REAL ESTATE RESEARCH REPORT - 4

PROGNOSES FOR THE *REAL ESTATE* SECTOR AND CITIES 2015

[ANTALYA • DİYARBAKIR • ERZURUM • ESKİŞEHİR • KAYSERİ • KOCAELİ • KONYA • MERSİN • SAMSUN]

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The Association of Real Estate Investment Companies

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[ANTALYA-DİYARBAKIR-ERZURUM-ESKİŞEHİR-KAYSERİ-KOCAELİ-KONYA-MERSİN-SAMSUN]

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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 residential but also 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.

The second "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. Subsequent to the first study covering 5 big cities, this study encompasses the following cities with a greater city municipality: Antalya, Diyarbakır, Erzurum, Eskişehir, Kayseri, Kocaeli, Konya, Mersin and Samsun.

This study will deliver presumptions about the qualitative and quantitative developments in the real estate sector in these nine 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 second "Prognoses for The Real Estate Sector and Cities 2015" study covering nine cities will be beneficial for all players in the sector and will contribute to the institutionalization of the real estate sector.

Dr. Can Fuat Gürlesel

Institute for Strategic Studies
October 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 and financial indicators as well as the consistency in domestic and international political environment are the basic assumptions used in making the prognoses in this study.

Projections pertaining to economic growth indicators are made in fixed prices in this study covering nine cities, as in the previous study we prepared for five cities. 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 other important assumptions used in this study. Demographic and population trends of all cities are determined in light of the demographic and population trends in Turkey, and forecasts are made for each city for indicators such as the population growth rate, net migration, total population, urbanization rate, urban population, average household sizes and the number of urban households.

The physical condition and legal status of the existing housing supply, 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 pertaining to the housing markets of the real estate sector in cities.

The current situation is assessed and trends are determined in regards to 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 trends in tourism, industry and trade. A forecast is primarily made for shopping centers pertaining to the actual realization estimates of (planned and under construction) shopping centers in the upcoming years. Subsequently, two distinct scenarios are determined in regards to the development potential of shopping centers, based on total actual shopping center size attained, population and economic structure of the city.

EXECUTIVE SUMMARY

The "Prognoses for The Real Estate Sector and Cities 2015" study presents the real estate sector and development projections in Antalya, Diyarbakır, Erzurum, Eskişehir, Kayseri, Kocaeli, Konya, Mersin and Samsun under the following sub-titles: Housing Sector and Markets, Retail Market and Shopping Centers, Tourism and Accommodation Establishments and Industrial and Logistics Areas.

ANTALYA

Housing Sector and Markets

Antalya's population has reached 2.08 million in 2006, which represents a share of 2.83 percent of the total population of Turkey. The population growth rate of 3.23 percent in Antalya in 2006 by far exceeds the population growth rate of Turkey (1.28 percent). Antalya is subject to a large migration inflow. 2.24 percent of Antalya's 3.23 percent population growth rate in 2006 comes from urban population growth and 1 percent from migration.

In 2006, Antalya's urbanization rate is 57.5 percent, the urban population is 1.2 million, the average size of urban households is 3.58 persons and the number of urban households is 307 thousand.

Antalya's population growth rate is foreseen to decline to 2.90 percent in 2010 and to 2.65 percent in 2015, and the total population is predicted to reach 2.34 million in 2010 and 2.68 million in 2015.

Antalya's urbanization rate is projected to be 59.5 percent in 2010 and 62 percent in 2015, while the average urban household size is expected to regress to 3.40 persons in 2010 and to 3.20 persons in 2015. Hence, the number of urban households in Antalya is foreseen to be 377 thousand in 2010 and 480 thousand in 2015.

As of 2006, Antalya has 463.374 housing units in urban areas, of which 106 thousand lack construction permits.

The housing need in Antalya for 2007-2015 is projected to be 236 thousand. 173 thousand of this housing need will arise from population growth, while 36 thousand will emanate from urban regeneration and 27 thousand from upgrade.

Pertaining to factors that affect the housing demand in Antalya; 101 thousand households in 2000 and 106 thousand households in 2005 are tenants; the 4.757 dollars per capita income in 2006 is expected to rise to 5.125 dollars in 2010 and to 5.710 dollars in 2015.

The growth potential for luxury and branded housing units in Antalya is rather limited. On the other hand, upper middle class housing and detached housing for locals and foreigners will continue to expand strongly. The utilization of the housing finance system will be important for middle class housing. (9.802 units of housing credit have been utilized in 2006).

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: In 2006, Antalya has a gross product of 9.9 billion dollars; private expenditures are 7 billion dollars; the share of retail expenditures is 44 percent and retail expenditures are 3.1 billion dollars.

As of 2006, Antalya has 8 shopping centers with a gross leasable area (GLA) of 101.849 m2. The gross leasable area per 1000 persons is 50.5 m2. The annual potential retail expenditure per shopping center GLA m2 is 30.340 dollars.

8 more shopping centers will be opened until the end of 2009. As of the end of 2009, the total shopping center GLA will be 336.849 m2 and the GLA per 1000 persons will be 148.1 m2.

Based on the scenarios of 200 and 250 m2 GLA per 1000 persons in Antalya in 2015, total shopping center GLA will reach 536.200 and 670.250 m2. According to these two different scenarios, an investment potential exists for shopping centers with a GLA of 200 - 330 thousand m2 in 2010-2015.

Tourism and Accommodation Establishments

In addition to existing tourism establishments emphasizing summer tourism, Antalya needs to diversify tourism activities and provide all year long tourism opportunities. In that respect, a need is foreseen for deluxe hotels (5 stars and above), 3-4 star hotels, 1st class holiday villages, multi-purpose (convention, art-culture, sports activities etc.) accommodation establishments, business oriented concept hotels (3-4 stars), boutique hotels emphasizing entertainment and relaxation (3-4 stars), deluxe accommodations such as apart hotels and residences, as well as additional accommodation establishments for yacht and golf tourism.

Industrial and Logistics Areas

Industrial investments pertaining to agriculture are predicted to expand in organized industry zones. In this respect, the need and demand is foreseen to increase for industrial areas as well as for logistics areas predominantly for distribution to tourism and private consumption goods industries.

DİYARBAKIR

Housing Sector and Markets

Diyarbakır's population attained 1.5 million in 2006, which represents a share of 2.04 percent of the total population of Turkey. Diyarbakır's 1.56 percent population growth rate in 2006 exceeds the population growth rate of Turkey (1.28 percent). Diyarbakır has been subject to a considerable migration outflow. Of Diyarbakır's total population growth rate of 1.56 percent in 2006, 2.05 percent comes from urban population growth, offset by a migration outflow of 0.49 percent.

Diyarbakır had an urbanization rate of 62.5 percent in 2006, and an urban population of 938 thousand. The average urban household size of 6.07 persons is very high. The total number of urban households is 155 thousand.

Diyarbakır's population growth rate is projected to decline to 1.47 percent in 2010 and to 1.35 percent in 2015, and the total population is predicted to be 1.59 million in 2010 and 1.7 million in 2015.

Diyarbakır's urbanization rate is anticipated to rise to 63.7 percent in 2010 and to 65 percent in 2015, while the average urban household size is expected to decrease to 5.94 persons in 2010 and to 5.80 persons in 2015. The number of urban households in Diyarbakır is foreseen to attain 171 thousand in 2010 and 191 thousand in 2015.

Diyarbakır has 205.986 housing units in urban areas as of 2006, of which 129 thousand do not have construction permits.

The housing need in Diyarbakır for 2007-2015 is estimated to be 90 thousand. 36 thousand of this need will emanate from population growth, 45 thousand from urban regeneration and 9 thousand from the need to upgrade.

Pertaining to factors which affect the housing demand in Diyarbakır; 44.8 thousand households are tenants in 2000; the 2.800 dollars per capita income in 2006 is expected to reach 3.200 dollars in 2010 and 3.810 dollars in 2015.

The establishment of a regulated housing market in Diyarbakır will take time, taking into account the intensity of distorted and illegal settlements. A significant need exists for social housing in Diyarbakır. Therefore, the public sector will be the driving force of city's housing development. A limited demand will take place for the residential units developed by the private sector.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Diyarbakır's 2006 gross product is 4.2 billion dollars; private expenditures are 3 billion dollars; the share of retail expenditures is 60 percent and retail expenditures are 1.8 billion dollars.

As of 2006, Diyarbakır has 2 shopping centers with a gross leasable area of 28.020 m2. The GLA per 1000 persons is 18.7 m2. The annual potential retail expenditure per shopping center GLA m2 is 64.250 dollars.

3 new shopping centers are scheduled to be operational until the end of 2009, which will bring the total shopping center gross leasable area to 139.020 m2 and the GLA per 1000 persons to 88.5 m2 at the end of 2009.

Total shopping center gross leasable area is projected to be 213.500 m2 and 256.200 m2 for two respective scenarios which assume a GLA per 1000 persons of 125 and 150 m2 in Diyarbakır in 2015. According to these two different scenarios, an investment potential exists for shopping centers with a GLA of 80 - 120 thousand m2 in 2009-2015.

Tourism and Accommodation Establishments

Diyarbakır's tourism is foreseen to expand to a rather limited degree both on the history-culture-faith tourism and business-trade oriented tourism facets.

In this context, there will be a need for multi-purpose hotels (4-5 stars) where convention-exhibition-art activities can be carried out, for business oriented concept hotels (3-4 stars) and history-culture-faith tourism oriented 3 star boutique hotels.

Industrial and Logistics Areas

The demand for industrial and logistics areas will be restricted. However, demand will prevail for livestock oriented organized industry zones. The demand for logistics areas will predominantly come from domestic trade activities.

ERZURUM

Housing Sector and Markets

The population of Erzurum in 2006 is 963 thousand, or 1.31 percent of Turkey's total population. Erzurum's population growth rate of 0.32 percent in 2006 is well below the population growth rate of Turkey (1.28 percent). Erzurum is subject to a significant migration outflow. 1.73 percent of the 0.32 percent population growth rate in Erzurum in 2006 comes from the growth of the urban population, while the share of migration from the city accounts for 1.41 percent.

In 2006, Erzurum has an urbanization rate of 58.2 percent and an urban population of 560 thousand. Urban households have an average size of 5.18 persons and the total number of urban households is 108 thousand.

Erzurum's population growth rate is foreseen to slow down to 0.20 percent in 2010 and to 0.10 percent in 2015. Total population thus is expected to attain 971 thousand in 2010 and 978 thousand in 2015.

Erzurum's urbanization rate is expected to rise to 59 percent in 2010 and to 60 percent in 2015, whereas the average urban household size is foreseen to decline to 5.10 persons in 2010 and to 5.00 persons in 2015. The number of urban households in Erzurum is therefore predicted to reach 112 thousand in 2010 and 117 thousand in 2015.

123.500 residential units exist in the urban areas of Erzurum in 2006, of which 65.382 do not have construction permits.

The housing need in Erzurum for 2007-2015 is projected to be 36 thousand. 9 thousand units will be needed as a result of population growth, while 18 thousand and 9 thousand will respectively be due to urban regeneration and upgrade needs.

When the factors that affect the housing demand in Erzurum are analyzed, it is observed that 29.5 thousand households are tenants in 2000. The per capita income of 2.565 dollars in 2006 is foreseen to reach 3.090 dollars in 2010 and 3.915 dollars in 2015.

The development of social housing to meet the housing needs of the low and middle income groups will represent the main development area of Erzurum's residential sector. The participation and housing development of the private sector will remain rather limited. The value and rate of appreciation of housing units developed will also remain restricted.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Erzurum's 2006 gross product is 2.47 billion dollars; private expenditures are 1.76 billion dollars; the share of retail expenditures is 53 percent and retail expenditures are 0.94 billion dollars.

There are no shopping centers in Erzurum as of the end of 2006. 2 shopping centers are scheduled to open until the end of 2009. The total shopping center gross leasable area will be 46.000 m2 at the end of 2009, and the GLA per 1000 persons will be 47.5 m2. The total shopping center gross leasable area in Erzurum is projected to attain 78.200 m2 and 97.800 m2 in 2015, based on two respective scenarios which assume a GLA per 1000 persons of 80 and 100 m2 in Erzurum in 2015. A very limited shopping center investment potential exists in Erzurum in 2009-2015, according to these two scenarios.

Tourism and Accommodation Establishments

Tourism will develop around winter tourism and winter sports in Erzurum until 2015. In light of these development trends, winter sports oriented accommodation establishments (4-5 stars) and sports facilities will be needed in the Palandöken-Konaklı region in the upcoming period, as well as alternative sports-outdoors oriented accommodation facilities (boutique-concept-3 star hotels) and thermal tourism facilities (3-4 stars).

Industrial and Logistics Areas

The demand for industrial areas will be limited, based on the assumption that industry will expand on a limited basis. Livestock oriented specialized industry zones will be the new investment field. The demand for logistics areas will prevail due to Erzurum's role as a regional center and domestic trade and distribution hub in East Anatolia.

