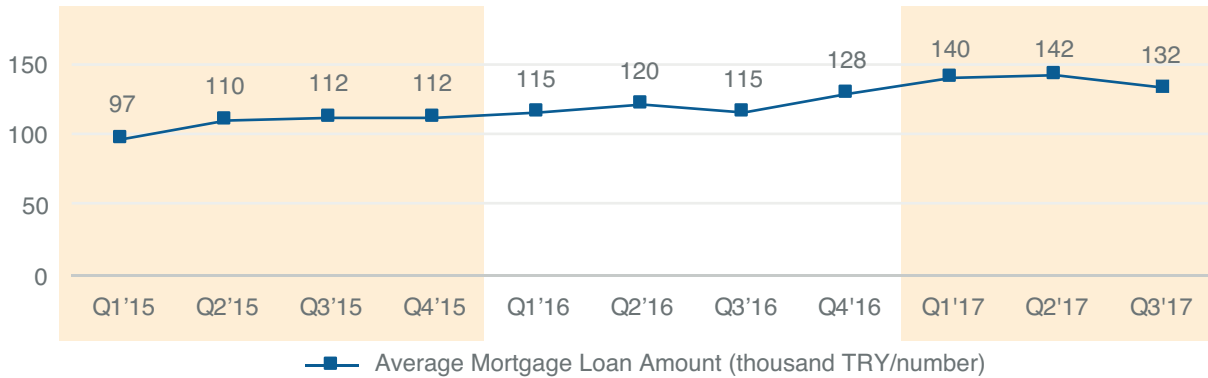
of 2017, the rising trend of interest rates has been continuing. However, as a reflection of the competitive pricing policies of the Public Banks, the share of public banks in housing loans was 35.25% in the third quarter of 2016 and rose to 43% in the third quarter of 2017.

The total volume of housing loans as of the third quarter of 2017 exceeded 186 billion TL. The share of housing loans in individual loans (*) increased by 25.6% both compared to the same period of the previous year and the previous quarter, the ratio of nonperforming housing loans to total housing loans was 0.44% as of the third quarter of 2017 and fell down by 20% compared to the same period of the previous year. The downward trend in the ratio of nonperforming housing loans to total housing loans has been continuing since the third quarter of 2016.

(*)Deposit banks were taken into account.

Mortgage Extension

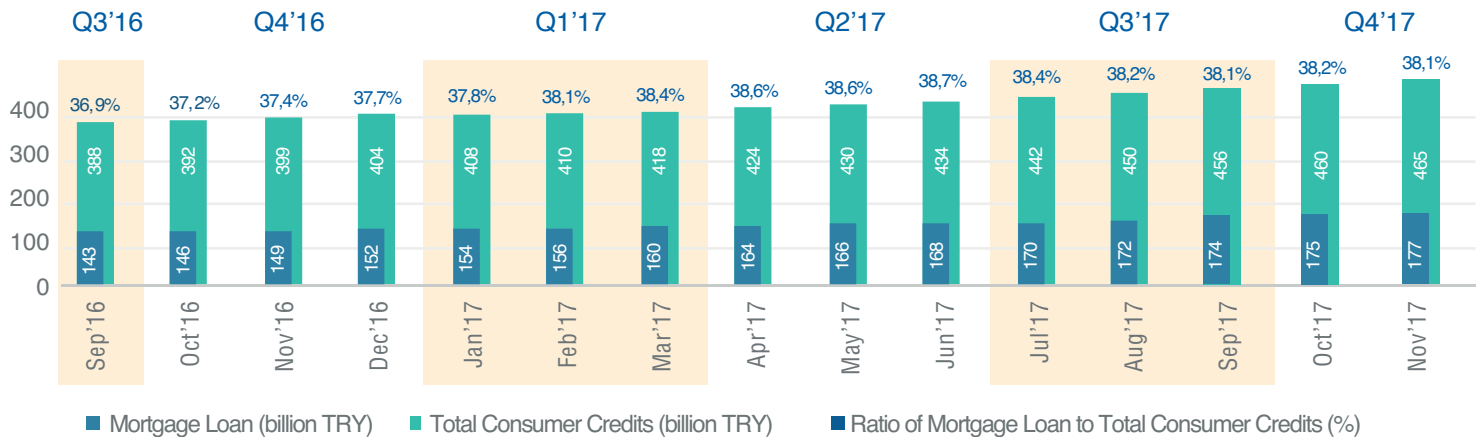
Period	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
Total Credit Extension (million TRY)	12.483	12.748	11.173	10.382	11.223	13.280	13.215	19.378	18.815	17.790	16.343
Credit Extension Figure (number)	129.040	116.023	100.141	92.963	98.016	110.918	115.179	151.019	134.212	125.085	123.674



The amount of new housing loans used in the third quarter increased by 24% compared to the same period of previous year and reached 16.3 billion TL. The average loan amount in the third quarter of 2017 increased by 15.2% compared to the same period of previous year and reached 132.000 TL.

Source: The Banks Association of Turkey

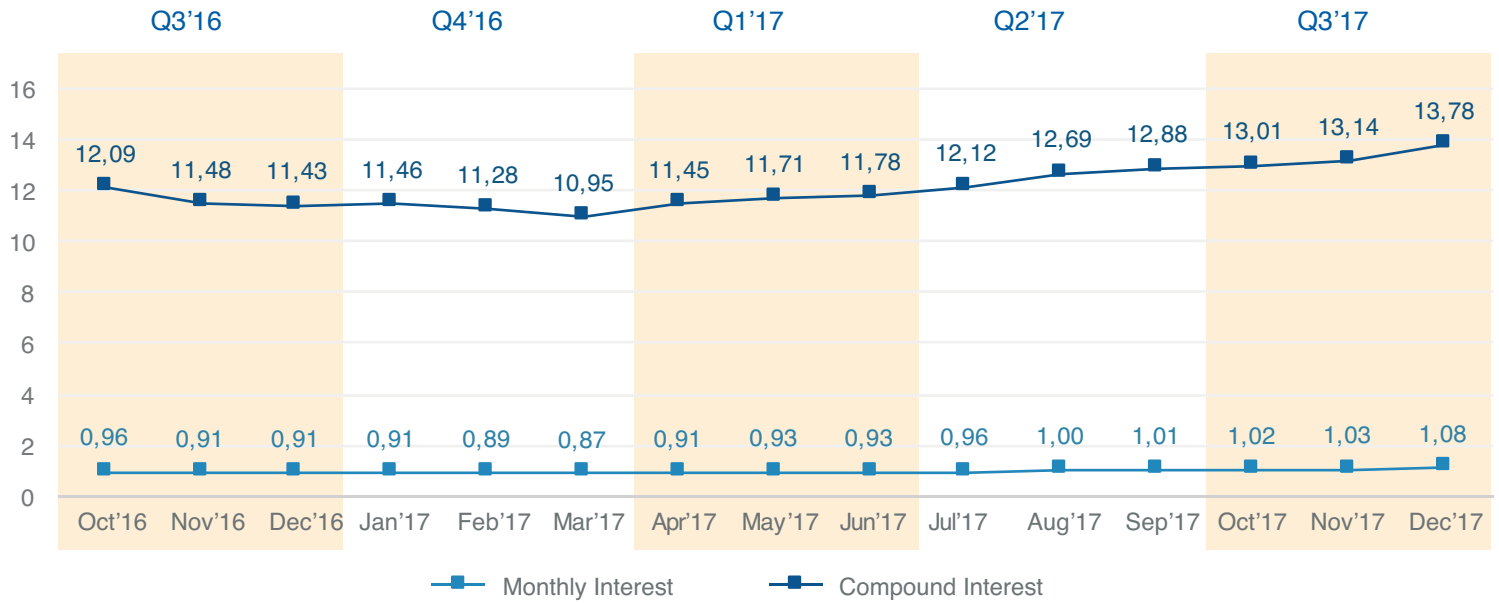
Mortgage Loan - Total Consumer Credits Comparison



The share of housing loans in individual loans increased by 38.1% compared to the same period of previous year.

