REAL ESTATE RESEARCH REPORT - 3

PROGNOSES FOR THE *REAL ESTATE* SECTOR AND CITIES 2015

[ANKARA • İZMİR • BURSA • ADANA • GAZİANTEP]

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INTRODUCTION

The real estate sector in Turkey has entered a new phase of development. The sector, now listed among developing markets in the international arena, encompasses not only the residential but also the commercial real estate markets.

Economic improvement and stability along with the EU adaptation process have enhanced the institutionalization of the real estate sector, while the inception of the housing finance system accelerated the sector. The increasing interest and investments of foreign capital is also leading to the improvement of quality and standards in the sector. These developments which started in Istanbul and other major cities are now extending to smaller cities of Turkey.

"Prognoses for The Real Estate Sector and Cities 2015" study is prepared to anticipate and effectively manage the future stages of the development process in the real estate sector. The study includes the cities of Ankara, İzmir, Bursa, Adana and Gaziantep.

This study will deliver presumptions about the qualitative and quantitative developments in the real estate sector in these five cities until the year 2015.

The study includes an evaluation of residential, retail and shopping centers, tourism establishments, industrial and logistics sub-markets and projections are made until 2015.

We hope that the "Prognoses for The Real Estate Sector and Cities 2015" study will be beneficial for all players in the sector and will contribute to the institutionalization of the real estate sector.

Dr. Can Fuat Gürlesel

President, Institute for Strategic Studies
April 2007

METHODOLOGY OF THE STUDY

The "Prognoses for The Real Estate Sector and Cities 2015" study anticipates the developments in the real estate sectors of selected cities until 2015.

Past trends, past and current statistical indicators and assumptions pertaining to the upcoming years are used in making prognoses for the future.

The continuation of the improvement and normalization of Turkey's economy and macro balances, the continued stability in macro balances, financial indicators as well as in domestic and international political environment, are the basic assumptions used in the prognoses of this study.

Projections related to economic growth indicators are made in fixed prices in this study covering five cities, as in the previous study we made for Istanbul. Therefore, protection is provided against deviations which may arise from price and exchange rate fluctuations. All projections of this nature are given in fixed prices. In this framework, five percent economic growth per annum in fixed prices is a major and determining assumption.

Demographic assumptions constitute another important assumption used in the study. Demography and population trends of all cities are determined in light of the demography and population trends in Turkey, and forecasts are made for indicators such as the population growth rate, net migration, total population, urbanization rate, urban population, household sizes and the number of urban households.

The physical and legal conditions of the housing supply, the home ownership of households, housing trends, factors that affect the housing demand, the potential of households to benefit from the housing finance system, population and economic improvements are evaluated to make projections related to the housing markets of the real estate sector in cities.

The current situation is assessed and trends are determined regarding commercial real estate markets which comprise shopping centers, tourism establishments as well as industrial and logistics areas. Projections are then made for personal incomes, private consumption expenditures, retail expenditures, expenditures in organized retail and for development expectations in the tourism sector as well as for industry and trade areas.

EXECUTIVE SUMMARY

The "Prognoses for The Real Estate Sector and Cities 2015" study presents the real estate sector and development projections in Ankara, İzmir, Bursa, Adana and Gaziantep under the following sub-titles: Housing Sector and Residential Markets, Retail Market and Shopping Centers, Tourism and Accommodation Establishments and Industrial and Logistics Areas.

ANKARA

Housing Sector and Residential Markets

Ankara's population reached 4.4 million in 2006, which represents a share of 6 percent of the total population of Turkey. The population growth rate of 1.57 percent in Ankara in 2006 exceeds the population growth rate in Turkey (1.28 percent). Ankara is subject to immigration activity to a large extent. 1.39 percent of the 1.57 percent population growth rate in Ankara in 2006 comes from the urban population growth rate, while the population growth emanating from immigration is 0.18 percent.

In 2006, the urbanization rate in Ankara is 89.1 percent, the urban population is 3.93 million, the size of the urban household is 3.50 persons and the number of urban households is 1.12 million.

The population growth rate in Ankara is foreseen to decrease to 1.45 percent in 2010 and to 1.35 percent in 2015, and the total population is predicted to be 4.7 million in 2010 and 5 million in 2015.

Ankara's urbanization rate is projected to be 90 percent in 2010 and 91 percent in 2015, while the size of the urban households is expected to decline to 3.40 persons in 2010 and to 3.25 persons in 2015. The number of urban households in Ankara will be 1.24 million in 2010 and 1.4 million in 2015.

As of 2006, Ankara has 1.316.605 housing units in urban areas, of which 132 thousand lack construction permits.

The housing need in Ankara for 2007-2015 is projected to be 431 thousand. 281 thousand of this housing need will arise from population growth, while 90 thousand from urban regeneration and 60 thousand from upgrade.

Pertaining to factors which affect the housing demand in Ankara; 319 thousand households in 2000 and 353 thousand households in 2005 are tenants; 264 thousand of the 1 million households own housing unit/units in addition to the one they reside in; the 7.080 dollars per capita income in 2006 is expected to rise to 8.105 dollars in 2010 and to 9.660 dollars in 2015.

The expansion of the housing sector in Ankara will continue for luxury and branded housing as well as for upper middle class housing. The utilization of the housing finance system will be important for middle class housing. (38.966 units of housing credit utilized in 2006). There are sufficient residential areas for expansion. A large number of public-social housing will be produced with urban regeneration and transformation projects.

Retail and Shopping Centers

Economic figures relevant to shopping centers are: Ankara has a gross product of 31.2 billion dollars in 2006; private expenditures are 22.2 billion dollars; the share of retail expenditures is 45 percent and retail expenditures are 10 billion dollars.

As of 2006, Ankara has 15 shopping centers with a gross leasable area (GLA) of 332.727 m2. The gross leasable area per 1000 persons is 75.5 m2. The annual potential retail expenditure per shopping center GLA is 30.054 dollars.

8 more shopping centers will be opened until the end of 2008. As of the end of 2008, the total shopping center GLA will be 707.062 m2 and the GLA per 1000 persons will be 155.6 m2.

Based on the scenarios of 200 and 250 m2 GLA per 1000 persons in Ankara in 2015, total shopping center GLA will reach 1 million and 1.25 million m2. According to these two different scenarios, an investment potential exists for shopping centers with a GLA of 300-500 thousand m2.

Tourism and Accommodation Establishments

Ankara, foreseen to transform in the EU process to a capital in EU standards, will need concept hotels (3-4 stars) endowed with business centers, boutique hotels emphasizing entertainment and relaxation (3-4 stars), multi-purpose (convention-exhibition-art activities) hotels (4-5 stars) until 2015.

Industrial and Logistics Areas

Industrial investments are predicted to expand and the need and demand for logistics areas in organized industry zones for distribution to industry areas and to Anatolia is foreseen to increase.

İZMİR

Housing Sector and Residential Markets

İzmir's population is 3.7 million in 2006, which represents a share of 5.08 percent of the total population of Turkey. The population growth rate of 1.67 percent in İzmir in 2006 exceeds the population growth rate in Turkey (1.28 percent). İzmir is subject to a high degree of migration activity. 1.20 percent of the 1.67 percent population growth rate in İzmir in 2006 comes from the growth of the urban population, while the population growth arising from immigration is 0.47 percent.

In 2006, the urbanization rate in İzmir is 82.2 percent, the urban population is 3.06 million, the size of the urban household is 3.36 persons and the number of urban households is 911 thousand.

The population growth rate in İzmir is projected to decline to 1.53 percent in 2010 and to 1.40 percent in 2015, and the total population is predicted to be 4 million in 2010 and 4.27 million in 2015.

İzmir's urbanization rate is projected to rise to 83 percent in 2010 and to 85 percent in 2015, while the urban household size is expected to decline to 3.30 persons in 2010 and to 3.25 persons in 2015. The number of urban households in İzmir will be 998 thousand in 2010 and 1.1 million in 2015.

İzmir has 1.031.901 housing units in urban areas as of 2006, of which 338 thousand do not have construction permits.

The housing need in İzmir for 2007-2015 is predicted to be 344 thousand. 204 thousand of this need will emanate from population growth, 90 thousand from urban regeneration and 50 thousand from the need to upgrade.

In relation to factors which affect the housing demand in İzmir; 250 and 265 thousand households are tenants, respectively in 2000 and in 2005; of the 922 thousand households 157 thousand own housing unit/units in addition to the one they reside in; the 7.647 dollars per capita income in 2006 is expected to reach 8.742 dollars in 2010 and 10.387 dollars in 2015.

In İzmir, the area behind Alsancak will develop as the third and new residential area. No residential development area exists in the city center. Comprehensive urban transformation and regeneration will be needed in the illegal settlements surrounding the periphery of the city. The housing need as well as the utilization of housing credits will be high.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: İzmir's 2006 gross product is 28.5 billion dollars; private expenditures are 20.3 billion dollars; the share of retail expenditures is 47 percent and retail expenditures are 9.5 billion dollars.

As of 2006, İzmir has 10 shopping centers with a gross leasable area of 195.287 m2. The GLA per 1000 persons is 52.4 m2. The annual potential retail expenditure per shopping center GLA is 48.646 dollars.

3 more shopping centers will be opened until the end of 2008. As of the end of 2008, the total shopping center GLA will be 233.787 m2 and the GLA per 1000 persons will be 61 m2.

Total shopping center GLA is projected to be 426.500 m2 and 639.750 m2 respectively, for the 100 and 150 m2 GLA per 1000 persons in İzmir in 2015 scenarios. According to these two different scenarios, an investment potential exists for shopping centers with a GLA of 190-400 thousand m2.

Tourism and Accommodation Establishments

There will be a need for multi-purpose hotels (4-5 stars) where convention-exhibition-art activities can be carried out, for golf, convention and geo-thermal establishments which will provide an all year round tourism activity in the Çeşme peninsula, declared as a tourism zone, in addition to the summer tourism, for deluxe-concept boutique hotels (3-4 stars) in the city center with a history-culture-religion-tourism emphasis and for establishments to provide entertainment to tourists incoming via sea transportation.

Industrial and Logistics Areas

There will be a high level of need for industrial areas to satisfy the large-scale domestic and international industrial investments. The need and demand for logistics areas will also increase, as İzmir constitutes one of the three major foreign trade gates.

BURSA
Housing Sector and Residential Markets

The population of Bursa in 2006 is 2.42 million, or 3.31 percent of the total population of Turkey. Bursa's population growth rate of 2.24 percent in 2006, by far exceeds the population growth rate in Turkey (1.28 percent). Bursa is a significant immigration magnet. 1.67 percent of the 2.24 percent population growth rate in Bursa in 2006 comes from the urban population growth rate, and 0.55 percent from immigration to the city.

Bursa has an urbanization rate of 79.2 percent in 2006, and the urban population is 1.92 million. The urban households have a size of 3.68 persons while the total number of urban households is 522 thousand.

The population growth rate in Bursa is foreseen to slow down to 2.08 percent in 2010 and to 1.90 percent in 2015. Total population therefore is expected to reach 2.64 million in 2010 and 2.91 million in 2015.

Bursa's urbanization rate is expected to rise to 80.5 percent in 2010 and to 82 percent in 2015, whereas the urban household size is foreseen to decline to 3.60 persons in 2010 and to 3.50 persons in 2015. The number of urban households in Bursa will therefore reach 591 thousand in 2010 and 682 thousand in 2015.

653.817 residential units exist in the urban areas of Bursa in 2006, and 254 thousand of these do not have construction permits.

The housing need in Bursa for 2007-2015 is projected to be 268 thousand. 160 thousand units will be needed as a result of population increase, while 90 thousand and 18 thousand will respectively be due to urban regeneration and upgrade.

When the factors which affect the housing demand in Bursa are analyzed, it is observed that 144 thousand households in 2000 and 147 thousand households in 2005 are tenants. The per capita income of 6.265 dollars in 2006 is estimated to be 7.005 dollars in 2010 and 8.142 dollars in 2015.

Bursa is expected to have a high need for housing for all income groups. Areas suitable for the production of housing units are very limited. There is an important backlog of housing demand.

Branded housing production will predominantly develop; however, there will also be a very high need for middle class housing. Extensive illegal settlements have led to a need for comprehensive urban regeneration.

Retail and Shopping Centers

Economic figures relevant to shopping centers are: The 2006 gross product is 15.2 billion dollars in Bursa; private expenditures are 10.8 billion dollars; the share of retail expenditures is 48 percent and retail expenditures are 5.2 billion dollars.

As of 2006, Bursa has 4 shopping centers with a gross leasable area of 92.404 m2. The GLA per 1000 persons is 38.1 m2. The annual potential retail expenditure per shopping center GLA is 56.275 dollars.

2 more shopping centers will be opened until the end of 2008, which will bring the total shopping center GLA up to 171.262 m2 and the GLA per 1000 persons to 68 m2.

Based on the 100 and 125 m2 GLA per 1000 persons in Bursa in 2015 scenarios, the total shopping center GLA is projected to be 291 thousand m2 and 364 thousand m2 respectively. These two different scenarios indicate the existence of an investment potential for shopping centers with a GLA of 120-190 thousand m2 in 2009-2015.

Tourism and Accommodation Establishments

There will be a need for new qualified accommodations (4-5 stars) for health tourism, concept and boutique city hotels (3-4 stars, deluxe) for history and culture tourism as well as accommodation establishments (3-4 stars) for alternative sports in Bursa until 2015.

Industrial and Logistics Areas

The need for industrial and especially logistics areas will rise, depending on Bursa's economic development within the Marmara metropolitan region and the role the city will assume. However, a major scarcity of such areas is expected. As a result, the values of the existing industrial areas within the Organized Industry Zones and of potential logistics areas will rise.

ADANA

Housing Sector and Residential Markets

Adana's population is 1.99 million in 2006, which represents 2.72 percent of Turkey's total population. The population growth rate of 1.22 percent in 2006 in Adana is below the population growth rate in Turkey (1.28 percent). Adana is a significant migration hub and is subject to a major emigration movement. Of the 1.22 percent population growth rate in Adana in 2006, 1.80 percent comes from the growth rate of urban population, while -0.58 percent arises from emigration from the city.

The urbanization rate in Adana in 2006 is 77.3 percent, and the urban population is 1.54 million. The urban households have a size of 4.37 persons while the total number of urban households is 352 thousand.

Adana's population growth rate is foreseen to decline to 1.09 percent in 2010 and to 1 percent in 2015, thus leading to a total population estimate of 2.09 million in 2010 and 2.2 million in 2015.

The urbanization rate in Adana is expected to rise to 78.8 percent in 2010 and to 80 percent in 2015, whereas the urban household size is foreseen to shrink to 4.25 persons in 2010 and to 4.10 persons in 2015. Adana's total number of urban households will therefore attain 379 thousand in 2010 and 428 thousand in 2015.

Adana has 478.150 residential units in the urban areas in 2006, and 238.469 of these do not have construction permits.

The housing need in Adana for 2007-2015 is foreseen to be 170 thousand, of which 75 thousand units will result from population increase, while 81 thousand from urban regeneration and 14 thousand from upgrade.

An evaluation of the factors affecting the housing demand in Adana portrays that 89 thousand households in 2000 and 91 thousand households in 2005 are tenants. Of the total 402 thousand households, 59 thousand own residential units other than the one they reside in. The per capita income of 6.071 dollars in 2006 is projected to be 7.050 dollars in 2010 and 8.565 dollars in 2015.

North Adana represents a planned and well-qualified 'new city' development axis. Housing is produced for the middle and middle-upper classes. There is an important influx in Adana from south to north, which shapes residential markets. A need for a large urban regeneration and middle class housing will exist in South Adana where illegal construction dominates.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: The 2006 gross product is 12.1 billion dollars in Adana; private expenditures are 8.6 billion dollars; the share of retail expenditures is 56 percent and retail expenditures are 4.4 billion dollars.

Adana has 3 shopping centers with a gross leasable area of 109.000 m2 as of 2006. The GLA per 1000 persons is 55 m2 and the annual potential retail expenditure per shopping center GLA is 40.367 dollars. 1 more shopping center is scheduled to open until the end of 2008, which will bring the total shopping center GLA up to 162.815 m2 and the GLA per 1000 persons to 80 m2.

Two different scenarios of 125 and 150 m2 GLA per 1000 persons in Adana in 2015 results in total shopping center GLA of 274.375 m2 and 329.250 m2 respectively. Accordingly, the shopping center investment potential in 2009-2015 is estimated at 110-160 thousand m2 GLA.

Tourism and Accommodation Establishments

The activities for the increasing globalization of Adana (Ceyhan region etc.) and the expansion of regional and international specialty exhibitions will create a need and demand for city center and business hotels (4-5 stars), an accommodation capacity in the Karataş-Yumurtalık region declared as a tourism zone for summer tourism (50 thousand beds), ski accommodation establishments, city center boutique hotels (3-4 stars) targeting religion tourism as well as multi-purpose tourism establishments.

Industrial and Logistics Areas

There will be a need and demand for refinery and petrochemicals industry areas in Ceyhan, for extensive warehousing and logistics areas around the Ceyhan port and its surroundings, for industrial areas close to the Yumurtalık free trade zone for the shipyards, for warehousing and industrial areas to accommodate Isdemir's projected expansion, for industrial areas in the organized specialty farming zone and for large logistics areas to suit the needs of a new metropolitan region (following Marmara).

GAZİANTEP

Housing Sector and Residential Markets

Gaziantep's population is 1.43 million in 2006, which constitutes 1.96 percent of Turkey's total population. The population growth rate in Gaziantep in 2006 is 1.92 percent, above the population growth rate in Turkey (1.28 percent). An immigration flow started towards Gaziantep. The growth rate of urban population in Gaziantep in 2006 is 1.63 percent within the total population growth rate of 1.92 percent, whereas the growth rate from immigration is 0.29 percent.

The urbanization rate in Gaziantep in 2006 is 81.2 percent, and the urban population is 1.16 million. The urban households have a size of 4.88 persons while the total number of urban households is 239 thousand.

The population growth rate in Gaziantep is projected to decline to 1.80 percent in 2010 and to 1.65 percent in 2015, thus leading to a total population estimate of 1.54 million in 2010 and 1.65 million in 2015.

Gaziantep's urbanization rate is expected to rise to 82 percent in 2010 and to 83 percent in 2015, whereas the urban household size is projected to decline to 4.76 persons in 2010 and to 4.60 persons in 2015. Gaziantep's total number of urban households will therefore reach 266 thousand in 2010 and 303 thousand in 2015.

296.021 residential units exist in the urban areas in Gaziantep in 2006, of which 171 thousand have been built without construction permits.

The housing need in Gaziantep for 2007-2015 is estimated to be 136 thousand, of which 64 thousand units will result from population increase, 63 thousand from urban regeneration and 9 thousand from upgrade.

Among factors which affect the housing demand in Gaziantep, 66 thousand households in 2000 and 67 thousand households in 2005 are tenants. 14 thousand, out of a total of 248 thousand households, own residential units other than the one they reside in. The per capita income of 4.393 dollars in 2006 is projected to be 4.929 dollars in 2010 and 5.875 dollars in 2015.

The demand for sound housing of good quality will rise, parallel to Gaziantep's economic and social development. The real housing demand will be for middle class housing, while the need will be for social housing in the context of urban regeneration and transformation projects.

Retail and Shopping Centers

Economic figures relevant to shopping centers are: The 2006 gross product in Gaziantep is 6.3 billion dollars; private expenditures are 4.5 billion dollars; the share of retail expenditures is 56 percent and retail expenditures are 2.5 billion dollars.

2 shopping centers with a gross leasable area of 59.710 m2 exist in Gaziantep as of 2006. The GLA per 1000 persons is 41.6 m2 and the annual potential retail expenditure per shopping center GLA is 41.870 dollars. 4 new shopping centers are scheduled to open until the end of 2008, which will raise the total shopping center GLA to 203.010 m2 and the GLA per 1000 persons to 136.4 m2.

Gaziantep's total shopping center GLA in 2015 is estimated as 239.475 m2 and 335.400 m2, according to two different scenarios assuming a GLA of 175 and 200 m2 per 1000 persons. Therefore, a shopping center investment potential of 90-125 thousand m2 in terms of GLA is foreseen in the years 2009-2015.

Tourism and Accommodation Establishments

Parallel to its economic and commercial development as well as cross-boundary functions, Gaziantep will have an increasing need for business hotels (3-4 stars), multi-purpose accommodation establishments; boutique hotels and concept city hotels for convention, regional exhibitions and business activities (4-5 stars) as well as for history and culture tourism (3-4 stars).

Industrial and Logistics Areas

A need and demand will prevail for industrial zones in existing and new Organized Industry Zones in line with industrial growth projections, for high technology production areas within the context of innovation valleys and brand named city projects, areas within techno parks, for commercial areas pertaining to the trade center project at the Syria border, for warehousing and logistics areas to become the distribution centers of Southeastern Anatolia and GAP, and for industrial zones within the organized stock industry zones as well as for new areas for the farming and agricultural industry.

Chapter I

ANKARA REAL ESTATE SECTOR AND PROGNOSES

I.I HOUSING SECTOR AND RESIDENTIAL MARKETS

The housing sector and residential markets take the first place in evaluating the real estate sector. Predictions are made for the housing sector and residential markets in order to anticipate the housing need in Ankara until 2015 and to identify the factors which affect the housing supply and demand. These factors are analyzed and evaluated in this chapter.

I.I.I Demography and Population Forecast

Demography and population changes are the primary determinants which affect the housing demand and supply. Therefore, developments and trends in demography and population in Ankara are evaluated first, and population projections are made according to these trends and assumptions used. In this framework, the population growth rate, the urban population growth rate, net migration, urbanization and population, household sizes and the number of households constitute major variables. Developments in and the forecast of Ankara's demography and population in terms of these variables are presented below.

Ankara is Turkey's capital and the second largest city. The evolution of Ankara's population is portrayed in Table.I below. Table.I displays year end population statistics according to the results of the population census made every five years. A population census did not take place in 1995. TSA (Turkish Statistical Institute)'s population forecast numbers (adjusted to reflect year end numbers) are used for the years 2005 and 2006.

Accordingly, Ankara's population has increased from 2.57 million in 1980 to 4 million in 2000 when the last population census took place and to 4.4 million as of the end of 2006. Ankara's share within the total population of Turkey is rising and has grown from 5.76 percent in 1980 to 6 percent in 2006.

TABLE.1 POPULATION OF ANKARA AND TURKEY

YEARS	ANKARA (000)	TÜRKEY (000)	ANKARA'S SHARE %
1980	2.576	44.737	5.76
1985	2.910	50.664	5.75
1990	3.236	56.473	5.73
2000	4.007	67.804	5.91
2005 (1)	4.339	72.538	5.99
2006 (1)	4.407	73.466	6.00

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

Turkey is in the second stage of its demographic process. In the first stage characterized by fast population growth, the absolute number and the relative share of the 0-18 age group within the total population has increased. In the second stage, the population growth rate is slowing down, the growth of the young population is coming to a halt, yet the 18-55 age group capable of work is increasing in absolute numbers and as a share of the total population. The rate of population growth in Turkey is slowing down in this second stage. Accordingly, Ankara's population growth rate is also regressing. However, the population growth rate in Ankara which followed a trend parallel to the population growth rate in Turkey until 1990 is above Turkey's average after 1990.

The population growth rates in Ankara and Turkey are displayed comparatively in Table.2. Population growth rates are shown as yearly average growth rates for each five year period. While the annual average population growth rate was 2.47 percent in Ankara and 2.49 percent in Turkey in 1980-1985, Ankara's population growth rate declined to an average of 1.60 percent per annum in the years 2000-2005. Turkey's average population growth per annum was 1.36 percent in the same period. In 2006, Ankara's population growth rate has further declined to 1.57 percent.

TABLE.2 POPULATION GROWTH RATES (%) OF ANKARA AND TURKEY

PERIODS	ANKARA (%)	TURKEY (%)
1980-1985	2.47	2.49
1985-1990	2.15	2.17
1990-2000	2.16	1.83
2000-2005 (1)	1.60	1.36
2005-2006 (1)	1.57	1.28

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

There are two major determinants of the population growth in cities. The first one is the urban population growth and the second one is the net migration balance. Ankara is one of the cities subject to a net migration balance. Cities can be subject to both immigration and emigration flows. The net migration is the difference between the immigration flow to the city and the emigration flow from the city and a positive net migration figure indicates that the city is subject to an immigration inflow. Ankara's net migration and net migration rate data are displayed below in Table.3. Accordingly, immigration to Ankara accelerated after 1985, and has reached its peak in the years 1995-2000 with a net migration number of 91 thousand. The immigration movement to the city has slowed down in subsequent years and continues to loose ground.

The net migration numbers in the table indicate the total net migration for each five year period. The net migration rate is calculated by dividing the total net migration for each period by the population at the beginning of the five year period. (for example, the total migration is 90.884 in 1995-2000, and this number is divided by the 1995 population of 3.525 thousand). Ankara's net migration rate jumped to 2.58 percent in 1995-2000, subsequently declined to 1.07 percent in the following five year period and has been 0.18 percent in 2006.