ESKİŞEHİR
Housing Sector and Markets

Eskişehir's population is 723 thousand in 2006, which represents 0.99 percent of Turkey's total population. The population growth rate of 0.28 percent in 2006 in Eskişehir is well below the population growth rate of Turkey (1.28 percent). Eskişehir is subject to a net migration inflow. Of the 0.28 percent population growth rate in Eskişehir in 2006, urban population growth accounts for 0.25 percent, and the remaining 0.03 percent comes from migration.

Eskişehir's urbanization rate in 2006 is 80.2 percent and the urban population is 580 thousand. Urban households have an average size of 3.37 persons and the total number of urban households is 172 thousand.

Eskişehir's population growth rate is foreseen to decline to 0.25 percent in 2010 and to 0.15 percent in 2015, thus leading to a total population forecast of 730 thousand in 2010 and 735 thousand in 2015.

The urbanization rate is expected to rise to 81 percent in 2010 and to 82 percent in 2015, and the average size of Eskişehir's urban households is foreseen to diminish to 3.29 persons in 2010 and to 3.20 persons in 2015. Thus, Eskişehir's total number of urban households is predicted to be 180 thousand in 2010 and 188 thousand in 2015.

Eskişehir has 216.637 residential units in urban areas in 2006, of which 76.244 lack proper construction permits.

A housing need for 47.5 thousand units is forecast in Eskişehir for 2007-2015, of which 16 thousand units will result from population growth, while 22.5 thousand from urban regeneration and 9 thousand from upgrade.

An evaluation of the factors that affect Eskişehir's housing demand reveals that 47.5 thousand households are tenants in 2000. The per capita income of 6.365 dollars in 2006 is projected to escalate to 7.535 dollars in 2010 and 9.660 dollars in 2015. The absolute population size and population growth projections limit the qualitative growth of Eskişehir's residential sector. While the housing need and demand arising from population growth will remain restricted, urban regeneration and upgrade based housing demand and need will shape Eskişehir's housing sector and markets.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Eskişehir's 2006 gross product is 4.6 billion dollars; private expenditures are 3.3 billion dollars; the share of retail expenditures is 47 percent and retail expenditures are 1.55 billion dollars.

Eskişehir has no shopping center in operation as of 2006. 6 shopping centers are scheduled to open until the end of 2009.

With these 6 shopping centers in operation, the total shopping center GLA will be 149.890 m2 and the GLA per 1000 persons to 205.3 m2 at the end of 2009.

Two different scenarios assuming a GLA per 1000 persons in Eskişehir of 250 and 275 m2 in 2015 results in total shopping center GLA of 183.750 m2 and 202.125 m2 respectively. Accordingly, the shopping center investment potential in 2009-2015 is estimated at 35 - 50 thousand m2 GLA.

Tourism and Accommodation Establishments

Universities as well as the city's target to become a high technology oriented industry town make Eskişehir a business-trade center focused on science and technology. In this framework, business oriented concept hotels (3-4 stars); boutique hotels to meet the accommodation needs arising from sports, vacation, entertainment and culture (3-4 stars) will be needed in Eskişehir in addition to the existing accommodation facilities.

Industrial and Logistics Areas

As an innovation center, Eskişehir will turn into a region where high technology industries will flourish. Moreover, its suitable industrial areas will lead Eskişehir to become the new industrial basin between the Marmara region and Ankara. Industrial areas will expand within organized industry zones.

The need for logistics areas is anticipated to grow depending on the developments in the transportation infrastructure and the expansion of the logistics base within the organized industry zone.

KAYSERİ
Housing Sector and Markets

Kayseri's population is 1.1 million in 2006, which represents 1.50 percent of the total population of Turkey. The population growth rate of 0.64 percent in Kayseri in 2006 is below Turkey's population growth rate (1.28 percent). Kayseri is subject to a net migration outflow. 0.88 percent of the 0.64 percent population growth rate in Kayseri in 2006 comes from urban population growth, offset by a net migration rate of -0.24.

In 2006, the urbanization rate in Kayseri is 72.7 percent, the urban population is 801 thousand, the average urban household size is 4.23 persons and the total number of urban households is 189 thousand.

Kayseri's population growth rate is foreseen to decline to 0.53 percent in 2010 and to 0.40 percent in 2015, thus leading to a total population forecast of 1.13 million in 2010 and 1.15 million in 2015.

Kayseri's urbanization rate is expected to rise to 73.6 percent in 2010 and to 75 percent in 2015, whereas the average urban household size is foreseen to shrink to 4.15 persons in 2010 and to 4.05 persons in 2015. Kayseri's total number of urban households will therefore attain 200 thousand in 2010 and 213 thousand in 2015.

Kayseri has 297.719 residential units in urban areas in 2006, of which 86 thousand do not have construction permits. A housing need for 60 thousand units is forecast in Kayseri for 2007-2015. 24 thousand units will result from population growth, 27 thousand from urban regeneration and 9 thousand from the need to upgrade.

An evaluation of the factors that affect Kayseri's housing demand indicates that 56 thousand households in 2000 and 60 thousand households in 2005 are tenants. The per capita income of 4.445 dollars in 2006 is projected to be 5.325 dollars in 2010 and 6.685 dollars in 2015.

The demand for adequate and high quality housing will increase in Kayseri parallel to the city's economic and social development. The development of high quality residential units by the private sector for the middle and upper income groups displays an important growth potential. Accordingly, an organized and healthy residential market will come into being.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Kayseri's 2006 gross product is 4.9 billion dollars; private expenditures are 3.5 billion dollars; the share of retail expenditures is 54 percent and retail expenditures are 1.9 billion dollars.

As of 2006, Kayseri has 4 shopping centers with a gross leasable area of 48.652 m2. The GLA per 1000 persons is 44.1 m2. The annual potential retail expenditure per shopping center GLA m2 is 39.055 dollars.

3 more shopping centers will be opened until the end of 2009. As of the end of 2009, the total shopping center GLA will be 163.652 m2 and the GLA per 1000 persons will be 146 m2.

Total shopping center GLA is projected to be 201.600 m2 and 230.400 m2 in Eskişehir in 2015, based on two scenarios which respectively assume a GLA per 1000 persons of 175 and 200 m2. According to these two different scenarios, an investment potential exists in 2010-2015 for shopping centers with a GLA of 35 - 65 thousand m2.

Tourism and Accommodation Establishments

Winter tourism, business-trade oriented tourism as well as Cappadocia based history-culture tourism will prosper in Kayseri.

In this context, in addition to Kayseri's existing accommodation facilities, a need is anticipated for winter sports and winter tourism oriented hotels (4-5 stars) and sports facilities, concept hotels endowed with business facilities (3-4 stars), boutique hotels (3-4 stars) to meet accommodation needs for vacation-entertainment purposes.

Industrial and Logistics Areas

There will be a high level of need and demand for industrial and logistics areas in Kayseri. Industry will continue to expand within organized industry zones. Of the 6 planned logistics villages, 1 will be located in Kayseri Boğaz köprü. Kayseri will become Anatolia's logistics center. To this end, the need for logistics areas is projected to be quite high.

KOCAELİ
Housing Sector and Markets

The population of Kocaeli rose to 1.37 million in 2006, equivalent to 1.86 percent of Turkey's total population. Kocaeli's population growth rate of 2.10 percent in 2006 exceeds the average of Turkey (1.28). Kocaeli is subject to a considerable migration influx. Urban population growth makes up 1.25 percent of Kocaeli's population growth rate of 2.10 percent in 2006, while migration based growth accounts for 0.85 percent.

In 2006, Kocaeli has an urbanization rate of 63.3 percent, an urban population of 865 thousand, an urban household size of 3.83 persons and a total of 226 thousand urban households. Kocaeli's population growth rate is expected to decrease to 1.95 percent in 2010 and to 1.80 percent in 2015. Hence, the total population is projected to be 1.48 million in 2010 and 1.62 million in 2015.

Kocaeli's urbanization rate is foreseen to rise to 64.5 percent in 2010 and to 66 percent in 2015. On the other hand, the average urban household size is projected to decline to 3.75 and 3.65 persons respectively in 2010 and 2015. The number of urban households in Kocaeli will therefore reach 254 thousand in 2010 and 293 thousand in 2015.

256.254 residential units exist in the urban areas of Kocaeli in 2006, of which 31 thousand do not have construction permits.

The housing need in Kocaeli for 2007-2015 is projected to be 94 thousand. A need for 67 thousand units will arise as a result of population growth, while 18 thousand and 9 thousand will respectively be due to urban regeneration and upgrade needs.

When the factors that affect Kocaeli's housing demand are analyzed, it is observed that 77 thousand households in 2000 and 83 thousand households in 2005 are tenants. The per capita income of 12.810 dollars in 2006 is projected to increase to 14.410 dollars in 2010 and 16.720 dollars in 2015.

The housing sector in Kocaeli is still undergoing its after-the-earthquake restructuring process. On the one hand earthquake-safe and adequate housing to address the housing deficit and on the other hand high quality housing for the middle and upper income groups will be developed concurrently.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: The 2006 gross product is 17.5 billion dollars in Kocaeli; private expenditures are 12.5 billion dollars; the share of retail expenditures is 50 percent and retail expenditures are 6.3 billion dollars.

As of 2006, Kocaeli has 4 shopping centers with a gross leasable area of 49.792 m2. The GLA per 1000 persons is 36.5 m2. The annual potential retail expenditure per shopping center GLA m2 is 126.500 dollars.

Based on two scenarios assuming a GLA per 1000 persons of 100 and 125 m2 in Kocaeli in 2015, the total shopping center GLA is projected to be 162.100 m2 and 202.625 m2 respectively. These two different scenarios indicate the existence of an investment potential for shopping centers with a GLA of 110 - 150 thousand m2 in 2009-2015.

Tourism and Accommodation Establishments

The growth of Kocaeli's tourism will come from winter and summer tourism (for short term stays) and business-trade tourism. In addition to Kocaeli's existing accommodation facilities, a need is anticipated for hotels and sports facilities (3-4-5 stars) in the winter tourism center, hotels and boutique hotels (3-4-5 stars) in summer tourism centers, boutique hotels (3 stars) to meet short term accommodation needs arising from alternative sports and vacation-entertainment purposes, multi-purpose hotels (4-5 stars) where convention-exhibition activities can be carried out and business oriented concept hotels (3-4 stars).

Industrial and Logistics Areas

A sizeable expansion is foreseen in Kocaeli's industrial and logistics activities. Industry in Istanbul is shifting towards Kocaeli at an increasing rate. In line with the municipality's new metropolitan city master plan, industrial establishments which are currently squeezed in the city center of Kocaeli are being forced to move outside of the city center. Moreover, Kocaeli is becoming a transportation and logistics hub for the cities of Zonguldak, Bartın, Bolu, Düzce and Yalova where industry is expanding. Kocaeli will host one of the six logistics villages in the planning stages in Köseköy. New industrial areas in Kocaeli will largely expand within organized industry zones. Köseköy and Derince Regions as well as the surroundings of the Cengiz Topel airport will be the new logistics areas.

KONYA
Housing Sector and Markets

Konya's population is 2.4 million in 2006, which constitutes 3.3 percent of Turkey's total population. Konya's population growth rate in 2006 is 1.68 percent, above the population growth rate of Turkey (1.28 percent). Konya has started to receive a considerable degree of migration. Urban population growth rate and migration respectively account for 1.53 percent and 0.15 percent within Konya's total population growth rate of 1.68 percent in 2006.

Konya's urbanization rate in 2006 is 63.2 percent and the urban population is 1.53 million. Urban households have an average size of 4.18 persons. The total number of urban households is 367 thousand.

Konya's population growth rate is projected to decline to 1.56 percent in 2010 and to 1.40 percent in 2015, thus leading to a total population forecast of 2.58 million in 2010 and 2.78 million in 2015.

Konya's urbanization rate is expected to rise to 64 percent in 2010 and to 65 percent in 2015, and the average urban household size is projected to decline to 4.10 persons in 2010 and to 4.00 persons in 2015. The total number of urban households in Konya will therefore reach 403 thousand in 2010 and 452 thousand in 2015.

417.283 residential units exist in Konya's urban areas in 2006, of which 131 thousand units lack construction permits. A housing need for 148 thousand units is forecast in Konya for 2007-2015; of which 85 thousand units will result from population growth, 45 thousand from urban regeneration and 18 thousand from upgrade.

Among factors that affect Konya's housing demand; it is observed that 92 thousand households in 2000 and 98 thousand households in 2005 are tenants. The per capita income of 4.000 dollars in 2006 is projected to rise to 4.570 dollars in 2010 and 5.400 dollars in 2015. The development of adequate housing will continue to expand in Konya.

With the leadership of the private sector, the residential sector will flourish in new residential settlement areas and regions. The Selçuklu, Karatay town center and Meram regions will be heading these residential expansion zones.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Konya's 2006 gross product is 9.7 billion dollars; private expenditures are 6.9 billion dollars; the share of retail expenditures is 52 percent and retail expenditures are 3.6 billion dollars.

As of 2006, Konya has 4 shopping centers with a gross leasable area of 122.054 m2. The GLA per 1000 persons is 50.4 m2. The annual potential retail expenditure per shopping center GLA m2 is 29.495 dollars.