Source: Central Bank of the Republic of Turkey

Mortgage Loan Interest Rate (%)



Housing loan interest rates have been on the rise since the second quarter of 2017. As of December 2017, the monthly interest rate on housing loans was 1.08% and the annual compound interest rate was 13.78%.

Source: Central Bank of the Republic of Turkey

Distribution of Mortgage Loan According to Banks

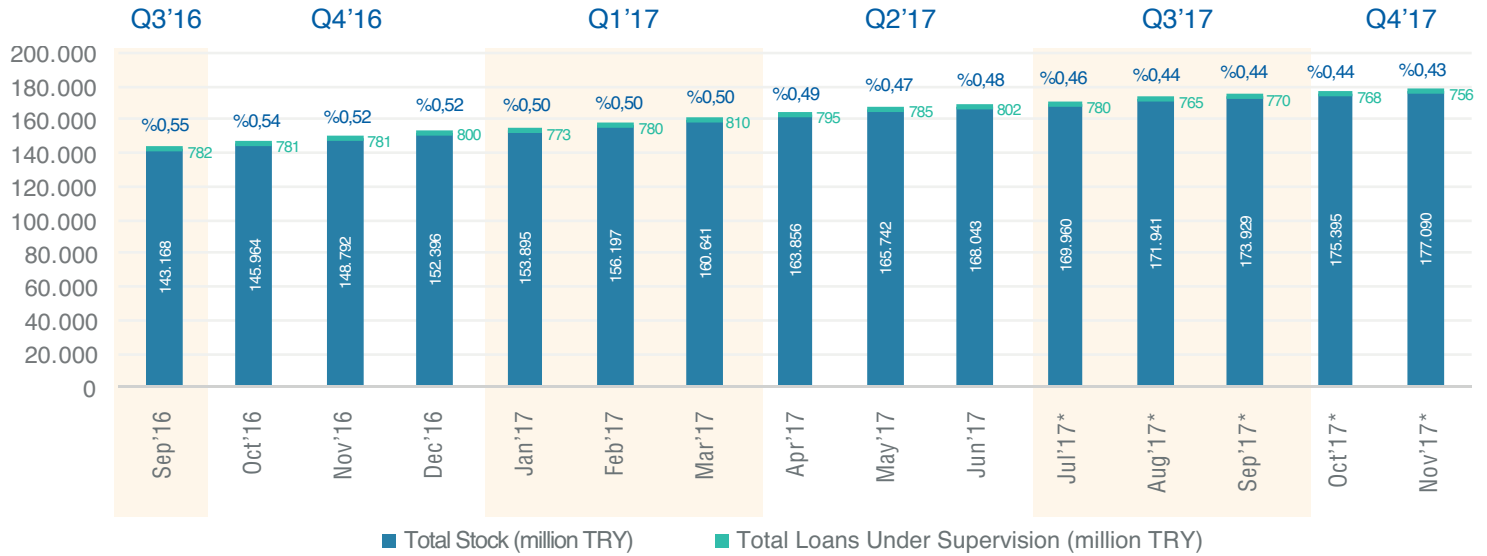
Distribution of Sector in General	Number of Banks	Sector Shares	Distribution of Mortgage Loan Volume (billion TRY)*
Total Banking Sector	50	%100	186.706
Total Deposit Banks	32	%93	173.813
<i>Public Deposit Money Banks</i>	3	%43	79.700
<i>Private Deposit Banks</i>	9	%30	55.542
<i>Deposit Banks with Foreign Partners</i>	20	%21	38.570
Development and Investment Banks	13	%0	0
Participation Banks	5	%7	12.893

Source: BDDK

*The recently announced data are those of the BDDK's data of September 2017 (Q3'17).

The total volume of housing loans exceeded 186 billion TL as of the third quarter of the year.

Mortgage Loan Stock and Non-performing Loan*



The amount of nonperforming loans and its share total housing loans was 0.44% as of the third quarter of 2017, decreasing by 20% compared to the same period of the previous year.

Source: Central Bank of the Republic of Turkey
 **Banking Regulation and Supervision Agency's data taken into account for July-November 2017 figures.
 *Only Deposit Banks are taking part.



OFFICE

Office market will be in favor of the leaseholder in the short and medium term

Turkey's economy grew by 11.1% in the third quarter of 2017 compared to the same period of previous year and as of December 2017, the real sector confidence index was recorded as 106.26, consumer confidence index as 65.10. Although these results provide an optimistic atmosphere in terms of leasing activities and office investment transactions, high inflation where CPI reached 11.2% as per October 2017 data, unemployment rate of 10.2% and fluctuations in exchange rates continue to remain as risks affecting negatively the primary rent levels in the office market; however, primary rent levels continue to increase on Turkish Lira basis.

In the 4th quarter of 2017, a total of 331.616 m² of new office space was completed and entered the market and the total supply rose to 5.79 million m² as of the year.

The leasing realized in the last quarter was 74.052 m², and the total lease of 2017 increased to 300.651 m². This transaction capacity decreased by 13% compared to the same period of the previous year and a 68% increase was observed over the previous year's total transaction. 54% of the agreements on a square meter basis were realized at the Anatolian side, 40% at the CBD and 6% at the European side, outside the CBD.

Office vacancy rate in the fourth quarter of 2017 was realized as 24.03%. Due to the rapid supply increase and high vacancy rate, it is expected that the primary and secondary rental levels will become even more flexible in parallel with the exchange rate fluctuations. Accordingly, it is foreseen that the office market will be in favor of the leaseholders in short and medium term.