TABLE.3 ANKARA NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	49.499	2.04
1980-1985	36.361	1.41
1985-1990	69.511	2.38
1995-2000	90.884	2.58
2000-2005 (1)	43.000	1.07
2005-2006 (1)	8.000	0.18

SOURCE: Migration Indicators of Cities, TSA
(1) Estimate

Table.4 below displays the sources of population increase in Ankara, emanating from the growth of urban population and from migration flows. Accordingly, both the growth from urban population and from net migration is slowing down in Ankara. Of the 1.57 percent population growth in Ankara in 2006, 1.39 percent is due to the expansion of urban population and 0.18 percent to immigration.

TABLE.4 SOURCES OF ANKARA'S POPULATION GROWTH

PERIODS	TOTAL POPULATION GROWTH (000)	TOTAL NET MIGRATION (000)	ANNUAL AVERAGE GROWTH DUE TO MIGRATION %	URBAN POPULATION GROWTH (000)	ANNUAL AVERAGE GROWTH DUE TO URBAN POPULATION %
1980-1985	334	37	0.27	297	2.20
1985-1990	326	70	0.20	256	1.95
1995-2000	483	91	0.51	392	2.10
2000-2005	332	43	0.20	289	1.40
2005-2006	68	8	0.18	60	1.39

The urbanization rates of cities and the size of the urban population are important indicators in assessing the relationship of demography and population data with the real estate and housing sectors. The size of the urban population living in cities and townships is taken account in all indicators relevant to the real estate and the housing sectors.

The evolution of the urbanization rate and the size of the urban population in Ankara are displayed in Table.5 below. Accordingly, the urbanization rate in Ankara has continued to rise after 1980, and has reached 88.9 percent in 2005 and 89.1 percent in 2006. In light of these urbanization rates, the urban population in Ankara attained 3.927 thousand in 2006.

TABLE.5 THE URBANIZATION RATE AND URBAN POPULATION IN ANKARA

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	2.576	83.0	2.138
1985	2.910	86.0	2.503
1990	3.236	87.7	2.838
2000	4.007	88.4	3.542
2005	4.339	88.9	3.857
2006	4.407	89.1	3.927

The number of urban households in Ankara according to total population size is portrayed in Table.6 below. The urban population size and the average size of urban households are the determinants of the number of urban households. The 2000 population census indicated an average urban population size of 3.73 persons. The size of the urban households is shrinking, following the nature of the demographic process. Accordingly, the urban household size has been 3.52 persons in 2006. The data below shows that the number of urban households has been 949 thousand in 2000 in Ankara, whereas 1.1 million in 2005 and 1.12 million in 2006.

TABLE.6 ANKARA URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	3.542	3.73	949
2005	3.857	3.52	1.096
2006	3.927	3.50	1.122

Projections are made for Ankara's population for each year until 2015 based on the evaluation of the city's demographic and population changes and trends. The basic assumptions used while making these predictions are the slowing down of the population growth in Ankara, and the fact that this population growth rate will remain above the average population growth rate of Turkey.

Accordingly, Ankara's population growth rate which was 1.57 percent in 2006 is slowing down, and declining to 1.45 percent in 2010 and to 1.35 percent in 2015. Based on the annual average population growth assumptions, the population of Ankara is foreseen to reach 4.67 million in 2010 and 5.01 million in 2015.

The share of Ankara's population within the total population of Turkey which was 6 percent in 2006 is rising to 6.07 percent in 2010 and to 6.14 percent in 2015.

TABLE.7 ANKARA AND TURKEY POPULATION INCREASE PROJECTIONS

YEARS	TURKEY POPULATION INCREASE RATE %	TURKEY POPULATION (000)	ANKARA POPULATION INCREASE RATE %	ANKARA POPULATION (000)	ANKARA POPULATION SHARE %
2000	1.66	67.804	1.73	4.007	5.91
2005	1.33	72.538	1.58	4.339	5.99
2006	1.28	73.466	1.57	4.407	6.00
2007	1.26	74.392	1.54	4.475	6.02
2008	1.24	75.315	1.51	4.543	6.04
2009	1.22	76.234	1.48	4.610	6.05
2010	1.20	77.149	1.45	4.677	6.07
2011	1.18	78.059	1.43	4.744	6.08
2012	1.16	78.965	1.40	4.810	6.10
2013	1.14	79.865	1.39	4.877	6.11
2014	1.12	80.759	1.37	4.944	6.13
2015	1.10	81.647	1.35	5.011	6.14

The sources of Ankara's predicted population growth, based on two major assumptions, are presented in detail in Table.8 below. The first assumption is the slowing down of the urban population growth as a result of the demographic trends, and the second one is the expectation that migration waves in Turkey will be more planned, will slow down and become more stable.

The decline in Ankara's population growth will emanate from the decline in the size of the urban population, in line with the stabilization and slowing down of the immigration flow.

TABLE.8 PROJECTIONS OF ANKARA'S SOURCES OF POPULATION GROWTH

YEARS	ANNUAL NET POPULATION GROWTH	URBAN POPULATION GROWTH %	URBAN POPULATION GROWTH (000)	GROWTH DUE TO MIGRATION %	GROWTH DUE TO MIGRATION (000)
2006	68	1.39	60	0.18	8
2007	68	1.36	60	0.18	8
2008	68	1.33	60	0.18	8
2009	67	1.30	59	0.18	8
2010	67	1.27	59	0.18	8
2011	67	1.26	59	0.17	8
2012	66	1.23	58	0.17	8
2013	67	1.22	59	0.17	8
2014	67	1.20	59	0.17	8
2015	67	1.18	58	0.17	9

Another important indicator for the real estate and housing sectors is the number of urban households and related projections in accordance to the population projections made for Ankara. Projections pertaining to the urbanization rate, the size of the urban households and the number of urban households in Ankara are given in Table.9 below.

Accordingly, the urbanization of Ankara is predicted to increase to a limited extent and to reach 91 percent in 2015, while the gradual reduction in the size of the urban households is also foreseen to continue. The average size of the urban households is projected to be 3.25 persons in 2015.

In light of these expectations, the size of the urban population in Ankara which was 3.86 million in 2005 will rise to 4.2 million in 2010 and to 4.56 million in 2015. The 1.1 million urban households in 2005 will reach 1.24 million in 2010 and 1.4 million in 2015.

TABLE.9 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN ANKARA

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	4.007	88.4	3.542	3.73	949
2005	4.339	88.9	3.857	3.52	1.096
2006	4.407	89.1	3.927	3.50	1.122
2007	4.475	89.3	3.996	3.47	1.152
2008	4.543	89.5	4.066	3.45	1.179
2009	4.610	89.7	4.135	3.42	1.209
2010	4.677	90.0	4.209	3.40	1.238
2011	4.744	90.2	4.279	3.37	1.270
2012	4.810	90.4	4.348	3.34	1.302
2013	4.877	90.6	4.419	3.31	1.355
2014	4.944	90.8	4.489	3.28	1.369
2015	5.011	91.0	4.560	3.25	1.403

1.1.2 Housing Stock in Ankara

The current housing stock is analyzed and evaluated while making projections relevant to the housing sector and residential markets. Two principal findings gain importance in the evaluation of the current housing stock. The first one is whether there is a shortage or a surplus of housing vis-à-vis the existing number of households; the second one is the determination of the number of housing units that need renewal as a result of the physical and legal status of the existing housing stock. This section comprises the presentation and evaluation of data on Ankara's housing stock in this framework.

Ankara's housing stock is primarily evaluated in numbers and legal conditions. The data of the TSA's 2000 Building Count study are presented as the basis of the housing stock in Ankara in 2000. As of 2000, 1.128.625 housing units exist in Ankara, of which 1.084.337 are in urban areas (city and districts).

The legal condition of the existing housing stock in Ankara as of 2000 is as follows: 979.514 housing units have construction permits, which represents 81.1 percent of the existing housing stock. 204.824 residential units do not have construction permits.

The housing units with occupancy permits are 578.171, which make up 53.3 percent of the existing housing stock. As of 2000, 20 percent of the existing housing stock is comprised of housing without construction permits. The share of housing units without occupancy permits is 47.7 percent. This data shows that, as of 2000, at least one out of three housing units in Ankara is inadequate and sub-standard.

TABLE.10 ANKARA HOUSING STOCK 2000

INDICATORS	ANKARA
NUMBER OF BUILDINGS	384.489
NUMBER OF HOUSING UNITS	1.128.625
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	1.084.337
HOUSING UNITS WITH CONSTRUCTION PERMITS	879.513
HOUSING UNITS WITH OCCUPANCY PERMITS	578.171
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	204.824
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	81.1
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	53.3

SOURCE: TSA, Building Count 2000 Results

The housing stock in Ankara as of 2006 is given in Table.11 below. The number of construction permits obtained in 2001-2005 (it is assumed that the construction of the building is completed the year after the construction permit is obtained), the number of housing units that are out of use in 2001-2006 and the number of units without construction permits are evaluated in coming up with the housing stock in 2006.

Accordingly, the number of housing units in the city and townships of Ankara has risen from 1.084.377 in 2000 to 1.316.605 in 2006. (The 2005 data of the Ministry of Finance is 1.248.526 housing units).

305.268 construction permits have been obtained in Ankara in 2000-2005. We have calculated that 85.000 housing units have lost their residential status in 2001-2006 as a result of being demolished in the context of the urban regeneration projects, and that illegal construction slowed down to a large extent to 12 thousand units in 2001-2006.

TABLE.11 ANKARA 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	ANKARA
NUMBER OF HOUSING UNITS 2000 (CITY&TOWNSHIPS)	1.084.337
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	305.268
HOUSING UNITS THAT ARE OUT OF USE (2001-2006)	85.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	12.000
TOTAL HOUSING STOCK 2006	1.316.605

The total housing stock is estimated to be 1.316.605 in the city and townships of Ankara as of the end of 2006, and the total number of urban households (in the city and townships) is calculated to reach 1.122.000. A comparison of the number of households and the existing housing stock points out to the fact that there is no shortage of housing in Ankara, but on the contrary a housing surplus is in existence.

However the present housing stock comprises inadequate and sub-standard housing. Assuming that all of the 85 thousand housing units that are out of use in the years 2001-2006 are housing units without construction permits, 132 thousand housing units still do lack proper construction permits in Ankara in 2006. The number of housing units without occupancy permits well exceeds this number.

In this framework, the need for urban transformation and regeneration projects is an important factor affecting Ankara's housing sector. The need for urban regeneration accelerated in Ankara, in areas with inadequate and sub-standard buildings without construction permits and primarily where illegal construction prevailed as a result of the rising immigration waves following 1980's.

Parallel to this need, urban transformation and regeneration projects also gained speed. Ankara, the first city where urban regeneration and transformation projects took place (the Dikmen Valley Project), is currently carrying on new urban regeneration projects.

The public sector has to produce new housing stock in lieu of illegal and inadequate housing units which will be demolished in the context of the urban transformation projects. Taking into account the existing illegal housing stock of 132 thousand units in Ankara as of the end of 2006 as well as other inadequate and sub-standard housing, housing units well above this number will have to be demolished in this context, and thus an equal number of housing units will be needed.

Even though a housing surplus appears in Ankara as of the end of 2006 in relation to the number of households, there is a shortage of adequate housing built with proper construction permits, and this shortage is a determinant of our housing need projections.

Another important factor pertaining to the determination of the housing need is the physical condition of the existing housing stock, according to the years the housing units were produced. Table.12 below presents the physical condition of Ankara's existing housing stock as of 2000 as well as data from the TSA 2000 Building Count. As of 2000, 54.2 thousand housing units within Ankara's existing housing stock are ruined and planned to be demolished, whereas 130 thousand units are in need of serious repair and refurbishment.

The number of units that do not need repair or refurbishment is 553 thousand or 51 percent. Even though we can assume that a part of the 184 thousand housing units which were ruined and needed to be demolished or were in need of serious repair in 2000 has been obsolete by 2006, there will still be a need for approximately 100 thousand housing units due to renewal.

TABLE.12 THE PHYSICAL CONDITION OF THE HOUSING STOCK IN ANKARA 2000

INDICATORS	ANKARA
NUMBER OF HOUSING UNITS	1.128.625
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	1.084.337
THOSE THAT DON'T NEED REPAIRS	553.012
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	336.144
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	130.120
IN RUINS AND PLANNED TO BE PULLED DOWN	54.217
UNKNOWN CONDITION	10.844

SOURCE: BUILDING COUNT 2000, TSA

When the housing stock is evaluated in terms of building life, the total number of buildings that are 50 years and older which are fully used for residential purposes as well as the buildings whose majority are used as residences are 33 thousand in 2000. This number will reach 79 thousand until 2015. The physical life of these buildings that are 50 years and older, except for the historical ones, is expiring and this will also be reflected in the housing need.

TABLE.13 THE CONSTRUCTION YEARS OF BUILDINGS IN ANKARA 2000

COMPLETION DATE OF BUILDING	BUILDINGS THAT ARE FULLY USED AS RESIDENCES	BUILDINGS WHOSE MAJORITY IS USED AS RESIDENCES
-1929	3.742	427
1930-1939	2.082	203
1940-1949	8.673	455
1950-1959	16.707	985
1960-1969	43.329	3.120
1970-1979	93.112	6.631
1980-1989	74.630	6.514
1990-2000	59.547	8.780
UNDETERMINED	1.581	235
TOTAL	**303.403**	**27.350**

SOURCE: BUILDING COUNT 2000, TSA

1.1.3 Housing Need in Ankara

Projections related to the housing need in Ankara are being made for every year until 2015, based on the results of the evaluations made in the previous section. Accordingly, a need for 431 thousand housing units is estimated in Ankara between the years 2 007-2015. The three major factors which determine this housing need in Ankara are: the housing need emanating from the increase in the number of households, the housing need arising from urban regeneration and transformation as well as the housing need as a result of renewal.

1. The increase in the number of households was presented in the prior sections. Accordingly, the number of households will increase by 281 thousand between the years 2007-2015, and therefore a need for 281 thousand additional housing units will arise.

2. The housing need which will emanate from urban regeneration and transformation is foreseen as 90 thousand. With the assumption that half of the total 180 thousand housing units, including the 132 thousand residential units without construction permits as of 2006 and other inadequate and sub-standard housing with a high probability to be included in the context of urban regeneration (within the first 10 years), will be renewed and such renewal will be evenly distributed throughout the years, a need for 90 thousand housing units arises from urban regeneration and transformation.

3. There will be a need for 60 thousand housing units between the years 2007-2015 as a result of renewal. Assuming that 0.5 percent of the total housing stock will be renewed yearly (the standard rate used by the State Planning Organization), 30 percent of the approximately 200 thousand housing units that are 50 years and older will be renewed in 2007-2015. Therefore, the renewal based housing need is foreseen to be 60 thousand between the years 2007-2015.

TABLE.14 PREDICTIONS FOR THE HOUSING NEED IN ANKARA (in 000's)

YEARS	BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED	RENEWAL BASED	TOTAL
2007	30	10	6	46
2008	27	10	6	43
2009	30	10	6	46
2010	29	10	7	46
2011	32	10	7	49
2012	32	10	7	49
2013	33	10	7	50
2014	34	10	7	51
2015	34	10	7	51
TOTAL	281	90	60	431

1.1.4 Factors that Influence the Housing Demand in Ankara

Factors that influence the housing need in Ankara are evaluated, subsequent to making projections for Ankara's housing need. The home ownership of households, the trend and the reasons for the households to own other residential units in addition to the one they reside in as well as their income structures are major factors that shape the housing demand.

The home ownership of households is the most important factor affecting the housing demand in the upcoming period. TSA's 2000 Population Census data are utilized in reference to home ownership. Even though the data is not up-to-date, the numbers can pinpoint to important trends.

According to Table.15 below, the rate of home ownership is 58.65 percent in Ankara, while tenants make up 31.33 percent. The ratio of households that are homeowners in Ankara is very similar to the average in Turkey (59.8 percent).

The ratio of households that are tenants is also in line with the Turkish average of 31.6 percent. As of 2000, 319 thousand households are tenants in Ankara (Ministry of Finance data shows 353 thousand tenants in 2005) and display the potential to create a need for housing in the following period. The ratio of lodging dwellers in the capital city of Ankara (public sector employees) exceeds the average of Turkey which is 2.2 percent.

TABLE.15 HOME OWNERSHIP OF THE HOUSEHOLDS IN ANKARA

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	597.310	58.65
TENANT	319.097	31.33
LODGING DWELLER	37.675	3.71
NOT HOMEOWNER / DOESN'T PAY RENT	55.857	5.49
OTHER	8.022	0.79
UNKNOWN	410	0.04
TOTAL	1.018.371	100.0

SOURCE: General Population Census 2000, TSA

Another factor which affects the housing demand is the preference of households to own housing units other than the one they reside in. This ratio and the reasons for a second home ownership are important. 264.359 households own one or more home(s) in addition to the one they reside in.

The primary reason in acquiring more than one residential unit (60 percent) is for the permanent or temporary use/occupation of the household or one of the household members, followed by rental income (19 percent) and investment (13 percent). A high demand for residential use as well as for rental income and investment purposes is observed in Ankara.

TABLE.16 THE REASONS WHY HOUSEHOLDS IN ANKARA OWN ONE OR MORE HOMES IN ADDITION TO THE ONE THEY LIVE IN

REASONS	NUMBER OF HOUSEHOLDS	% SHARE
TO RESIDE IN	59.593	22.5
TO BE USED AS SEASONAL OR WEEK-END / SECONDARY HOMES	33.954	12.8
TO RECEIVE RENT INCOME	50.932	19.3
FOR ONE OF THE HOUSEHOLD MEMBERS TO RESIDE IN	64.444	24.4
TO RENEW AND SELL	1.039	0.4
AS INVESTMENT	33.954	12.8
THROUGH INHERITENCE	16.284	6.2
OTHER	4.158	1.6
TOTAL	264.359	100.0

SOURCE: Housing Research of Turkey, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand.

Ankara exceeds the average of Turkey in terms of economic development and per capita income indicators. As of 2005, Ankara's gross product is 29.2 billion dollars and the per capita income is 6.730 dollars.

Table.17 below portrays predictions relevant to the developments in Ankara's gross product and per capita income.

The basic assumptions in making these predictions are such that Turkey's economy will grow by 5 percent per year until 2015 and the stability in the gross product share Ankara has within the national income of Turkey (8 percent in 2006) will be maintained. Fixed prices have been used in calculations. Therefore, the numbers in Table.17 would be bigger if calculations were made in current prices.

Based on these assumptions, the per capita income in Ankara is projected to increase to 8.390 dollars in 2010 and to 9.660 dollars in 2015 in fixed prices. These per capita income projections are significant in terms of housing demand and emphasize the potential of the households to benefit from the housing finance system.

TABLE.17 ANKARA GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLARS
2005	29.2	4.339	6.730
2006	31.2	4.407	7.080
2007	32.8	4.475	7.330
2008	34.4	4.543	7.572
2009	36.1	4.610	7.830
2010	37.9	4.677	8.105
2011	39.8	4.744	8.390
2012	41.8	4.810	8.690
2013	43.9	4.877	9.000
2014	46.1	4.944	9.325
2015	48.4	5.011	9.660

1.1.5 Prognoses for the Housing Sector and Markets in Ankara

Predictions are being made for the housing sector and residential markets in Ankara, after the factors which affect the housing sector are evaluated and projections are made pertaining to the housing need.

1. The need for housing will be high in Ankara until 2015. The housing need will arise as a result of the increase in the number of households as well as from renewal and urban regeneration.

2. The middle and middle-upper income groups will have a need to upgrade/change homes in the upcoming period, which will result in a housing need of these income groups.

3. New expansion areas have evolved in the residential sector, headed by the Eskişehir road axis. Residential areas have expanded up to the first 40-50 km's of the Eskişehir road. Bilkent, Ümitköy, Çay Yolu, Çukurcuma, Batıkent and Beysukent regions within the first 25 km's have developed into residential zones and are now saturated. Residential land prices and unit sales prices have significantly increased in these regions, pushed further up by planned urbanization and metro transportation. The new residential areas in Ankara are concentrated beyond the first 25 km's of the Eskişehir road axis, where housing will be produced for the middle and upper income groups.

4. The Temelli region; Halıcılar, Hacı Hasan, Oğulbey, Bollukpınar regions, Ayurtçu-Yapracık-Şehit Ali-Bağlıca regions, Gölbaşı, İncek-Tulumtaş-Taşğınar triangle are foreseen to be among the new residential development and investment areas for the production of villas, individual housing units and housing complexes targeted towards the middle-upper and upper income groups.

5. Along with the development of new residential zones and primarily the creation of new attractive areas for the upper and middle-upper income groups, a lateral transition occurs from the Gaziosmanpaşa, Çankaya, Kavaklıdere, Bahçelievler, Yukarı Ayrancı regions to the Bilkent, Çukurambar, 100. Yıl and Balgat areas while the middle-upper income groups are shifting from Küçükesat, Dikmen, Gazi districts, and other districts such as Keçiören, Aydınlıkevler, and Yenimahalle to the Batıkent region. Such transition is resulting in the deterioration of prices in the older residential zones.

6. The housing need of the middle and lower income groups will also be high in Ankara. The public authority and cooperatives will assume an important responsibility to meet this need.

7. Türk Konut has assumed an important role in the production of planned-adequate-uniform housing in Ankara. Türk Konut has produced approximately 180 thousand housing units in the last 20 years in the Batıkent, Çayyolu I and Çayyolu II, Eryaman and Temelli regions and will continue to fulfill the important function of meeting the housing need of primarily the middle income groups in the upcoming period.

8. Urban regeneration and transformation projects whereby inadequate-no name housing will be replaced by planned-legal-adequate housing will have a major role in meeting the housing need in Ankara. The Municipality of Ankara, District Municipalities and the Housing Development Administration of Turkey (TOKİ) are currently carrying out such projects, the most important being the North Ankara Urban Regeneration and Transformation Project. Approximately 18 thousand housing units will be produced in the surroundings of the new protocol road. TOKİ is producing 14.588 units as of the end of 2006. In addition, urban transformation projects are also being implemented in the İmrahor, Doğukent, Ovacık, Mamak and Altındağ regions. Residential prices are increasing in these areas along with the production of new planned housing.

9. A total of 5.591 km2 of Treasury land (Treasury registered or related) exists in Ankara, which represents a tremendous potential for new residential zones. Yet, a significant part of such land is located at the periphery of or outside the city center. Thus, the residential developments on the treasury land will only take place outside of the city center and will require zoning plans. Almost no private or public land suitable for the production of housing is left in the existing residential zones. Therefore, housing will be only produced via urban regeneration and trans- formation projects.

10. Ankara has a high potential in creating housing demand, in terms of the city's economic development and the per capita income level. However, when the distribution of income is taken into account, the savings capacity is limited as public sector employees make up the majority of the population. Nevertheless, the savings capacity is reliable and adequate for the utilization of housing credits.

11. The number of housing credits utilized in Ankara, which created a housing demand, has been 41.969 in 2005 and 38.966 in 2006. Ankara is on the top of the list in the utilization of housing credits and has a 21 percent share within Turkey.

12. The use of mortgages and the related housing demand are projected to be high in Ankara for the period until 2015, as a result of the effective functioning of the housing finance system. While the expansion of the housing demand with the use of the mortgaged housing credits will lead to the prices of the housing units suitable for mortgages to rise, the prices of other housing units which do not qualify for mortgages will be negatively affected.

I.2 RETAIL MARKET AND SHOPPING CENTERS

Projections related to the real estate sector should include both residential and commercial real estate markets. First of all, the retail market and shopping centers are evaluated within the commercial real estate in Ankara and predictions are being made.

In Turkey, the consumption expenditures of households is increasing, the share of retail expenditures is expanding among total expenditures, and the share of organized retail markets is broadening up among retail consumption. In light of these general trends, shopping centers display a fast development within organized retail markets.

Ankara exhibits a fast expansion as well as an important potential in terms of shopping center investments. The development potential of shopping centers is related to economic size, personal incomes, household consumption expenditures and retail expenditures, in addition to the size of the population. In this framework, Ankara's economic size in relation to the retail market and shopping centers is presented below.

The city of Ankara had an 8 percent share in Turkey's national income in 2006, while the size of the gross product and the per capita income respectively were 31.2 billion dollars and 7.080 dollars. Ankara has the second largest gross product in Turkey.

TABLE.18 ANKARA ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLARS
2004	8.0	24.0	5.645
2005	8.1	29.2	6.730
2006	8.0	31.2	7.080

Private consumption expenditures have been 22.2 billion dollars in Ankara in 2006. Retail expenditures constituted 10 billion dollars or 45 percent of the private consumption expenditures. Of the total retail expenditures, 6.2 billion dollars have been spent for food and beverage, and 3.8 billion dollars for non-food retail (clothing, shoes, personal care, furniture, entertainment, vacation and electronics). Non-food retail expenditures comprise semi-durable and durable consumption goods expenditures.

TABLE.19 ANKARA PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	24.0	16.3	4.5	2.8	7.3
2005	29.2	20.4	5.7	3.5	9.2
2006	31.2	22.2	6.2	3.8	10.0

Indicators pertaining to shopping centers in Ankara are shown in Table.20 below. Accordingly, there are 15 shopping centers in Ankara as of the end of 2006, suitable to the standards of the International Council for Shopping Centers (ICSC). Of these shopping centers, 1 is classified as very large, 1 as large, 2 as medium sized, 9 as small and 2 as outlet centers according to the ICSC standards.