Based on two scenarios assuming a GLA per 1000 persons of 100 and 125 m2 in Konya in 2015, the total shopping center GLA is projected to be 277.800 m2 and 347.250 m2 respectively. These two different scenarios reveal the existence of an investment potential for shopping centers with a GLA of 150 - 225 thousand m2 in 2008-2015.

Tourism and Accommodation Establishments

Konya's tourism will flourish on the one hand with the Hz. Mevlana focused history-faith-culture tourism, and on the other hand with business-trade-convention-exhibition tourism as a result of the fast expansion of small-medium sized industry and trade. Hence, in addition to Konya's existing accommodation establishments, a need is foreseen for multi-purpose hotels (4-5 stars) where convention-exhibition-culture activities can be carried out and for (3-4 star) hotels endowed with business facilities.

Industrial and Logistics Areas

The need for industrial areas will continue to increase in Konya. On the other hand, the size of parcels and land in demand is relatively small as a result of the needs of Small and Medium Size Enterprises.

This characteristic reduces the appeal of industrial real estate investments. The need for logistics areas will expand as a result of international trade and the evolution of export oriented industries. However, Konya's distance to the main transportation arteries and highways diminishes the attractiveness of logistics investments.

MERSİN
Housing Sector and Markets

The population of Mersin in 2006 is 1.87 million, or 2.54 percent of the total population of Turkey. Mersin's population growth rate of 2.03 percent in 2006 exceeds the population growth rate of Turkey (1.28 percent). Mersin is subject to a considerable migration inflow. 1.48 percent of the 2.03 percent population growth rate in Mersin in 2006 comes from urban population growth, and 0.55 percent from migration to the city.

Mersin has an urbanization rate of 63.3 percent in 2006, and an urban population of 1.18 million. Urban households have an average size of 4.18 persons. The total number of urban households is 283 thousand.

Mersin's population growth rate is foreseen to slow down to 1.89 percent in 2010 and to 1.75 percent in 2015. Total population therefore is expected to reach 2.0 million in 2010 and 2.2 million in 2015.

Mersin's urbanization rate is expected to rise to 64.1 percent in 2010 and to 65 percent in 2015. The average urban household size is foreseen to decline to 4.05 persons in 2010 and to 3.50 persons in 2015. Hence, the number of urban households in Mersin is projected as 319 thousand in 2010 and 367 thousand in 2015.

345.519 residential units exist in the urban areas of Mersin in 2006, and 126 thousand of these do not have construction permits.

The housing need in Mersin for 2007-2015 is anticipated to be 147 thousand. 84 thousand units will be needed as a result of population growth, while 45 thousand and 18 thousand will respectively be due to urban regeneration and upgrade.

When the factors which affect the housing demand in Mersin are analyzed, it is observed that 86 thousand households in 2000 and 89 thousand households in 2005 are tenants. 42 thousand households own housing units in addition to those they reside in.

The per capita income of 5.630 dollars in 2006 is projected to be 6.310 dollars in 2010 and 7.357 dollars in 2015.

Mersin has an increasing level of demand for adequate, high quality and livable housing units. In Mersin, demand will expand for the high quality, low-storey housing compounds, surrounded by vast living space and amenities, to be developed by the private sector. The Yenişehir region located in the north of Mersin is considered to be the city's new residential settlement area. The demand for secondary homes is also foreseen to continue in Mersin.

However, secondary homes will shift from multi-storey units to low-storey villas and houses with gardens, located in compounds. Mersin's extensive illegal urbanization will require the social housing development of the public sector within the scope of urban regeneration projects.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Mersin's 2006 gross product is 10.5 billion dollars; private expenditures are 7.5 billion dollars; the share of retail expenditures is 50 percent and retail expenditures are 3.8 billion dollars.

As of 2006, Mersin has 1 shopping center with a gross leasable area of 12.236 m2. The GLA per 1000 persons is 6.6 m2. The annual potential retail expenditure per shopping center GLA is 310.560 dollars.

3 new shopping centers are scheduled to be operational until the end of 2008, which will bring the total shopping center gross leasable area to 117.486 m2 and the GLA per 1000 persons to 60.6 m2.

Total shopping center gross leasable area is projected to be 330.000 m2 and 385.000 m2 for two respective scenarios which assume a GLA per 1000 persons of 150 and 175 m2 in Mersin in 2015. According to these two different scenarios, an investment potential exists for shopping centers with a GLA of 210 -270 thousand m2 in 2009-2015.

Tourism and Accommodation Establishments

Tourism in Mersin is anticipated to grow in two axes: the growth of summer tourism, focused on special and diverse varieties of tourism rather than mass tourism, constitutes the first growth axis. With the addition of 3 new tourism zones in 2006, Mersin has a total of 8 tourism zones.

The second growth axis consists of business-trade-convention-exhibition tourism in line with the development of trade and logistics.

In this framework, in addition to existing accommodation facilities in the city, a need is foreseen in Mersin for accommodation establishments concentrated on summer tourism and endowed with diverse sports activities (holiday villages, sports facilities, health facilities, golf facilities, vacation-entertainment areas) as well as for multi-purpose concept hotels (3-4-5 stars) where convention-exhibition-art activities can be carried out.

Industrial and Logistics Areas

In the upcoming period, Mersin will become one of the most important logistics centers in Turkey. In addition to Marmara metropolitan area and İzmir, Mersin is turning into Turkey's third and Anatolia oriented export gate.

The port of Mersin will become Turkey's second major port for freight transportation which will give rise to a need for vast logistics areas in the port and its surroundings. The Under Secretariat of Foreign Trade is planning to establish a logistics free zone in Mersin. The Association of International Forwarders is also planning to set up a logistics village in Mersin. Industry in Mersin will flourish within organized industry zones. In this respect, logistics areas represent a very important real estate investment and development opportunity in Mersin. Industry will expand within existing organized industry zones.

SAMSUN

Housing Sector and Markets

Samsun's population is 1.19 million in 2006, which constitutes 1.63 percent of Turkey's total population. The population of Samsun has been shrinking. The population decline rate in Samsun has been 0.42 percent in 2006. Samsun is subject to a significant migration outflow. Despite the growth of the urban population in Samsun by 1.05 percent in 2006, the migration rate has been -1.47 percent.

Samsun's urbanization rate in 2006 is 57.3 percent, and the urban population is 684 thousand. Urban households have an average size of 3.98 persons and the total number of urban households is 172 thousand.

Samsun's population decline rate is projected to be 0.46 percent in 2010 and 0.50 percent in 2015, thus leading to a total population forecast of 1.17 million in 2010 and 1.14 million in 2015.

Samsun's urbanization rate is expected to rise to 58.5 percent in 2010 and to 60 percent in 2015, whereas the average urban household size is projected to regress to 3.90 persons in 2010 and to 3.80 persons in 2015. Samsun's total number of urban households is thus predicted to reach 176 thousand in 2010 and 181 thousand in 2015.

266.784 residential units exist in Samsun's urban areas in 2006, of which 100 thousand have been built without construction permits.

A housing need for 45 thousand is forecast in Samsun for 2007-2015, of which 9 thousand units will result from population growth, 27 thousand from urban regeneration and 9 thousand from upgrade.

Among factors that affect the housing demand in Samsun; 54 thousand households in 2000 and 56 thousand households in 2005 are tenants. 22 thousand households own residential unit/units other than those they reside in. The per capita income of 4.275 dollars in 2006 is projected to attain 5.285 dollars in 2010 and 6.995 dollars in 2015.

Urban regeneration and transformation works as well as upgrade investments will shape Samsun's housing sector and markets in the upcoming period. Housing developments of the private sector is foreseen to remain limited.

New mass housing areas and residential settlements are evolving in the periphery of Samsun as there is a lack of areas in the city center suitable to housing development. The industrial zone and the shantytown region form a natural border on the east side of the city. For this reason, new residential settlement areas are expanding in the west side of Samsun.

Retail and Shopping Centers

Economic figures pertaining to shopping centers are: Samsun's 2006 gross product is 5.1 billion dollars; private expenditures are 3.6 billion dollars; the share of retail expenditures is 53 percent and retail expenditures are 1.9 billion dollars.

As of 2006, Samsun has 1 shopping center with a gross leasable area of 14.452 m2. The GLA per 1000 persons is 12.1 m2 and the annual potential retail expenditure per shopping center GLA m2 is 132.160 dollars.

Based on two scenarios assuming a GLA per 1000 persons of 75 and 100 m2 in Samsun in 2015, the total shopping center GLA is projected to be 85.800 m2 and 114.400 m2 respectively. These two different scenarios reveal the existence of an investment potential for shopping centers with a GLA of 60 – 85 thousand m2 in 2008-2015.

Tourism and Accommodation Establishments

Samsun's tourism is anticipated to flourish with a business-trade focus, in line with Samsun's role as a regional trade center in the Black Sea region. Additionally, the township of Havza has been declared as a tourism development zone where vacation-entertainment oriented tourism activities will blossom. In this framework, in addition to Samsun's existing accommodation facilities, a need is anticipated for multi-purpose hotels (4-5 stars) where convention-exhibition activities can be carried out, concept hotels endowed with business facilities (3-4 stars), and for vacation-entertainment oriented boutique hotels (3-4 stars).

Industrial and Logistics Areas

Industry in Samsun will expand within organized industry zones. There is no vacancy at Merkez OIZ. For this reason, a demand is anticipated for the newly established Bafra OIZ, the Tekkeköy ship building industry region and for the food specialty organized industry zone in the planning stages. The fact that Samsun is an exit gate for oil and natural gas and the probability of an oil refinery being established will affect the industrial areas.

Samsun has the potential to become a logistics center. Samsun is becoming an important gate for the trade of Anatolia (southeast Anatolia, east Anatolia, center Anatolia, center Black Sea) with Black Sea countries and Europe.

In this respect, it is anticipated that the demand for logistics areas will expand, industrial areas within organized industry zones will be sought after and logistics investments will represent attractive real estate investment opportunities in Samsun.

Chapter I.

ANTALYA REAL ESTATE SECTOR AND PROGNOSES

I.1 HOUSING SECTOR AND MARKETS

The evaluation of Antalya's real estate market starts with the residential sector. The evaluation consists of making projections for the housing sector to forecast the need for housing in Antalya until 2015 and to identify the factors that affect the housing supply and demand.

I.1.1 Demography and Population Forecast

Demographic and population changes are the main factors that affect the housing demand and supply. Therefore, the developments and trends in Antalya's demography and population are evaluated first, and then population projections are made based on these trends and assumptions used. In this framework, factors such as population growth rate, urban population growth, net migration movements, urbanization rate and absolute urban population, average size and number of households are the main variables used in this evaluation. The changes in and the forecast of Antalya's demography and population in terms of these variables are presented below.

With a population exceeding 2 million, Antalya is Turkey's 6th largest city in terms of population. The evolution of Antalya's population is shown in Table.1 below. Table.1 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.

Antalya's population has increased from 749 thousand in 1980 to 1.72 million in 2000 when the last population census took place and to 2.08 million at the end of 2006. Antalya's share within the total population of Turkey has been continuously rising in this period and has grown from 1.67 percent in 1980 to 2.83 percent in 2006.

TABLE.1 POPULATION OF ANTALYA AND TURKEY

YEARS	ANTALYA (000)	TURKEY (000)	SHARE %
1980	749	44.737	1,67
1985	891	50.664	1,76
1990	1,132	56.473	2,00
2000	1,720	67.804	2,53
2005 (1)	2,016	72.538	2,78
2006 (1)	2,081	73.466	2,83

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

The population growth rate is the key indicator of Antalya's population and its relative share within the total population of Turkey. Since 1980, Antalya's population grew at a significantly higher rate than the average population of Turkey. The population growth rates of Antalya and Turkey are compared below in Table.2. Population growth rates are shown as yearly average growth rates for each five year period. Annual average population growth rates are quite high in Antalya. While the annual average population growth rate has been 4.80 percent in Antalya in 1985-1990, Turkey's average for the same period was 2.17 percent per annum. Although the population growth rates of both Turkey and Antalya decreased in subsequent periods, Antalya's population grew at a much faster rate than that of Turkey. Turkey's average population growth per annum has been 1.28 percent in 2006 while Antalya's population grew by 3.23 percent.

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

PERIODS	ANTALYA (%)	TURKEY (%)
1980-1985	3.54	2.49
1985-1990	4.80	2.17
1990-2000	4.18	1.83
2000-2005 (1)	3.23	1.36
2005-2006 (1)	3.23	1.28

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

The two main determinants of the population growth of cities are urban population growth and net migration. Antalya is one of the cities with a very high net migration intake. Cities can be subject to both migration inflow and migration outflow. The net migration is the difference between the migration inflow and the migration outflow, and a positive net migration figure indicates that the city is subject to a net migration inflow.

Antalya's absolute net migration and net migration rate are displayed below in Table.3. Antalya has been continuously subject to a migration influx since 1975. Antalya's intake of migrants accelerated after 1985. The net migration data shows the absolute net migration in the corresponding period. The net migration rate is determined by dividing the absolute net migration for each period by total population at the beginning of each period. For example, the net migration is 90.457 persons in 1995-2000 and will be divided by the 1995 population of 1.38 million.