Istanbul Office Market by Regions

	Q4'16			Q3'17			Q4'17		
European Side	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)
Levent - Etiler	757	17,6	41	782	16,8	40	849	22,4	35
Maslak	838	23,3	28	827	17,4	28	838	20,7	28
Z.Kuyu - Şişli Line (Z.kuyu - Gayrettepe- Esentepe - Mecidiyeköy - Şişli)	405	25,1	27	440	23,0	23	451	22,4	22
Taksim and surrounding area (Taksim - Elmadağ - Bomonti - Piyalepaşa)	139	13,2	20	139	22,8	17	148	27,9	17
Kağıthane	253	52,7	16	259	34,5	15	259	26,2	15
Beşiktaş (Nişantaşı - Akaretler - Barbaros - Maçka - Teşvikiye)	102	12,5	22	102	23,5	20	102	20,5	17
Western Istanbul (Güneşli - Yenibosna - Bakırköy - İkitelli)	806	20,0	14	814	6,2	12	814	6,2	11
Anatolian Side	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)
Kavacık	121	6,1	17	131	18,4	17	131	19,0	16
Ümraniye	646	22,3	21	694	14,1	21	716	14,1	20
Altunizade	59	2,2	23	59	1,0	23	59	1,0	20
Kozyatağı (İçerenköy - Göztepe - Ataşehir)	463	43,0	26	564	40,9	24	689	41,8	25
Eastern Istanbul (Küçükyalı - Maltepe - Kartal - Pendik)	439	22,0	12	437	18,7	12	437	17,8	12

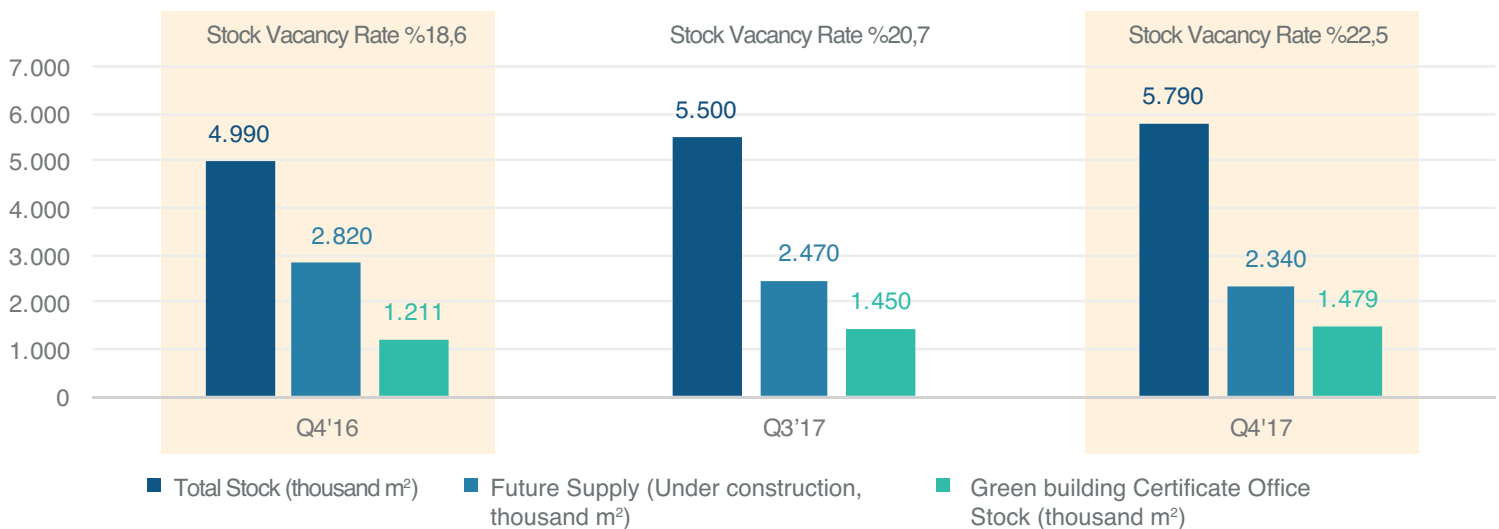
In the 4th quarter of 2017, a total of 331.616 m² of new office space was completed and entered the market and the total supply rose to 5.79 million m² as of the year end. The total leasing transaction of 2017 increased by 68% compared to the annual total transaction of the previous year and reached 300.651 m².

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



Leasing	Q4'16	Q3'17	Q4'17
Total Occurring Take-up Transactions (thousand m ²)	54,00	84,90	74,00
Prime Rent (USD/m ² /month)	41	40	35
Prime Yield (%)	7,15	7,25	7,25

The total leasing transaction in the 4th quarter of the year was 74.052 m².
The vacancy rate was 24.03% in total.





SHOPPING MALLS

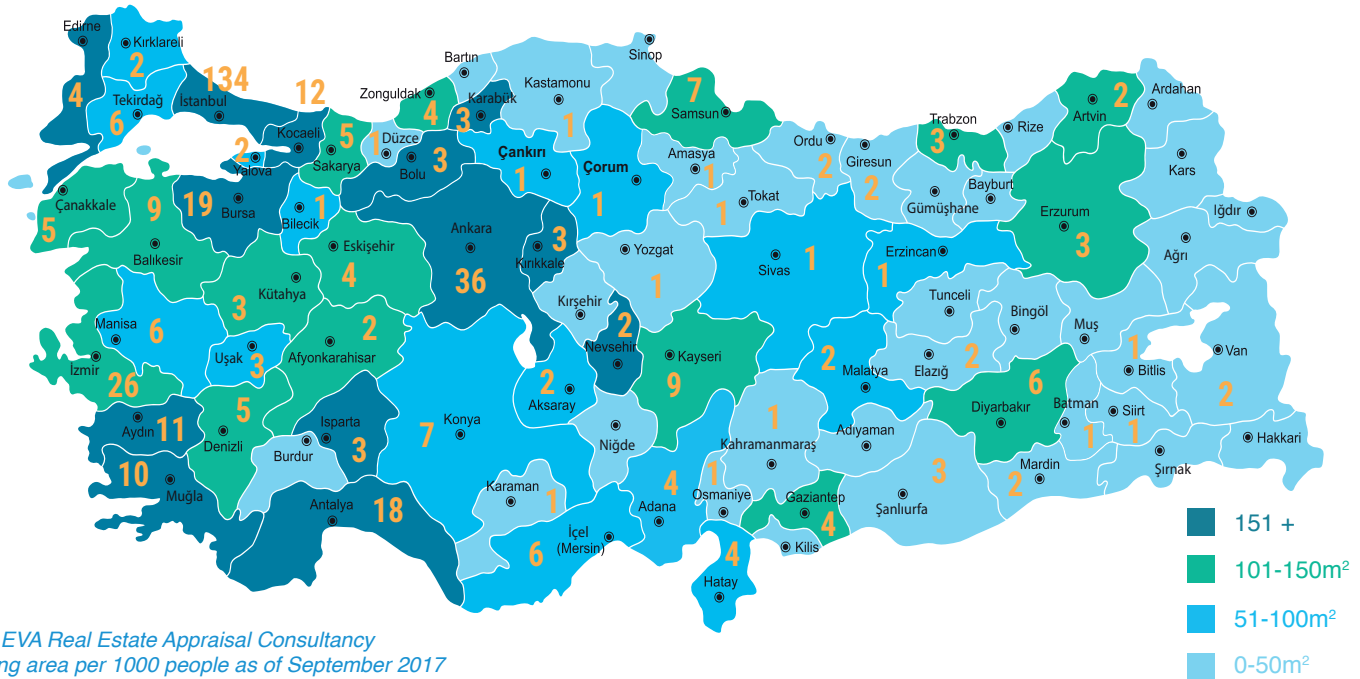
The increase in leasable area foreseen for the upcoming period can be at risk

The total number of shopping malls in overall Turkey as of the end of 2016 was 390 and reached 429 at 2017 end. The cities having the most shopping centers are respectively; Istanbul with 124, Ankara with 36 and İzmir with 26. The total leasable stock is 12 million 611.156 m². Istanbul constitutes approximately 38% of the total leasable area stock. In Turkey, the average leasable area per 1.000 people is 158 m².