The total gross leasable area (GLA) of the 15 shopping centers is 332.727 m2. The gross leasable area per 1000 persons is 75.5 m2. Total retail expenditures in Ankara amount to 10 billion dollars as of the end of 2006 and the share of retail expenditures is expanding within organized markets.

In this framework, total expenditures in Ankara are compared to total shopping center existing gross leasable area and a potential retail expenditure of 30.054 dollars is calculated per shopping center GLA m2.

However, this number only indicates a potential and is not by any means the actual retail expenditure per shopping center GLA. Nevertheless, such extrapolation shall be evaluated as an important indicator of the development potential of shopping centers in Ankara.

TABLE.20 ANKARA SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTER	TOTAL GLA M2	GLA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	15	332.727	75.5	30.054

Projections made in relation to the development potential of shopping centers in Ankara are given below. In making these forecasts, shopping centers that are in construction and actively planned are taken into account as of the year they are targeted to be operational. An actual realization forecast is being used for the years 2007-2008.

The shopping center growth projections are made for subsequent years, based on predictions for the population, economic growth and retail expenditures in Ankara.

Projections are made for the gross leasable areas of shopping centers, and presented in two different scenarios. These two different scenarios yield two different shopping center GLA's and two potential retail expenditure sizes.

The shopping center gross leasable area projections are presented below. Of the 7 shopping centers which are in construction in Ankara, 5 are scheduled to open in 2007 and 2 in 2008. With the completion of the shopping centers that are currently in construction, 249.335 m2 and 113.000 m2 of additional gross leasable area will be added to the shopping center gross leasable area respectively in 2007 and in 2008.

Of the 4 shopping centers that are actively planned, 1 is expected to become operational in 2007 (additional investment) and to contribute an additional 12.000 m2 to total shopping center GLA.

According to this data, the shopping center GLA rises to 594.062 m2 at the end of 2007 and to 707.062 m2 at the end of 2008. The GLA per 1000 persons is thus calculated as 132.8 m2 in 2007 and 155.6 m2 in 2008.

Predictions for the years 2009 and thereafter are based on assumptions for gross leasable area m2 per 1000 persons. Two different scenarios reflect a shopping center GLA per 1000 persons of 200 m2 and 250 m2 in 2015.

According to these assumptions, the total gross leasable area is 1.022.000 m2 in the first scenario, whereas the GLA reaches 1.252.750 m2 in the second scenario.

TABLE.21 PREDICTIONS FOR ANKARA SHOPPING CENTERS

YEARS	POPULATION (000)	GLA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	4.407	75.5	75.5	332.727	332.727
2007	4.475	132.8	132.8	594.062	594.062
2008	4.543	155.6	155.6	707.062	707.062
2009	4.610	165.0	180.0	760.650	829.800
2010	4.677	175.0	200.0	818.475	935.400
2011	4.744	178.0	210.0	853.920	996.240
2012	4.810	185.0	220.0	889.850	1.058.200
2013	4.877	190.0	230.0	926.630	1.121.710
2014	4.944	195.0	240.0	964.080	1.186.560
2015	5.011	200.0	250.0	1.022.000	1.252.750

The use of the per capita gross leasable shopping center area m2 indicator is not sufficient in making projections and evaluations pertaining to shopping centers. The size of the annual potential retail expenditures per gross leasable area is also important. For this reason, total GLA sizes attained in the above two scenarios are compared to the projections on annual potential retail expenditures and predictions are made for the annual potential retail expenditures per m2 of gross leasable area.

Accordingly, an annual potential retail expenditure level of 15.5 thousand dollars is attained in the first scenario for 1.022.000 m2 of shopping center GLA in 2015, whereas this number is 12.6 thousand dollars for 1.252.750 m2 of shopping center GLA in 2015 in the second scenario.

As can be observed, the size of the potential retail expenditures per gross leasable area m2 is declining in both scenarios until 2015. In this framework, based on the two scenarios considered, there is a potential for shopping centers with an additional gross leasable area of 300-500 thousand m2 until 2015 (between the years 2009-2015).

TABLE.22 PREDICTIONS FOR SHOPPING CENTERS IN ANKARA

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GLA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GLA DOLLARS	
		A SCENARIO	B SCENARIO	A SCENARIO	A SCENARIO
2006	10.0	332.727	332.727	30.054	30.054
2007	10.4	594.062	594.062	17.507	17.507
2008	10.8	707.062	707.062	15.275	15.275
2009	11.4	760.650	829.800	14.987	14.987
2010	11.9	818.475	935.400	14.539	12.722
2011	12.6	853.920	996.240	14.755	12.648
2012	13.2	889.850	1.058.200	14.834	12.474
2013	13.8	926.630	1.121.710	14.893	12.303
2014	14.5	964.080	1.186.560	15.040	12.220
2015	15.8	1.022.000	1.252.750	15.460	12.612

I.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are evaluated in the second place within commercial real estate.

In this framework, statistical data pertaining to Ankara's accommodation establishments is presented and evaluated; and then predictions are made for the development of tourism and accommodation establishments in relation to the real estate sector.

The capital city status of Ankara places the city in a differential position in terms of tourism. Apart from historical and cultural assets, Ankara does not enjoy other tourism assets or potential. Therefore, accommodations of domestic and international nature emanate to a large extent from business reasons and relations with public authorities.

Accommodation statistics show that 1.283 thousand people stayed over in Ankara in 2005 and that the total number of overnight stays was 2.148 thousand. 225 thousand international visitors stayed for a total of 518 thousand nights, indicating an average duration of stay of 2.35 nights. The average duration of stay for domestic visitors is 1.53 nights. The duration of stay is very short when compared to that of other cities and the Turkey average. This points out to the business rather than vacation nature of the accommodations.

TABLE.23 ANKARA ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	185	805	990	428	1.214	1.642	9.27	26.29	35.57
2003	206	863	1.075	515	1.362	1.877	9.59	25.37	34.96
2004	192	973	1.165	452	1.461	1.913	7.83	25.31	33.14
2005	225	1.058	1.283	528	1.620	2.148	8.88	27.24	36.12

SOURCE: MINISTRY OF TOURISM AND CULTURE

Information relevant to Ankara's existing accommodation capacity as of 2005 is displayed in Table.24. Accordingly, Ankara has a total bed capacity of 15.748 beds in establishments with a tourism license, of which 4.056 are in 5 star hotels. The occupancy rate in accommodation establishments was 36.12 percent in 2005. The occupancy rate was 34.47 percent in 5 star hotels.

TABLE.24 ANKARA ACCOMMODATION ESTABLISHMENTS 2005

TYPE AND CLASS	NUMBER OF	OCCUPANCY RATE %		
OF ESTABLISHMENT	BEDS	FOREIGN	DOMESTIC	TOTAL
5 STARS	4.056	10.44	24.03	34.47
4 STARS	4.016	9.87	29.42	39.29
3 STARS	4.418	6.46	27.13	33.60
2 STARS	2.998	7.09	28.99	36.08
1 STAR	260	1.63	53.40	55.02
WITH SPECIAL LICENSE	484	14.84	15.39	30.23
APART	60	87.84		87.84

SOURCE: MINISTRY OF TOURISM AND CULTURE

First, predictions for tourism development trends in Ankara are made, prior to making projections for accommodation facilities until 2015.

First of all, Ankara faces the responsibility to become a capital city at EU standards in all facets in the EU full membership process. This process will affect the accommodation sector of Ankara to a large extent. The development of Ankara's accommodation sector will be enhanced mainly for business reasons, as a result of the need for bilateral and multi-lateral relationships with the EU countries as well as expanding regional influence. The number of domestic and foreign visitors who will be staying over in Ankara is foreseen to increase steadily until 2015.

In addition to business activities, activities related to convention-exhibition as well as culture-art-history are expected to boost accommodation needs of Ankara. In this framework, in addition to Ankara's existing accommodation capacity, a need is foreseen for

1. Multi-purpose hotels (5 stars, 4 stars) where convention-exhibition-art activities can be carried out,
2. Business oriented concept hotels (4 stars, 3 stars) and,
3. Vacation-entertainment oriented boutique hotels (4 stars, 3 stars).

I.4 INDUSTRIAL AND LOGISTICS AREAS

Lastly, industrial and logistics areas are evaluated within commercial real estate.

The industrialization process in Ankara started in the 1980's and accelerated especially in the 1990's.

Industrialization in Ankara is taking place to a large extent in planned organized industry zones established outside of the city center. In this respect, when compared to other cities, Ankara does not face a problem related to industry being squeezed in the city center in distorted settlements.

Following the development of industry, new industrial areas are created within organized industry zones. There is no shortage of industrial land in Ankara. An industrial land potential exists permitting the industry to expand in planned and organized areas.

A total of 9 organized industry zones exist in Ankara, of which 6 are active, 1 is under construction and 2 are in the planning stage. Moreover, the Ankara Anatolia Free Trade Zone project is also underway. Information on Ankara's organized industry zones are presented below.

The growth process of industry will prevail until 2015 in Ankara. Ankara has more extensive possibilities in terms of industrial and logistics areas when compared to other industrialized cities.

Almost all industrial establishments are located within Organized Industrial Zones (OIZ). No industrial areas exist for individual industry investments. Therefore, the demand will prevail for the existing and new OIZ.

TABLE.25 ANKARA ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES/M2	CHARACTERISTICS
ASO MERKEZ 1. OSB	2.105.000 M2 + 920.950 M2	IT'S THE FIRST OIZ. HAS 100 PERCENT OCCUPANCY. 195 COMPANIES ARE IN OPERATION IN 196 PARCELS. 75 PARCELS EXIST IN THE EXPANSION ZONE. M2 PRICES VARY BETWEEN 90-100 DOLLARS.
OSTIM OSB	527 HECTARES	CONSISTS OF 3850 PARCELS. 2700 COMPANIES ARE IN OPERATION WITH A 60 PERCENT OCCUPANCY. PARCEL M2 PRICES ARE 60-150 DOLLARS.
BAŞKENT OSB	9.200.000 M2	IT'S THE BIGGEST OIZ AND HAS 780 PARCELS. COMPANIES ACTIVELY OPERATIONAL ARE FEW IN THIS NEWLY ESTABLISHED OIZ. APPROXIMATELY 800 COMPANIES ARE IN THE INVESTMENT STAGE.
MERKEZ IVEDIK OSB	477 HECTARES	CONSISTS OF 7850 PARCELS.2645 COMPANIES ARE OPERATIONAL WITH A 90 PERCENT OCCUPANCY. PARCEL PRICES ARE 50 DOLLARS.
POLATLI OSB	200 HECTARES	IS ACTIVELY OPERATIONAL.
ŞEREFLIKOÇHISAR OSB	90 HECTARES	IS ACTIVELY OPERATIONAL.
ALAGÖZ OSB ASO TÜRKOBASI OSB ANADOLU OSB	430 HECTARES 600 HECTARES 633 HECTARES	IN PROJECT DEVELOPMENT STAGE IN PLANNING STAGE IN INVESTMENT STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter II

İZMİR REAL ESTATE SECTOR AND PROGNOSES

II.1 HOUSING SECTOR AND RESIDENTIAL MARKETS

The housing sector and residential markets take the first place in making predictions for İzmir's real estate market until 2015.

The housing sector and residential markets section include projections made for demography and population forecast, housing supply, housing need, factors which affect the housing demand and the residential markets overall.

II.1.1 Demography and Population Forecast

The housing demand and the housing need are the major indicators that shape the housing sector and market. Demography and population trends are the most important factors affecting the housing need and demand. In this framework, demographic and population trends in İzmir are evaluated and predictions are made pertaining to population, urbanization and the number of households.

While İzmir's population has increased from 1.98 million in 1980 to 3.67 million in 2005, its relative share within Turkey's population has risen from 4.42 percent in 1980 to 5.06 percent in 2005.

İzmir, with a population of 3.73 million in 2006, is the third largest city in Turkey in terms of population size. The share of İzmir's population has attained 5.08 percent of the population of Turkey in 2006.

TABLE.26 POPULATION OF İZMİR AND TURKEY

YEARS	İZMİR (000)	TURKEY (000)	İZMİR SHARE %
1980	1.976	44.737	4.42
1985	2.317	50.664	4.58
1990	2.695	56.473	4.78
2000	3.371	67.804	4.98
2005 (1)	3.666	72.538	5.06
2006 (1)	3.727	73.466	5.08

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

The process of demographic evolution in İzmir is in line with the average of Turkey. The rate of population increase in İzmir, as well as in Turkey, is slowing down significantly. However, the rate of population growth in İzmir exceeds the average in Turkey.

The annual average population growth rate in İzmir and in Turkey has been 3.21 percent and 2.49 percent respectively in 1980-1985. These ratios have declined to 1.70 and 1.36 percent in 2000-2005. In 2006, the population increased by 1.67 percent in İzmir.

TABLE.27 POPULATION GROWTH RATES (%) OF İZMİR AND TURKEY

PERIODS	İZMİR (%)	TURKEY (%)
1980-1985	3.21	2.49
1985-1990	3.01	2.17
1990-2000	2.24	1.83
2000-2005 (1)	1.70	1.36
2005-2006 (1)	1.67	1.28

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

İzmir has been subject to a significant immigration flow after 1975. Immigration to İzmir accelerated again in the years 1985-1990 and the net migration rate attained 6.31 percent, a very high ratio. The net migration wave continued in 1995-2000 and has attained 120.375 persons. The net migration trend decelerated in subsequent years. The net migration rate has declined to 3.30 percent in absolute terms in 2000-2005. In 2006, the absolute net migration and the net migration rate are estimated to be 17 thousand people and 0.47 percent per annum.

TABLE.28 İZMİR NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	119.896	6.10
1980-1985	82.173	4.16
1985-1990	146.208	6.31
1995-2000	120.375	3.94
2000-2005 (1)	111.000	3.30
2005-2006 (1)	17.000	0.47

SOURCE: Migration Indicators of Cities, TSA
(1) Estimate

İzmir's population growth emanated both from the growth of urban population and from the net migration wave. Table.29 below displays urban population and migration based population growth in İzmir after 1980. Accordingly, the slow down of especially migration-based population growth is observed. Along with the deceleration of the net migration wave, İzmir's population growth will be steadier and will emanate to a large extent from the rise of the urban population.

TABLE.29 SOURCES OF İZMİR'S POPULATION GROWTH

PERIODS	TOTAL POPULATION GROWTH (000)	TOTAL NET MIGRATION (000)	ANNUAL AVERAGE GROWTH DUE TO MIGRATION %	URBAN POPULATION GROWTH (000)	ANNUAL AVERAGE GROWTH DUE TO URBAN POPULATION %
1980-1985	341	82	0.71	259	2.50
1985-1990	378	146	1.08	232	1.93
1995-2000	316	120	0.99	196	1.25
2000-2005	295	111	0.90	207	1.20
2005-2006	61	17	0.47	44	1.20

The urbanization rates of cities and the size of the urban population are important in relation to the housing sector and residential markets. The change in the size of the urban population living in cities and districts is taken account in predictions pertaining to the housing sector.

The urbanization rate in İzmir increased from 75.1 percent in 1980 to 81 percent in 2000, and is estimated to be 82.15 percent in 2006. Due to the fact that İzmir is an important agriculture region, the city also possesses a sizeable rural population which carries on efficient agricultural production. For this reason, the urbanization rate in İzmir has not yet attained 90 percent as in Istanbul and Ankara. The urban population in İzmir grew from 1.48 million in 1980 to 3 million in 2005.

TABLO.30 THE URBANIZATION RATE AND URBAN POPULATION IN İZMİR

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	1.976	75.10	1.484
1985	2.317	77.70	1.800
1990	2.695	79.30	2.137
2000	3.371	81.07	2.732
2005	3.666	82.00	3.006
2006	3.727	82.15	3.062

The absolute number and the average size of urban households are major indicators of the relation between the housing sector and the urban population.

The size of the urban households in İzmir was 3.38 and 3.36 persons respectively in 2005 and 2006, smaller than in Ankara and Istanbul to a limited degree.

In light of this household size, the number of urban households in İzmir was 889 thousand in 2005 and 911 thousand in 2006.

TABLE.31 İZMİR URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	2.732	3.54	759
2005	3.006	3.38	889
2006	3.062	3.36	911

A forecast is made for İzmir's population to constitute a basis for projections relevant to İzmir's housing sector and markets.

This forecast relies on assumptions concerning the existing demography, population indicators as well as population trends in İzmir. Projections on İzmir's population are presented in Table.32 below.

Accordingly, the population in İzmir is foreseen to reach 3.97 million in 2010 and 4.26 million in 2015, considering that the slow down in the population growth will prevail. Yet, the rate of population increase in İzmir will exceed that of Turkey, bringing the relative share of İzmir's population to 5.23 percent of the population in Turkey.

TABLE.32 İZMİR AND TURKEY POPULATION INCREASE PROJECTIONS

YEARS	TURKEY POPULATION INCREASE RATE %	TURKEY POPULATION (000)	İZMİR POPULATION INCREASE RATE %	İZMİR POPULATION (000)	İZMİR POPULATION SHARE %
2000	1.66	67.804	1.81	3.371	4.98
2005	1.33	72.538	1.69	3.666	5.06
2006	1.28	73.466	1.68	3.727	5.08
2007	1.26	74.392	1.64	3.788	5.10
2008	1.24	75.315	1.60	3.849	5.12
2009	1.22	76.234	1.57	3.909	5.13
2010	1.20	77.149	1.53	3.969	5.15
2011	1.18	78.059	1.50	4.029	5.17
2012	1.16	78.965	1.47	4.088	5.18
2013	1.14	79.865	1.45	4.147	5.20
2014	1.12	80.759	1.42	4.206	5.21
2015	1.10	81.647	1.40	4.265	5.23

The assumptions pertaining to the sources of population growth in İzmir are critical in population increase projections.

The effect of the immigration wave, which had a major contribution to the increase in İzmir's population in prior years, is foreseen to gradually decrease while the rise in the urban population will be the determining factor in the city's population growth. The effects of the net migration and urban population increase on İzmir's population growth are shown in Table.33 below.

TABLE.33 PROJECTIONS OF İZMİR'S SOURCES OF POPULATION GROWTH

YEARS	ANNUAL NET POPULATION GROWTH	URBAN POPULATION GROWTH %	URBAN POPULATION GROWTH (000)	GROWTH DUE TO MIGRATION %	GROWTH DUE TO MIGRATION (000)
2006	61.0	1.20	44.0	0.47	17.0
2007	61.0	1.19	44.3	0.45	16.7
2008	61.0	1.19	45.0	0.43	16.0
2009	60.0	1.18	45.4	0.38	14.6
2010	60.0	1.18	46.1	0.36	13.9
2011	60.0	1.17	46.4	0.35	13.6
2012	59.0	1.17	47.1	0.30	11.9
2013	59.0	1.16	47.4	0.29	11.6
2014	59.0	1.16	48.1	0.27	10.9
2015	59.0	1.15	48.4	0.26	10.6

The size of the urban households is a major determinant of projections made for the housing sector and residential markets. In this context, predictions are made pertaining to the urbanization rate, the size of the urban households and the number of urban households in İzmir.

The urbanization rate in İzmir is predicted to increase from 82 percent in 2005 to 85 percent in 2015. 15 percent of the population is foreseen to live in rural areas in 2015, as a result of İzmir's economic structure. According to these assumptions, the urban population, which was 3 million in 2005, is expected to grow to 3.29 million in 2010 and to reach 3.62 million in 2015.

The decline in the size of the urban households is expected to continue until 2015. The average size of the urban households, which was 3.38 persons in 2005, is projected to be 3.30 persons in 2010 and 3.25 persons in 2015.

In light of these expectations, the 889 thousand urban households in İzmir in 2005 will reach 998 thousand in 2010 and 1.115 thousand in 2015.

TABLE.34 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN İZMİR

YEARS	TOTAL POPULATION(000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	3.371	81.07	2.732	3.54	759
2005	3.666	82.00	3.006	3.38	889
2006	3.727	82.15	3.062	3.36	911
2007	3.788	82.30	3.118	3.34	934
2008	3.849	82.50	3.175	3.32	956
2009	3.909	82.70	3.233	3.31	977
2010	3.969	83.00	3.294	3.30	998
2011	4.029	83.40	3.360	3.29	1.021
2012	4.088	83.80	3.426	3.28	1.045
2013	4.147	84.20	3.492	3.27	1.068
2014	4.206	84.60	3.558	3.26	1.091
2015	4.265	85.00	3.625	3.25	1.115

II.1.2 Housing Stock in İzmir

An analysis and evaluation of the existing housing stock is performed in the second place in making projections for the housing sector and residential markets. Two principal findings gain importance in the evaluation of the present housing stock.

The first one is whether there is a shortage or a surplus of housing vis-à-vis the existing number of households; the second one is the determination of the number of housing units that need renewal as a result of the physical and legal status of the existing housing stock. This section comprises the presentation and evaluation of data on İzmir's housing stock in this framework.

İzmir's housing stock is primarily evaluated in terms of numbers and legal conditions. As of 2000, 522.243 buildings containing 1.140.731 residential units exist in İzmir. The number of housing units in the city and townships is 1.031.901.

As of 2000, the existing housing units in İzmir can be described as follows: 73.06 percent have construction permits, and 51.24 percent have occupancy permits. This data indicates that 277.998 residential units lack construction permits and 513.474 units are being utilized without an occupancy permit.

The rapid migration wave, especially after 1980, has caused the housing need in İzmir to be met with illegal and inadequate housing. As of 2000, at least one out of three housing units in İzmir is observed to be inadequate and sub-standard.

TABLE.35 İZMİR HOUSING STOCK 2000

INDICATORS	İZMİR
NUMBER OF BUILDINGS	522.243
NUMBER OF HOUSING UNITS	1.140.731
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	1.031.901
HOUSING UNITS WITH CONSTRUCTION PERMITS	753.908
HOUSING UNITS WITH OCCUPANCY PERMITS	528.745
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	277.993
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	73.06
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	51.24

SOURCE: TSA, Building Count 2000 Results

The 2006 İzmir housing stock estimates are given in Table.36.

The number of housing units in the city and townships of İzmir is 1.031.901 as of 2000. 77.662 construction permits were granted in the years 2000-2005. The number of units which are out of use is foreseen to be 9.000 in 2001-2006. Illegal construction without construction permits significantly affects the number of housing units in İzmir.

Illegal and distorted settlements prevailed in İzmir after 2000 as a result of migration. 60.000 housing units were built without construction permits in 2001-2006.

The total housing stock in the city and townships of İzmir is estimated to be 1.160.563 according to this data. Given that the total number of households is 911 thousand in 2006, İzmir is observed to have a housing surplus.

However, this housing surplus is made of inadequate, illegal and sub-standard housing. In 2006, approximately 338 thousand housing units lack construction permits, equivalent to one third of the existing housing stock in İzmir.

The legal and physical status of the present housing stock in İzmir points out to a significant need for urban transformation. The illegal and inadequate housing stock in İzmir has to be replaced with planned, adequate housing units with proper construction permits through urban regeneration and transformation projects.

However, such illegal and distorted settlements subject to urban regeneration are located in the periphery and surroundings of İzmir. As opposed to Ankara and Istanbul, İzmir does not have shanty towns in the city center.

For this reason, almost all of the urban transformation work will be addressing the areas surrounding and outside of the city center. Taking into account that the immigration to İzmir will continue at a declining rate, İzmir will need a large amount of social housing through urban regeneration and transformation projects.

TABLE.36 İZMİR 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	İZMİR
NUMBER OF HOUSING UNITS 2000 (CITY & TOWNSHIPS)	1.031.901
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	77.662
HOUSING UNITS THAT ARE OUT OF USE (2001-2006)	9.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	60.000
TOTAL HOUSING STOCK 2006	1.160.563

The physical condition of the existing housing stock and the physical life of the buildings according to the years they were built in are other important factors in the determination of the housing need. The physical condition of İzmir's 1.031.901 housing units as of 2000 is more favorable than in other big cities, mainly Ankara and İzmir. 1.5 percent of the housing units within the present housing stock in İzmir are ruined and planned to be demolished, whereas 7 percent are in need of serious repair and refurbishment. Such physical conditions lead to a limited renewal based housing need.

TABLE.37 THE PHYSICAL CONDITION OF THE HOUSING STOCK IN İZMİR 2000

INDICATORS	İZMİR
NUMBER OF HOUSING UNITS	1.140.731
NUMBER OF HOUSING UNITS (CITY & TOWNSHIPS)	1.031.901
THOSE THAT DON'T NEED REPAIRS	660.417
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	268.294
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	72.235
IN RUINS AND PLANNED TO BE PULLED DOWN	15.319
UNKNOWN CONDITION	15.319

SOURCE: BUILDING COUNT 2000, TSA

When the housing stock is evaluated in terms of building life, the total number of buildings which are 50 years and older will be 113.218 in 2005-2015, and they will contain approximately 200 thousand residential units. The number of buildings that need renewal in terms of physical lives is quite high in İzmir. However, the fact that İzmir houses an important number of historical buildings reduces the number of buildings in need of renewal.