Antalya is continuing to receive a rapid inflow of migrants. With 9.28 percent, the net migration rate has reached its peak in the years 1985-1990. Even though the migration rate has regressed in subsequent years, the net migration intake preserves its size in absolute terms. Antalya is estimated to have received 90.000 migrants in 2000-2005 and 20.000 migrants in 2006.

TABLE.3 ANTALYA NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	17.142	2.65
1980-1985	25.339	3.38
1985-1990	82.737	9.28
1995-2000	90.457	6.56
2000-2005 (1)	90.000	5.20
2005-2006 (1)	20.000	0.99

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

Table.4 below displays the sources of population growth in Antalya, urban population growth and migration. Antalya is experiencing rapid urban population growth together with fast migration based population growth. The total population growth started to loose ground after 2000, due to the decline in the urban population growth rate. The average urban population growth rate has decreased from 4.30 percent per annum in 1985-1990 to 2.24 percent in 2006. On the other hand, Antalya's migration based population growth rate has been preserving its speed. The annual average population growth based on migration has been 1.1 percent in 1995-2000 and 1 percent in 2006.

TABLE.4 SOURCES OF ANTALYA'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	142	17	0.42	125	3.12
1985-1990	241	83	0.50	216	4.0
1995-2000	342	90	1.10	259	3.45
2000-2005	296	90	0.98	206	2.25
2005-2006	65	20	1.00	45	2.24

The urbanization rate and urban population size are important indicators of the relationship between population and demographic data and the housing sector. The urban population size in cities and townships is taken into account in all indicators pertaining to the real estate and housing sectors.

The evolution of Antalya's urbanization rate and urban population size are displayed in Table.5 below. Antalya's urbanization rate has been 57.5 percent in 2006.

Despite the rapid population growth and the high level of migration to the city, Antalya's urbanization rate is lower than other big cities, due predominantly to the city's strong agricultural sector and sizeable population of active agricultural laborers. Moreover, the expansion of tourism beyond city center and townships (by creating local employment opportunities or inducing product demand) has also resulted in a considerable rural population.

Thus, population growth rather than the increase in the urbanization rate has been the main driver of Antalya's urban population growth. The urban population, which was 368 thousand in 1980, attained 936 thousand in 2000 and 1.197 thousand in 2006.

TABLE.5 URBANIZATION RATE AND URBAN POPULATION IN ANTALYA

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	749	49.1	368
1985	891	52.8	470
1990	1.132	53.2	602
2000	1.720	54.5	936
2005	2.016	57.0	1.149
2006	2.081	57.5	1.197

The number of urban households in Antalya according to the total size of the urban population is shown in Table.6 below. The absolute size of the urban population and the average size of urban households determine the number of urban households. The average urban household size in Antalya has been measured as 3.72 persons in 2000 (2000 general population census results). In line with Turkey's demographic process (slow down of the population growth rate and reduction in the size of urban households), the size of urban households is diminishing in Antalya. The average urban household size is estimated as 3.58 persons in 2006. Based on the average urban household size, Antalya had 233 thousand urban households in 2000 and 307 thousand in 2006. The 2000 general population census showed a total urban population of 936 thousand in Antalya, and an urban household population of 865 thousand.

TABLE.6 ANTALYA URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	865	3.72	233
2005	1.054	3.60	292
2006	1.099	3.58	307

Antalya's population is forecast for each year until 2015, based on demographic and population changes and trends.

The basic assumptions made for forecasting Antalya's population are that Antalya's population growth will slow down due to the decline in the urban population growth rate, net migration to the city will continue (at a decreasing speed) and the population growth rate will exceed the average population growth rate of Turkey.

Thus, Antalya's population growth rate, which was 3.23 percent in 2006, is anticipated to slow down and regress to 2.90 percent in 2010 and to 2.65 percent in 2015. Based on these growth projections, Antalya's population is projected to attain 2.34 million in 2010 and 2.68 million in 2015. Despite its decline, Antalya's population growth rate by far exceeds the average of Turkey. Antalya's share within the population of Turkey is expected to rise from 2.83 percent in 2006 to 3.29 percent in 2015.

TABLE.7 ANTALYA AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	ANTALYA POPULATION GROWTH RATE %	ANTALYA POPULATION (000)	ANTALYA POPULATION SHARE %
2000	1.66	67.804	3.55	1.720	2.53
2005	1.33	72.538	3.24	2.016	2.78
2006	1.28	73.466	3.23	2.081	2.83
2007	1.26	74.392	3.15	2.145	2.89
2008	1.24	75.315	3.05	2.210	2.94
2009	1.22	76.234	2.95	2.275	2.99
2010	1.20	77.149	2.90	2.341	3.04
2011	1.18	78.059	2.85	2.408	3.09
2012	1.16	78.965	2.80	2.475	3.14
2013	1.14	79.865	2.75	2.543	3.19
2014	1.12	80.759	2.70	2.612	3.24
2015	1.10	81.647	2.65	2.681	3.29

The number of urban households and related projections are other important indicators for Antalya's real estate sector and housing markets. Projections pertaining to the urbanization rate, size and number of urban households in Antalya are given in Table.8 below.

While Antalya's population growth rate is foreseen to exceed the average of Turkey until 2015, the urbanization rate is predicted to increase to a limited extent. The urbanization rate is projected to rise from 57.5 percent in 2006 to 59.5 percent in 2010 and to 62 percent in 2015.

The gradual reduction in the size of the urban households is anticipated to continue. The average urban household size, estimated as 3.58 persons in 2006, is predicted to diminish to 3.40 persons in 2010 and to 3.20 persons in 2015.

Based on these assumptions, Antalya's total urban population is forecast to jump from 1.099 thousand in 2006 to 1.536 thousand in 2015. The 307 thousand urban households in 2006 are projected to reach 377 thousand in 2010 and 480 thousand in 2015.

TABLE.8 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN ANTALYA

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.720	54.5	865	3.72	233
2005	2.016	57.0	1.054	3.60	292
2006	2.081	57.5	1.099	3.58	307
2007	2.145	58.0	1.143	3.55	322
2008	2.210	58.5	1.189	3.50	340
2009	2.275	59.0	1.235	3.45	358
2010	2.341	59.5	1.283	3.40	377
2011	2408	60.0	1.332	3.36	396
2012	2.475	60.5	1.381	3.32	416
2013	2.543	61.0	1.431	3.28	436
2014	2.612	61.5	1.484	3.24	458
2015	2.681	62.0	1.536	3.20	480

1.1.2 Housing Stock in Antalya

Next, we will examine and evaluate Antalya's current housing stock in order to make projections for the housing sector and markets.

Two principal findings gain importance in the evaluation of the existing housing stock. The first one is whether there is a deficit 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 condition and legal status of the existing housing stock. Data on Antalya's housing stock is presented and evaluated in this context.

Antalya's housing stock is primarily evaluated in numbers and legal status. Antalya's housing stock in 2000 is based on TSA's 2000 Building Count data. As of 2000, there are 456.371 housing units in Antalya, of which 332.178 are in urban areas (city and townships).

The legal status of the existing housing stock in urban areas of Antalya as of 2000 is as follows: 277.067 housing units have construction permits, which represents 83.4 percent of the actual housing stock. 55.111 residential units do not have construction permits. The housing units with occupancy permits are 136.424, which make up 41.1 percent of the existing housing stock. As of 2000, one out of every five housing units in Antalya's urban areas lacks a construction permit and 20 percent of the actual housing stock is comprised of illegal settlements.

TABLE.9 ANTALYA HOUSING STOCK 2000

INDICATORS	ANTALYA
NUMBER OF BUILDINGS	233.802
NUMBER OF HOUSING UNITS	456.371
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	332.178
HOUSING UNITS WITH CONSTRUCTION PERMITS	277.067
HOUSING UNITS WITH OCCUPANCY PERMITS	136.424
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	55.111
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	83.4
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	41.1

SOURCE: TSA, Building Count 2000 Results

An estimate of Antalya's housing stock in 2006 is presented in Table.10 below. The number of construction permits obtained in 2000-2005 (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 unusable in 2001-2006 and the number of units without construction permits are evaluated in coming up with the housing stock estimate for 2006.

The number of housing units in the city and townships of Antalya has reached 463.374 in 2006. (The 2005 year-end data of the Ministry of Finance is 479.885 housing units). 80.196 construction permits have been extended in Antalya in 2000-2005. It is estimated that 4.000 housing units have been unusable in the same period and that approximately 55 thousand housing units have been built illegally in 2001-2006. Hence, Antalya's urban housing stock is estimated as 463 thousand units at the end of 2006.

TABLE.10 ANTALYA 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	ANTALYA
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	332.178
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	80.196
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	4.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	55.000
TOTAL HOUSING STOCK 2006	463.374

While the total housing stock in the city and townships of Antalya is estimated to be 463 thousand units at the end of 2006, the total number of urban households is 307 thousand. The comparison of the number of households with the existing housing stock reveals a housing surplus in Antalya rather than a housing deficit.

However, Antalya's actual housing stock and housing surplus includes inadequate and sub-standard housing units. As of 2006, approximately 106 thousand residential units have been built without construction permits, which is equivalent to 23 percent of Antalya's total housing stock.

The steady migration to Antalya in recent years has led to a significant portion of the housing need in Antalya to be met through illegal and inadequate housing units.

In this framework, the need for urban regeneration projects is an important factor affecting Antalya's housing sector. The need for urban regeneration and transformation has heightened due to the increasing number of illegal settlement areas resulting from fast migration flows. The actual urban regeneration project in progress in the Kaleiçi area in the city center mainly focuses on non-residential functions and the restructuring of the city center. On the other hand, there is a great need for residential urban regeneration projects in the city center and surroundings where illegal settlements prevail.

Secondary homes bought largely by domestic and foreign nationals should also be considered in evaluating Antalya's housing stock. Secondary homes are utilized on a full-time or seasonal basis. Secondary home purchases are observed to grow at an accelerated rate. As of the end of 2006, 12.832 foreigners reside in Antalya on a full-time basis and the total number of property units owned by foreign nationals has attained 14.610 units (almost all are residential units).

Even though a housing surplus exists in Antalya in 2006 in regards to the number of households, a need for legal, adequate and standard quality housing is apparent, when secondary homes of domestic and foreign nationals and illegal residential units are deducted from the existing housing stock.

The physical condition and age of the existing housing stock are other determinants of the housing need.

Table.11 below presents the physical condition of Antalya's existing housing stock as of 2000 as well as data from the TSA 2000 Building Count. As of 2000, 5 thousand housing units within Antalya's actual housing stock are ruined and planned to be demolished, whereas 19.9 thousand units are in need of serious repair and refurbishment. Even though we can assume that some of the 25 thousand housing units which were ruined and needed to be demolished or were in need of serious repair in 2000 have been unusable by 2006, approximately 20 thousand housing units will still require renewal.

TABLE.11 PHYSICAL CONDITION OF THE HOUSING STOCK IN ANTALYA 2000

INDICATORS	ANTALYA
NUMBER OF HOUSING UNITS	456.371
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	332.178
THOSE THAT DON'T NEED REPAIRS	199.307
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	102.975
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	19.931
IN RUINS AND PLANNED TO BE PULLED DOWN	4.985
UNKNOWN CONDITION	4.985

SOURCE: TSA, Building Count 2000

When the housing stock is evaluated in terms of building life, the total number of buildings that are 50 years and older that are solely and/or predominantly used for residential purposes are 11.159 in 2000. This number is anticipated to reach 57 thousand (approximately 90 thousand housing units) until 2015. The physical life of these buildings that are 50 years and older, except for the historical ones, is expiring and this will translate into a need for additional housing.

TABLE.12 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	1.033	300
1930-1939	840	338
1940-1949	2.114	643
1950-1959	4.746	1.145
1960-1969	8.662	1.625
1970-1979	22.799	2.988
1980-1989	57.910	6.556
1990-2000	72.753	9.758
UNKNOWN	1.039	262
TOTAL	**171.896**	**23.615**

SOURCE: Building Count 2000, TSA

1.1.3 Housing Need in Antalya

We make projections for Antalya's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section.

A total need for 236 thousand housing units is forecast in Antalya between the years 2007-2015.

1- 173 thousand new housing units will be needed in 2007-2015, based on an equivalent increase in the number of households in the same period.

2- The housing need based on urban regeneration and transformation is foreseen as 36 thousand. With the assumption that 35 percent of all inadequate and sub-standard housing units which may be included in the context of urban regeneration projects, including the 106 thousand illegal units in 2006, will be renewed until 2015 and such renewal will be evenly distributed throughout the years, a need for 36 thousand housing units arises from urban regeneration and transformation.

3- There will be a need for 27 thousand housing units between the years 2007-2015 as a result of renewal. It is assumed that 0.5 percent of the total housing stock will be renewed yearly (the standard rate used by the State Planning Organization).