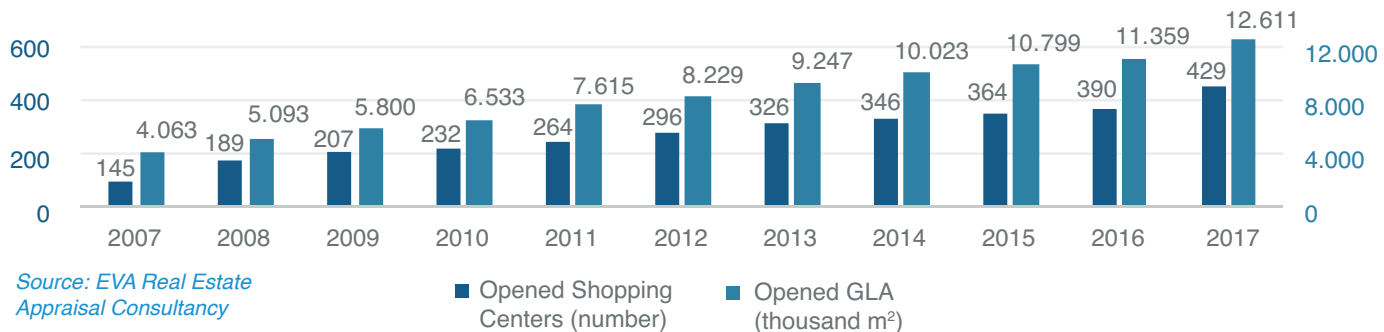
The total leasable area stock, which is approximately 12 million 600 thousand m² at the end of the year, is expected to exceed 15 million m² in 2018. However, since only the 39 out of 57 shopping malls, which were declared to be opened in 2017, were opened, the expected leasable area could not be realized due to various reasons such as delayed openings, troubles in construction process or loss of functions.

Growth of Shopping Mall in Turkey

GLA* Volume and Number of Shopping Malls according to Cities



Shopping Malls Opened by Years and GLA



As of the end of 2017, the total number of shopping malls in Turkey reached 429 and the total leasable area stock reached 12 million 611.156 m². Istanbul constitutes approximately 38% of the total leasable area stock. In overall Turkey, the average leasable area per 1.000 people is 158 m².

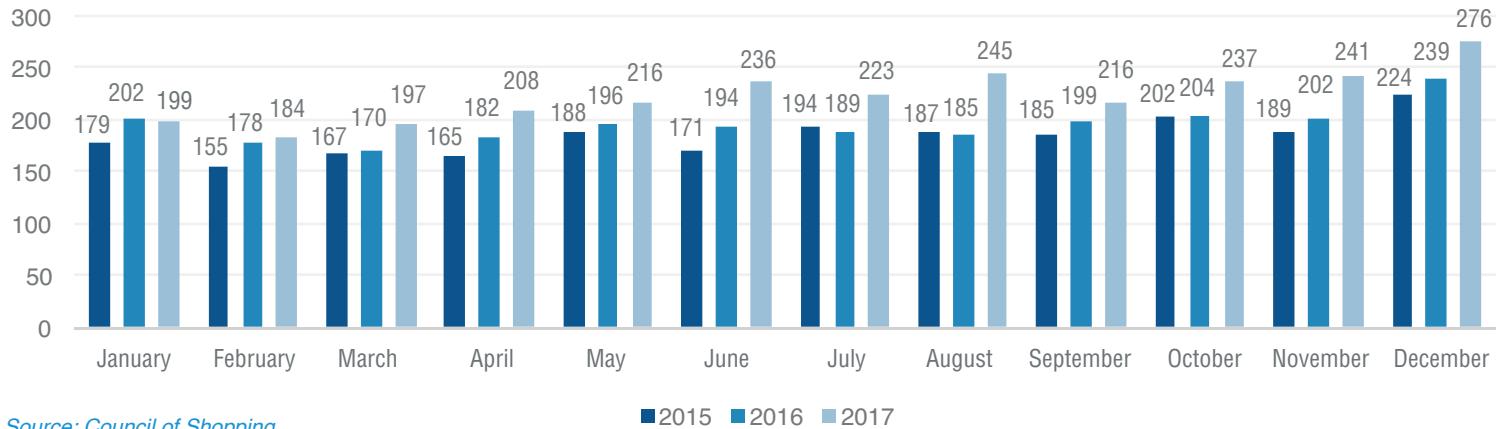
Shopping Centers That Have Lost Their Functions

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		

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

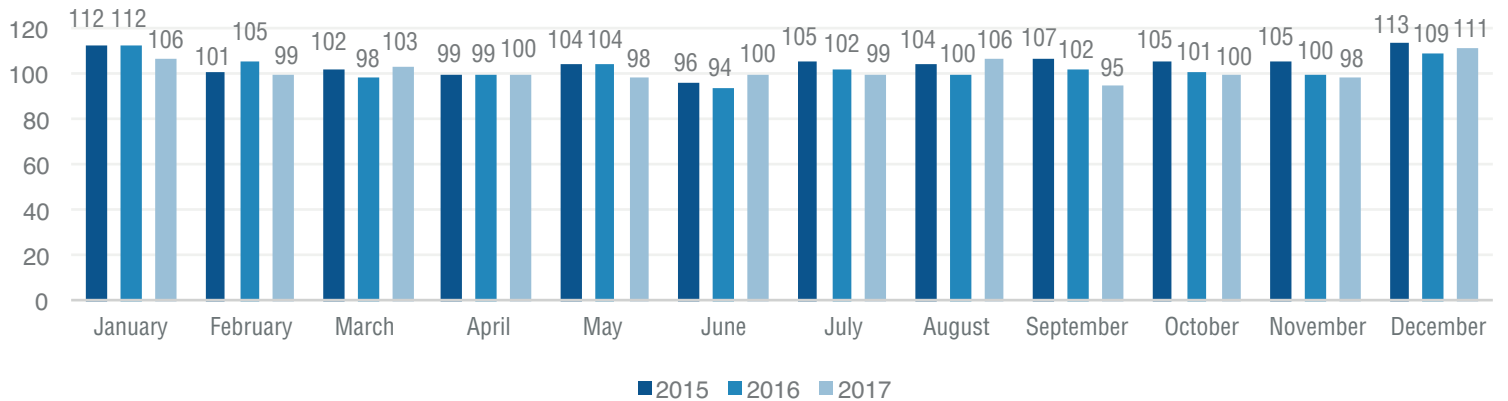
Source: EVA Real Estate Appraisal Consultancy
Shopping Mall Definition: leasable area above 5,000 m², at least 15 independent sections, organized shopping areas creating synergy by centralized or joint management mentality.