TABLE.38 THE CONSTRUCTION YEARS OF BUILDINGS IN İZMİR 2000

COMPLETION DATE OF BUILDING	BUILDINGS THAT ARE FULLY USED AS RESIDENCES	BUILDINGS WHOSE MAJORITY IS USED AS RESIDENCES
-1929	16.513	1.107
1930-1939	8.799	519
1940-1949	12.756	845
1950-1959	24.222	1.569
1960-1969	43.513	3.375
1970-1979	79.089	9.607
1980-1989	105.999	15.858
1990-2000	118.175	16.630
UNDETERMINED	2.853	541
TOTAL	**411.919**	**50.051**

SOURCE: BUILDING COUNT 2000, TSA

II.1.3 Housing Need in İzmir

Prognoses are being made for the housing need in İzmir for each year until 2015, based on the assumptions, findings and results of the above analyses and evaluations.

The housing need in İzmir arises as a result of three major factors: the increase in the number of households, urban regeneration and renewal.

Accordingly, the total housing need in İzmir until 2015 is foreseen to be 344 thousand.

1. The projections on the increase in the number of households were presented in the previous sections. Accordingly, the increase in the number of households in 2007-2015 is 204 thousand, i.e. there is a need for 204 thousand additional housing units.

2. The urban regeneration based housing need is predicted to be 72 thousand. As of 2006, there are 338 thousand housing units in İzmir without construction permits and below minimum acceptable standards.

25 percent of this stock is foreseen to be renewed in 2007-2015 within the context of the urban regeneration projects in İzmir. In this framework, a housing need for 10 thousand units per annum, a total of 90 thousand units, arises from urban regeneration.

3. Renewal based housing need is 50 thousand in 2007-2015. This number is based on the assumption that 0.5 percent of the total housing stock needs renewal on a yearly basis (the standard used by the SPO) and is evenly distributed per years according to the physical lives of buildings in İzmir.

TABLE.39 PREDICTIONS FOR THE HOUSING NEED IN İZMIR (in 000's)

YEARS	BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED	RENEWAL BASED	TOTAL
2007	23	10	5	38
2008	22	10	5	37
2009	21	10	5	36
2010	21	10	5	36
2011	23	10	6	39
2012	24	10	6	40
2013	23	10	6	39
2014	23	10	6	39
2015	24	10	6	40
TOTAL	204	90	50	344

II.1.4. Factors that Influence the Housing Demand in İzmir

The factors that influence the housing demand in İzmir are evaluated, subsequent to the projections on the housing need in İzmir.

The home ownership of households, the tendencies of households to own one or more housing units in addition to the one they reside in (or own) as well as their per capita incomes and income projections are the factors which affect the housing demand.

The home ownership of households is the foremost important determinant of the housing demand in the upcoming period. As of 2000, 592 thousand households or 64.2 percent of total households are homeowners.

In spite of this fact, 250 thousand households are tenants in İzmir as of 2000. (The Ministry of Finance data shows 264.503 tenants in 2005). Although the ratio of tenancy of 27.09 percent is below the average of Turkey (31.33 percent), these 250 thousand households which are tenants represent a potential demand for housing.

In addition, 58.618 households in İzmir are neither homeowners nor tenants, and a portion of these households will also constitute a housing demand potential.

TABLE.40 HOME OWNERSHIP OF THE HOUSEHOLDS IN İZMIR

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	591.974	64.16
TENANT	249.897	27.09
LODGING DWELLER	14.642	1.59
NOT HOMEOWNER / DOESN'T PAY RENT	58.618	6.36
OTHER	7.254	0.79
UNKNOWN	344	0.04
TOTAL	922.729	100.0

SOURCE: General Population Census 2000, TSA

Another factor which affects the housing demand is the preference of households to own housing units other than the one they reside in. This ratio and the reasons for a second home ownership are important.

157.177 households own one or more home(s) in addition to the one they reside in (they own).

The primary reason in acquiring more than one residential unit in İzmir is for the permanent or temporary use/occupation of the household or one of the household members.

Other important reasons are to generate rental income and investment. The demand for residential use as well as for rental income and investment purposes in İzmir is more limited when compared to Ankara and Istanbul.

TABLE.41 THE REASONS WHY HOUSEHOLDS IN İZMIR OWN ONE OR MORE HOMES IN ADDITION TO THE ONE THEY LIVE IN

REASONS	NUMBER OF HOUSEHOLDS	% SHARE
TO RESIDE IN	31.435	20.0
TO BE USED AS SEASONAL OR WEEK-END / SECONDARY HOMES	21.065	13.4
TO RECEIVE RENT INCOME	35.000	22.3
FOR ONE OF THE HOUSEHOLD MEMBERS TO RESIDE IN	39.537	25.2
TO RENEW AND SELL		
AS INVESTMENT	23.982	15.3
THROUGH INHERITENCE	4.213	2.7
OTHER	1.944	1.2
TOTAL	157.177	100.0

KAYNAK: Türkiye Konut Araştırması TÜİK

The rate of a city's economic development, the level of personal incomes and related projections are other important determinants of the housing demand. İzmir exceeds the average of Turkey in terms of economic development and per capita income indicators. As of 2005, İzmir's gross product is 26.7 billion dollars and the per capita income is 7.283 dollars.

The predictions relevant to the developments in İzmir's gross product and per capita income are given below.

Based on the assumption that Turkey's economy will grow by 5 percent per year until 2015 and İzmir's share of gross product will remain at 7.3 percent, İzmir's gross product is predicted to reach 34.7 billion dollars in 2010 and 44.3 billion dollars in 2015.

The per capita income in İzmir is projected to increase to 8.742 dollars in 2010 and to 10.387 dollars in 2015.

TABLE.42 İZMIR GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLARS
2005	26.7	3.666	7.283
2006	28.5	3.727	7.647
2007	29.9	3.788	7.893
2008	31.5	3.849	8.184
2009	33.1	3.909	8.467
2010	34.7	3.969	8.742
2011	36.4	4.029	9.035
2012	38.3	4.088	9.369
2013	40.2	4.147	9.694
2014	42.2	4.206	10.037
2015	44.3	4.265	10.387

II.1.5. Prognoses for the Housing Sector and Markets in İzmir

Predictions are being made for the housing sector and residential markets in İzmir, after the factors which affect the housing sector are evaluated and projections are made pertaining to the housing need.

1. A need for 344 thousand housing units is foreseen in İzmir until 2015, of which 204 thousand will emanate from the increase in the number of households and 50 thousand will be renewal based. A supply of approximately 250 thousand units has to be

produced under market conditions to meet this need, while the public sector shall produce at least 90 thousand housing units to encounter the housing need emanating from urban regeneration.

2. The fact that the city center of İzmir is surrounded by distorted and illegal settlements creates a serious problem and limitation in meeting the need for new housing. The areas of activity are limited for the production of new housing. There are practically no areas in the city center for new housing production.

3. The 2006-2017 Strategic Plan of the İzmir Greater City Municipality foresees İzmir's third residential development area to be in the new city center project located behind the port of Alsancak. Urban regeneration and transformation will occur simultaneously in this area.

4. The area between Narlıdere, Narlı, Balcı, Çamtepe, Mithatpaşa, Çeşme Highway and Doğançay as well as the axis starting from Bostanlı until Çiğli will be İzmir's new residential development areas.

5. Residential markets in the existing settlement areas and the city center will follow different trends. The areas for the production of new housing will be very limited in the city center. Karşıyaka will be the district where housing projects, including urban regeneration projects, will take place. While Balçova is undergoing a new development phase as a result of shopping centers, there are no sufficient areas for the production of new housing. The increase in sales and rental prices is expected to accelerate in the central areas where residential development areas are limited. Gaziemir and its surroundings as well as the areas close to the old İzmir highway will develop as lower cost housing production areas for the middle income group.

6. The frequent earthquakes experienced in İzmir have been influential on the residential markets. The Güzelyalı region is the least affected from earthquake risk.

7. A demand for branded housing projects targeting the middle and upper income groups is being apparent in İzmir. The housing need of the middle class and the need arising from the transformation of illegal and distorted settlements constitute the true housing need in İzmir.

8. A comprehensive urban regeneration and transformation need exists in İzmir, headed by Karşıyaka and Kadifekale. The housing production of the public sector is needed, in partnership with the Housing Development Administration of Turkey (TOKI).

9. Ege-Koop has produced approximately 14 thousand housing units in the context of 6 important modern city projects in the last 20 years and will continue housing production of social nature for the middle class.

10. İzmir is one of the three cities (along with Antalya and Muğla) to face demand from foreign nationals for second homes. Such demand will also affect the demand for housing.

11. İzmir is a city with a high housing demand potential in terms of the rate of economic development and the per capita income. However, a major income discrepancy exists between the old city dwellers and the newcomer migrants. The low income household groups are, to a large extent, the ones in need of housing.

12. 19.260 and 18.184 units of housing credit have been utilized in İzmir consecutively in 2005 and 2006 to purchase housing. İzmir holds the third highest rank in Turkey in terms of housing credit utilization and has a share of 9.8 percent.

13. The number of households to create a potential housing demand by utilizing mortgages in İzmir, once the housing financing systems functions effectively, is predicted to be high.

II.2. RETAIL MARKET AND SHOPPING CENTERS

Evaluations and projections relevant to the real estate sector include both the residential and commercial real estate markets. The retail market and shopping centers are evaluated first within the context of commercial real estate in İzmir and predictions are made.

Shopping centers display the highest growth among the components of organized retail markets. Therefore, economic size, private consumption expenditures and households' retail expenditures in İzmir are primarily analyzed and evaluated.

As of 2005, İzmir's gross product is 26.7 billion dollars, equivalent to 7.3 percent of the national income of Turkey. In 2006, the gross product has attained 28.5 billion dollars, while the per capita income increased from 7.283 dollars in 2005 to 7.647 dollars.

TABLE.43 İZMİR ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLARS
2004	7.3	21.9	6.102
2005	7.4	26.7	7.283
2006	7.3	28.5	7.647

Indicators pertaining to the private consumption and retail expenditures in İzmir are presented below in Table.44. Accordingly, private consumption expenditures and retail expenditures in İzmir as of 2005 respectively are 18.6 and 8.7 billion dollars. In 2006, private consumption expenditures increased to 20.3 billion dollars, while retail expenditures reached 9.5 billion dollars. Retail expenditures represented 47 percent of private consumption expenditures. In 2006, food expenditures made up 64 percent of total retail expenditures. Food expenditures were 6.1 billion dollars, while non-food retail expenditures amounted to 3.4 billion dollars.

TABLE.44 İZMİR PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

			RETAIL EXPENDITURES BILLION DOLLARS		
YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES	FOOD BEVERAGE	OTHER	TOTAL
2004	21.9	14.8	4.4	2.6	7.0
2005	26.7	18.6	5.6	3.1	8.7
2006	28.5	20.3	6.1	3.4	9.5

Indicators related to shopping centers in İzmir are shown in Table.45 below. Accordingly, there are 10 shopping centers in İzmir as of the end of 2006, suitable to the standards of the International Council for Shopping Centers (ICSC).

Of these shopping centers, 1 is classified as large, 3 as medium sized, 5 as small and 1 as an outlet center according to the ICSC standards. The total gross leasable area of the 10 shopping centers is 195.287 m2. The gross leasable area per 1000 persons is 52.4 m2.

Total retail expenditures in İzmir amount to 9.5 billion dollars as of the end of 2006 and the share of retail expenditures is expanding within organized markets. In this framework, total retail expenditures in İzmir are compared to existing total shopping center GLA and a potential retail expenditure of 48.646 dollars is calculated per shopping center GLA m2.

However, this number only indicates a potential and does not by any means represent the actual retail expenditure per shopping center GLA. Nevertheless, such extrapolation is evaluated as an important indicator of the development potential of shopping centers in İzmir.

TABLE.45 İZMİR SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTER	TOTAL GLA M2	GLA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	10	195.287	52.4	48.646

Projections made in relation to the development potential of shopping centers in İzmir are given below. In making these forecasts, shopping centers that are in construction and actively planned are taken into account as of the year they are targeted to be operational. An actual realization forecast is being used for the years 2007-2008.

The shopping center growth projections are made for subsequent years, based on predictions for the population, economic growth and retail expenditures in İzmir. Projections are made for the gross leasable area sizes of shopping centers.

These shopping center projections are presented in two different scenarios, which portray two different shopping center GLA's and potential retail expenditure sizes.

The shopping center gross leasable area projections for İzmir are presented below. 4.500 m2 GLA will be added in 2007, with the completion of 1 shopping center currently under construction.

Of the 4 shopping centers that are actively planned, 2 are expected to become operational in 2008 and to contribute an additional 34.000 m2 to total shopping center GLA.

According to this data, the total shopping center GLA in İzmir reaches 199.787 m2 at the end of 2007 and 233.787 m2 at the end of 2008. The gross leasable area per 1000 persons thus attains 53.6 m2 in 2007 and 51 m2 in 2008.

Predictions for the years 2009 and thereafter are based on assumptions for gross leasable area m2 per 1000 persons. Two different scenarios reflect a shopping center GLA per 1000 persons of 100 m2 and 150 m2 in 2015. Based on these assumptions, the total gross leasable area is 426.500 m2 and 639.750 m2, respectively in the first and second scenarios.

TABLE.46 PREDICTIONS FOR İZMİR SHOPPING CENTERS

YEARS	POPULATION (000)	GLA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	3.727	52.4	52.4	195.287	195.287
2007	3.728	53.6	53.6	199.787	199.787
2008	3.849	61.0	61.0	233.787	233.787
2009	3.909	65.0	80.0	254.085	312.720
2010	3.969	70.0	100.0	277.830	396.900
2011	4.029	75.0	110.0	302.175	443.190
2012	4.088	80.0	120.0	327.040	490.560
2013	4.147	85.0	130.0	352.495	539.110
2014	4.206	90.0	140.0	378.540	588.840
2015	4.265	100.0	150.0	426.500	639.750

The use of the per capita gross leasable shopping center area m2 indicator is not sufficient in making projections and evaluations related to shopping centers. The size of the annual potential retail expenditures per gross leasable area is also important.

For this reason, total GLA sizes attained in the above two scenarios are compared to the projections on annual potential retail expenditures and predictions are made for the annual potential retail expenditures per m2 of gross leasable area.

Accordingly, an annual potential retail expenditure size of 34.2 thousand dollars is attained in İzmir in the first scenario for 426.500 m2 of shopping center GLA in 2015, whereas this number is 22.8 thousand dollars for a shopping center GLA of 639.750 m2 in 2015 in the second scenario.

As can be observed, the size of the potential retail expenditures per gross leasable area m2 is declining in both scenarios until 2015.

In this framework, based on the two scenarios considered, there is a potential for shopping centers with an additional gross leasable area of 190-400 thousand m2 until 2015 (between the years 2009-2015).

TABLE.47 PREDICTIONS FOR SHOPPING CENTERS IN İZMİR

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GLA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GLA DOLLARS	
		A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	9.5	195.287	195.287	48.646	48.646
2007	9.8	199.787	199.787	49.052	49.052
2008	10.4	233.787	233.787	44.485	44.485
2009	10.9	254.085	312.720	42.900	34.855
2010	11.4	277.830	396.900	41.030	28.725
2011	12.0	302.175	443.190	39.712	27.076
2012	12.6	327.040	490.560	38.527	25.685
2013	13.2	352.495	539.110	37.445	24.485
2014	13.9	378.540	588.840	36.720	23.605
2015	14.6	426.500	639.750	34.230	22.820

II.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are evaluated in the second place within commercial real estate.

In this framework, statistical data related to İzmir's accommodation establishments is presented and evaluated; then predictions are made for the development of tourism and accommodation establishments; and accommodation facilities are evaluated in relation to the real estate sector.

İzmir is the third largest tourism city after Antalya and Muğla. İzmir and the city's many townships have a major tourism activity and potential, primarily based on summer tourism. In addition, İzmir also has very significant historical and cultural assets.

Evaluations and predictions made for tourism and accommodation establishments, in terms of the real estate sector, concentrate on city tourism and accommodations located in the city center. There is a clear distinction between accommodation establishments originated within the context of tourism investments and those created as real estate investments.

Accommodation statistics related to the city of İzmir are presented below. As of 2005, 1.2 million people stayed over in İzmir's accommodation establishments, of which 460 thousand were of international and 731 thousand of domestic origin. The total number of overnight stays was 2.94 million. International visitors stayed for a total of 1.62 million nights, while this number was 1.32 million for domestic visitors. The average duration of stay for international and domestic visitors was 3.52 and 1.8 nights respectively. İzmir is a major summer tourism destination for foreign visitors.

According to these accommodation statistics, the occupancy rate in İzmir's existing accommodation establishments was 41.49 percent in 2005. The occupancy by foreigners was 22.83 percent, while that of domestic visitors was 18.67 percent.

The number of visitors and the total number of overnight stays in İzmir declined in 2005, as compared to the previous year.

TABLE.48 İZMİR ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	455	568	1.022	1.731	1.047	2.777	25.64	15.51	41.15
2003	379	625	1.003	1.452	1.208	2.661	21.87	18.21	40.06
2004	485	782	1.266	1.705	1.456	3.161	23.99	20.48	44.47
2005	460	731	1.191	1.618	1.323	2.941	22.83	18.67	41.49

SOURCE: MINISTRY OF TOURISM AND CULTURE

Information pertaining to İzmir's existing accommodation capacity as of 2005 is displayed below. Accordingly, İzmir has a total bed capacity of 16.631 beds in establishments with a tourism license, of which 5.990 are in 5 star hotels.

While the occupancy rate in accommodation establishments was 41.49 percent in 2005, the occupancy rate in 5 star hotels was higher with 47.81 percent.

TABLE.49 İZMİR ACCOMMODATION ESTABLISHMENTS 2005

TYPE AND CLASS OF ESTABLISHMENT	NUMBER OF BEDS	OCCUPANCY RATE %		
		FOREIGN	DOMESTIC	TOTAL
5 STARS	5.990	31.50	16.31	47.81
4 STARS	3.597	31.62	12.33	43.94
3 STARS	4.193	14.88	22.51	37.39
2 STARS	2.118	9.87	31.69	41.57
1 STAR	166	3.21	29.81	33.02
WITH SPECIAL LICENSE	500	32.96	6.74	39.70
APART	67	56.00	8.20	64.20

SOURCE: MINISTRY OF TOURISM AND CULTURE

Despite the abundance of İzmir's tourism assets and potential, the city displays a tourism activity well below its potential, when evaluated in terms of the 4 percent share of foreign visitors received. Important developments and changes are foreseen in İzmir to allow the city to realize its full tourism potential until 2015.

All year round city and vacation tourism is expected to develop based on major factors such as the probability of EXPO 2015 international fair taking place in İzmir, the designation of Çeşme Peninsula as a tourism zone, an international terminal investment of world class quality at the Adnan Menderes airport and the establishment of an airline for direct international flights.

Accordingly, in addition to İzmir's existing accommodation establishments, a need is foreseen for:

1. Multi-purpose hotels (5 stars, 4 stars) where convention, exhibition and art activities can be carried out,

2. Golf, convention and geothermal accommodation establishments in the Çeşme Peninsula declared as a tourism zone, to sustain all year round tourism activities in addition to summer tourism, due to the favorable climate (300 days of sun per year)

3. Deluxe-luxury concept boutique city hotels (4 stars, 3 stars) to accommodate for all year round culture-history-religion tourism

4. Vacation-entertainment oriented deluxe hotels for cruise tourism.

II.4 INDUSTRIAL AND LOGISTICS AREAS

Lastly, industrial and logistics areas are evaluated within commercial real estate.

Industry and foreign trade is continuing its expansion period in İzmir. As a result, the need for industrial and logistics areas is increasing.

Industrial areas in İzmir have developed in planned organized industry zones (OIZ) established outside of the city center and continue to expand in these zones. Atatürk Organized Industrial Zone is the one closest to the İzmir city center. All other OIZ are dispersed in İzmir's townships. Torbalı, Aliağa, Tire, Ödemiş, Söke, Bergama, Kınık, Kemalpaşa and Nazilli host organized industrial zones. Two new OIZ are being established in Menderes and Buca. In addition, ESBAŞ and Menemen Leather Free Trade Zones also are located in İzmir.

İzmir is also preferred by international companies for industry investments. Foreign direct investments prefer the city of İzmir and its surroundings, due to the existence of qualified work force and harbor possibilities.

The occupancy rate is also high in İzmir's organized industry zones. There is a high demand for the OIZ in the investment stage. The demand for industrial areas within the organized industry zones is foreseen to expand.

The trend and expectation for the fast expansion of foreign trade in Turkey and the fact that İzmir is a significant domestic and foreign trade hub lead to an important need for logistics areas.

Foreign trade centered in İzmir will further expand as a result of primarily the privatization of the Port of İzmir as well as the inception of international air transportation. The need and demand for logistics areas will increase in İzmir, characterized as one of the most important foreign trade exit points along with İstanbul and Mersin-İskenderun.

TABLE.50 İZMİR ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES/M2	CHARACTERISTICS
ATATÜRK OSB	7.500.000 M2	486 COMPANIES ARE OPERATIONAL. THE OCCUPANCY RATE IS 95 PERCENT.
ALIAĞA OSB	9.220.000M2	CONSISTS OF 394 PARCELS. 217 PARCELS ARE OCCUPIED. 177 PARCELS ARE SET ASIDE AS RESERVES.
KEMALPAŞA OSB	1300 HECTARES	262 COMPANIES ARE ACTIVELY OPERATIONAL WITH A 90 PERCENT OCCUPANCY.
TIRE OSB	2.110.000 M2	THE OCCUPANCY RATE IS 50 PERCENT.
TORBALI OSB	167 HECTARES	39 COMPANIES HAVE APPLIED.
TORBALI II OSB	110 HECTARES	IS IN INVESTMENT STAGE.
ALIAĞA PETKIM OSB BERGAMA OSB KINIK OSB NAZILLI OSB ÖDEMIŞ OSB SÖKE OSB		
ITOB OSB	2.500.000 M2	CONSISTS OF 435 PARCELS. 310 COMPANIES WILL INVEST. INFRASTRUCTURE WORKS CONTINUE.
BUCA EGE GIYIM OSB	500.000 M2	CONSISTS OF 151 PARCELS. INFRASTRUCTURE WORKS CONTINUE.

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter III

BURSA REAL ESTATE SECTOR AND PROGNOSES

III.I HOUSING SECTOR AND RESIDENTIAL MARKETS

The housing sector and residential markets take the first place in making predictions for the real estate markets. Predictions pertaining to the housing sector and residential markets aim to foresee the housing need in Bursa until 2015 and to portray factors which will affect the housing demand. To this end, this chapter analyzes and evaluates factors that are related to and influence the housing need, demand and supply.

III.I.I. Demography and Population Forecast

Demography and population trends are the most important determinants of the housing need and housing demand. Therefore, demographic and population trends and changes in Bursa are evaluated and population predictions are made based on these trends and assumptions used. In this framework, the rate of population increase, the rate of increase of the urban population, net migration movements, urbanization and urban population, the sizes and the total number of households constitute important variables. Demography and population changes and predictions in Bursa in terms of these variables are presented below.

Bursa is the fourth largest city in Turkey in terms of population size. The population of Bursa has increased from 1.15 million in 1980 to 2.13 million in 2000 and has reached 2.37 million in 2005. Bursa's population is estimated to be 2.43 million in 2006.

TABLE.51 POPULATION OF BURSA AND TURKEY

YEARS	BURSA (000)	TURKEY (000)	BURSA'S SHARE %
1980	1.148	44.737	2.57
1985	1.318	50.664	2.61
1990	1.596	56.473	2.83
2000	2.125	67.804	3.14
2005 (1)	2.373	72.538	3.28
2006 (1)	2.426	73.466	3.31

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

The relative share of Bursa's population within the total population of Turkey is also increasing. The share of Bursa's population has risen from 2.57 percent in 1980 to 3.14 percent in 2005. The population of Bursa is estimated to be 3.31 percent of the population of Turkey in 2006. Bursa has a high population growth rate. The population growth rate of Bursa is well above the average population growth rate in Turkey. The significant net immigration flow to Bursa is a major determinant in the city's population growth. The annual average population growth rate of 2.80 percent in Bursa in 1980-1985, has attained 3.90 percent in 1985-1990 with the impact of immigration movements.

Even though Bursa's rate of population growth has slowed down in subsequent years, it is still considered as very high. The rate of population increase is estimated to be 2.24 percent in 2006, a significantly high ratio as compared to the annual average population growth rate of 1.28 percent in Turkey.

TABLE.52 POPULATION GROWTH RATES (%) OF BURSA AND TURKEY

PERIODS	BURSA (%)	TURKEY (%)
1980-1985	2.80	2.49
1985-1990	3.90	2.17
1990-2000	2.86	1.83
2000-2005 (1)	2.23	1.36
2005-2006 (1)	2.24	1.28

SOURCE: General Population Census Results, TSA
(1)TSA Estimate (adjusted to year end)

An important reason for Bursa's high population growth rate is the total net migration. Bursa's migration indicators are shown below in Table.53. Accordingly, Bursa had a net migration figure equivalent to 4 to 6.35 percent of the population at the beginning of each period. The migration flow has slowed down in absolute numbers and on a pro-rata basis in 2000-2005. In this period, while Bursa had a net migration of 64 thousand people, the net migration rate declined to 3.02 percent. The net migration is estimated to be 13 thousand people in 2006, corresponding to a net migration rate of 0.55 percent.