TABLE.13 PREDICTIONS FOR HOUSING NEED IN ANTALYA (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	15	4	3	22
2008	18	4	3	25
2009	18	4	3	25
2010	19	4	3	26
2011	19	4	3	26
2012	20	4	3	27
2013	20	4	3	27
2014	22	4	3	29
2015	22	4	3	29
TOTAL	173	36	27	236

I.1.4 Factors that Influence the Housing Demand in Antalya

Next, we will evaluate the factors that influence the housing demand in Antalya, subsequent to having made housing need projections. Home ownership, household income structures and the demand for secondary homes in Antalya are major factors that shape the housing demand.

Home ownership is the most important factor to affect the housing demand in the upcoming period. TSA's 2000 Population Census data is used in reference to home ownership. Even though the data is not up-to-date, the numbers can pinpoint to important trends. Data pertaining to home ownership in Antalya in 2000 is displayed below in Table.14.

The rate of home ownership in Antalya is 65.74 percent, while tenants account for 26.47 percent. Home ownership in Antalya exceeds the average of Turkey (59.8 percent). The ratio of households that are tenants is below the Turkish average of 31.6 percent.

Nevertheless, Antalya's 101.445 tenant households as of 2000 represent a housing demand potential in the following periods. The Ministry of Finance data shows 106.672 tenant households in 2005.

The ratio of households that are neither homeowners nor tenants (19.565 households) is rather high in Antalya with 5.11 percent.

TABLE.14 HOME OWNERSHIP OF HOUSEHOLDS IN ANTALYA

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	251.975	65.74
TENANT	101.445	26.47
LODGING DWELLER	5.996	1.57
NOT HOMEOWNER/DOES NOT PAY RENT	19.565	5.11
OTHER	4.255	1.11
UNKNOWN	103	0.0
TOTAL	383.339	100.0

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand. Antalya exceeds the average of Turkey in terms of economic development and per capita income indicators.

In 2006, Antalya had a gross product of 9.9 billion dollars, which represents 2.6 percent of Turkey's total national income. The per capita income was 4.757 dollars.

Table.15 below shows predictions pertaining to the growth of Antalya's gross product and per capita income. The basic assumptions used in making these predictions are that Turkey's economy will grow by 5 percent per year until 2015 and the share of Antalya's gross product within the national income of Turkey (2.6 percent in 2006) will be maintained. Fixed prices have been used in calculations. Therefore, the numbers in Table.15 would be bigger if calculations were made in current prices.

Based on these assumptions, Antalya's per capita income is projected to rise to 5.125 dollars in 2010 and to 5.710 dollars in 2015 in fixed prices. These per capita income projections indicate that borderline sufficient income levels to support housing demand will come into being.

TABLE.15 ANTALYA GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	9.4	2.016	4.663
2006	9.9	2.081	4.757
2007	10.4	2.145	4.850
2008	10.9	2.210	4.935
2009	11.4	2.275	5.010
2010	12.0	2.341	5.125
2011	12.6	2.408	5.233
2012	13.2	2.475	5.333
2013	13.9	2.543	5.465
2014	14.6	2.612	5.590
2015	15.3	2.681	5.710

The tendency of foreign nationals and Turkish citizens (residing in other cities) to become homeowners in Antalya is an important factor that affects Antalya's housing demand and distinguishes the city from others (except for cities with similar characteristic). Such demand by Turkish nationals and foreigners for permanent or seasonal residential use is in an upward trend. The demand from foreign nationals is expected to increase following the enactment of legal regulations and the subsequent financial regulations. As of the end of 2006, foreign nationals have acquired 14.610 pieces of property in Antalya (almost all are residential units), and 12.832 foreigners are full-time residents in the city.

1.1.5 Prognoses for the Housing Sector and Markets in Antalya

After evaluating the factors that affect the housing demand and making housing need projections, now we will make predictions for Antalya's housing sector.

1- The need for housing will remain high in Antalya until 2015. The housing need will arise mainly from the growth of the households, followed by urban regeneration and renewal. 236 thousand housing units will be needed until 2015.

2- A housing demand is foreseen to originate from the renewal and upgrade needs of the upper and middle-upper income groups in Antalya in the upcoming period. Hence, the housing need of this income group will increase.

3- The housing demand of foreigners and Turkish nationals residing in cities other than Antalya will continue to grow at an increasing rate. In turn, there will be a need for villas, apart-residences and residential units located in residential compounds.

4- The intensive urbanization in Antalya's new residential areas in the west and north of the city, established after 1990's, and the sizeable housing supply provided in the last 3 years can meet a portion of the housing need in the upcoming period.

5- The expansion trend in Antalya's housing supply caused land prices to considerably increase. While land supply is at its limits, land prices are far from being economic. The housing supply in new residential areas in the city center and the periphery of Antalya is rapidly being absorbed.

6- Yeşilbayır, Kuzeykent, Varsak, Doğu Vilayeti, Yeniköy, Ermenek, Çalkaya, Karcalı, Aksu and Gazipaşa regions are foreseen to develop as new residential settlement areas.

7- Konyaaltı, Kepez, Yeşilbayır (especially for villa type residences) and Meltem regions are attractive residential areas. The rapid residential expansion of the Meltem region has led to a shortage of land suitable for new housing developments. Building cooperatives develop the majority of the housing projects in the Meltem region.

8- Old Lara Street, Kemerağzı hotels region, Konyaaltı coastal road, Kuzeykent, Yeniköy and Yeşilbahçe are attractive central residential areas where prices are on the rise.

9- Housing developments in Antalya mainly consist of multi-storey and multi-unit buildings. Such residential developments are also preferred in respect to their capacity to absorb the extensive migration to the city. The development of lower-storey (4-6 floors) and better quality housing units is anticipated in the upcoming years.

10- Intensive illegal urbanization and distorted settlements in Antalya's shantytowns will trigger the start of residential urban regeneration projects in the upcoming period. The Greater City Municipality is currently undertaking an urban transformation project which focuses on the restructuring of the city center. Even though residential urban regeneration projects in illegal settlement areas are currently limited to the Yamansaz region, new residential regeneration and transformation projects are foreseen to evolve especially in the north and east zones of the city.

11- Antalya's income levels are merely sufficient to support housing demand creation. However, the higher average income level in the city center represents an important potential in terms of housing demand and the utilization of housing credits. The utilization of respectively 6.010 and 9.802 units of housing credit in Antalya in 2005 and in 2006 has created housing demand. The effective functioning of the housing finance system is expected to largely increase the utilization of housing credits and the related housing demand in Antalya.

I.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate commercial real estate markets in Antalya. Shopping centers, tourism and accommodation establishments as well as industrial and logistics areas are examined within the context of commercial real estate.

First, we evaluate and make predictions for Antalya's retail market and shopping centers. In this framework, economic sizes pertaining to Antalya's retail market and shopping centers are presented below.

Antalya had a 2.6 percent share in Turkey's national income in 2006, while the size of the city's gross product and the per capita income respectively were 9.9 billion dollars and 4.757 dollars. Table.16 below displays the economic size of Antalya.

TABLE.16 ANTALYA ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	2.6	7.8	3.995
2005	2.6	9.4	4.663
2006	2.6	9.9	4.757

Private consumption expenditures and the distribution of retail expenditures between food and non-food items are shown below in Table.17 in relation to the retail market and shopping centers. Private consumption expenditures have been 7 billion dollars in Antalya in 2006 whereas retail expenditures were 3.1 billion dollars.

Of the total retail expenditures, 1.94 billion dollars have been spent for food and beverage, and 1.15 billion dollars for non-food retail items (clothing, shoes, personal care, furniture, entertainment, vacation and electronics). Non-food retail expenditures comprise semi-durable and durable consumption goods expenditures.

TABLE.17 ANTALYA PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	7.8	5.3	1.47	0.88	2.35
2005	9.4	6.6	1.83	1.08	2.91
2006	9.9	7.0	1.94	1.15	3.09

Indicators pertaining to shopping centers in Antalya are shown in Table.18 below. Accordingly, there are 8 shopping centers in Antalya at the end of 2006, suitable to the standards of the International Council for Shopping Centers (ICSC). Of these shopping centers, 1 is classified as medium sized, 6 as small and 1 as an outlet center according to the ICSC standards. The total gross leasable area (GLA) of the 8 shopping centers is 101.849 m2. The gross leasable area per 1000 persons is 50.5 m2.

Total retail expenditures in Antalya amounted to 3.1 billion dollars as of the end of 2006. Antalya's total retail expenditures are compared with the actual total shopping center gross leasable area and an annual potential retail expenditure of 30.340 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 Antalya.

TABLE.18 ANTALYA SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	8	101.849	50.5	30.340

Projections for the development potential of Antalya's shopping centers are given below. In making this forecast, shopping centers that are in construction and/or actively planned are taken into account as of the year they are targeted to be operational. The forecast for 2007-2008 is based on actual developments (shopping centers inaugurated in 2007 and in construction stage to be opened in 2008).

Shopping center growth projections made for subsequent years are based on Antalya's population, economic growth and retail expenditures forecast. Growth projections refer to the gross leasable area of shopping centers. Shopping center projections are presented in two alternative scenarios which yield two different shopping center gross leasable areas and two potential retail expenditure sizes.

Shopping center GLA projections for Antalya are presented below. Of the 8 shopping centers that are under construction or in active planning stage in Antalya, 3 are scheduled to open in 2007, 1 in 2008 and 4 in 2009. With the completion and opening of new shopping centers under construction, an additional gross leasable area of 58.000 m2 will be contributed in 2007 to total shopping center GLA. Respectively 12.000 m2 and 165.000 m2 will be added to Antalya's total shopping center gross leasable area in 2008 and 2009 as new shopping centers will become operational.

According to this data, Antalya's shopping center GLA is foreseen to rise to 159.849 m2 at the end of 2007, to 171.849 m2 at the end of 2008 and to 336.849 m2 at the end of 2009. The GLA per 1000 persons is thus expected to attain 148.1 m2 at the end of 2009. The forecast for the years 2010 and thereafter is based on assumptions made for gross leasable area m2 per 1000 persons. A shopping center GLA per 1000 persons of 200 m2 in 2015 is assumed in the first scenario, while this presumption is 250 m2 in the second scenario. Thus, the total gross leasable area is projected to attain 536.200 m2 in 2015 in the first scenario, and 670.250 m2 in the second scenario.

TABLE.19 ANTALYA SHOPPING CENTER PROJECTIONS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	2.081	50.5	50.5	101.849	101.849
2007	2.145	74.5	74.5	159.849	159.849
2008	2.210	77.8	77.8	171.849	171.849
2009	2.275	148.1	148.1	336.849	336.849
2010	2.341	150.0	160.0	351.150	374.560
2011	2.408	160.0	185.0	385.280	445.480
2012	2.475	170.0	200.0	420.750	495.000
2013	2.543	180.0	215.0	457.740	546.745
2014	2.612	190.0	230.0	496.380	600.760
2015	2.681	200.0	250.0	536.200	670.250

The per capita shopping center GLA m2 is not a sufficient indicator to evaluate and make projections for shopping centers. The annual potential retail expenditure size per gross leasable area should also be considered.

To this end, total GLA sizes attained in the above two scenarios are compared to annual potential retail expenditure projections and a forecast is made for annual potential retail expenditures per m2 of gross leasable area.

An annual potential retail expenditure level of 9.140 dollars is attained in the first scenario which assumes a shopping center GLA of 536.200 m2 in 2015, whereas the second scenario reveals an annual potential retail expenditure of 7.310 dollars for 670.250 m2 of shopping center GLA in 2015. As can be observed, the annual potential retail expenditure size per gross leasable area m2 is diminishing in both scenarios until 2015.

In this framework, we can conclude that an investment potential exists in Antalya for shopping centers with an additional gross leasable area of 200 - 330 thousand m2 until 2015 (between the years 2010-2015), based on the outcomes of the two scenarios.

TABLE.20 ANTALYA SHOPPING CENTER PROJECTIONS

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	3.09	101.849	101.849	30.340	30.340
2007	3.33	159.849	159.849	20.645	20.645
2008	3.49	171.849	171.849	20.310	20.310
2009	3.65	336.849	336.849	10.835	10.835
2010	3.84	351.150	374.560	10.935	10.250
2011	4.03	385.280	445.480	10.460	9.045
2012	4.22	420.750	495.000	10.030	8.525
2013	4.45	457.740	546.745	9.725	8.140
2014	4.67	496.280	600.760	9.410	7.775
2015	4.90	536.200	670.250	9.140	7.310

I.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are the second topic of evaluation within commercial real estate. In this framework, statistical data pertaining to Antalya'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.

Antalya is Turkey's most important and biggest city in terms of tourism. At the same time, Antalya is one of the three most important tourism centers in the Mediterranean Basin. Antalya's role in the international arena is anticipated to expand in light of the city's tourism potential.

Accommodation statistics show that 7.36 million people stayed over in Antalya in 2006 and that the total number of overnight stays was 32.92 million nights. 5.66 million international visitors stayed for a total of 28.25 million nights. As a summer tourism center, Antalya's tourism establishments enjoyed an occupancy rate of 57.05 percent in 2006. The occupancy by international visitors has been 48.95 percent.