Revenue Index Turkey in General



Turnover Index reached 276 points in December 2017, compared to the same period of the previous year with 15.5% increase, when examined without making adjustment for inflation.

Number of Visitors Index



When December 2017 data are compared with the same period of the previous year, there was a 1.8% increase in the Number of Visitors Index.



TOURISM AND HOTEL

Number of tourists increased by 20% compared to the previous year, spending per person decreased

During January-November 2017, 31% of foreign tourists coming to Turkey at a total of 30.7 million came to Istanbul, 31% to Antalya and 7% to Muğla. These three cities were followed by İzmir and Ankara with 1%. It is observed that the number of tourists increased by more than 20% compared to 2016. The reason is that the external relations with Russia that were ruined in 2016 were recovered in 2017, and because of the decrease in terrorist acts. If a general evaluation is made, it can be said that the number of tourists in 2017 is higher compared to 2016 and that Turkey is recovering in terms of tourism.

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

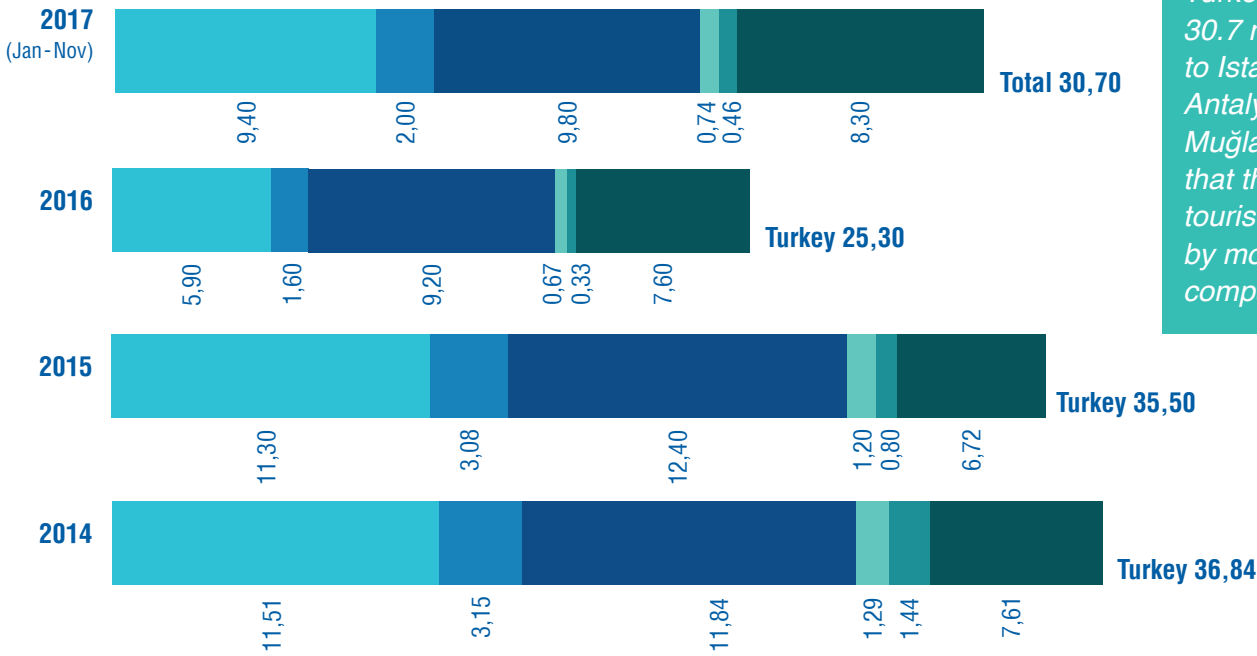
In 2016 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 41%. The city with the highest occupancy rate was Antalya with 46% followed by Muğla and İstanbul with 41.8% and 41.6%. Bed occupancy rates of İzmir and Ankara were nearly 40% and 31% respectively. According to the information obtained from STR, in the first half of 2017, the occupancy rates of the luxury segment hotels in İstanbul, Ankara and İzmir were 54.5%, 71.1% and 51.6% respectively.

In 2016, the occupancy rates and prices of hotels in Turkey and İstanbul dropped sharply due to the slowdown in overall tourism sector. Although there was no increase in falling prices in the first 11 months of 2017, there was an upswing in occupancy rates. This indicates that tourism, which is adversely affected by factors such as agenda, terrorist incidents and external relations, started to recover in 2017. In the first 11 months of 2017, the occupancy rates of the hotels in Turkey were 60.3% and 62.6% in İstanbul. During the same period, the average room price in Turkey was 67.62 EUR, while in İstanbul it was 76.89 EUR.

Spending made by the foreign tourists coming to Turkey for the first 9 months of 2017 per person is stated as 614 USD. Given that this figure was 633 USD in 2016, it is seen that there has been a decline in per capita spending in the last year. The reasons for this are the reduced prices due to the general slowdown in tourism and instabilities in USD/TL exchange rate.

Tourism and Hotel Performance

Total Number of Foreign Visitors (million people)



In the first 11 months of 2017, 32% of foreign tourists coming to Turkey at a total of 30.7 million came to Istanbul, 31% to Antalya and 7% to Muğla. It is observed that the number of tourists increased by more than 20% compared to 2016.

Source: STR Global

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

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.

Source: Republic of Turkey Ministry of Culture and Tourism

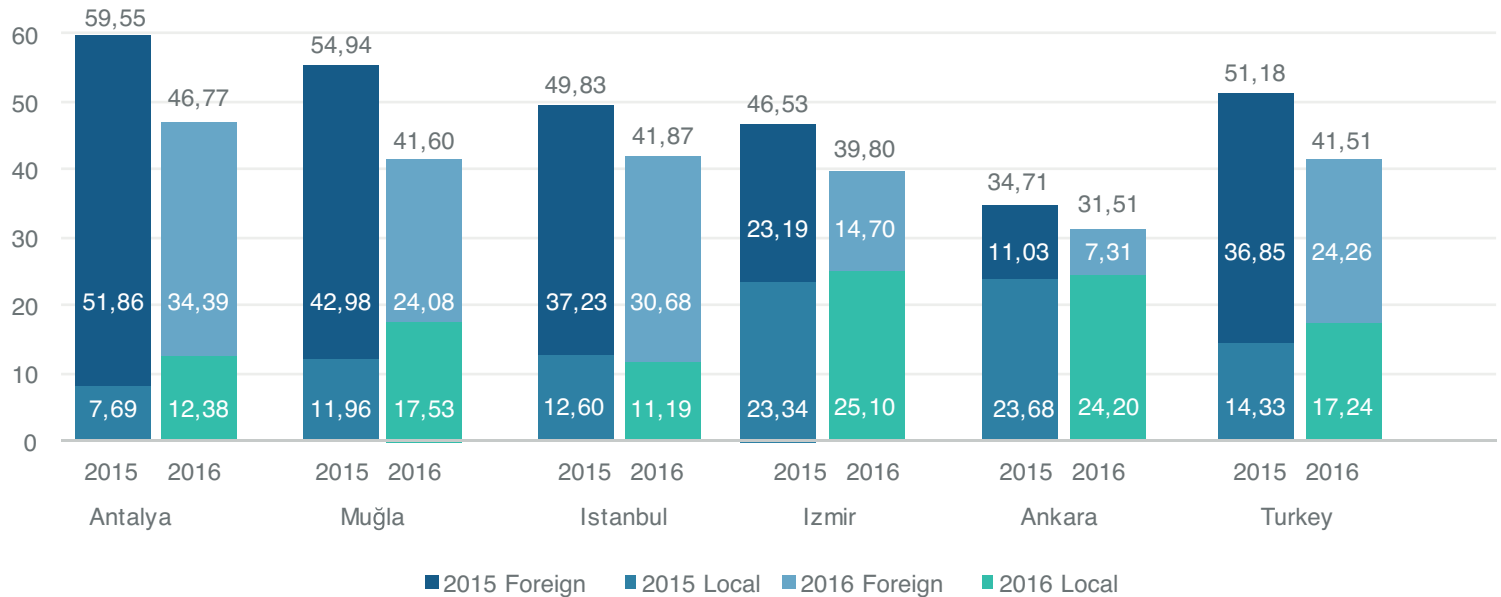
Spending made by the foreign tourists coming to Turkey for the first 9 months of 2017 per person was 614 USD. Given that this figure was 633 USD in 2016, it is seen that there has been a decline in per capita spending in the last year.