TABLE.53 BURSA NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	58.720	4.05
1980-1985	47.434	4.13
1985-1990	83.641	6.35
1995-2000	85.325	4.55
2000-2005 (1)	64.000	3.02
2005-2006 (1)	13.000	0.55

SOURCE: Migration Indicators of Cities, TSA
(1) Estimate

The population growth of cities emanate both from the growth of urban population and as a result of migration flows. The sources of Bursa's population growth are displayed in Table.54 below.

Accordingly, both the growth of the urban population and the growth due to migration have been high in Bursa. The population of Bursa has increased by 248 thousand people in 2000-2005. In this period, the average annual growth rate of the urban population has been 1.68 percent, while growth as a result of net immigration was 0.55 percent. The population growth in Bursa arising from the increase in urban population and from net migration will continue at a decreasing rate.

TABLE.54 SOURCES OF BURSA'S POPULATION GROWTH

PERIODS	TOTAL POPULATION GROWTH (000)	TOTAL NET MIGRATION (000)	ANNUAL AVERAGE GROWTH DUE TO MIGRATION %	URBAN POPULATION GROWTH (000)	ANNUAL AVERAGE GROWTH DUE TO URBAN POPULATION %
1980-1985	170	47	0.74	123	2.06
1985-1990	278	84	1.12	194	2.78
1995-2000	253	85	1.13	168	1.73
2000-2005	248	64	0.55	184	1.68
2005-2006	53	13	0.55	40	1.67

The rate of urbanization and the urban population are important indicators of the relationship between the real estate sector and the housing markets and the population. Bursa is undergoing an unplanned urbanization process, as a result of a high urbanization rate and a significant migration rate. The rate of urbanization in Bursa has increased from 61.7 percent in 1980 to 76.8 percent in 2000 and to 79 percent in 2005. Bursa's urbanization rate is estimated to be 79.2 percent in 2006.

In light of these ratios, the urban population of Bursa grew from 708 thousand people in 1980 to 1.64 million people in 2005 and has attained 1.92 million in 2006.

TABLE.55 THE URBANIZATION RATE AND URBAN POPULATION IN BURSA

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	1.148	61.7	708
1985	1.318	68.7	905
1990	1.596	72.2	1.153
2000	2.125	76.8	1.635
2005	2.373	79.0	1.885
2006	2.426	79.2	1.921

The absolute number and the average size of urban households are major indicators of the relation between the housing sector, the urban population and the rate of urbanization. The average size of the urban households in Bursa was measured as 3.82 persons in the population census of 2000.

The size of the urban households is predicted to be 3.70 and 3.68 persons respectively in 2005 and 2006. Accordingly, the total number of urban households in Bursa has grown from 428 thousand in 2000 to 510 thousand in 2005, and to 522 thousand in 2006.

TABLE.56 BURSA URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.635	3.82	428
2005	1.885	3.70	510
2006	1.921	3.68	522

A forecast is made for Bursa's population for each year until 2015, after the demography and population trends and developments in Bursa are analyzed. The basic assumption used in making this forecast is the slow down in the rate of population growth in Bursa. However, Bursa's population growth rate will continue to exceed the average of Turkey, despite its rate of decline, based on the assumptions that the rate of urban population growth will continue to be high as a result of Bursa's demographic characteristics and that Bursa will continue to be a magnet for immigration waves.

Accordingly, the population growth rate in Bursa, which was 2.24 percent in 2006, is expected to decline to 2.08 percent in 2010 and to 1.90 percent in 2015. The average population growth rate in Turkey is projected to be 1.10 percent in 2015.

TABLE.57 BURSA AND TURKEY POPULATION INCREASE PROJECTIONS

YEARS	TURKEY POPULATION INCREASE RATE %	TURKEY POPULATION (000)	BURSA POPULATION INCREASE RATE %	BURSA POPULATION (000)	BURSA POPULATION SHARE %
2000	1.66	67.804	2.40	2.125	3.14
2005	1.33	72.538	2.26	2.373	3.28
2006	1.28	73.466	2.24	2.426	3.31
2007	1.26	74.392	2.20	2.479	3.34
2008	1.24	75.315	2.16	2.533	3.37
2009	1.22	76.234	2.12	2.587	3.40
2010	1.20	77.149	2.08	2.641	3.43
2011	1.18	78.059	2.04	2.695	3.46
2012	1.16	78.965	2.00	2.749	3.49
2013	1.14	79.865	1.97	2.803	3.51
2014	1.12	80.759	1.94	2.857	3.54
2015	1.10	81.647	1.90	2.911	3.57

Based on these projections, the population of Bursa will increase to 2.64 million in 2010 and to 2.91 million in 2015.

The sources of Bursa's predicted population growth until 2015 are given in Table.58 below in detail.

Accordingly, the population growth rates emanating from both the increase in urban population and from net migration remain high, despite their slow down. Three quarters of the population growth rate will come from the rise of urban population while one fourth will be due to migration. After a while, the share of migration will start to decline. In 2015, the growth from urban population and from immigration will be respectively 43 thousand and 11 thousand within the population growth of 54 thousand people.

TABLE.58 PROJECTIONS OF BURSA'S SOURCES OF POPULATION GROWTH

YEARS	ANNUAL NET POPULATION GROWTH	URBAN POPULATION GROWTH %	URBAN POPULATION GROWTH (000)	GROWTH DUE TO MIGRATION %	GROWTH DUE TO MIGRATION (000)
2006	53	1.67	40	0.55	13
2007	54	1.66	40	0.54	13
2008	54	1.64	41	0.52	13
2009	54	1.62	41	0.50	13
2010	54	1.60	41	0.48	13
2011	54	1.58	42	0.46	12
2012	54	1.56	42	0.44	12
2013	54	1.54	42	0.43	12
2014	54	1.52	43	0.42	11
2015	54	1.50	43	0.40	11

The total and projected number of urban households in Bursa is a major indicator in relation to the real estate market and housing sector.

Projections made for the urbanization rate in Bursa as well as for the total number and the size of urban households are presented below in Table.59.

Accordingly, the urbanization in Bursa is predicted to continue at a declining rate and to reach 80.5 percent in 2010 and 82 percent in 2015. Despite Bursa's urbanization process, a significant rural population will remain in Bursa due to vast and effective agricultural production, as in the case of İzmir. For this reason, Bursa's urbanization rate will not attain 90 percent and above as in Istanbul and Ankara in the short term.

The size of the urban households is expected to decline as a natural result of demographic trends. The average size of the urban households, which was 3.70 persons in 2005, is projected to be 3.60 persons in 2010 and 3.50 persons in 2015.

In light of these expectations, the 522 thousand urban households in Bursa in 2006 will reach 591 thousand in 2010 and 682 thousand in 2015.

TABLE.59 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN BURSA

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	2.125	76.8	1.635	3.82	428
2005	2.373	79.0	1.885	3.70	510
2006	2.426	79.2	1.921	3.67	522
2007	2.479	79.5	1.971	3.65	540
2008	2.533	79.8	2.021	3.63	557
2009	2.587	80.2	2.075	3.61	575
2010	2.641	80.5	2.126	3.60	591
2011	2.695	80.8	2.178	3.58	608
2012	2.749	81.1	2.229	3.56	626
2013	2.803	81.4	2.282	3.54	645
2014	2.857	81.7	2.334	3.52	663
2015	2.911	82.0	2.387	3.50	682

III.I.2 Housing Stock in Bursa

An analysis and evaluation of the existing housing stock is performed in the second place in making projections for the housing sector and residential markets.

Two principal findings gain importance in the evaluation of the present housing stock. The first one is whether there is a shortage or a surplus of housing vis-à-vis the existing number of households; the second one is the determination of the number of housing units which need renewal as a result of the physical and legal status of the existing housing stock.

This section comprises the presentation and evaluation of data on Bursa's housing stock in this framework.

Bursa's housing stock is primarily evaluated in terms of numbers and legal conditions. The housing stock in Bursa as of 2000 is presented according to the data of the Turkish Statistical Institute 2000 Building Count. As of 2000, there are 640.197 housing units in Bursa, of which 565.591 are in urban areas (in the city and townships).

As of 2000, the legal condition of Bursa's existing housing stock can be described as follows: 371 thousand residential units, which represent 65.66 percent of the total housing stock in Bursa, have construction permits.

As of 2000, there are 194 thousand housing units in Bursa which are built without construction permits, and are inadequate and sub-standard. Only 161 thousand units, or 28.39 percent of the total housing stock, have occupancy permits.

The rapid population growth, unplanned urbanization and the significant immigration wave have led to Bursa's housing need to be met by illegal and inadequate housing. Bursa faces a serious shanty town problem.

TABLE.60 BURSA HOUSING STOCK 2000

INDICATORS	BURSA
NUMBER OF BUILDINGS	270.023
NUMBER OF HOUSING UNITS	640.197
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	565.591
HOUSING UNITS WITH CONSTRUCTION PERMITS	371.342
HOUSING UNITS WITH OCCUPANCY PERMITS	160.549
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	194.249
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	65.66
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	28.39

SOURCE: TSA, Building Count 2000 Results

Bursa's housing stock as of the end of 2006 is given in Table.61 below. The number of construction permits obtained in 2001-2005, the number of units that are out of use in 2001-2006 as well as estimates for housing production without construction permits have been used in coming up with the housing stock in 2006.

30.226 construction permits were granted in Bursa in the years 2000-2005. In 2001-2006, the number of units which lost their residential quality and housing production without proper construction permits are estimated respectively as 2 thousand and 54 thousand.

In light of these estimates, the total housing stock in Bursa as of the end of 2006 is predicted to be 653 thousand units. (The Ministry of Finance 2005 data is 656.962 housing units). The housing need in Bursa in 2001-2006 is largely met by illegal and inadequate housing. Therefore, the number of illegal, inadequate housing units without construction permits has attained 254 thousand as of the end of 2006.

As of the end of 2006, Bursa has 522 thousand urban households and 653 thousand housing units in the city center. Although there appears to be no shortage of housing

TABLE.61 BURSA 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	BURSA
NUMBER OF HOUSING UNITS 2000 (CITY&TOWNSHIPS)	565.591
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	30.226
HOUSING UNITS THAT ARE OUT OF USE (2001-2006)	2.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	60.000
TOTAL HOUSING STOCK 2006	653.817

in Bursa in terms of the existing number of urban households, a serious housing need is observed taking into account the fact that 39 percent of the housing need in Bursa is met by illegal and inadequate housing units.

In this framework, the need for urban regeneration projects constitutes a major component of Bursa's housing sector. Not only new residential areas have been used up but also illegal and inadequate housing have been produced in Bursa as a result of the shanty town settlements which emanated from the city's rapid urbanization, population growth and migration intake.

A significant portion of the housing need in Bursa will be met through urban transformation and regeneration projects. For this reason, the housing production by the local administrations and the Housing Development Administration of Turkey gains major importance. 254 thousand residential units are potential candidates for urban regeneration.

The physical condition of the existing housing stock is another important indicator in the determination of the housing need. The physical condition of the housing stock and the physical lives of buildings in terms of their building years affect the identification of the housing need.

The physical condition of the housing stock in Bursa as of 2000 is portrayed below in Table.62. Accordingly, 1 percent of the housing units within the present housing stock in Bursa are ruined and planned to be demolished, whereas 4 percent are in need of serious repair and refurbishment. Such physical condition leads to a limited renewal based housing need.

TABLE.62 THE PHYSICAL CONDITION OF THE HOUSING STOCK IN BURSA 2000

INDICATORS	BURSA
NUMBER OF HOUSING UNITS	640.197
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	565.591
THOSE THAT DON'T NEED REPAIRS	418.537
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	113.118
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	22.624
IN RUINS AND PLANNED TO BE PULLED DOWN	5.656
UNKNOWN CONDITION	5.656

SOURCE: BUILDING COUNT 2000, TSA

Table.63 shows the building years of Bursa's existing buildings as of 2000. The total number of buildings that are 50 years and older will be 43 thousand in 2005-2015, corresponding to approximately 100 thousand residential units.

Nevertheless, the fact that a significant number of historical buildings over 50 years old exists in Bursa narrows down the need for renewal which comes from the physical lives of buildings.

TABLE.63 THE CONSTRUCTION YEARS OF BUILDINGS IN BURSA 2000

COMPLETION DATE OF BUILDING	BUILDINGS THAT ARE FULLY USED AS RESIDENCES	BUILDINGS WHOSE MAJORITY IS USED AS RESIDENCES
-1929	5.141	455
1930-1939	2.473	169
1940-1949	4.701	437
1950-1959	9.313	854
1960-1969	17.548	1.841
1970-1979	39.319	6.025
1980-1989	52.300	10.902
1990-2000	68.552	14.005
UNDETERMINED	1.239	331
TOTAL	200.586	35.019

SOURCE: BUILDING COUNT 2000, TSA

III.1.3 Housing Need in Bursa

Prognoses are being made for the housing need in Bursa for each year until 2015, based on the assumptions, findings and results of the above analyses and evaluations.

Accordingly, the total housing need in Bursa in 2007-2015 is foreseen to be 268 thousand.

The housing need in Bursa arises as a result of three major factors: the increase in the number of households, urban regeneration and renewal.

1. The projections on the increase in the number of households were presented in the previous sections. Accordingly, the increase in the number of households in 2007-2015 is 160 thousand, indicating that there will be a need for 160 thousand additional housing units.

2. The urban regeneration based housing need is predicted to be 90 thousand. 35 percent of the 254 thousand housing units without construction permits as of 2006 are assumed to be renewed through urban regeneration. In this framework, a housing need for 90 thousand units arises from urban regeneration in 2007-2015. This need is evenly distributed per years.

3. Renewal based housing need will be 18 thousand in 2007-2015. When the physical condition and the physical lives of the existing building stock in Bursa are taken into account, 0.35 percent of the total housing stock needs renewal on a yearly basis. Thus, a renewal based housing need of 18 thousand residential units arises in total.

TABLE.64 PREDICTIONS FOR THE HOUSING NEED IN BURSA (in 000's)

YEARS	BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED	RENEWAL BASED	TOTAL
2007	18	10	2	30
2008	17	10	2	29
2009	18	10	2	30
2010	16	10	2	28
2011	17	10	2	29
2012	18	10	2	30
2013	19	10	2	31
2014	18	10	2	30
2015	19	10	2	31
TOTAL	160	90	18	268

III.1.4. Factors that Influence the Housing Demand in Bursa

The factors that influence the housing demand in Bursa are evaluated, after projections on the housing need in Bursa are made.

The home ownership and the income structure of households are analyzed and evaluated as major factors that affect the housing demand.

As of 2000, 353 thousand households are homeowners. The data pertaining to the home ownership of households in Bursa as of 2000 is presented in Table.65 below. 144 thousand households are tenants in Bursa as of 2000. (The Ministry of Finance data shows 147 thousand tenants in 2005). These tenants constitute a potential demand for housing.

TABLE.65 HOME OWNERSHIP OF THE HOUSEHOLDS IN BURSA

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	353.275	64.78
TENANT	143.638	26.34
LODGING DWELLER	6.335	1.17
NOT HOMEOWNER / DOESN'T PAY RENT	39.081	7.17
OTHER	2.798	0.52
UNKNOWN	264	0.05
TOTAL	545.391	100.0

SOURCE: General Population Census 2000, TSA

The level of economic development of the city and personal incomes are other major determinants of the housing demand. The city of Bursa exceeds the Turkish average in terms of the level of economic development and per capita income indicators. As of 2005, Bursa's gross product is 14.1 billion dollars and the per capita income is 5.942 dollars.

The projections pertaining to the developments in Bursa's gross product and per capita income are given below in Table.66.

It is assumed that Turkey's economy will grow by 5 percent per year until 2015 and Bursa's share of gross product will remain stable at 3.9 percent per annum.

In light of these assumptions, Bursa's gross product is predicted to reach 18.5 billion dollars in 2010 and 23.7 billion dollars in 2015. The per capita income in Bursa is projected to increase to 7.005 dollars in 2010 and to 8.142 dollars in 2015, in fixed prices.

The per capita income projections reflect positive expectations in terms of housing demand and reinforce the capacity of households to benefit from the housing finance system. On the other hand, it is observed that Bursa has a distorted income distribution curve and the households that need housing mostly belong to the low income group.

TABLE.66 BURSA GROSS PRODUCT AND PER CAPITA INCOME PROJECTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLARS
2005	14.1	2.373	5.942
2006	15.2	2.426	6.265
2007	16.0	2.479	6.454
2008	16.8	2.533	6.632
2009	17.7	2.587	6.842
2010	18.5	2.641	7.005
2011	19.5	2.695	7.236
2012	20.4	2.749	7.421
2013	21.5	2.803	7.670
2014	22.5	2.857	7.875
2015	23.7	2.911	8.142

III.1.5 Prognoses for the Housing Sector and Markets in Bursa

1. A high housing need is foreseen for all income groups in Bursa. Especially the middle and low income groups will have a higher need for housing.

2. The city center and the residential areas in Bursa are concentrated and geographically squeezed in a limited region. The physical expansion areas are rather restricted.

3. Unplanned urbanization and expansion, illegal settlements, the fact that industrial and residential areas are intertwined and the continuing migration cause a negative effect on the development of the residential sector and housing markets. A part of potential residential areas and fertile farming and agricultural areas surrounding the city have been utilized for industry. Industry is still continuing its expansion and such expansion is stimulating migration to Bursa.

4. Despite the high housing need in Bursa, the housing production is rather limited. The fact that the production of housing is well below the housing need leads to the accumulation of a major housing demand. Since the housing supply does not meet the need for housing, this housing shortage results in the increase in housing prices and rents.

5. Primarily, luxury and branded residential projects are being developed in Bursa. On the other hand, projects appealing to the middle income groups and social housing production for the low income groups, which constitute the real housing demand, are very limited.

6. Bursa is foreseen to expand into three new residential zones. Intensive illegal and distorted settlements take place in the center of Yıldırım, which is east of Bursa. While areas on the Ankara road such as Erikli, Bağlaraltı, Kaplıkaya, Esenevler and Akçağlayan develop as new planned residential zones, a need for urban regeneration prevails in the shanty town area below the Ankara road.

7. Osmangazi, the oldest residential settlement, is expanding as a new and planned residential area. Çekirge, Altıparmak, Atatürk Street, Cumhuriyet Street and Setbaşı are the most attractive areas. The Yunuseli, Hamitler and Bağlarbaşı areas of Osmangazi are the new and qualified residential areas.

8. The Nilüfer region in the west of the city has been the most modern and planned expansion zone. Nevertheless, new potential residential areas in this region are rather limited. Yet, the planned expansion is foreseen to continue.

9. Despite the high need for housing in Bursa, the lack of sufficient new residential development areas in the city center as well as in the east and west of the city and the fact that the expansion of Bursa is physically restricted by geographic limits constitutes the most important problem for the housing sector.

Therefore, urban regeneration projects are needed to create new residential areas. A limited number of urban regeneration projects started in Bursa. The abundance of historical monuments in key locations in the city center leads to the slowing down of urban regeneration projects.

10. The demand for the new housing projects which are produced in order to meet the existing and projected housing need is foreseen to be high. As a matter of fact, the

housing demand is accumulating as a result of the insufficient housing production. Therefore, there will be a significant need for qualified housing in Bursa. 4.388 and 4.156 housing units have been purchased in Bursa in 2005 and 2006 respectively with the utilization of housing credits. The ratio of housing credits in Bursa to the total housing credits in Turkey is 2.24 percent.

11. Since there is a high need for housing production within the context of urban transformation and regeneration projects to replace illegal and distorted residential settlements, the Housing Development Administration of Turkey and local administrations are required to develop new residential areas and produce a significant number of social housing. The Housing Development Administration of Turkey has currently undertaken 8 residential projects with 4.856 housing units.

III.2 RETAIL MARKET AND SHOPPING CENTERS

Evaluations and projections related to the real estate sector have to be made both for residential and commercial real estate markets.

The retail market and shopping centers are evaluated first within the context of commercial real estate in Bursa and predictions are made.

The consumption expenditures of households are expanding, the share of retail consumption is increasing within total consumption expenditures and the share of organized retail markets is growing within retail consumption. In light of these general trends, shopping centers display a fast track development within organized retail markets.

In this framework, the data pertaining to Bursa's shopping centers and retail market are presented below.

TABLE.67 BURSA ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLARS
2004	3.9	11.7	5.065
2005	3.9	14.1	5.942
2006	3.9	15.2	6.265

The growth and development potential of shopping centers depend on economic growth, personal incomes, consumption and retail expenditures of households, in addition to population forecast.

As of 2006, Bursa has a share of 3.9 percent within Turkey's national income with a gross product of 15.2 billion dollars. The per capita income is 6.265 dollars. Based on the above economic indicators, Bursa is the fifth largest city in Turkey in terms of gross product size.

TABLE.68 BURSA PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	11.7	7.9	2.5	1.3	3.8
2005	14.1	9.8	3.0	1.8	4.8
2006	15.2	10.8	3.3	1.9	5.2

Private consumption expenditures in Bursa reached 10.8 billion dollars in 2006, of which 5.2 billion dollars were total retail expenditures. Retail expenditures represent 48 percent of private consumption expenditures. Food and beverage expenditures were 3.3 billion dollars while non-food expenditures (clothing, shoes, personal care, furniture, entertainment, vacation and electronic equipment) were 1.9 billion dollars. Non-food expenditures comprise durable and semi-durable consumption items.

Indicators relevant to shopping centers in Bursa are shown in Table.69 below. Accordingly, there are 4 shopping centers in Bursa as of the end of 2006, suitable to the standards of the International Council for Shopping Centers (ICSC). Of these shopping centers, 3 are classified as medium sized and 1 as small shopping centers according to the ICSC standards. The total gross leasable area of the 4 shopping centers is 92.404 m2. The gross leasable area per 1000 persons is 38.1 m2.

Total retail expenditures in Bursa are 5.2 billion dollars as of the end of 2006 and the share of retail expenditures is expanding within organized markets.

In this framework, total retail expenditures in Bursa are compared to existing total shopping center GLA and a potential retail expenditure of 56.275 dollars is calculated per shopping center GLA m2. However, this number only indicates a potential and does not by any means represent the actual retail expenditure per shopping center GLA. Nevertheless, such extrapolation is evaluated as an important indicator of the development potential of shopping centers in Bursa.

TABLE.69 BURSA SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTER	TOTAL GLA M2	GLA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	4	92.404	38.1	56.275

Projections made in relation to the development potential of shopping centers in Bursa are given below. In making these forecasts, shopping centers that are in construction and actively planned are taken into account as of the year they are targeted to be operational. An actual realization forecast is being used for the years 2007-2008.

The shopping center growth projections are made for subsequent years, based on predictions for the population, economic growth and retail expenditures in Bursa. Projections are made for the gross leasable area sizes of shopping centers.

These shopping center projections are presented in two different scenarios, which display two different shopping center GLA's and potential retail expenditure sizes. The shopping center gross leasable area projections for Bursa are presented below. Of the 2 shopping centers currently under construction in Bursa, one will be operational in 2007 and the other one in 2008.

With the completion of the shopping centers currently under construction in Bursa, an additional gross leasable area of 55.000 m2 and 23.857 m2 will be added to the total shopping center GLA respectively until the end of 2007 and 2008.

According to this data, the total shopping center GLA in Bursa reaches 147.404 m2 at the end of 2007 and 171.261 m2 at the end of 2008. The gross leasable area per 1000 persons thus attains 59 m2 in 2007 and 68 m2 in 2008.

Predictions for the years 2009 and thereafter are based on assumptions for gross leasable area m2 per 1000 persons. Two different scenarios reflect a shopping center GLA per 1000 persons of 100 m2 and 125 m2 in 2015.

Based on these assumptions, the total gross leasable area will be 291.100 m2 in the first scenario and 363.875 m2 in the second scenario.

TABLE.70 PREDICTIONS FOR BURSA SHOPPING CENTERS

	POPULATION	GLA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
YEARS	(000)	A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	2.426	38	38	92.404	92.404
2007	2.479	59	59	147.404	147.404
2008	2.533	68	68	171.261	171.261
2009	2.587	70	70	181.090	181.090
2010	2.641	75	80	198.075	211.280
2011	2.695	80	90	215.600	242.550
2012	2.749	85	100	233.665	274.900
2013	2.803	90	110	252.270	308.330
2014	2.857	95	120	271.415	342.840
2015	2.911	100	125	291.100	363.875

The use of the per capita gross leasable shopping center area m2 indicator is not sufficient in making projections and evaluations pertaining to shopping centers. The size of the annual potential retail expenditures per gross leasable area is also significant.

For this reason, total GLA sizes attained in the above two scenarios are compared to the projections on annual potential retail expenditures and predictions are made for the annual potential retail expenditures per m2 of gross leasable area.

Accordingly, an annual potential retail expenditure size of 27.5 thousand dollars is attained in Bursa in the first scenario, for 291.100 m2 of shopping center GLA in 2015, whereas this number is 22.0 thousand dollars for a shopping center GLA of 363.875 m2 in 2015 in the second scenario.

As can be observed, the size of the potential retail expenditures per gross leasable area m2 is declining in both scenarios until 2015.

In this framework, based on the two scenarios considered, there is a potential for shopping centers with an additional gross leasable area of 120-190 thousand m2 until 2015 (between the years 2009-2015).