TABLE.21 ANTALYA ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	4.051	865	4.915	25.290	2.839	28.127	57.00	6.39	63.39
2003	4.051	1.021	5.073	24.151	3.204	27.355	52.66	6.99	59.64
2004	5.028	1.223	6.251	30.821	3.742	34.563	57.08	6.93	64.01
2005	5.314	1.232	6.547	33.548	3.549	37.097	57.81	6.12	63.92
2006	5.662	1.697	7.359	28.248	4.676	32.924	48.95	8.10	57.05

SOURCE: MINISTRY OF CULTURE AND TOURISM

Antalya has the largest accommodation capacity in all of Turkey and the East Mediterranean basin. Information pertaining to Antalya's actual accommodation capacity is displayed in Table.22 below. As of the end of 2005, Antalya's 605 establishments with an operating license had 95.291 rooms and a bed capacity of 202.102.

At the same period, 311 establishments in Antalya, with a room capacity of 56.423 and a bed capacity of 123.686, had tourism investment licenses. The occupancy rate of Antalya's existing accommodation establishments as of 2006 is presented below. The occupancy rates of 3-4 and 5 star hotels and 1st class holiday villages are relatively high.

TABLE.22 ANTALYA ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL	61	21.165	46.266	100	34.212	72.794
4 STAR HOTEL	99	23.124	50.789	117	24.569	51.526
3 STAR HOTEL	49	4.193	8.845	108	11.200	23.258
2 STAR HOTEL	38	1.499	3.062	94	4.115	8.283
1 STAR HOTEL	14	568	1.223	17	455	908
1ST CLASS HOLIDAY VILLAGE	10	3.227	6.832	47	14.970	32.051
2ND CLASS HOLIDAY VILLAGE	6	1.437	3.623	3	597	1.309
PENSION	24	360	727	40	678	1.335
CAMPING	2	475	1.347	2	172	516
APART HOTEL	2	70	230	49	2.270	5.553
SPECIAL FACILITY	2	81	182	21	817	1.887
GOLF FACILITY	2	129	286	2	211	488
TOURISM COMPOUND	1	85	254	2	916	1.987
RURAL TOURISM COMPOUND	1	10	20	-	-	-
TOTAL	311	56.423	123,686	605	95.291	202.102

SOURCE: MINISTRY OF CULTURE AND TOURISM

TABLE.23 ANTALYA ACCOMMODATION ESTABLISHMENTS OCCUPANCY RATE 2006

TYPE AND CLASS OF ESTABLISHMENT	OCCUPANCY RATE %		
	FOREIGN	DOMESTIC	TOTAL
5 STARS	45.89	8.94	54.82
4 STARS	52.88	7.38	60.26
3 STARS	51.60	7.54	59.14
2 STARS	30.84	8.07	38.91
1 STAR	24.54	4.01	28.55
WITH SPECIAL LICENSE	17.95	7.96	25.91
APART	37.05	1.67	38.72

SOURCE: MINISTRY OF CULTURE AND TOURISM

The expansion of Antalya's tourism until 2015 is foreseen to focus on summer tourism. 12 million tourists are expected to visit Antalya in 2015. In this context, additional investments are needed to increase the existing bed capacity of Antalya's accommodation establishments.

In addition to summer tourism, different types of tourism such as convention tourism, health tourism, alternative sports and winter tourism, golf tourism, history and art-culture tourism are also expected to rapidly expand in Antalya. The development of various tourism types and alternatives will help to extend the tourism season from summer months to all year round in Antalya. The North Antalya tourism project constitutes an alternative expansion axis.

In this framework, in addition to Antalya's existing accommodation establishments, a need is foreseen for:

1- Deluxe hotels (5 stars and above)
2- 3-4 star hotels and 1st class holiday villages
3- Multi-purpose accommodation establishments (with convention, art-culture activities, sports facilities etc.)
4- Business oriented concept hotels (4 stars, 3 stars)
5- Boutique hotels (4 stars, 3 stars) to meet entertainment and vacation oriented accommodation needs
6- Deluxe accommodation establishments such as apart hotels and residences
7- Additional establishments to cater to the needs of yacht and golf tourism.

I.4 INDUSTRIAL AND LOGISTICS AREAS

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

After the 1990's, agriculture based industry started to expand in Antalya, which predominantly evolved in terms of tourism and services up to that point. Industry in Antalya is burgeoning in an orderly manner in two organized industry zones. The first one is the Antalya Organized Industry Zone and the second one is the Antalya Free Trade Zone.

Agricultural technology, agriculture based industry, agricultural machinery and related industries will rapidly ripen in the upcoming period, with the technological support extended by the West Mediterranean Technocity, which is currently in the inception stage.

In this context, an extensive demand is observed for the Antalya Organized Industry Zone (OIZ). The I. and II. Zones of the Antalya OIZ are fully occupied. The III. and IV. Expansion Zones, where 170 companies will be operational, are in investment stage.

The expansion realm of the Organized Industry Zone represents an important real estate investment potential in Antalya. Industrial expansion areas outside of the OIZ are rather limited. Growth projections for agricultural production, private expenditures, agriculture based industry and predominantly export driven industry within organized industry zones lead us to conclude that the need for logistics areas (inner city distribution center, storage and warehouse) will also increase in Antalya.

TABLE.24 ANTALYA ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
ANTALYA ORGANIZED INDUSTRY ZONE I. ZONE	198 HECTARES 197 PARCELS	109 COMPANIES IN OPERATION
ANTALYA ORGANIZED INDUSTRY ZONE II. ZONE	186 HECTARES	70 COMPANIES IN OPERATION
ANTALYA ORGANIZED INDUSTRY ZONE III. AND IV. ZONE	150 PARCELS	170 COMPANIES WILL OPERATE IN INVESTMENT STAGE
ANTALYA FREE TRADE ZONE	600 THOUSAND M2	104 COMPANIES IN OPERATION
WEST MEDITERRANEAN TECHNOCITY		IN INCEPTION STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter II.

DİYARBAKIR REAL ESTATE SECTOR AND PROGNOSES

II.1 HOUSING SECTOR AND MARKETS

The evaluation of Diyarbakır's real estate sector starts with the housing sector and markets. This chapter covers projections made for the housing sector and markets until 2015.

II.1.1 Demography and Population Forecast

Demographic and population changes are the main determinants of the projections pertaining to the demand and need for housing. In this framework, demographic and population changes in Diyarbakır are evaluated at this stage and predictions are made until 2015.

As of 2006, Diyarbakır is Turkey's 10th largest city in terms of population and is the 2nd largest city in the Southeast Anatolia region after Şanlıurfa. The evolution of Diyarbakır's population is given in Table.25 below. Accordingly, Diyarbakır's population has increased from 778 thousand in 1980 to 1.36 million in 2000 and attained 1.5 million in 2006. Diyarbakır's share within the total population of Turkey climbed from 1.74 percent in 1980 to 2.04 percent in 2006.

TABLE.25 POPULATION OF DİYARBAKIR AND TURKEY

YEARS	DİYARBAKIR (000)	TURKEY (000)	DİYARBAKIR SHARE %
1980	778	44.737	1.74
1985	934	50.664	1.84
1990	1.096	56.473	1.94
2000	1.363	67.804	2.01
2005 (1)	1.478	72.538	2.04
2006 (1)	1.501	73.466	2.04

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

The population growth rates of Diyarbakır and Turkey are displayed comparatively in Table.26. Diyarbakır's population growth rate is in a continuous downward trend. The annual average population growth rate has steadily declined from 3.73 percent in 1980-1985 to 1.63 percent in 2000-2005 and to 1.56 percent in 2006.

Despite its considerable slow down, Diyarbakır's population growth rate still remains above the average of Turkey, nevertheless the gap continues to narrow down. While the difference between the population growth rates of Turkey and Diyarbakır was 1.24 percent per annum in 1980-1985, this gap regressed to 0.28 percent in 2006. The decline in the population growth rate is an important factor that affects the housing sector in Diyarbakır.

TABLE.26 POPULATION GROWTH RATES OF DİYARBAKIR AND TURKEY (%)

PERIODS	DİYARBAKIR (%)	TURKEY (%)
1980-1985	3.73	2.49
1985-1990	3.17	2.17
1990-2000	2.17	1.83
2000-2005 (1)	1.63	1.36
2005-2006 (1)	1.56	1.28

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

The urban population growth and migration are the two main sources of Diyarbakır's population growth. The absolute number and rate of net migration rate are especially critical for Diyarbakır. Diyarbakır has been subject to a net migration outflow for a long time. 48 thousand persons migrated from Diyarbakır in 1995-2000 when the net migration rate peaked with -3.84 percent. The absolute net migration and the net migration rate respectively declined to 35 thousand persons and -2.57 percent in 2000-2005. Migration from Diyarbakır continues at a decreasing rate.

TABLE.27 DİYARBAKIR NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	-15.795	-2.42
1980-1985	-12.550	-1.61
1985-1990	-32.212	-3.48
1995-2000	-48.064	-3.84
2000-2005 (1)	-35.000	-2.57
2005-2006 (1)	-7.000	-0.47

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

Table.28 below displays urban population growth and migration based population growth in Diyarbakır. As can be seen, Diyarbakır is experiencing rapid urban population growth together with fast migration from the city. On the other hand, the population growth that emanates from urban population growth is also observed to steadily decline. The average annual urban population growth regressed from 4.04 percent in 1980-1985 to 2.05 percent in 2006. Such downward trend is leading to a slow down in Diyarbakır's population growth rate. Of the 1.56 percent population growth rate in Diyarbakır in 2006, 2.05 percent is due to urban population growth offset by a net migration outflow of 0.49 percent.

TABLE.28 SOURCES OF DİYARBAKIR'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	156	-13	-0.31	169	4.04
1985-1990	162	-32	-0.63	194	3.80
1995-2000	111	-48	-0.74	159	2.45
2000-2005	115	-35	-0.47	150	2.10
2005-2006	23	-7	-0.49	30	2.05

In addition to population changes, urbanization rate, number of total urban households and the average urban household size are important demographic variables that affect the real estate and housing sectors. Diyarbakır's urban population size and urbanization rate are displayed below in Table. 29.

Diyarbakır is subject to a rapid two-way migration flow. On the one hand, the rural population of Diyarbakır and surrounding cities are migrating to the city center. On the other hand, there is a constant migration outflow from the city center to other big cities and coastal towns. In view of this rapid and reciprocal migration flow, Diyarbakır's urbanization rate has shifted from 50.90 percent in 1980 to 59.65 percent in 2000 and attained 62.50 percent in 2006. In Diyarbakır, where a sizeable population still resides in rural areas, total urban population jumped from 368 thousand in 1980 to 938 thousand in 2006.

TABLE.29 URBANIZATION RATE AND URBAN POPULATION IN DİYARBAKIR

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	778	50.90	368
1985	934	53.40	499
1990	1.096	54.29	595
2000	1.363	59.65	813
2005	1.478	62.00	916
2006	1.501	62.50	938

The evolution of the number and average size of urban households in relation to Diyarbakır's urban population are presented below in Table.30. The economic and socio-cultural structure, as well as the rapid internal migration experienced after the 1990's, cause the average urban household size to be very high in Diyarbakır. Families with rural background can share the same residential unit in the city center with other similar families. The average urban household size, which was 6.23 persons in 2000, is estimated to be 6.10 persons in 2005 and 6.07 persons in 2006. Therefore, the total number of Diyarbakır's urban households is calculated to have grown from 131 thousand in 2000 to 155 thousand in 2006.

TABLE.30 DİYARBAKIR URBAN HOUSEHOLD NUMBER AND SIZE

YEARS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	813	6.23	131
2005	916	6.10	150
2006	938	6.07	155

Diyarbakır's population is forecast for each year until 2015, based on demographic and population changes and trends. The basic assumptions made for forecasting Diyarbakır's population are that Diyarbakır's population growth will slow down in line with the decline of the urban population growth, the net migration from the city will continue at a decreasing rate and the population growth rate will outpace the average population growth rate of Turkey. Based on these assumptions, Diyarbakır's population growth rate is anticipated to diminish from 1.56 percent in 2006 to 1.47 percent in 2010 and to 1.35 percent in 2015. The city's population is projected to attain 1.59 million in 2010 and 1.7 million in 2015. As a result, the share of Diyarbakır's population within the total population of Turkey is foreseen to rise from 2.04 percent in 2006 to 2.1 percent in 2015.

TABLE.31 DİYARBAKIR AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	DİYARBAKIR POPULATION GROWTH RATE %	DİYARBAKIR POPULATION(000)	DİYARBAKIR POPULATION SHARE %
2000	1.66	67.804	1.72	1.363	2.01
2005	1.33	72.538	1.58	1.478	2.04
2006	1.28	73.466	1.56	1.501	2.04
2007	1.26	74.392	1.54	1.524	2.05
2008	1.24	75.315	1.52	1.547	2.06
2009	1.22	76.234	150	1.570	2.06
2010	1.20	77.149	1.47	1.593	2.07
2011	1.18	78.059	1.45	1.616	2.07
2012	1.16	78.965	1.42	1.639	2.08
2013	1.14	79.865	1.39	1.662	2.09
2014	1.12	80.759	1.37	1.685	2.09
2015	1.10	81.647	1.35	1.708	2.10

The number of urban households and related projections are other important indicators used in evaluating the real estate and housing sectors. Projections pertaining to the urbanization rate, number and size of Diyarbakır's urban households are given in Table.32 below.