Total Tourists & Expenditures (2016)

	Total Foreign Tourist	Per Capita Expenditure (\$)		Total Foreign Tourist	Per Capita Expenditure (\$)		Total Foreign Tourist	Per Capita Expenditure (\$)		Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'14	3.632.382	877	Q1'15	3.814.817	884	Q1'16	2.880.256	717	Q1'17	3.772.293	637
Q2'14	7.534.385	759	Q2'15	6.662.817	691	Q2'16	3.809.413	602	Q2'17	7.675.032	570
Q3'14	10.438.971	712	Q3'15	9.893.997	670	Q3'16	5.887.775	622	Q3'17	13.770.308	634
Q4'14	6.172.289	867	Q4'15	5.067.284	737	Q4'16	3.413.938	626			
2014	27.778.026	775	2015	25.438.923	715	2016	15.991.381	633			

Kaynak: TÜİK

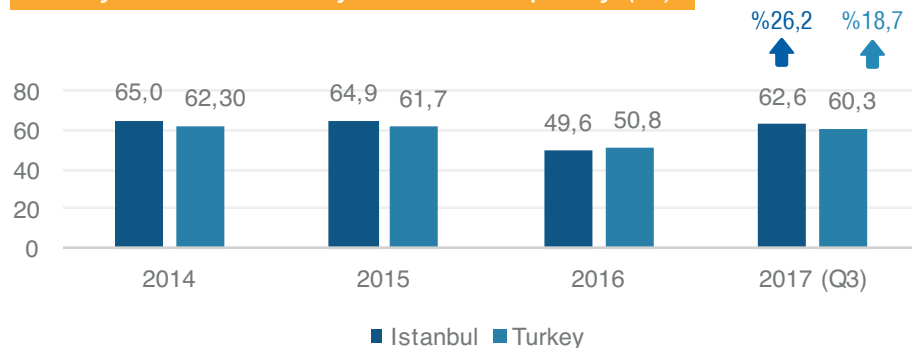
Hotel Occupancy Rate (%)* and Average Daily Rate (ADR)



In 2016 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 41.5%. The city with the highest occupancy rate was Antalya with 46% followed by Muğla and İstanbul with 41.8% and 41.6%.

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

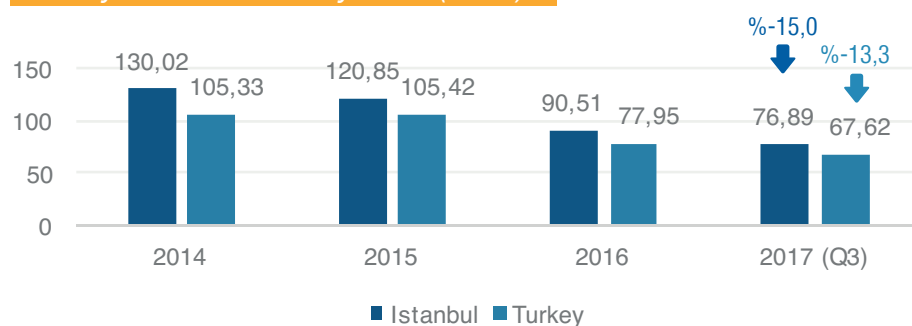
Turkey - İstanbul Yearly Room Occupancy (%)



Source: STR Global

While the occupancy rates of the hotels in Turkey were 60.3%, while in İstanbul it was 62.6%. During the same period, the average room price in Turkey was 67.62 EUR, while in İstanbul it was 76.89 EUR.

Turkey - İstanbul Yearly ADR (EUR)



Source: STR Global



LOGISTICS

With changing demands, the attraction of developing submarkets for new investments is increasing

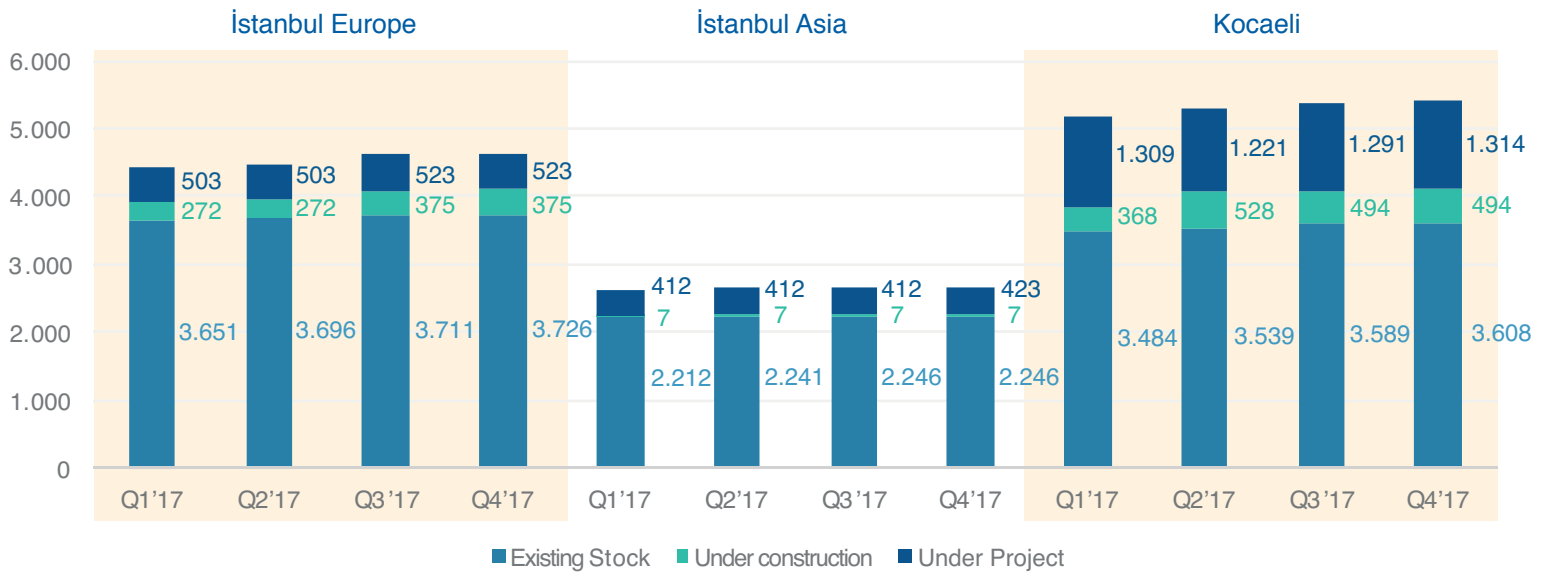
When we look at the indicators of Istanbul-Kocaeli Region, which is the primary logistics market of Turkey, it is seen that as of the end of 2017 the leasing transaction increased by 73% compared to the same period of the previous year. The increase in the transaction volume stems from the fact that transaction volume notably contracted in the market due to economic and political developments in 2016 and the postponed transactions in 2016 were realized in the first months of 2017. Although the second half of the year seems stable, it can be said that there is a substantial recovery in the market, considering the volume of transactions that exceeded 640.000 sqm, and that reached the level of the previous years. According to the current data, there is a vacancy rate of 12.3% in warehouse stocks of approximately 9.6 million m², and the vacancy rate remained at the same level compared to the end of 2016, despite the new supply of 400,000 m² warehouses during one year. On the other hand, it is observed that the vacancy is primarily from class B buildings. Although the volume of the projects under construction is decreasing, there is a warehouse project of 2.1 million m² being planned.