TABLE.71 PREDICTIONS FOR SHOPPING CENTERS IN BURSA

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GLA M2 A SCENARIO	TOTAL GLA M2 B SCENARIO	ANNUAL POTENTIAL RETAIL EXPENDITURES PER GLA DOLLARS A SCENARIO	ANNUAL POTENTIAL RETAIL EXPENDITURES PER GLA DOLLARS B SCENARIO
2006	5.2	92.404	92.404	56.275	56.275
2007	5.4	147.404	147.404	36.634	36.634
2008	5.6	171.261	171.261	32.699	32.699
2009	5.9	181.090	181.090	32.580	32.580
2010	6.2	198.075	211.280	31.301	29.345
2011	6.6	215.600	242.550	30.612	27.211
2012	6.9	233.665	274.900	29.529	25.100
2013	7.2	252.270	308.330	28.541	23.313
2014	7.6	271.415	342.840	28.001	22.168
2015	8.0	291.100	363.875	27.482	21.985

III.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are evaluated in the second place within commercial real estate. In this framework, statistical data relevant to Bursa's accommodation establishments is presented and evaluated; then predictions are made for the development of tourism and accommodation establishments; and accommodation establishments are evaluated in relation to the real estate sector.

Even though Bursa is a city with a high tourism potential, the city has a 0.6 percent share when evaluated in terms of foreign visitors lodging in Bursa. Bursa is considered to be one of the few cities with a wide variety of tourism alternatives.

Bursa has a wide tourism diversity and potential which includes winter tourism, health tourism, history and culture tourism due to very important capital cities of the Ottoman Turks and the Christian world (İznik), alternative water sports in the İznik and Uluabat lakes, camping, trekking and safari in the Uludağ National Park and summer tourism on the shores of the Marmara Sea.

In spite of this vast potential, inner city tourism and city hotels have not displayed sufficient development as a result of unplanned and distorted settlements, pollution, transportation problems and similar factors.

Accommodation statistics show that 485 thousand people stayed over in Bursa's accommodation establishments in 2005, of which 102 thousand were of international and 383 thousand of domestic origin. The total number of overnight stays was 813 thousand. The average duration of stay for international and domestic visitors was 1.95 and 1.6 nights respectively. On the average, visitors appear to stay rather shortly in Bursa.

TABLE.72 BURSA ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	114	265	375	195	451	646	10.63	24.53	35.16
2003	101	285	350	186	516	702	10.09	27.91	38.00
2004	98	325	422	201	610	811	10.18	30.87	41.05
2005	102	383	485	199	614	813	10.40	32.03	42.49

SOURCE: MINISTRY OF TOURISM AND CULTURE

Information pertaining to Bursa's existing accommodation capacity as of 2005 is displayed below in Table.73. Accordingly, Bursa has a total bed capacity of 5.166 beds in establishments with a tourism license, of which 803 are in 5 star hotels. The occupancy rate in accommodation establishments has been 42.49 percent in 2005. While the occupancy rate in 5 star hotels was 36.35 percent, it was higher in 3 and 4 star establishments.

TABLE.73 BURSA ACCOMMODATION ESTABLISHMENTS 2005

TYPE AND CLASS	NUMBER OF	OCCUPANCY RATE %		
OF ESTABLISHMENT	BEDS	FOREIGN	DOMESTIC	TOTAL
5 STARS	803	11.49	24.86	36.35
4 STARS	1303	18.07	27.82	45.89
3 STARS	1814	6.85	40.53	47.38
2 STARS	904	6.63	33.30	39.93
1 STAR	188	0.37	21.04	21.41
WITH SPECIAL LICENSE	62	25.09	27.77	52.86
APART	92	13.24	7.32	20.56

SOURCE: MINISTRY OF TOURISM AND CULTURE

Evaluations related to Bursa's accommodation establishments and projections until 2015 are presented below. First of all, the number of foreign visitors, which is extremely low when compared to Bursa's tourism potential, is foreseen to increase.

To this end, a diversification is predicted in tourism and related accommodation establishments. A target of 500 thousand foreign visitors per annum is predicted as reachable in the medium and long term.

Accordingly, a need is foreseen for:

1. Health tourism oriented new and qualified accommodation establishments (5 stars, 4 stars),

2. Concept and boutique city hotels (4 stars, 3 stars) to accommodate for culture and history tourism,

3. Alternative sports oriented accommodation establishments (4 stars, 3 stars)

4. Multi-purpose hotels (5 stars, 2-3 needed) where convention, exhibition and art activities can be carried out.

III.4 INDUSTRIAL AND LOGISTICS AREAS

Lastly, industrial and logistics areas are evaluated within commercial real estate.

Bursa has evolved and expanded as an industrial city. Industry in Bursa displayed a rapid expansion as of the mid 1960's within both inside and outside of planned and organized areas. Turkey's first planned organized industry zone was established in Bursa.

At present, there are 10 active organized industry zones in Bursa. Industry in Bursa has also grown outside the OIZ in areas close to the city center and around the city periphery, where residential areas and industry have been intertwined.

The geographical expansion of Bursa has been constrained by the settlement of vast industrial areas close to the city periphery. Industrial areas have expanded towards fertile agricultural zones. The rapid industrial expansion, both planned and unplanned, has accelerated immigration to Bursa as well as illegal shanty town settlements.

Information pertaining to Bursa's existing organized industry zones is given in Table.74 below. The occupancy rates in the 10 active OIZ are high, except for 4 which are newly established. New industrial regions are also rapidly filling up.

In addition, works for the establishment and the infrastructure of Osmangazi Deri OIZ and İnegöl Mobilya İhtisas OIZ continue in Bursa. Moreover, Samanlı, Kayapa, Barakfakıh and Boyahane organized industrial zones are also being established.

The planned industrialization in these regions is causing farming and agricultural areas to diminish. The primary objective is to fill up the 4 active organized industry zones. Another major planned industrial area will be the Uludağ Technology Development Zone with an area of 471.230 m2 within the Uludağ University.

Industry in Bursa is foreseen to expand, which will lead to a need for new industrial areas. The fact that industrial areas in Bursa are limited is causing the prices of industrial areas to increase.

In light of Bursa's economic development and the economic role the city has assumed within the Marmara metropolitan region, the need for logistics areas in Bursa is also rapidly increasing. The need for organized industry zones as well as logistics areas close to big export companies and customs houses will grow considerably.

TABLE.74 BURSA ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES/M2	OCCUPANCY RATE %	NUMBER O COMPANIES
BURSA OSB	6.800.000 M2 3.850.000 M2	%90	247
NILÜFER OSB	232 HECTARES	% 60	219
DEMIRTAŞ OSB	475 HECTARES	% 70	300
GÜRSU OSB	109 HECTARES	% 68	85
KESTEL OSB	75 HECTARES	% 90	69
INEGÖL OSB	3.000.000 M2	% 100	85
BATI OSB	120 HECTARES	% 35	38
MUSTAFA KEMAL PAŞA OSB	197 HECTARES	% 10	4
MUSTAFA KEMAL PAŞA OSB MERMER	65 HECTARES	% 15	8
YENIŞEHIR OSB	173 HECTARES	% 1	1

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter IV

ADANA REAL ESTATE SECTOR AND PROGNOSES

IV.I HOUSING SECTOR AND RESIDENTIAL MARKETS

The housing sector and residential markets take the first place in making predictions for the real estate markets. Predictions pertaining to the housing sector and residential markets aim to foresee the housing need in Adana until 2015 and to portray factors which will affect the housing demand. To this end, this chapter analyzes and evaluates factors that are related to and influence the housing need, demand and supply.

IV.I.I. Demography and Population Forecast

Demography and population trends are the most important determinants of the housing need and housing demand. Therefore, demographic and population trends and changes in Adana are evaluated and population predictions are made based on these trends and assumptions used. In this framework, the rate of population growth, the rate of increase of the urban population, net migration movements, urbanization and urban population, the sizes and the total number of households constitute important variables.

An important development concerning Adana is that Osmaniye, one of the city's biggest townships, separated from Adana to become a city by itself in 1996. For this reason, past data related to demographic and population indicators are presented for Adana, excluding Osmaniye.

Demography and population changes and predictions in Adana are presented below.

Adana is heading the cities with the highest population activity. Adana has been subject to a very rapid immigration flow as of the mid 1980's. At the same time, Adana also has a high rate of emigration. Adana has become a migration transit and distribution hub. As a result of this intense migration activity, Adana's demographic structure rapidly changed and deviated from its natural course. The urban population growth rate also increased in Adana while household sizes have expanded with the immigration of crowded families.

The population of Adana has increased from 1.55 million in 1980 (excluding Osmaniye) to 1.85 million in 2000 and has attained 1.99 million in 2006. The relative share of Adana's population within the total population of Turkey has risen from 2.75 percent in 1990 to 2.72 percent in 2006.

TABLE.75 POPULATION OF ADANA AND TURKEY

YEARS	ADANA (000)	TURKEY (000)	ADANA'S SHARE %
1990	1.549	56.473	2.75
2000	1.849	67.804	2.73
2005 (1)	1.969	72.538	2.72
2006 (1)	1.993	73.466	2.72

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

The rate of population growth in Adana is heavily influenced by migration waves and varies accordingly. Nonetheless, Adana's total population growth rate is declining. The population growth rate of Adana has been lagging behind the average population growth rate in Turkey, with an annual average of 1.77 percent in 1990-2000.

The population growth rate further slowed down to 1.40 percent in 2000-2005, however this time exceeded the average growth rate in Turkey. In 2006, the population growth rate in Adana declined to 1.22 percent and fell below the country average.

TABLE.76 POPULATION GROWTH RATES (%) OF ADANA AND TURKEY

PERIODS	ADANA (%)	TURKEY (%)
1990-2000	1.77	1.83
2000-2005 (1)	1.40	1.36
2005-2006 (1)	1.22	1.28

SOURCE: General Population Census Results, TSA
(1)TSA Estimate (adjusted to year end)

A high level of migration activity prevails in Adana whereby the city is subject both to a high level of immigration and at the same time to emigration flow. Contrary to the general opinion, Adana has a negative absolute net migration since 1990. 40.497 people have emigrated from Adana in 1995-2000, while this number has been 52.000 people in 2000-2005. The number of people that migrated out of Adana is estimated as 11 thousand in 2006, which corresponds to a net migration rate of -0.56 percent in 2006.

TABLE.77 ADANA NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1995-2000	-40.497	-2.39
2000-2005 (1)	-52.000	-2.81
2005-2006 (1)	-11.000	-0.56

SOURCE: Migration Indicators of Cities, TSA
(1) Estimate

The sources of Adana's population growth are critically important for population projections. Accordingly, while the rapid growth in urban population drives up the total population, the high rate of emigration movement from the city draws it down.

In 1995-2000, an average urban population growth rate of 2.15 percent per annum coupled with a net emigration flow of 0.44 percent resulted in Adana's population to increase by 1.71 percent.

In 2000-2005, Adana's population increased by 1.40 percent per annum on the average, as a result of the decline in the annual growth of the urban population to an average of 1.80 percent and the slowing down of the emigration flow from the city to 0.40 percent.

While the urban population growth in Adana remained stable in 2006, the net migration activity grew to 0.56 percent, which caused the rate of Adana's population growth to decline to 1.22 percent.

TABLE.78 SOURCES OF ADANA'S POPULATION GROWTH

PERIODS	TOTAL POPULATION GROWTH (000)	TOTAL NET MIGRATION (000)	ANNUAL AVERAGE GROWTH DUE TO MIGRATION %	URBAN POPULATION GROWTH (000)	ANNUAL AVERAGE GROWTH DUE TO URBAN POPULATION %
1995-2000	148	-41	-0.44	189	2.15
2000-2005	120	-52	-0.40	172	1.80
2005-2006	24	-11	-0.56	35	1.80

The rate of urbanization and the urban population are important population indicators for the real estate sector. The rapid migration activity in Adana leads to fluctuations and to a slower increase in the urbanization rate.

The rate of urbanization in Adana has been measured as 72.6 percent in 1990 and 75.6 percent in 2000 in the general population census. The urbanization rate attained 77 percent in 2005 and is estimated as 77.3 percent in 2006. According to these statistics, the total number of urban population in Adana has grown from 1.13 million in 1990 to 1.54 million in 2006.

TABLE.79 THE URBANIZATION RATE AND URBAN POPULATION IN ADANA

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1990	1.549	72.6	1.125
2000	1.849	75.6	1.398
2005	1.969	77.0	1.516
2006	1.993	77.3	1.540

The absolute number and the average size of urban households are major population indicators for the real estate sector, in addition to the total number of urban population. Adana houses larger families as a result of immigration movements to the city whereby the average size of urban households has been measured as 4.51 persons in 2000. The average size of urban households is foreseen as 4.37 persons in 2006.

Accordingly, the total number of urban households in Adana has increased from 313 thousand in 2000 to 352 thousand in 2006.

TABLE.80 ADANA URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.398	4.51	313
2005	1.516	4.40	345
2006	1.540	4.37	352

A forecast is made for Adana's population for each year until 2015, after the demography and population trends and developments in the city are analyzed.

The basic assumption used in making this forecast is the slow down in the rate of population growth in Adana, which will remain below the country average.

Accordingly, the population growth rate in Adana, which was 1.22 percent in 2006, is expected to decline to 1.09 percent in 2010 and to 1 percent in 2015.

Based on these projections, the population of Adana will increase to 2.09 million in 2010 and to 2.20 million in 2015. The share of Adana's population within the total population of Turkey will regress to a limited extent to 2.69 percent in 2015.

TABLE.81 ADANA AND TURKEY POPULATION INCREASE PROJECTIONS

YEARS	TURKEY POPULATION INCREASE RATE %	TURKEY POPULATION (000)	ADANA POPULATION INCREASE RATE %	ADANA POPULATION (000)	ADANA POPULATION SHARE %
2000	1.66	67.804	1.36	1.849	2.73
2005	1.33	72.538	1.24	1.969	2.74
2006	1.28	73.466	1.22	1.993	2.72
2007	1.26	74.392	1.18	2.017	2.72
2008	1.24	75.315	1.15	2.040	2.71
2009	1.22	76.234	1.12	2.063	2.71
2010	1.20	77.149	1.09	2.085	2.71
2011	1.18	78.059	1.07	2.107	2.70
2012	1.16	78.965	1.05	2.129	2.70
2013	1.14	79.865	1.04	2.151	2.70
2014	1.12	80.759	1.02	2.173	2.69
2015	1.10	81.647	1.00	2.195	2.69

The population forecast for Adana is based on the following basic assumptions: The growth of the urban population will first increase and then decline, however will continue to feed the city's population growth; the population loss as a result of emigration flows will accelerate to a limited extent and continue to grow.

Projections related to the sources of population growth in Adana based on these two basic assumptions are presented below in Table.82. Accordingly, the growth rate of the urban population, which was 1.80 percent in 2006, will first increase moderately and then decline relatively on a small scale to 1.75 percent in 2015. The population loss resulting from emigration from the city will rise from 0.56 percent in 2005 to 0.75 percent in 2015.

TABLE.82 PROJECTIONS OF ADANA'S SOURCES OF POPULATION GROWTH

YEARS	ANNUAL NET POPULATION GROWTH	URBAN POPULATION GROWTH %	URBAN POPULATION GROWTH (000)	GROWTH DUE TO MIGRATION %	GROWTH DUE TO MIGRATION (000)
2006	24	1.80	35	-0.56	-11
2007	24	1.83	37	-0.65	-13
2008	23	1.82	37	-0.67	-14
2009	23	1.81	37	-0.67	-14
2010	23	1.80	37	-0.71	-14
2011	22	1.79	38	-0.72	-16
2012	22	1.78	38	-0.73	-16
2013	22	1.77	38	-0.73	-16
2014	22	1.76	38	-0.74	-16
2015	21	1.75	38	-0.75	-17

A forecast of urbanization as well as of the number and size of urban households is critically important for the real estate market, in addition to population projections. Projections made for the total number and the size of urban households in Adana are presented below in Table.83.

Accordingly, the urbanization rate in Adana is predicted to increase and to reach 78.8 percent in 2010 and 80 percent in 2015. The size of the urban households, which was 4.37 persons in 2006, is expected to decline to 4.25 persons in 2010 and 4.10 persons in 2015.

In light of these projections, the 352 thousand urban households in Adana in 2006 will reach 387 thousand in 2010 and 428 thousand in 2015.

TABLE.83 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN ADANA

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.849	75.6	1.398	4.51	313
2005	1.969	77.0	1.516	4.40	345
2006	1.993	77.3	1.540	4.37	352
2007	2.017	77.8	1.565	4.33	361
2008	2.040	78.1	1.593	4.30	370
2009	2.063	78.5	1.619	4.27	379
2010	2.085	78.8	1.643	4.25	387
2011	2.107	79.1	1.667	4.22	395
2012	2.129	79.4	1.690	4.19	404
2013	2.151	79.6	1.712	4.16	412
2014	2.173	79.8	1.734	4.13	420
2015	2.195	80.0	1.756	4.10	428

IV.1.2 Housing Stock in Adana

An analysis and evaluation of the existing housing stock is performed subsequent to the evaluation of demographic and population data in making projections for the housing sector and residential markets. Two principal findings gain importance in the evaluation of the present housing stock. The first one is whether there is a shortage or a surplus of housing vis-à-vis the existing number of households; the second one is the determination of the number of housing units which need renewal as a result of the physical and legal status of the existing housing stock.

This section comprises the presentation and evaluation of data on Adana's housing stock in this framework.

Adana's housing stock is primarily evaluated in terms of numbers and legal conditions. The housing stock in Adana as of 2000 consists of 469.189 units, of which 420.460 are in urban areas (in the city and townships).

Only 51.85 percent of the housing units within Adana's urban housing stock have been built with construction permits. 202.469 housing units within Adana's total housing stock are built without construction permits. Half of Adana's housing stock is illegal, inadequate and sub-standard. The housing need in Adana is being met by the production of illegal and inadequate housing units. 24.47 percent of the total housing stock has occupancy permits, which corresponds to one out of every four housing units.

TABLE.84 ADANA HOUSING STOCK 2000

INDICATORS	ADANA
NUMBER OF BUILDINGS	253.447
NUMBER OF HOUSING UNITS	469.189
NUMBER OF HOUSING UNITS (CITY&TOWNSHIPS)	420.460
HOUSING UNITS WITH CONSTRUCTION PERMITS	217.991
HOUSING UNITS WITH OCCUPANCY PERMITS	102.849
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	202.469
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	51.85
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	24.47

SOURCE: TSA, Building Count 2000 Results

Adana's housing stock as of the end of 2006 is given in Table.85 below. The number of construction permits obtained in 2001-2005, the number of units that are out of use in 2001-2006 as well as estimates for housing production without construction permits have been used in coming up with the housing stock in 2006.

The housing stock in Adana is estimated as 478.150 units as of 2006. 23.690 construction permits were granted in Adana in the years 2000-2005. In 2001-2006, the number of units which are out of use is estimated as 2 thousand. In the same period, the housing production without proper construction permits is foreseen as 36 thousand. In light of these evaluations, the total housing stock in Adana as of the end of 2006 is estimated to be 478.150 units. (The Ministry of Finance 2005 data is 480.106 housing units).

TABLE.85 ADANA 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	ADANA
NUMBER OF HOUSING UNITS 2000 (CITY&TOWNSHIPS)	420.460
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	23.690
HOUSING UNITS THAT ARE OUT OF USE (2001-2006)	2.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	36.000
TOTAL HOUSING STOCK 2006	478.150

The housing need in Adana in 2000-2006 is met by illegal settlements to a large extent. Therefore, the number of inadequate and sub-standard housing units in Adana without construction permits has attained 238.469 as of the end of 2006.

This illegal and inadequate housing stock constitutes the most important problem of Adana's residential real estate sector and points out to a need for very comprehensive urban transformation and regeneration.

Even though Adana has 478.150 housing units for 352 thousand urban households as of 2006, more than half of this housing stock consists of illegal and inadequate housing units. Therefore a significant shortage of and need for legal and adequate housing units exists in Adana.

The physical condition of the housing stock and the physical lives of buildings in terms of their building years are other major indicators related to the residential sector.

The physical condition of the housing stock in Adana as of 2000 is portrayed below in Table.86. Accordingly, 1 percent of the housing units within the present housing stock in Adana are ruined and planned to be demolished, whereas 5 percent are in need of serious repair and refurbishment. Such physical condition points out to a limited renewal based housing need.

TABLE.86 THE PHYSICAL CONDITION OF THE HOUSING STOCK IN ADANA 2000

INDICATORS	ADANA
NUMBER OF HOUSING UNITS	469.189
NUMBER OF HOUSING UNITS (CITY&TOWNSHIPS)	420.460
THOSE THAT DON'T NEED REPAIRS	277.504
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	117.729
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	21.023
IN RUINS AND PLANNED TO BE PULLED DOWN	2.102
UNKNOWN CONDITION	2.102

SOURCE: BUILDING COUNT 2000, TSA

In terms of building life, the total number of buildings that are 50 years and older will be 29.630 in 2005-2015, corresponding to approximately 50 thousand residential units.

TABLE.87 THE CONSTRUCTION YEARS OF BUILDINGS IN ADANA 2000

COMPLETION DATE OF BUILDING	BUILDINGS THAT ARE FULLY USED AS RESIDENCES	BUILDINGS WHOSE MAJORITY IS USED AS RESIDENCES
-1929	786	117
1930-1939	699	71
1940-1949	1.834	206
1950-1959	5.748	580
1960-1969	17.653	1936
1970-1979	40.479	4.687
1980-1989	71.287	8.633
1990-2000	60.250	7.977
UNDETERMINED	836	214
TOTAL	199.572	24.421

SOURCE: BUILDING COUNT 2000, TSA

IV.1.3 Housing Need in Adana

Prognoses are being made for the housing need in Adana for each year until 2015, based on the assumptions, findings and results of the above analyses and evaluations.

Accordingly, the total housing need in Adana in 2007-2015 is foreseen as 170 thousand. Three major factors determine the housing need in Adana: the increase in the number of households, urban regeneration and renewal.

1. The projections on the increase in the number of households were presented in the previous sections. Accordingly, the increase in the number of households in 2007-2015 is 75 thousand, which brings about a need for 75 thousand additional housing units.

2. The real housing need in Adana is foreseen to emanate from urban transformation and regeneration. The urban regeneration based housing need is predicted as 81 thousand housing units. This number exceeds the housing need arising from the increase in the number of urban households.

35 percent of the inadequate and sub-standard housing stock, including 238 thousand housing units without construction permits as of 2006, is assumed to be renewed through urban transformation and evenly distributed per years. In this framework, a housing need for 81 thousand units arises from urban regeneration in 2007-2015.

3. Renewal based housing need will be 14 thousand in 2007-2015, when taking into account the physical condition and the physical lives of the existing building stock in Adana. The basic assumption in calculating this renewal based housing need is that 0.25 percent of the total housing stock will be renewed on a yearly basis until 2010 and subsequently 0.5 percent per annum until 2015. Therefore, the renewal based housing need is calculated as 14 thousand in the years 2007-2015.

TABLE.88 PREDICTIONS FOR THE HOUSING NEED IN ADANA (in 000's)

YEARS	BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED	RENEWAL BASED	TOTAL
2007	9	9	1	19
2008	9	9	1	19
2009	8	9	1	18
2010	8	9	1	18
2011	8	9	2	19
2012	9	9	2	20
2013	8	9	2	19
2014	8	9	2	19
2015	8	9	2	19
TOTAL	75	81	14	170

IV.1.4 Factors that Influence the Housing Demand in Adana

The factors that influence the housing demand in Adana are evaluated, after projections on the housing need in Adana are made.

The home ownership and the personal incomes of households as well as their rationale and tendencies to own residential units other than the one they reside in are the major factors which affect the housing demand.

As of 2000, 273.054 residential units out of the total housing stock of 402.243 units in urban areas in Adana are occupied by homeowners. 89.329 households, or 22.21 percent, are tenants in Adana as of 2000. (The Ministry of Finance 2005 data shows 91.407 tenants). These 89.3 thousand households which are currently tenants will constitute a housing demand potential in the future.

TABLE.89 HOME OWNERSHIP OF THE HOUSEHOLDS IN ADANA

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	273.054	67.89
TENANT	89.329	22.21
LODGING DWELLER	6.784	1.69
NOT HOMEOWNER/DOESN'T PAY RENT	27.140	6.82
OTHER	5.504	1.37
UNKNOWN	162	0.04
TOTAL	402.243	100.0

SOURCE: General Population Census 2000, TSA

The number of residential units households in Adana own in addition to the one they reside in and their reasons for such ownership also affect housing demand. Accordingly, 59.444 households own more than one residential units in Adana as of 2000.

Approximately 60 percent of Adana's households acquired additional residential units for the household or one of the household members to reside in. Ownership for seasonal or week-end use is rather limited with 3.8 percent.

Ownership to receive rental income takes up a 23.8 percent share among reasons for Adana's households to acquire residential units other than the one they reside in, while the share of investment demand is 8.1 percent. Additional housing demand for residential use and to obtain rent income is foreseen in Adana; however this demand is not as high as in the 3 biggest cities.