In line with the slow down in the reciprocal migration flow, Diyarbakır's urbanization rate is anticipated to slightly increase and attain 65 percent in 2015. Based on these assumptions, Diyarbakır's urban population is projected to grow from 938 thousand in 2006 to 1 million in 2010 and to 1.11 million in 2015.

The average urban household size in Diyarbakır will continue to relatively decline, yet will remain high in absolute terms. The average urban household size is projected to diminish from 6.07 persons in 2006 to 5.94 persons in 2010 and to 5.80 persons in 2015.

Hence, Diyarbakır's 155 thousand urban households in 2006 are expected to reach 171 thousand in 2010 and 191 thousand in 2015.

TABLE.32 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN DİYARBAKIR

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.363	59.65	813	6.23	131
2005	1.478	62.00	916	6.10	150
2006	1.501	62.50	938	6.07	155
2007	1.524	62.80	957	6.03	159
2008	1.547	63.10	976	6.00	163
2009	1.570	63.40	995	5.97	167
2010	1.593	63.70	1.015	5.94	171
2011	1.616	64.00	1.034	5.91	175
2012	1.639	64.30	1.054	5.88	179
2013	1.662	64.60	1.074	5.85	183
2014	1.685	64.80	1.092	5.83	187
2015	1.708	65.00	1.110	5.80	191

II.1.2 Housing Stock in Diyarbakır

Next, we will analyze and evaluate Diyarbakır's existing housing stock in order to make projections for the housing sector and markets. The actual housing stock is evaluated in terms of quantity as well as physical condition and legal status. Diyarbakır's existing housing stock is evaluated primarily using TSA's 2000 Building Count data. As displayed in Table.33 below, Diyarbakır has 200.351 housing units as of 2000, of which 184.856 are in the city and townships.

65 percent of the housing units located in the urban areas of Diyarbakır consist of illegal housing units. As of 2000, 119.789 residential units do not have construction permits. Illegal urbanization represents a major urban problem for the city of Diyarbakır. Housing units with occupancy permits make up only 12 percent of Diyarbakır's existing urban housing stock. In other words, 65 out of every 100 housing units in Diyarbakır are inadequate and of sub-standard quality.

TABLE.33 DİYARBAKIR HOUSING STOCK 2000

INDICATORS	DİYARBAKIR
NUMBER OF BUILDINGS	90.620
NUMBER OF HOUSING UNITS	200.351
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	184.856
HOUSING UNITS WITH CONSTRUCTION PERMITS	65.607
HOUSING UNITS WITH OCCUPANCY PERMITS	22.649
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	119.789
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	35.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	12.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Diyarbakır's housing stock in 2006 is given in Table.34 below. The number of housing units in the city and townships of Diyarbakır, which was 184.856 in 2000, is estimated to have attained 205.986 in 2006. (The 2005 year-end data of the Ministry of Finance is 201.547 housing units). 11.630 construction permits have been extended in Diyarbakır in 2000-2005. It is estimated that 12.000 housing units have been built illegally in 2001-2006 and that 2.500 housing units have become unusable in the same period. Therefore, Diyarbakır's urban housing stock is calculated as 205.986 units at the end of 2006. The number of illegal housing units without construction permits exceeds 129 thousand.

TABLE.34 DİYARBAKIR 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	DİYARBAKIR
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	184.856
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	11.630
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	2.500
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	12.000
TOTAL HOUSING STOCK 2006	205.986

A total urban housing stock of 205.986 units is estimated in Diyarbakır at the end of 2006, for a total of 155 thousand urban households. Such numerical comparison implies that a housing surplus exists in Diyarbakır. However, the majority of the existing housing stock and the so-called housing surplus in Diyarbakır consist of illegal housing units of sub-standard quality. The poor socio-economic level and the intense migration flow to the city center have caused the need for housing to be largely met by illegal settlements and have led to an unhealthy growth in Diyarbakır's residential sector. The development of social housing by the public sector can greatly improve Diyarbakır's unhealthy urbanization, especially when considering the city's poor socio-economic level. The private sector will have a very limited participation in and contribution to this improvement process.

Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and the age of the housing stock affect the housing need. Table.35 below presents the physical condition of Diyarbakır's existing housing stock as of 2000 and data from TSA's 2000 Building Count. As of 2000, 1.850 housing units within Diyarbakır's existing housing stock are ruined and planned to be demolished, whereas 24.031 units are in need of serious repair and refurbishment. A total of 25.881 housing units can be considered to require renewal as of 2000.

TABLE.35 PHYSICAL CONDITION OF THE HOUSING STOCK IN DİYARBAKIR 2000

INDICATORS	DİYARBAKIR
NUMBER OF HOUSING UNITS	200.351
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	184.856
THOSE THAT DON'T NEED REPAIRS	88.731
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	66.548
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	24.031
IN RUINS AND PLANNED TO BE PULLED DOWN	1.850
UNKNOWN CONDITION	3.646

SOURCE: TSA, Building Count 2000

TABLE.36 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	914	59
1930-1939	1.099	69
1940-1949	1.705	78
1950-1959	3.026	189
1960-1969	5.588	321
1970-1979	14.504	631
1980-1989	20.278	1.565
1990-2000	21.981	2.835
UNKNOWN	771	82
TOTAL	69.886	5.829

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 that are solely and/or predominantly used for residential purposes are 7.139 in 2000. This number is anticipated to reach 13.048 by 2015. Approximately 25.000 housing units will be 50 years and older until 2015 and this in turn will be reflected in the housing need.

II.1.3 Housing Need in Diyarbakır

We make projections for Diyarbakır's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section. A total need for 90 thousand housing units is forecast in Diyarbakır until 2015. The urban regeneration based housing need is the main driver of Diyarbakır's housing need.

1- 36 thousand housing units will be needed as a result of the increase in the number of households. Urban households are predicted to increase by 4 thousand on a yearly basis until 2015 and an equivalent number of housing units will be needed to accommodate this growth.

2- We assume that 35 percent (or 45 thousand) of the total 129 thousand illegal housing units as of the end of 2006 will be renewed within the context of urban regeneration until 2015, that such renewal will be evenly distributed per years and will translate into a yearly need for 5 thousand housing units. The urban regeneration and transformation projects as well as the social housing development of the public authority will determine the actual quantity of housing units to replace Diyarbakır's illegal and distorted settlements.

3- Taking into account the age and physical condition of the existing housing stock, a renewal based housing need of one thousand units per annum is projected. Therefore, a total renewal based housing need of 9 thousand units will arise until 2015.

TABLE.37 PREDICTIONS FOR THE HOUSING NEED IN DİYARBAKIR (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	4	5	1	10
2008	4	5	1	10
2009	4	5	1	10
2010	4	5	1	10
2011	4	5	1	10
2012	4	5	1	10
2013	4	5	1	10
2014	4	5	1	10
2015	4	5	1	10
TOTAL	36	45	9	90

II.1.4 Factors that Influence the Housing Demand in Diyarbakır

Next, we will evaluate the home ownership and the income structures of households as main factors that influence the housing demand in Diyarbakır. TSA's 2000 Population Census data is used as the basis of home ownership in Diyarbakır. Accordingly, 44.817 households are tenants in Diyarbakır as of 2000. These households are in need of housing and may create a potential demand for housing in the following period.

TABLE.38 HOME OWNERSHIP OF HOUSEHOLDS IN DİYARBAKIR

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	145.603	70.96
TENANT	44.817	21.84
LODGING DWELLER	6.760	3.30
NOT HOMEOWNER/DOES NOT PAY RENT	5.570	2.72
OTHER	2.270	1.11
UNKNOWN	188	0.07
TOTAL	205.208	100.0

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand. Diyarbakır lags behind the average of Turkey in terms of economic development and per capita income indicators. In 2006, Diyarbakır had a gross product of 4.2 billion dollars and a per capita income of 2.800 dollars.

Table.39 below displays predictions pertaining to the developments in Diyarbakır's gross product and per capita income. With the assumption that Diyarbakır's gross product will maintain its 1.1 percent share within the national income of Turkey, the city's gross product and per capita income will respectively reach 6.5 billion dollars and 3.810 dollars in 2015 in fixed prices. These per capita income projections reflect an insufficient and limited potential in terms of housing demand and the capacity of households to benefit from the housing finance system.

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

We now make predictions for Diyarbakır's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

TABLE.39 DİYARBAKIR GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	4.0	1.478	2.706
2006	4.2	1.501	2.800
2007	4.4	1.524	2.890
2008	4.6	1.547	2.975
2009	4.8	1.570	3.055
2010	5.1	1.593	3.200
2011	5.3	1.616	3.280
2012	5.6	1.639	3.415
2013	5.9	1.662	3.550
2014	6.2	1.685	3.680
2015	6.5	1.708	3.810

1- Diyarbakır's housing sector, which came about and grew through illegal settlements, is now constrained by this illegal urbanization. For this reason, the formation of a healthy housing sector will take time.

2- There is a significant need in Diyarbakır for social housing. New housing developments shall be undertaken by the local administrations through urban regeneration projects and by central administrations through the Housing Development Administration of Turkey. The Housing Development Administration of Turkey currently has residential projects with 4.218 housing units, targeted for the low and middle income groups. The development of social housing will improve Diyarbakır's housing sector.

3- The private sector's housing developments and the demand for such residential units is rather limited in Diyarbakır. The Diyarbakır-Urfa highway axis and Dicle Avenue in the city center are developing as new residential settlement areas.

4- Diyarbakır's limited level of economic development leads to a restricted housing demand and use of housing credits. 304 and 1.085 housing units have been purchased in Diyarbakır in 2005 and 2006 respectively with the utilization of housing credits.

II.2. RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate and make predictions for the retail market and shopping centers in Diyarbakır within the commercial real estate market. In this framework, economic sizes pertaining to Diyarbakır's retail market and shopping centers are presented below. In 2006, Diyarbakır had a share of 1.1 percent within Turkey's national income with a gross product of 4.2 billion dollars and a per capita income of 2.800 dollars.

TABLE.40 DİYARBAKIR ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	1.10	3.3	2.270
2005	1.10	4.0	2.706
2006	1.10	4.2	2.800

Private consumption expenditures have been 3 billion dollars in Diyarbakır in 2006. With 1.8 billion dollars, retail expenditures represented 60 percent of private consumption expenditures. Food expenditures accounted for 75 percent (1.34 billion dollars) of total retail expenditures while non-food expenditures made up the remaining 25 percent (0.46 billion dollars).

TABLE.41 DİYARBAKIR PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	3.3	2.3	1.03	0.35	1.38
2005	4.0	2.8	1.25	0.43	1.68
2006	4.2	3.0	1.34	0.46	1.80

Indicators pertaining to Diyarbakır's shopping centers are shown in Table.42 below. Diyarbakır has two small shopping centers, as classified by ICSC standards. The total gross leasable area of the 2 shopping centers is 28.020 m2'dir. The gross leasable area per 1000 persons in Diyarbakır is 18.7 m2'dir. The annual potential retail expenditure per shopping center gross leasable area m2 is 64.250 dollars.

TABLE.42 DİYARBAKIR SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	2	28.020	18.7	64.250

Projections pertaining to the development potential of shopping centers in Diyarbakır are given below. Shopping centers that are in construction and/or are actively being planned are taken into account for the forecast for the years 2007-2008-2009. Shopping center growth projections for subsequent years are based on the forecast for population, economic growth and retail expenditures in Diyarbakır.

Shopping center projections are presented in two alternative scenarios which yield two different shopping center gross leasable area figures and two potential retail expenditure sizes.

3 shopping centers that are currently in construction or in planning stage are scheduled to open in Diyarbakır until the end of 2009. 1 shopping center with a gross leasable area of 25.000 m2 will start operations in 2007. 1 new shopping center will be operational for each of the years 2008 and 2009, respectively with a GLA of 16.000 m2 and 70.000 m2. Therefore, the total shopping center gross leasable area will attain 139.020 m2 in Diyarbakır at the end of 2009 and the corresponding GLA per 1000 persons is thus anticipated to reach 88.5 m2 at the same period.

Projections for the years 2010 and thereafter are based on two alternative scenarios which respectively assume a gross leasable area m2 per 1000 persons of 125 m2 and 150 m2 in 2015. Accordingly, the total gross leasable area is calculated as 213.500 m2 in the first scenario, and as 256.200 m2 in the second scenario.

TABLE.43 DİYARBAKIR SHOPPING CENTER PROJECTIONS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.501	18.7	18.7	28.020	28.020
2007	1.524	34.8	34.8	53.020	53.020
2008	1.547	44.6	44.6	69.020	69.020
2009	1.570	88.5	88.5	139.020	139.020
2010	1.593	100.0	100.0	159.300	159.300
2011	1.616	105.0	110.0	169.680	177.760
2012	1.639	110.0	120.0	180.290	196.680
2013	1.662	115.0	130.0	191.130	216.060
2014	1.685	120.0	140.0	202.200	235.900
2015	1.708	125.0	150.0	213.500	256.200

The size of annual potential retail expenditures per gross leasable area is another important indicator used in making shopping center projections.