Companies are tending towards the most appropriate and efficient warehouse solutions by analyzing in much more detail their medium-long term growth targets under the current market conditions. In this context, the most important criteria for new warehouse investments are

assessed as the optimum warehouse size and efficient utilization areas as well as the location and technical features that will facilitate the operation. On the other hand, technological solutions developed for e-commerce and the same day delivery requirement of it bring along a minimum of 12-13 meters of standard warehouse required in the market in parallel with international standards, in addition to the demand reaching 20-30 meters in height for warehouses with automation. Since the buildings existing in the current market are limited for the new investments in line with these criteria, newly developing submarkets for investment continue to increase their attraction.

Tuzla-Gebze line at the Anatolian side, and Esenyurt-Hadımköy-Kıraç triangle at European side continued to be the main markets that are highly demanded in 2017. Alternative regions such as Yalova, Sakarya and Çatalca are the regions started to be preferred in terms of logistics and secondary markets such as Bilecik and Eskişehir are expected to come to the forefront in the mid-term in terms of logistics with their developing rail transport infrastructure, investment conditions and socio-economic facilities. In Istanbul and Kocaeli, there is a growing need for various products such as warehouses, intermediate distribution and loading centers, which are suitable for urban logistics.

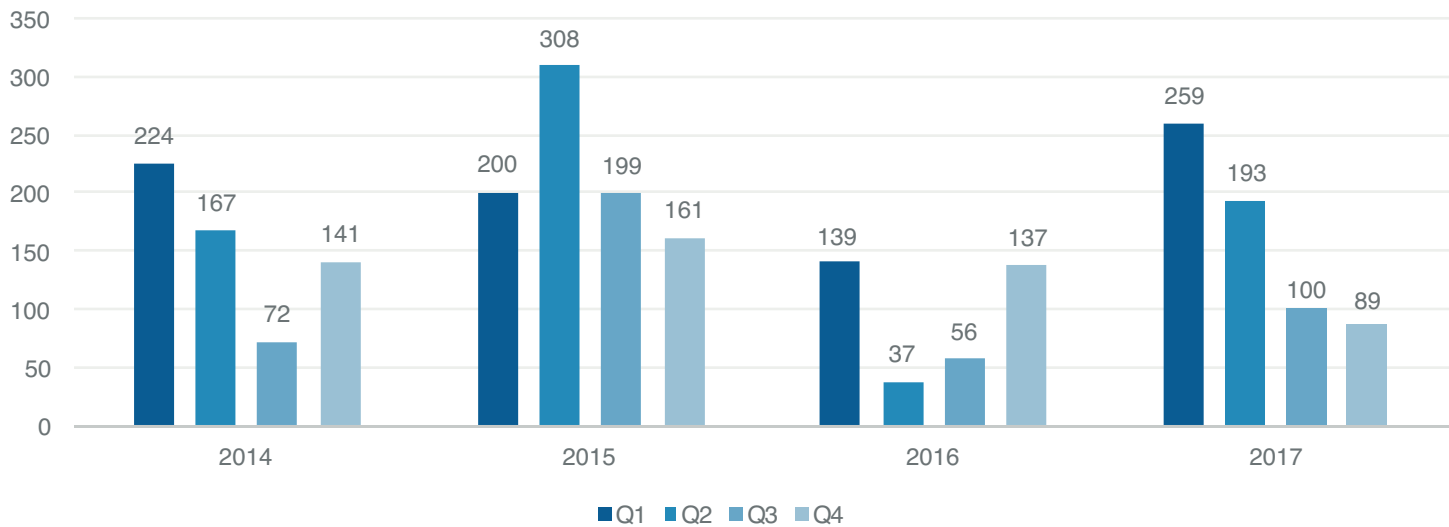
Logistics Total Area (A, B, C Class (thousand m²))



As of the end of 2017, the existing stock reached 9.6 million m². While the project stock reached 2.3 million m² with an increase of 1.5%, the stock under construction was stable with 876.814 m².

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

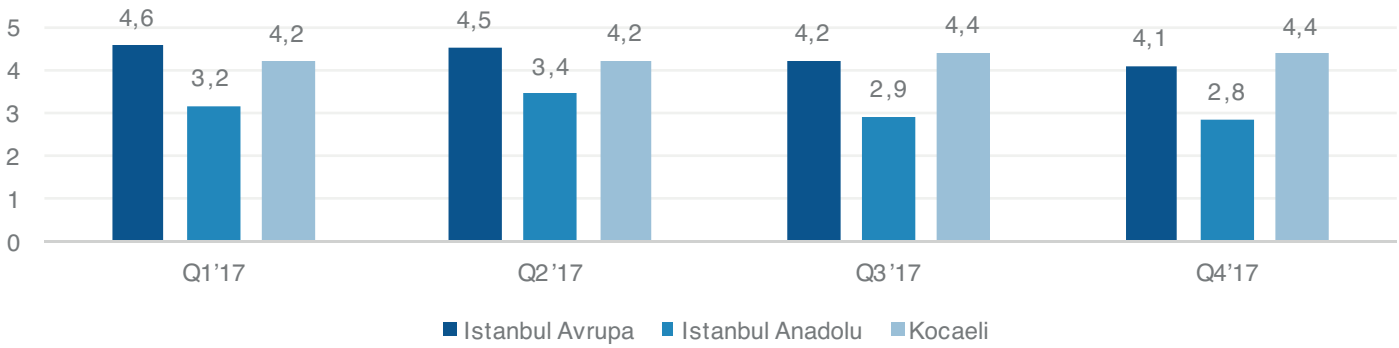
Total Leasing Transactions (thousand m²)



The leasing transaction volume increased by 73% in 2017 compared to the previous year and exceeded 640.000 m².