TABLE.90 THE REASONS WHY HOUSEHOLDS IN ADANA OWN ONE OR MORE HOMES IN ADDITION TO THE ONE THEY LIVE IN

REASONS	NUMBER OF HOUSEHOLDS	% SHARE
TO RESIDE IN	10.166	17.1
TO BE USED AS SEASONAL OR WEEK-END/SECONDARY HOMES	2.240	3.8
TO RECEIVE RENT INCOME	14.129	23.8
FOR ONE OF THE HOUSEHOLD MEMBERS TO RESIDE IN	24.811	41.7
TO RENEW AND SELL		
AS INVESTMENT	4.824	8.1
THROUGH INHERITENCE	1.895	3.2
OTHER	1.378	2.3
TOTAL	59.444	100.0

SOURCE: Housing Research of Turkey, TSA

The levels of economic development of the city and personal incomes are other major determinants of the housing demand. The city of Adana exceeds the Turkish average in terms of level of economic development and per capita income indicators. As of 2006, Adana has a 3.1 percent share of the national income of Turkey with a gross product of 12.1 billion dollars and a per capita income of 6.071 dollars. Table.91 below portrays the projections in relation to the developments in Adana's gross product and per capita income.

It is assumed that Turkey's economy will grow by 5 percent per year until 2015 and Adana's share of gross product will remain stable within Turkey's national income.

In light of these assumptions, the per capita income in Adana is projected to increase to 7.050 dollars in 2010 and to 8.565 dollars in 2015, in fixed prices.

The per capita income projections reflect positive expectations in terms of housing demand and the capacity of households to benefit from the housing finance system. On the other hand, it is observed that Adana has a distorted income distribution curve and the households that need housing the most belong to the middle and low income groups.

TABLE.91 ADANA GROSS PRODUCT AND PER CAPITA INCOME PROJECTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLARS
2005	11.2	1.969	5.688
2006	12.1	1.993	6.071
2007	12.7	2.017	6.296
2008	13.4	2.040	6.569
2009	14.0	2.063	6.786
2010	14.7	2.085	7.050
2011	15.5	2.107	7.356
2012	16.2	2.129	7.609
2013	17.1	2.151	7.950
2014	17.9	2.173	8.238
2015	18.8	2.195	8.565

IV. 1.5 Prognoses for the Housing Sector and Markets in Adana

Predictions are being made for the housing sector and residential markets in Adana, after the factors which affect the housing demand are evaluated and a forecast is made for the housing need.

1. The high migration activity which occurred in Adana in the last twenty five years resulted in fast and unplanned urbanization and negatively affected the housing sector.

More than half of the housing need in Adana has been met by illegal housing. The production of adequate housing with legal permits has been rather limited in that period. Therefore, there is a very high need in Adana for adequate housing.

2. The housing sector in Adana developed into two distinct regions, parallel to the expansion of the city: The Southern Region as Old Adana, and the Northern Region as New Adana.

The South, Old Adana, displays a limited potential in terms of the housing sector and residential markets as a result of intense illegal urbanization.

3. The North Adana region is considered as the new, modern and planned residential expansion area and constitutes a great development potential for the housing sector. Expansion opportunities are apparent in North Adana for all types of new housing production.

Turgut Özal Bulvarı, Güzelyalı and the Mahfesığmaz region are expansion areas for the upper class branded residential units, whereas Kenan Evren Bulvarı and Teras Mahallesi are suitable for the production of middle-upper residential units.

4. The trend for the transition from Old Adana to the new residential areas of North Adana is a major factor that creates housing demand in the city. A constant flow is observed from Old Adana to New Adana, which leads to the expansion of the housing demand and the housing need in the North Adana region. However, the housing demand in North Adana is middle and upper housing units oriented.

5. The second major determinant in Adana's housing sector will be urban regeneration projects and the social housing which will be produced in that context. Urban transformation projects are needed in Central and South Adana in the townships of Seyhan and Yüreğir. The vast illegal urbanization in these townships can be transformed via urban regeneration projects. New residential development areas are rather limited and the North region is unsuitable for the production of such social housing.

In this context, housing production by the public and local municipalities is needed. The Housing Development Administration of Turkey currently has 11 projects under development with 6.852 housing units. This number will increase to 11 thousand.

6. Adana faces an earthquake risk. The 1998 Ceyhan earthquake has significantly affected the housing sector. While Ceyhan became a high risk residential area, illegal urbanization accelerated after the earthquake and residential areas filled up with illegal settlements.

7. The number of housing credits utilized in Adana has been 2.695 in 2005 and 2.860 in 2006. The share of housing credits in Adana is 1.38 percent, well below its potential.

8. The insufficient production of adequate housing in Adana and the high demand for qualified housing has led to the increase in the rents and sales prices in new residential areas in North Adana. On the other hand, as a result of the flow to North Adana, housing prices and rents are relatively lower in the old city center. Nonetheless, housing prices and rents are still considered high in the center and south of Adana due to the shortage of housing.

9. Foreign investments and foreign workers will increase in Adana (the Ceyhan oil region) according to the city's economic development. The housing demand of foreign workers will also be influential.

IV.2 RETAIL MARKET AND SHOPPING CENTERS

Evaluations and projections relevant to the real estate sector have to be made for both for residential and commercial real estate markets.

The retail market and shopping centers are evaluated first within the context of commercial real estate and predictions are made. Shopping center investments in Turkey accelerated after 2000 and shopping centers expanded to Anatolian cities as well.

The development and potential growth of shopping centers is related to economic size, personal incomes, consumption expenditures of households and the size of retail expenditures. In this framework, the data pertaining to the retail market and shopping centers in Adana are presented below.

TABLE.92 ADANA ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLARS
2004	3.1	9.3	4.804
2005	3.1	11.2	5.688
2006	3.1	12.1	6.071

As of 2006, Adana has a share of 3.1 percent within Turkey's national income with a gross product of 12.1 billion dollars and a per capita income of 6.071 dollars.

Private consumption expenditures in Adana were 8.6 billion dollars in 2006, of which 4.4 billion dollars were total retail expenditures. Retail expenditures represent 51 percent of private consumption expenditures. Food and beverage expenditures were 2.9 billion dollars while non-food expenditures (clothing, shoes, personal care, furniture, entertainment, vacation and electronic equipment) were 1.5 billion dollars. Non-food expenditures comprise durable and semi-durable consumption items.

TABLE.93 ADANA PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	9.3	6.3	2.2	1.0	3.2
2005	11.2	7.8	2.7	1.3	4.0
2006	12.1	8.6	2.9	1.5	4.4

Indicators related to shopping centers in Adana are shown below. Accordingly, there are 3 shopping centers in Adana as of the end of 2006, suitable to the standards of the International Council for Shopping Centers (ICSC). Of these shopping centers, 1 is classified as large, 1 as medium and 1 as small shopping centers according to the ICSC standards. The total gross leasable area of the 3 shopping centers is 109.000 m2. The gross leasable area per 1000 persons is 55 m2.

Total retail expenditures in Adana are 4.4 billion dollars as of the end of 2006 and the share of retail expenditures is expanding within organized markets. In this framework, total retail expenditures in Adana are compared to existing total shopping center GLA and a potential retail expenditure of 40.367 dollars is calculated per shopping center GLA m2.

However, this number only indicates a potential and does not by any means represent the actual retail expenditure per shopping center GLA. Nevertheless, such extrapolation is evaluated as an important indicator of the development potential of shopping centers in Adana.

TABLE.94 ADANA SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTERS	TOTAL GLA M2	GLA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	3	109.000	55	40.367

Projections made in relation to the development potential of shopping centers in Adana are given below. In making these forecasts, shopping centers that are in construction and actively planned are taken into account as of the year they are targeted to be operational. An actual realization forecast is being used for the years 2007-2008.

The shopping center growth projections are made for subsequent years, based on predictions for the population, economic growth and retail expenditures in Adana. Projections are made for the gross leasable area sizes of shopping centers.

These shopping center projections are presented in two different scenarios, which display two different shopping center GLA's and potential retail expenditure sizes.

The shopping center gross leasable area projections for Adana are presented below. There is currently no shopping center in construction in Adana. Only one new shopping center will be operational in 2008.

Therefore, the total gross leasable area of Adana shopping centers will remain the same until the end of 2007. An additional 53.805 m2 will be added to the total shopping center GLA in 2008.

According to this data, the total shopping center GLA in Adana, which will remain at 109.101 m2 at the end of 2007, will rise to 162.815 m2 at the end of 2008. The gross leasable area per 1000 persons thus attains 55 m2 in 2007 and 80 m2 in 2008.

Predictions for the years 2009 and thereafter are based on assumptions for gross leasable area m2 per 1000 persons. Two different scenarios reflect a shopping center GLA per 1000 persons of 125 m2 and 150 m2 in 2015.

Based on these assumptions, the total gross leasable area will be 274.375 m2 in the first scenario and 329.250 m2 in the second scenario.

TABLE.95 PREDICTIONS FOR ADANA SHOPPING CENTERS

YEARS	POPULATION (000)	GLA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	1.993	55	55	109.010	109.010
2007	2.107	52	52	109.010	109.010
2008	2.040	80	80	162.815	162.815
2009	2.063	85	90	175.355	185.670
2010	2.085	90	100	187.650	208.500
2011	2.107	95	110	200.165	231.770
2012	2.129	100	120	212.900	255.480
2013	2.151	110	130	236.610	279.630
2014	2.173	120	140	260.760	304.220
2015	2.195	125	150	274.375	329.250

The use of the per capita gross leasable shopping center area m2 indicator is not sufficient in making projections and evaluations related to shopping centers. The size of the annual potential retail expenditures per gross leasable area is also significant.

For this reason, total GLA sizes attained in the above two scenarios are compared to the projections on annual potential retail expenditures and predictions are made for the annual potential retail expenditures per m2 of gross leasable area.

Accordingly, an annual potential retail expenditure size of 24.4 thousand dollars is attained in Adana in the first scenario, for 274.375 m2 of shopping center GLA in 2015, whereas this number is 20.4 thousand dollars for a shopping center GLA of 329.250 m2 in 2015 in the second scenario.

As can be observed, the size of the potential retail expenditures per gross leasable area m2 is declining in both scenarios until 2015.

In this framework, based on the two scenarios considered, there is a potential for shopping centers with an additional gross leasable area of 110-160 thousand m2 until 2015 (between the years 2009-2015).

TABLE.96 PREDICTIONS FOR SHOPPING CENTERS IN ADANA

	RETAIL EXPENDITURES	TOTAL GLA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GLA DOLLARS	
YEARS	BILLION DOLLARS	A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	4.4	109.010	109.010	40.367	40.367
2007	4.5	109.010	109.010	41.280	41.280
2008	4.8	162.815	162.815	29.480	29.480
2009	5.0	175.355	185.670	28.513	26.929
2010	5.3	187.650	208.500	28.244	25.429
2011	5.5	200.165	231.770	27.477	23.730
2012	5.8	212.900	255.480	27.243	22.702
2013	6.1	236.610	279.630	25.780	21.815
2014	6.4	260.760	304.220	24.544	21.037
2015	6.7	274.375	329.250	24.419	20.350

IV.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are evaluated in the second place within commercial real estate.

In this framework, statistical data related to Adana's accommodation establishments is presented and evaluated; then predictions are made for the development of tourism and accommodation establishments; and accommodation establishments are evaluated in relation to the real estate sector.

Adana displays a performance well below its potential in terms of tourism activities, especially foreign visitors. Adana can not realize the full value of its tremendous tourism potential and diversity.

Accommodation statistics show that 242 thousand people stayed over in Adana's accommodation establishments in 2005, of which only 33 thousand were of international origin. The total number of overnight stays was 411 thousand. Foreign visitors stayed in Adana for a total of 70 thousand nights. The average duration of stay was 1.7 nights. International and domestic visitors stayed for 2.1 and 1.7 nights respectively.

The occupancy rate in accommodation facilities in Adana was 38.69 percent in 2005. Although their increase since 2002, the number of overnight visitors, overnight stays and occupancy rates in Adana are well below their potential.

TABLE.97 ADANA ACCOMMODATION STATISTICS

	NUMBER OF GUEST (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	22	145	167	44	255	299	4.36	25.23	29.59
2003	19	162	181	45	264	309	4.31	25.33	29.64
2004	23	185	208	46	290	336	4.35	27.61	31.96
2005	33	209	242	70	341	411	6.63	32.07	38.69

SOURCE: MINISTRY OF TOURISM AND CULTURE

Pertaining to Adana's accommodation establishments, The Ministry of Tourism has published 2005 data only for 5 star hotels. Accordingly, Adana has a total bed capacity of 1.244 beds in 5 star hotels, with an occupancy rate of 44.62 percent. Most of the visitors staying over in 5 star hotels are of domestic origin.

TABLE.98 ADANA ACCOMMODATION ESTABLISHMENTS 2005

TYPE AND CLASS OF ESTABLISHMENT	NUMBER OF BEDS	OCCUPANCY RATE %		
		FOREIGN	DOMESTIC	TOTAL
5 STARS	1.244	10.14	34.48	44.62

SOURCE: MINISTRY OF TOURISM AND CULTURE

Despite of the limited existing tourism activity in Adana, important developments are foreseen until 2015. In light of these expected developments, projections made in relation to Adana's accommodation establishments are presented below.

1. Adana will eventually turn into a hub for international trade. Globalization is expected to increase as a result of factors such as the role of Ceyhan in the international energy arena, the role of Adana as a regional port and a transition point for trade with the Middle East. Therefore, the need for city and business hotels will increase (5 stars, 4 stars).

2. The Karataş-Yumurtalık region in Adana has been declared as a tourism zone. The extensive shores of this region are opening up to investments for tourism and accommodation establishments. Works to locate suitable land are in the process.

An investment for 50 thousand beds is foreseen in this tourism zone in the upcoming first 10 years.

3. Tourism in Adana will evolve into 2 major fields: religion tourism and ski tourism. In addition to ski accommodation establishments, there will be a need for cconcept and boutique hotels (4 stars, 3 stars) in the city center.

4. Adana is evolving into a regional specialty exhibition and convention center. For this reason, multi-purpose hotels (for convention, exhibition and accommodation) will be needed.

IV.4 INDUSTRIAL AND LOGISTICS AREAS

Lastly, industrial and logistics areas are evaluated within commercial real estate.

Adana continues its expansion as one of the pioneer cities for industrialization.

Industry in Adana has grown in a planned and organized manner. There is only one organized industry zone in Adana. Hacı Sabancı OIZ occupies an area of 1.225 hectares and has a 90 percent occupancy rate with 231 companies in operation.

A rapid expansion is foreseen in Adana in industry and logistics areas until 2015 which will lead to a high level of demand for such areas.

1. In addition to oil pipelines, oil refineries and petro-chemical plants are expected to be established in Ceyhan. This will create the need for a very vast industrial area.

2. The port of Ceyhan and its successful administration will result in an important demand and need for significant logistics areas.

3. The expansion area adjacent to the Yumurtalık Free Trade Zone will develop as a ship building area, which will result in a major need for industrial areas.

4. The investment and production expansion planning of Isdemir will be creating a need for vast industrial areas.

5. The Yumurtalık Free Trade Zone and the Iskenderun – Yumurtalık axis will be other areas of expansion for industrial and logistics areas.

6. The establishment of a Specialized Agriculture Organized Zone is being planned for the first time, in the 3.65 million m2 area east of the Adana OIZ. Especially foreign demand is foreseen for this zone to be used for the agricultural industry.

7. Similar to the Marmara basin, Adana and the surrounding cities will turn into a gate opening up to the world for the East Meditteranean trade. For this reason, the need for logistics areas will be high.

Chapter V

GAZİANTEP REAL ESTATE SECTOR AND PROGNOSES

V.1 HOUSING SECTOR AND RESIDENTIAL MARKETS

The housing sector and residential markets take the first place in making predictions for the real estate markets. Predictions pertaining to the housing sector and residential markets aim to foresee the housing need in Gaziantep until 2015 and to portray factors that will affect the housing need and demand. To this end, this chapter analyzes and evaluates factors which are related to and influence the housing need and demand.

V.1.1 Demography and Population Forecast

Demography and population trends are the most important determinants of the housing need and housing demand. Therefore, demographic and population trends and changes in Gaziantep are evaluated and population predictions are made based on these trends and assumptions used.

In this framework, the rate of population growth, the rate of increase of the urban population, net migration movements, urbanization and urban population, the sizes and the total number of households constitute important variables.

Demography and population changes and predictions in Gaziantep in terms of the above variables are presented below. The demographic and population evolution of Gaziantep has been influenced by the economic and social developments the city experienced after 1980. While emigration activity from Gaziantep prevailed until 1990, Gaziantep subsequently turned into an immigration magnet as a result of economic developments. The rise of the urban population has been rapid throughout this process and Gaziantep's population increased more than the average of Turkey.

The 2000 General Population Census data shows that the population of Gaziantep has increased from 809 thousand in 1980 to 1.28 million in 2000. The population is foreseen to have attained 1.43 million in 2006. The relative share of Gaziantep's population within the total population of Turkey has risen from 1.81 percent in 1980 to 1.96 percent in 2006.

TABLE.99 POPULATION OF GAZİANTEP AND TURKEY

YEARS	GAZİANTEP (000)	TURKEY (000)	GAZİANTEP SHARE %
1980	809	44.737	1.81
1985	857	50.664	1.70
1990	1.010	56.473	1.79
2000	1.285	67.804	1.90
2005 (1)	1.407	72.538	1.94
2006 (1)	1.434	73.466	1.96

SOURCE: General Population Census Results, TSA
(1) TSA Estimate (adjusted to year end)

The rate of population growth in Gaziantep is subject to ups and downs as a result of the migration movements in the city. While the 1.14 percent rate of annual average population growth in Gaziantep in 1980-1985 was half of the average population growth rate in Turkey, the average population growth rate of 3.35 percent per annum in 1985-1990 exceeded the average growth rate in Turkey.

The population growth rates slowed down after 1990's. In 2006, the population growth rate in Gaziantep has been 1.92 percent and exceeded both the city average for the last five years and the country average.

TABLE.100 POPULATION GROWTH RATES (%) OF GAZİANTEP AND TURKEY

PERIODS	GAZİANTEP (%)	TURKEY (%)
1980-1985	1.14	2.49
1985-1990	3.35	2.17
1990-2000	2.41	1.83
2000-2005 (1)	1.83	1.36
2005-2006 (1)	1.92	1.28

SOURCE: General Population Census Results, TSA
(1)TSA Estimate (adjusted to year end)

A high level of migration activity affects Gaziantep's demographic and population indicators. Gaziantep was a city subject to an emigration flow until 1990. The net migration rate in 1980-1985 was -0.53 percent. As a result of the city's fast economic development after 1990, a mass immigration movement occurred towards Gaziantep. The net migration rate has been 0.9 percent in 2000-2005. The net migration rate is foreseen as 0.3 percent per annum in 2006.

TABLE.101 GAZİANTEP NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION	NET MIGRATION RATE %
1975-1980	-1.256	-0.11
1980-1985	-4.256	-0.53
1985-1990	-481	-0.06
1995-2000	3499	0.3
2000-2005 (1)	13.000	0.9
2005-2006 (1)	4.000	0.3

SOURCE: Migration Indicators of Cities, TSA
(1) Estimate

The sources of Gaziantep's population growth emanating from the growth of urban population and from migration are presented in Table.102 below. Accordingly, the growth rate of the urban population in Gaziantep is slowing down.

On the other hand, the population growth as a result of net migration is accelerating. In 2000-2005 the urban population grew by an annual average of 1.64 percent, while the average population growth emanating from net migration was 0.19 percent per annum. In 2006, these ratios have been 1.63 percent and 0.29 percent respectively.

TABLE.102 SOURCES OF GAZİANTEP'S POPULATION GROWTH

TOTAL	TOTAL POPULATION GROWTH (000)	TOTAL NET MIGRATION (000)	ANNUAL AVERAGE GROWTH DUE TO MIGRATION (000)	URBAN POPULATION GROWTH %	ANNUAL AVERAGE GROWTH DUE TO URBAN POPULATION (000)
1980-1985	48	-4.3	-0.11	52.3	1.25
1985-1990	153	-0.5	-0.01	153.5	3.36
1995-2000	125	3.5	0.06	121.5	2.01
2000-2005	122	13	0.19	109.0	1.64
2005-2006	27	4	0.29	23.0	1.63

The rate of urbanization and the urban population are important indicators pertaining to the relationship between the housing sector and demographic and population indicators. The urbanization rate in Gaziantep has been measured as 63.4 percent in the 1980 general population census, while this number was 78.5 percent in the 2000 general population census.

A rapid urbanization is taking place in Gaziantep parallel to the rapid industrialization. The rate of urbanization is estimated as 81 percent in 2005 and 81.2 percent in 2006. According to these statistics, the total number of urban population in Gaziantep has grown from 513 thousand in 1980 to 1 million in 1990 and has attained 1.16 million in 2006.

TABLE.103 THE URBANIZATION RATE AND URBAN POPULATION IN GAZİANTEP

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	809	63.4	513
1985	857	67.2	576
1990	1.010	73.1	738
2000	1.285	78.5	1.009
2005	1.407	81.0	1.140
2006	1.434	81.2	1.164

The absolute number and the average size of urban households are other major population indicators for the real estate sector. The size of urban households in Gaziantep is relatively large. The average size of urban households has been measured as 4.98 persons in the 2000 general population census. The average size of urban households is foreseen as 4.90 persons in 2005 and as 4.88 persons in 2006.

TABLE.104 GAZİANTEP URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.009	4.98	204
2005	1.140	4.90	233
2006	1.164	4.88	239

The total number of urban households in Gaziantep was measured as 204 thousand in the 2000 general population census. The number of urban households is foreseen as 233 thousand in 2005 and 239 thousand in 2006. A forecast is made for Gaziantep's population for each year until 2015, after the demography and population trends and developments in the city are analyzed. Population projections for Gaziantep are given in Table.105 below.

TABLE.105 GAZİANTEP AND TURKEY POPULATION INCREASE PROJECTIONS

YEARS	TURKEY POPULATION INCREASE RATE %	TURKEY POPULATION (000)	GAZİANTEP POPULATION INCREASE RATE %	GAZİANTEP POPULATION (000)	GAZİANTEP POPULATION SHARE %
2000	1.66	67.804	1.96	1.285	1.90
2005	1.33	72.538	1.93	1.407	1.94
2006	1.28	73.466	1.92	1.434	1.96
2007	1.26	74.392	1.88	1.461	1.97
2008	1.24	75.315	1.85	1.488	1.98
2009	1.22	76.234	1.82	1.515	1.99
2010	1.20	77.149	1.80	1.542	2.00
2011	1.18	78.059	1.78	1.569	2.01
2012	1.16	78.965	1.75	1.596	2.03
2013	1.14	79.865	1.71	1.623	2.04
2014	1.12	80.759	1.68	1.650	2.05
2015	1.10	81.647	1.65	1.677	2.06

The basic assumption used in making this forecast is that the rate of population growth in Gaziantep will slow down, however will remain well above the country average.

Accordingly, the population growth rate in Gaziantep, which was 1.92 percent in 2006, is expected to decline to 1.80 percent in 2010 and to 1.65 percent in 2015.

Based on these projections, the population of Gaziantep will increase to 1.54 million in 2010 and to 1.68 million in 2015. The share of Gaziantep's population within the total population of Turkey will rise to 2 percent in 2010 and to 2.06 percent in 2015. The sources of Gaziantep's population growth projections are given below in Table.106.

Population growth in Gaziantep will emanate both from migration and the growth of the urban population.

Both sources of population growth are foreseen to steadily decline. The population growth emanating from the growth in urban population, which was 1.63 percent in 2006, is projected to regress to 1.50% in 2015. On the other hand, the growth arising from net migration is expected to decline from 0.29 percent in 2006 to 0.15 percent in 2015.

TABLE.106 PROJECTIONS OF GAZİANTEP'S SOURCES OF POPULATION GROWTH

YEARS	ANNUAL NET POPULATION GROWTH (000)	URBAN POPULATION GROWTH %	URBAN POPULATION GROWTH (000)	GROWTH DUE TO MIGRATION %	GROWTH DUE TO MIGRATION (000)
2006	27	1.63	23	0.29	4
2007	27	1.62	23	0.26	4
2008	27	1.61	24	0.24	3
2009	27	1.60	24	0.22	3
2010	27	1.58	24	0.22	3
2011	27	1.56	24	0.22	3
2012	27	1.54	24	0.21	3
2013	27	1.52	24	0.19	3
2014	27	1.51	25	0.17	2
2015	27	1.50	25	0.15	2

The projections related to the urbanization, the urban population, the average size and total number of urban households in Gaziantep constitute the most important predictions in terms of the housing sector, within the forecast for demographic and population indicators.

TABLE.107 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN GAZİANTEP

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.285	78.5	1.009	4.98	204
2005	1.407	81.0	1.140	4.90	233
2006	1.434	81.2	1.164	4.88	239
2007	1.461	81.4	1.189	4.85	245
2008	1.488	81.6	1.214	4.82	252
2009	1.515	81.8	1.239	4.79	259
2010	1.542	82.0	1.264	4.76	266
2011	1.569	82.2	1.290	4.72	273
2012	1.596	82.4	1.315	4.69	280
2013	1.623	82.6	1.341	4.66	288
2014	1.650	82.8	1.360	4.63	295
2015	1.677	83.0	1.392	4.60	303

Accordingly, the urbanization rate in Gaziantep is assumed to increase to a limited extent and to attain 83 percent in 2015. The size of the urban households is expected to decline from 4.88 persons in 2006 to 4.60 persons in 2015.