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

Free Space Ratio (%)



88.7% of the total stock is being utilized.

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



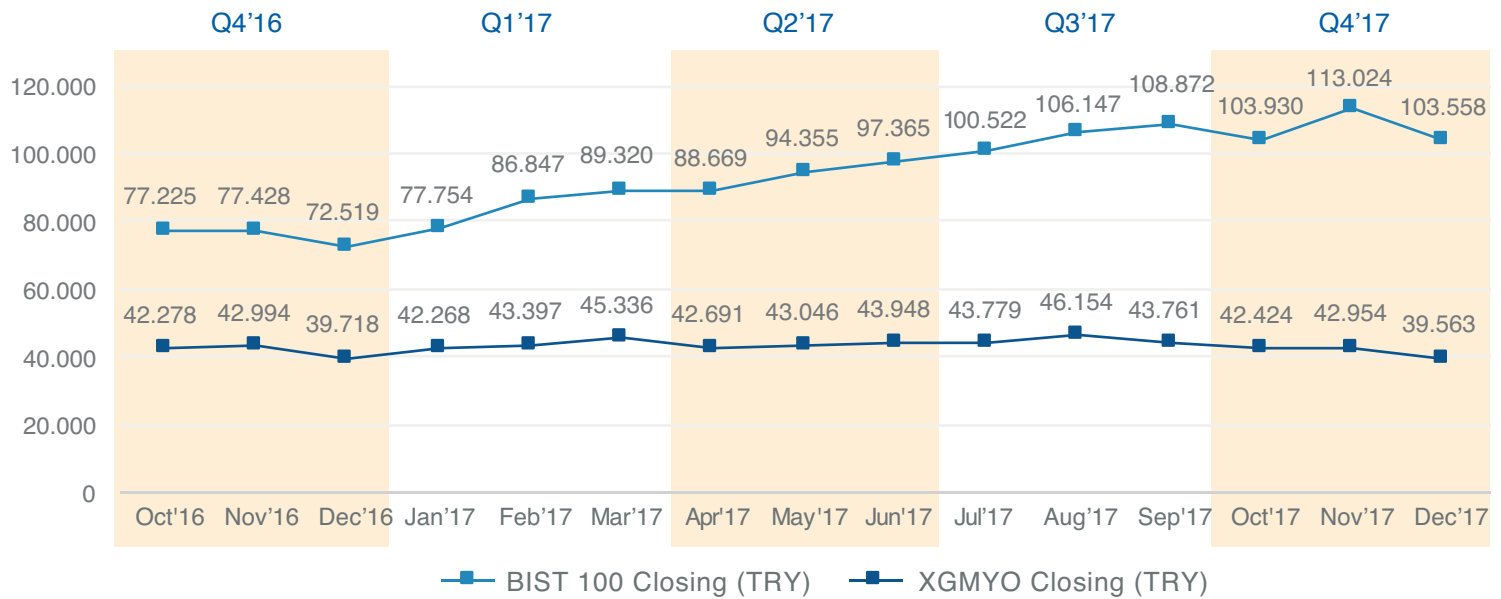
REIT's

BIST has risen, REIT Index has fallen

When the performance of the Istanbul Stock Exchange is examined, it is seen that it closed the year 2017 at 115.333. The REIT Index, unlike BIST, closed its course at 39.563 at the end of the quarter where it started at 42.000 at the beginning of the quarter. REIT Market value data were announced for the 3rd quarter. According to this, it showed a decrease compared to the same quarter

of previous year with the number of REIT as 31, Turkish Lira based value as 25.8 billion TL, and Dollar based value as 7.2 billion USD. In Expectation and Confidence indices; the Expectation Index dropped to the level of 103.3 at the end of the quarter and the Confidence Index fell to 65.1 with a slight decline.

BIST REIT Index Performance*



Source: BIST

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

The REIT Index closed its course at 39.563 at the end of the year where it started at 42.000 at the beginning of 2017. The REIT Index at BIST opened from 77.000 at the beginning of the year and closed at 103.558 at the end of the year.

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	Q1'17	Q2'17	Q3'17
REIT Number	30	31	31	31	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	25.096	26.077	25.818
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	6.889	7.402	7.255

As of the third quarter of 2017, the REIT Market Value rose to TL 25.8 billion. Dollar-based value declined by \$ 7.2 billion compared to the same quarter last year.

Source: Capital Markets Board of Turkey

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

Q4 data not taken part in the report published by the CMB.

General Informations of REITs in Company Basis

	Name of Company	Total Assets (TL)	Market Value (TL)
1	AKFEN REIT	1.109.240.962	369.840.000
2	AKİŞ REIT	4.016.549.535	1.333.284.735
3	AKMERKEZ REIT	256.266.442	781.053.440
4	ALARKO REIT	746.843.734	460.114.301
5	ATA REIT	67.416.274	100.462.500
6	ATAKULE REIT	342.124.079	225.960.000
7	AVRASYA REIT	142.937.246	106.560.000
8	DENİZ REIT	209.896.989	142.500.000
9	DOĞUŞ REIT	1.111.916.148	976.102.891
10	EMLAK KONUT REIT	19.906.656.000	10.184.000.000
11	HALK REIT	1.969.067.691	811.800.000
12	İDEALİST REIT	8.257.857	22.700.000
13	İŞ REIT	5.211.075.666	1.251.837.500
14	KİLER REIT	1.895.011.718	528.240.000
15	KÖRFEZ REIT	111.967.390	117.480.000
16	MARTI REIT	498.474.969	69.300.000
17	MİSTRAL REIT	257.892.019	278.850.000
18	NUROL REIT	1.917.050.412	357.600.000
19	ÖZAK REIT	2.041.390.336	587.500.000
20	ÖZDERİCİ REIT	509.791.403	153.000.000
21	PANORA REIT	773.360.251	332.340.000
22	PERA REIT	213.893.392	94.446.000
23	REYSAŞ REIT	1.619.480.515	354.240.001
24	SERVET REIT	339.122.830	165.880.000
25	SİNPAŞ REIT	2.017.134.826	438.000.000
26	TORUNLAR REIT	11.083.440.000	3.295.028.225
27	TSKB REIT	427.510.478	123.000.000
28	VAKIF REIT	1.067.325.806	595.950.000
29	YAPI KREDİ KORAY REIT	78.875.867	85.200.000
30	YENİ GİMAT REIT	1.871.312.180	1.310.668.800
31	YEŞİL REIT	2.023.546.769	164.580.994
	TOTAL	63.844.829.784	25.817.519.387

Source: Capital Markets Board of Turkey, 2017, Q3'17

NOTES

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With the Contributions of



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