In light of these projections, the urban population in Gaziantep, which was 1.16 million in 2006, will reach 1.26 million in 2010 and 1.39 million in 2015. Therefore, the 233 thousand urban households in Gaziantep in 2006 will rise to 266 thousand in 2010 and will attain 303 thousand in 2015.

V.1.2 Housing Stock in Gaziantep

An analysis and evaluation of the existing housing stock is performed subsequent to the evaluation of demographic and population data in making projections for the housing sector. Two principal findings gain importance in the evaluation of the present housing stock. The first one is whether there is a shortage or a surplus of housing vis-à-vis the existing number of households; the second one is the determination of the number of housing units that need renewal as a result of the physical and legal status of the existing housing stock.

Gaziantep's housing stock is primarily evaluated in terms of numbers and legal conditions. The housing stock in Gaziantep as of 2000 consists of 279.617 units, of which 269.188 are in urban areas (in the city and townships).

Only 103.067 residential units, which correspond to 38.3 percent of the housing units within Gaziantep's urban housing stock, have been built with construction permits. 166.121 housing units are built without construction permits. 20.1 percent of the total housing stock has occupancy permits.

TABLE.108 GAZİANTEP HOUSING STOCK 2000

INDICATORS	GAZİANTEP
NUMBER OF BUILDINGS	155.343
NUMBER OF HOUSING UNITS	279.617
NUMBER OF HOUSING UNITS (CITY & TOWNSHIPS)	269.188
HOUSING UNITS WITH CONSTRUCTION PERMITS	103.067
HOUSING UNITS WITH OCCUPANCY PERMITS	54.199
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	166.121
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	38.3
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	20.1

SOURCE: TSA, Building Count 2000 Results

Gaziantep's housing stock as of the end of 2006 is given in Table.109 below. The number of construction permits obtained in 2000-2005, the number of units that are out of use in 2001-2006 as well as estimates for housing production without construction permits have been used in coming up with the housing stock in 2006.

Accordingly, the total housing stock in urban areas in Gaziantep is estimated as 296.021 units as of 2006. (The Ministry of Finance 2005 data is 286.702 housing units).

23.833 construction permits were granted in Gaziantep in the years 2000-2005. The number of units which lost their residential quality is estimated as 2 thousand in the same period. Illegal urbanization in Gaziantep significantly slowed down after 2000. As a result, the housing production without proper construction permits is foreseen as 5 thousand in 2001-2006. In light of these evaluations, the total urban housing stock in Gaziantep is estimated to be 296 thousand units as of the end of 2006.

While the total housing stock in the city and townships of Gaziantep is predicted as 296 thousand as of the end of 2006, the total number of urban households is 239 thousand. When these two numbers are compared, no housing shortage is observed in Gaziantep.

Nevertheless, 171 thousand of the 239 thousand households reside in illegal housing units without construction permits. The fact that almost all of this housing stock consists of sub-standard units implies to the fact that there is a major shortage of adequate housing in Gaziantep. In this respect, the need for adequate and legal housing which meets minimum standards is measured as approximately 170 thousand in Gaziantep.

TABLE.109 GAZİANTEP 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	GAZİANTEP
NUMBER OF HOUSING UNITS 2000 (CITY&TOWNSHIPS)	269.188
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	23.833
HOUSING UNITS THAT ARE OUT OF USE (2001-2006)	2.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	5.000
TOTAL HOUSING STOCK 2006	296.021

The physical condition of the housing stock and the physical lives of buildings are other major determinants of the housing need in Gaziantep. These two factors shape up the renewal based housing need. The physical condition of the housing stock in Gaziantep as of 2000 is portrayed below in Table.110. Accordingly, 1 percent of the

TABLE.110 THE PHYSICAL CONDITION OF THE HOUSING STOCK IN GAZİANTEP 2000

INDICATORS	GAZİANTEP
NUMBER OF HOUSING UNITS	279.617
NUMBER OF HOUSING UNITS (CITY&TOWNSHIPS)	269.188
THOSE THAT DON'T NEED REPAIRS	129.210
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	118.443
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	16.151
IN RUINS AND PLANNED TO BE PULLED DOWN	2.692
UNKNOWN CONDITION	2.692

SOURCE: BUILDING COUNT 2000, TSA

housing units within the present housing stock in Gaziantep are ruined and planned to be demolished, whereas 6 percent are in need of serious repair and refurbishment.

The data pertaining to the physical life of Gaziantep's existing housing stock in terms of the building years is presented in Table.111 below. Accordingly, 17.250 buildings will be 50 years and older in 2005-2015, corresponding to approximately 25 thousand residential units. In light of these estimations, a limited renewal based housing need is predicted in Gaziantep.

TABLE.111 THE CONSTRUCTION YEARS OF BUILDINGS IN GAZİANTEP 2000

COMPLETION DATE OF BUILDING	BUILDINGS THAT ARE FULLY USED AS RESIDENCES	BUILDINGS WHOSE MAJORITY IS USED AS RESIDENCES
-1929	2.667	195
1930-1939	748	85
1940-1949	1.574	125
1950-1959	3.576	271
1960-1969	7.205	804
1970-1979	20.150	2.913
1980-1989	34.930	4.623
1990-2000	51.059	6.651
UNDETERMINED	1.255	248
TOTAL	**123.164**	**15.915**

SOURCE: BUILDING COUNT 2000, TSA

V.I.3. Housing Need in Gaziantep

Prognoses are being made for the housing need in Gaziantep for each year until 2015, based on the assumptions, findings and results of the above analyses and evaluations.

Accordingly, the total housing need in Gaziantep in 2007-2015 is foreseen as 136 thousand. Three major factors determine the housing need in Gaziantep: the increase in the number of households, urban regeneration and renewal.

1. The projections on the increase in the number of households were presented in the previous sections. Accordingly, the increase in the number of households in 2007-2015 is 64 thousand, which brings about a need for 64 thousand additional housing units.

2. The urban regeneration based housing need is predicted as 63 thousand. 35 percent of the 171 thousand illegal housing units are assumed to be renewed within the context of urban regeneration projects (in the first 10 years). Taking into account that such renewal will be evenly distributed per each year, the urban regeneration based housing need in 2007-2015 is measured as 63 thousand units.

3. The renewal based housing need in Gaziantep will be 9 thousand in 2007-2015. Based on the assumption that 0.3 percent of the total housing stock will be renewed on a yearly basis, approximately 35 percent of the 25 thousand residential units which will be 50 years or older in 2007-2015 will be renewed. Therefore, the renewal based housing need is calculated as 9 thousand in the years 2007-2015.

TABLE.112 PREDICTIONS FOR THE HOUSING NEED IN GAZİANTEP (in 000's)

YEARS	BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED	RENEWAL BASED	TOTAL
2007	6	7	1	14
2008	7	7	1	15
2009	7	7	1	15
2010	7	7	1	15
2011	7	7	1	15
2012	7	7	1	15
2013	8	7	1	16
2014	7	7	1	15
2015	8	7	1	16
TOTAL	64	63	9	136

V.1.4 Factors that Influence the Housing Demand in Gaziantep

The factors that influence the housing demand in Gaziantep are evaluated, after projections on the housing need in Gaziantep are made.

The home ownership and the personal incomes of households as well as their rationale and tendencies to own residential units other than the one they reside in are the major factors that affect the housing demand.

The home ownership of households will be the prime determinant of the housing demand in the upcoming period. The data pertaining to the home ownership of Gaziantep's households is presented in Table.113 below.

65.63 percent of Gaziantep's households are homeowners while 65.738 households are tenants. (The Ministry of Finance 2005 data shows 67.404 tenants). Households which currently have a tenant status will constitute a housing demand potential in the future.

TABLE.113 HOME OWNERSHIP OF THE HOUSEHOLDS IN GAZİANTEP

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS SHARE %
HOMEOWNER	162.888	65.63
TENANT	65.738	26.49
LODGING DWELLER	3.777	1.53
NOT HOMEOWNER/DOESN'T PAY RENT	13.262	5.35
OTHER	2.349	0.95
UNKNOWN	199	0.08
TOTAL	248.213	100.0

SOURCE: General Population Census 2000, TSA

The number of residential units that households in Gaziantep own in addition to the one they reside in and their reasons for such ownership also affect housing demand.

Accordingly, 13.912 households own more than one residential unit in Gaziantep as of 2000. 26.7 percent of Gaziantep's households acquired additional residential units for rental income and 19 percent for investment purposes. 21.9 percent of the households purchased additional homes for the household to reside in while 22.9 percent targeted the residential use of one of the household members in their acquisition.

A comparison of the 67 thousand households which are tenants with the 14 thousand households which own more than one residential unit in Gaziantep points out to the fact that few wealthy households own much more than one additional residential unit.

Therefore, we can conclude from the interpretation of the above facts that the housing demand for additional residential units in Gaziantep will arise from a limited number of households and will be rather limited.

TABLE.114 THE REASONS WHY HOUSEHOLDS IN GAZİANTEP OWN ONE OR MORE HOMES IN ADDITION TO THE ONE THEY LIVE IN

REASONS	NUMBER OF HOUSEHOLDS	SHARE %
TO RESIDE IN	3.060	21.9
TO BE USED AS SEASONAL OR WEEK-END/SECONDARY HOMES	532	3.8
TO RECEIVE RENT INCOME	3.726	26.7
FOR ONE OF THE HOUSEHOLD MEMBERS TO RESIDE IN	3.194	22.9
TO RENEW AND SELL	133	1.0
AS INVESTMENT	2.661	19.0
THROUGH INHERITENCE	532	3.8
OTHER	133	1.0
TOTAL	13.972	100.0

SOURCE: Housing Research of Turkey, TSA

Personal incomes and the level of economic development of a city are other major determinants of the housing demand. As of 2005, the gross product of Gaziantep has a 1.6 percent share of the national income of Turkey. Accordingly, Gaziantep has a gross product of 5.8 billion dollars and a per capita income of 4.122 dollars. The per capita income in Gaziantep is below the average per capita income in Turkey (5.042 dollars).

Table.115 below displays the projections pertaining to the developments in Gaziantep's gross product and per capita income.

The basic assumptions used in this forecast are that Turkey's economy will grow by 5 percent per year until 2015 and Gaziantep's share of gross product will maintain its stability within Turkey's national income. In light of these assumptions, the per capita income in Gaziantep is foreseen to increase to 4.929 dollars in 2010 and to 5.785 dollars in 2015, in fixed prices.

The per capita income in Gaziantep will continue to lag behind the average of Turkey in the period for which the projections are made. When the income distribution structure is also taken into account, the per capita income projections point out to a rather limited housing demand potential and to constraints for the households to benefit from the housing finance system.

TABLE.115 GAZİANTEP GROSS PRODUCT AND PER CAPITA INCOME PROJECTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLARS
2005	5.8	1.407	4.122
2006	6.3	1.434	4.393
2007	6.6	1.461	4.518
2008	6.9	1.488	4.637
2009	7.3	1.515	4.819
2010	7.6	1.542	4.929
2011	8.0	1.569	5.099
2012	8.4	1.596	5.263
2013	8.8	1.623	5.422
2014	9.2	1.650	5.576
2015	9.7	1.677	5.875

V.1.5 Prognoses for the Housing Sector and Markets in Gaziantep

1. The improvements in the economic and social structure of Gaziantep have lead to an increase in the housing demand for qualified and adequate housing. Such housing demand is foreseen to expand further.

2. The housing need and demand for adequate housing, especially social housing, is very high in Gaziantep when we take into account that two thirds of the present housing stock is comprised of illegal housing units.

3. New residential expansion zones are being created in the central districts of Gaziantep. In addition, residential areas are also being transformed through urban regeneration projects.

4. New residential areas in the township of Şahinbey in the city center are expanding. The Karataş region will develop as a social housing project area which will contain 60 thousand residential units. The west of Şehitkamil district in the city center, Güvenevler, Sangüllük and Değirmiçem regions are new areas for the production of qualified and adequate housing units.

The Seyrantepe region (the old agricultural zone) has also started to evolve into a residential expansion area.

5. Urban regeneration and transformation projects are needed in the central districts of Gaziantep as a result of the extensive, unplanned and illegal urbanization. Such projects are

being prepared, starting with the Türktepe district in the city center where the most extensive illegal urbanization has taken place. Housing production in significant numbers is needed from Gaziantep's local administrations and the public authorities (Housing Development Administration of Turkey) within the context of urban regeneration and transformation projects. The Greater City Municipality has declared urban regeneration zones (an area of 300 thousand m2 for the production of 1800 residential units) and has started housing production. Nevertheless, such production is insufficient to meet the existing housing need.

6. In addition to the project of the Housing Development Administration of Turkey which will contain 2400 residential units, the municipalities and cooperatives have also planned social housing projects, which will bring the total housing production up to 10 thousand units.

7. The number of housing credits utilized in Gaziantep to purchase housing has been 5.073 in 2005 and 4.806 in 2006. The share of housing credits in Gaziantep within Turkey is 2.6 percent. The trend to make use of housing credits is quite strong in the city.

V.2 RETAIL MARKET AND SHOPPING CENTERS

Evaluations and projections pertaining to the real estate sector have to include both the residential and commercial real estate markets. The retail market and shopping centers in Gaziantep are evaluated first within the context of commercial real estate and predictions are made. The development and potential growth of shopping centers is related to economic size, personal incomes, consumption expenditures of households and the size of retail expenditures.

The data relevant to the retail market and shopping centers in Gaziantep are presented below. As of 2006, Gaziantep has a share of 1.6 percent within Turkey's national income with a gross product of 6.3 billion dollars and a per capita income of 4.393 dollars.

TABLE.116 GAZİANTEP ECONOMIC SIZE

YEARS	GNP SHARE %	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLARS
2004	1.6	4.8	3.488
2005	1.6	5.8	4.122
2006	1.6	6.3	4.393

Private consumption expenditures in Gaziantep were 4.5 billion dollars in 2006, of which 2.5 billion dollars were total retail expenditures.

Retail expenditures represent 56 percent of private consumption expenditures. Food and beverage expenditures were 1.8 billion dollars while non-food expenditures (clothing, shoes, personal care, furniture, entertainment, vacation and electronic equipment) were 0.7 billion dollars. Non-food expenditures comprise durable and semi-durable consumption items.

TABLE.117 GAZİANTEP PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD AVERAGE	OTHER	TOTAL
2004	4.8	3.3	1.3	0.5	1.8
2005	5.8	4.1	1.7	0.6	2.3
2006	6.3	4.5	1.8	0.7	2.5

Indicators related to shopping centers in Gaziantep are shown below in Table.118. Accordingly, there are 2 shopping centers in Gaziantep as of the end of 2006, suitable to the standards of the International Council for Shopping Centers (ICSC). The total gross leasable area of the 2 shopping centers is 59.710 m2. The gross leasable area per 1000 persons is 41.6 m2.

Total retail expenditures in Gaziantep are 2.5 billion dollars as of the end of 2006 and the share of retail expenditures is expanding within organized markets.

In this framework, total retail expenditures in Gaziantep are compared to existing total shopping center GLA and a potential retail expenditure of 41.870 dollars is calculated per shopping center GLA m2.

However, this number only indicates a potential and does not by any means represent the actual retail expenditure per shopping center GLA.

TABLE.118 GAZİANTEP SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTERS	TOTAL GLA M2	GLA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	2	59.710	41.6	41.870

Nevertheless, such extrapolation is evaluated as an important indicator of the development potential of shopping centers in Gaziantep.

Projections made in relation to the development potential of shopping centers in Gaziantep are given below. In making these forecasts, shopping centers that are in construction and actively planned are taken into account as of the year they are targeted to be operational. An actual realization forecast is being used for the years 2007-2008.

The shopping center growth projections are made for subsequent years, based on predictions for the population, economic growth and retail expenditures in Gaziantep. Projections are made for the gross leasable area sizes of shopping centers.

These shopping center projections are presented in two different scenarios, which display two different shopping center GLA's and potential retail expenditure sizes.

The shopping center gross leasable area projections for Gaziantep are presented below. Accordingly, the 1 shopping center currently under construction in Gaziantep will be operational in 2007, while the 3 shopping centers in the planning stage will be completed in 2008.

An additional GLA of 21.000 m2 will be added until the end of 2007 with the completion of the shopping center under construction. The gross leasable area of Gaziantep shopping centers will increase by an additional 122.300 m2 until the end of 2008, with the completion of the 3 shopping centers which are currently at the planning stage.

According to this data, the total shopping center GLA in Gaziantep will rise to 80.710 m2 and 203.010 m2 respectively at the end of 2007 and 2008. The gross leasable area per 1000 persons thus attains 55.3 m2 in 2007 and 136.4 m2 in 2008.

TABLE.119 PREDICTIONS FOR GAZİANTEP SHOPPING CENTERS

YEARS	POPULATION (000)	GLA M2 PER 1000 PERSONS		LEASABLE AREA M2	
		A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	1.434	41.6	41.6	59.710	59.710
2007	1.461	55.3	5.3	80.710	80.710
2008	1.488	136.4	136.4	203.010	203.010
2009	1.515	134.0	134.0	203.010	203.010
2010	1.542	140.0	150.0	215.880	231.300
2011	1.569	150.0	160.0	235.350	251.040
2012	1.596	160.0	170.0	255.360	271.320
2013	1.623	165.0	180.0	267.795	292.140
2014	1.650	170.0	190.0	280.500	313.500
2015	1.677	175.0	200.0	293.475	335.400

Predictions for the years 2009 and thereafter are based on assumptions for gross leasable area m2 per 1000 persons. Two different scenarios reflect a shopping center GLA per 1000 persons of 175 m2 and 200 m2 in 2015.

Based on these assumptions, the total gross leasable area will be 293.475 m2 in the first scenario and 335.400 m2 in the second scenario.

The use of the per capita gross leasable shopping center area m2 indicator is not sufficient in making projections and evaluations related to shopping centers. The size of the annual potential retail expenditures per gross leasable area is also significant.

For this reason, total GLA sizes attained in the above two scenarios are compared to the projections on annual potential retail expenditures and predictions are made for the annual potential retail expenditures per m2 of gross leasable area.

TABLO.120 PREDICTIONS FOR SHOPPING CENTERS IN GAZİANTEP

YEARS	RETAIL EXPENDITURES	TOTAL GLA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GLA DOLLARS	
		A SCENARIO	B SCENARIO	A SCENARIO	B SCENARIO
2006	2.5	59.710	59.710	41.870	41.870
2007	2.6	80.710	80.710	32.214	32.214
2008	2.7	203.010	203.010	13.300	13.300
2009	2.9	203.010	203.010	14.285	14.285
2010	3.0	215.880	231.300	13.897	13.897
2011	3.1	235.350	251.040	13.172	12.349
2012	3.3	255.360	271.320	12.923	12.163
2013	3.5	267.795	292.140	13.070	11.980
2014	3.6	280.500	313.500	12.834	11.483
2015	3.8	293.475	335.400	12.950	11.330

Accordingly, an annual potential retail expenditure size of 12.95 thousand dollars is attained in Gaziantep in the first scenario, for 293.475 m2 of shopping center GLA in 2015, whereas this number is 11.33 thousand dollars for a shopping center GLA of 335.400 m2 in 2015 in the second scenario.

As can be observed, the size of the potential retail expenditures per gross leasable area m2 is declining in both scenarios until 2015. In this framework, based on the two scenarios considered, there is a potential for shopping centers with an additional gross leasable area of 90-125 thousand m2 until 2015 (between the years 2009-2015).

V.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are evaluated in the second place within commercial real estate.

In this framework, statistical data pertaining to Gaziantep's accommodation establishments is presented and evaluated; then predictions are made for the development of tourism and accommodation establishments; and accommodation establishments are evaluated in relation to the real estate sector.

TABLE.121 GAZİANTEP ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	18	138	156	34	190	224	5.44	30.57	36.00
2003	15	162	177	33	244	277	4.64	34.36	39.00
2004	23	194	217	44	292	336	5.10	33.56	38.66
2005	25	195	220	46	285	331	5.07	31.16	36.23

SOURCE: MINISTRY OF TOURISM AND CULTURE

TABLE.122 GAZİANTEP ACCOMMODATION ESTABLISHMENTS 2005

TYPE AND CLASS OF ESTABLISHMENT	NUMBER OF BEDS	OCCUPANCY RATE %		
		FOREIGN	DOMESTIC	TOTAL
5 STARS	511	8.08	22.48	30.57

SOURCE: MINISTRY OF TOURISM AND CULTURE

Gaziantep enjoys extensive history and business tourism opportunities as a result of the city's cultural and historical assets as well as its status as a developing regional trade center.

Gaziantep accommodation statistics show that, despite the increase in the number of visitors who stayed over in the city in the last four years, a limited tourism activity is observed with only 220 thousand visitors staying over in 2005. In 2005, 25 thousand foreign visitors and 195 thousand domestic visitors spent the night in Gaziantep. The total number of overnight stays was 332 thousand in 2005, with an average duration of stay of 1.7 nights. International and domestic visitors stayed for 1.84 and 1.46 nights respectively. According to these accommodation statistics, the occupancy rate in accommodation establishments in Gaziantep was 36.23 percent in 2005.

The Ministry of Tourism has published 2005 data only for 5 star hotels in Gaziantep. Accordingly, Gaziantep has a total bed capacity of 511 beds in 5 star hotels, with an occupancy rate of 30.57 percent. Tourism in Gaziantep is expected to develop in three different fields. A need for accommodation establishments will arise, parallel to this development.

1. The need for business hotels (4 stars, 3 stars) will increase depending on the development of Gaziantep's economy, trade and cross boundary regional role.

2. Multi-purpose hotels (for convention, regional exhibitions, business activities and accommodation) will be needed (5 stars, 4 stars).

3. The need for boutique and concept city hotels (4 stars, 3 stars) will rise as a result of the culture and history tourism.

V.4 INDUSTRIAL AND LOGISTICS AREAS

Lastly, industrial and logistics areas are evaluated within commercial real estate.

Gaziantep displayed a significant industrial expansion in the last fifteen years and has become the pioneer of the cities which are newly undergoing the process of industrialization. In this respect, Gaziantep not only is a role model for other cities but also a major center of attraction for industry.

Gaziantep is also an important regional trade center and hub in terms of trade with Iraq and Syria in the south and with the Middle East in general, as well as an international gate for neighboring cities. In this respect, the city offers a great development potential for logistics areas parallel to the expansion of trade activities.

Small industry which started in the city center shifted to organized industry zones with the widening of scales. A more planned industrialization occurred in the last fifteen years.

Gaziantep currently has 3 organized industry zones and 2 industrial compounds actively in operation. The 4th organized industry zone is in the planning stage. The occupancy rates are very high in the 3 organized industry zones.

Industry also expanded in the industrial region next to the airport, in addition to organized industry zones. Approximately 100 companies became operational in this region in the last ten years.

The Nizip axis/region where industry was first established and comprises approximately 150 active companies is now squeezed in the city center. The Ünaldı – Şehreküstü regions where industry first started to expand now host approximately 700 companies and are also located in the city center.

An important need and demand will prevail in Gaziantep for industrial and logistics areas. In spite of the attraction presented by neighboring cities which offer incentives to industry investments, the industry in Gaziantep is foreseen to differentiate and expand.

The following developments are projected for Gaziantep's industrial and logistics areas.

1. Industry will continue to expand in organized industry zones and the need for industrial areas will increase.

2. The need for industrial areas will be reinforced as a result of a new high technology and branded production trend along with The Innovation Valley project and Brand Name City project. Works to establish a techno park will also enlarge the need for new industrial areas.

3. The establishment of a new trade center at the Syrian border will necessitate trade and related logistics areas.

4. The city is becoming a regional distribution hub. The need for logistics areas will expand very fast as a result of the Gaziantep's role to distribute the GAP products

in the region and in the country (Istanbul-Ankara), exports (Adana, Mersin, Iskenderun) and trade with the Middle East.

5. The establishment of an organized stock industry zone will create a need for trade and industry areas.

6. The trade-transportation-distribution functions of Gaziantep will expand as a result of the airport, proximity to southern ports, border with the Middle East, highway connections and the railway which crosses the organized industry zone.

7. In line with the development and expansion of GAP, Gaziantep's role as a capital for agriculture based industry will be reinforced. New industrial and warehousing areas will be needed for the agriculture based industry.

TABLE.123 GAZİANTEP ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES/M2	CHARACTERISTICS
1. OIZ	2.100.000 M2	HAS 140 PARCELS AND 100 PERCENT OCCUPANCY. 138 COMPANIES ARE IN OPERATION.
2.OIZ	4.500.000 M2	CONSISTS OF 275 PARCELS. HAS 85 PERCENT OCCUPANCY. 283 COMPANIES ARE OPERATIONAL.
3.OIZ	5.400.000 M2	CONSISTS OF 289 PARCELS. HAS 95 PERCENT OCCUPANCY. 150 COMPANIES ARE ACTIVELY OPERATIONAL.
4.OIZ	12.000.000 M2	IS IN PLANNING STAGE. CONSISTS OF 540 PARCELS. FOREIGN INVESTMENTS AND HEAVY INDUSTRY HAS PRIORITY.
GAZIANTEP FREE TRADE ZONE	2.100.000 M2	INVESTMENT AND INFRASTRUCTURE WORKS CONTINUE. 35 COMPANIES ARE ACTIVE.

SOURCE: MINISTRY OF INDUSTRY AND TRADE

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