An annual potential retail expenditure level of 12.785 dollars is attained in the first scenario which presumes a shopping center GLA of 213.500 m2 in 2015. The second scenario displays an annual potential retail expenditure of 10.660 dollars for a total shopping center GLA of 256.200 m2 in 2015. These projections point out to the fact that an investment potential exists in Diyarbakır for shopping centers with an additional gross leasable area of 80 - 120 thousand m2 between the years 2010-2015, based on the outcomes of the two scenarios.

TABLE.44 PROJECTIONS FOR DİYARBAKIR'S SHOPPING CENTERS

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.80	28.020	28.020	64.250	64.250
2007	1.85	53.020	53.020	34.890	34.890
2008	1.93	69.020	69.020	27.960	27.960
2009	2.02	139.020	139.020	14.530	14.530
2010	2.14	159.300	159.300	13.430	13.430
2011	2.22	169.680	177.760	13.085	12.450
2012	2.35	180.290	196.680	13.035	11.950
2013	2.48	191.130	216.060	12.975	11.480
2014	2.60	202.200	235.900	12.860	11.020
2015	2.73	213.500	256.200	12.785	10.660

II.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are the second topic of evaluation within commercial real estate. In this framework, statistical data pertaining to Diyarbakır'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. Diyarbakır is a city where numerous civilizations inhabited throughout the ages. As a matter of fact, Diyarbakır has been the cradle of 26 old civilizations. Despite the city's very rich historical and cultural background, very limited tourism activity takes place in Diyarbakır.

Diyarbakır's accommodation statistics are shown in Table.45 below. In 2006, a total of 131.897 visitors stayed over in Diyarbakır, of which 8.910 were of foreign origin. The total number of overnight stays has been 181.023 nights, of which 15.136 were by international visitors. The occupancy rate of accommodation establishments has been 27.53 percent in 2006. The average duration of stay was 1.5 nights, which characterizes the accommodation to be predominantly short-term and business oriented. In spite of the fact that Diyarbakır is the region's trade center, insufficient business and trade oriented tourism activity is taking place.

TABLE.45 DİYARBAKIR ACCOMMODATION STATISTICS

YEARS	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE		
	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	7.591	90.874	98.465	14.721	124.832	139.553	3.01	25.51	28.52
2003	4.894	85.324	90.218	9.706	121.973	131.679	1.82	22.81	24.63
2004	10.868	123.354	134.222	17.259	170.216	187.475	2.57	25.39	27.96
2005	13.226	135.655	148.881	17.900	180.550	198.450	2.72	27.45	30.18
2006	8.910	122.987	131.897	15.136	165.887	181.023	2.30	25.22	27.53

SOURCE: MINISTRY OF CULTURE AND TOURISM

Information pertaining to Diyarbakır's existing accommodation capacity is displayed below. As of 2005, Diyarbakır's 14 accommodation establishments endowed with a tourism operating license had 882 rooms and a bed capacity of 1.792.

TABLE.46 DİYARBAKIR ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF BEDS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF BEDS	BED CAPACITY
5 STAR HOTEL				1	106	216
4 STAR HOTEL				3	246	508
3 STAR HOTEL				5	309	617
2 STAR HOTEL				4	176	352
MOTEL	1		20			
SPECIAL FACILITY		10		1	45	99
TOTAL	1	10	20	14	882	1,792

SOURCE: MINISTRY OF CULTURE AND TOURISM

Tourism is anticipated to expand in Diyarbakır on two main axes.

The first axis is the expansion of the history-culture-faith tourism, as presented in the 2023 Tourism Vision Study. This type of tourism activity targets 1 million tourists per year in the middle and long run.

The second growth axis is the business-convention-exhibition tourism based on Diyarbakır's internal trade within the region and external trade with Middle Eastern countries. In this framework, in addition to Diyarbakır's existing accommodation capacity, a need is foreseen for:

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

2- Business oriented concept hotels (3-4 stars)

3- History-culture-faith tourism oriented boutique hotels (3 stars).

II.4 INDUSTRIAL AND LOGISTICS AREAS

Finally, we will evaluate industrial and logistics areas within commercial real estate.

The expansion of industry has been limited in Diyarbakır. Industry developed in cities neighboring Diyarbakır. For this reason, demand for industrial areas remains limited.

There is 1 organized industry zone in Diyarbakır established over an area of 523 hectares. Of the total 214 parcels in the organized industry zone, 174 have been appropriated and 177 companies are actively in operation.

The industrial expansion in Diyarbakır in the upcoming period is anticipated to take place within the OIZ. The agriculture and livestock oriented specialized organized industry zone (SOIZ), at the inception stage, is another important domain for Diyarbakır's industrial expansion. The SOIZ, which is established on 2.4 million m2, consists of 108 parcels. Significant demand is expected for this specialized organized industry zone. Diyarbakır also has a need for logistics areas, which will arise as a result of internal trade, developments in retail, and the trade potential with neighboring countries. However, this need is foreseen to be limited.

TABLE.47 DİYARBAKIR ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
DİYARBAKIR ORGANIZED INDUSTRY ZONE	523 HECTARES 214 PARCELS	177 COMPANIES IN OPERATION IN 174 PARCELS
AGRICULTURE AND LIVESTOCK ORIENTED ORGANIZED INDUSTRY ZONE	2.400.000 M2 108 PARCELS	IN INCEPTION STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter III.

ERZURUM REAL ESTATE SECTOR AND PROGNOSES

III.1 HOUSING SECTOR AND MARKETS

The evaluation of Erzurum's real estate sector comprises both residential and commercial real estate markets. Our evaluation starts with the housing sector. We then examine the factors that affect the housing supply and demand and make projections in relation to Erzurum's housing sector.

III.1.1 Demography and Population Forecast

Demographic and population changes and tendencies are the main factors that affect the demand and need for housing. In this framework, variables such as population growth rate, urban population growth rate, absolute net migration, net migration rate, urbanization rate, and the number and average size of urban households are analyzed and evaluated.

Changes in Erzurum's population are presented below in Table.48. Erzurum's population grew from 802 thousand in 1980 to 937 thousand in 2000, when the last general population census took place. Erzurum's population attained 960 thousand in 2005 and 963 thousand in 2006. Erzurum's share within the total population of Turkey has been diminishing and declined from 1.79 percent in 1980 to 1.38 percent in 2000 and to 1.31 percent in 2006.

TABLE.48 POPULATION OF ERZURUM AND TURKEY

YEARS	ERZURUM (000)	TURKEY (000)	ERZURUM SHARE %
1980	802	44.737	1.79
1985	856	50.664	1.69
1990	848	56.473	1.50
2000	937	67.804	1.38
2005 (1)	960	72.538	1.32
2006 (1)	963	73.466	1.31

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

Erzurum's population growth rate has been slowing down considerably. The population growth rates of Erzurum and Turkey are displayed comparatively in Table.49 below. Erzurum had a negative population growth rate in 1985-1990, which indicates a fast migration from the city. The population growth rate then turned positive in 1990-2000, with an average of 1 percent per annum. In the following six years, the population growth rate significantly declined and regressed to 0.32 percent in 2006. Erzurum's population growth rate is significantly lower than that of Turkey.

TABLE.49 POPULATION GROWTH RATES OF ERZURUM AND TURKEY (%)

PERIODS	ERZURUM (%)	TURKEY (%)
1980-1985	1.31	2.49
1985-1990	-0.18	2.17
1990-2000	1.00	1.83
2000-2005 (1)	0.46	1.36
2005-2006 (1)	0.32	1.28

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

Net migration is the most important determinant of Erzurum's population growth rate. Erzurum is subject to a significant migration outflow. A total of 88.298 persons migrated from Erzurum in 1985-1990, which corresponds to a net migration rate of 10 percent. In other words, 10 percent of the city's population has been lost as a result of outbound migration activity. Despite the slow down in the net migration rate in subsequent periods, Erzurum is still subject to a considerable population loss due to migration from the city. 62 thousand persons migrated from Erzurum in 2000-2005 and the net migration rate has been -6.62 percent. This migration outflow continued in 2006 and is foreseen to go on in the forthcoming periods.

In addition to net migration, urban population growth also determines population changes in Erzurum. Table.51 below displays the sources of Erzurum's population growth: migration and urban population growth.

TABLE.50 ERZURUM NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	-46.093	-6.63
1980-1985	-48.745	-6.08
1985-1990	-88.298	-10.03
1995-2000	-46.491	-5.69
2000-2005 (1)	-62.000	-6.62
2005-2006 (1)	-14.000	-1.46

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

Erzurum's urban population growth rate is observed to relatively decline on a steady basis. The average urban population growth rate regressed from 1.80 percent per annum in 1985-1990 to 1.75 percent in 2000-2005 and has been 1.73 percent in 2006.

In Erzurum, the urban population growth rate has been slightly declining, whereas the net migration rate has been increasing gradually. As a result, Erzurum's total population growth rate has slowed down significantly over the years. The 0.32 percent population growth in Erzurum in 2006 results from the growth of the city's urban population (1.73 percent) offset by a net migration outflow of -1.41 percent.

TABLE.51 SOURCES OF ERZURUM'S POPULATION GROWTH

YEARS	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	54	-49	-1.19	103	2.50
1985-1990	-8	-88	-1.98	80	1.80
1995-2000	47	-46	-0.76	93	1.80
2000-2005	23	-62	-1.29	85	1.75
2005-2006	3	-14	-1.41	17	1.73

The urbanization rate, size and total number of urban households are important indicators of the relationship between population and demographic data and the housing sector.

Erzurum's urbanization rate and the corresponding urban population size are displayed below in Table.52. The 1980 population census revealed an urban population of 342 thousand and an urbanization rate of 42.6 percent in Erzurum. The 2000 population census data showed an urban population size of 522 thousand and an urbanization rate of 55.7 percent.

Erzurum's urbanization rate is estimated to be 58 percent in 2005 and 58.2 percent in 2006. In turn, Erzurum's urban population is estimated to be 560 thousand in 2006.

TABLE.52 URBANIZATION RATE AND URBAN POPULATION IN ERZURUM

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	802	42.6	342
1985	856	47.1	403
1990	848	48.3	409
2000	937	55.7	522
2005	960	58.0	557
2006	963	58.2	560

The number of urban households in Erzurum according to the total size of the urban population is given in Table.53 below. The 2000 General Population Census data indicated an average urban household size of 5.31 persons in Erzurum, which significantly exceeds Turkey's average urban household size of 4.18 persons. The city's socio-economic structure affects the average urban household size. The average urban household size has declined to 5.20 persons in 2005 and to 5.18 persons in 2006. Thus, the total number of urban households in Erzurum, which was 98 thousand according to the 2000 population census data, has attained 107 thousand in 2005, and 108 thousand in 2006.

TABLE.53 ERZURUM URBAN HOUSEHOLD NUMBER AND SIZE

YEARS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	522	5.31	98
2005	557	5.20	107
2006	560	5.18	108

Erzurum's population is forecast for each year until 2015, based on demographic and population changes and tendencies. The assumptions made for projecting Erzurum's population are that the population growth will slow down at a faster rate than that of Turkey, in line with the declining urban population growth and the continued net migration from the city. Hence, Erzurum's 0.32 percent population growth rate in 2006 is expected to decline to 0.20 percent in 2010 and to 0.10 percent in 2015. Based on these growth projections, Erzurum's population is anticipated to grow from 963 thousand in 2006 to 971 thousand in 2010 and 978 thousand in 2015. Hence, the share of Erzurum's population within the total population of Turkey is projected to regress from 1.31 percent in 2006 to 1.26 percent in 2010 and to 1.20 percent in 2015.

TABLE.54 ERZURUM AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	ERZURUM POPULATION GROWTH RATE %	ERZURUM POPULATION (000)	ERZURUM POPULATION SHARE %
2000	1.66	67.804	0.43	937	1.38
2005	1.33	72.538	0.37	960	1.32
2006	1.28	73.466	0.32	963	1.31
2007	1.26	74.392	0.29	965	1.30
2008	1.24	75.315	0.26	967	1.29
2009	1.22	76.234	0.23	969	1.28
2010	1.20	77.149	0.20	971	1.26
2011	1.18	78.059	0.18	973	1.25
2012	1.16	78.965	0.16	975	124
2013	1.14	79.865	0.14	976	1.23
2014	1.12	80.759	0.12	977	1.21
2015	1.10	81.647	0.10	978	1.20

The number of urban households and related projections are other important indicators for Erzurum's real estate sector and housing markets.

Projections pertaining to the urbanization rate, size and number of urban households in Erzurum are given in Table.55 below.

Erzurum's urbanization rate is predicted to slightly increase to 59 percent in 2010 and 60 percent in 2015. The average size of Erzurum's urban households is also expected to slightly diminish from 5.18 persons in 2006 to 5.10 persons in 2010 and 5.00 persons in 2015.

Hence, Erzurum's 108 thousand urban households in 2006 are projected to reach 112 thousand in 2010 and 117 thousand in 2015.

TABLE.55 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN ERZURUM

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	937	55.7	522	5.31	98
2005	960	58.0	557	5.20	107
2006	963	58.2	560	5.18	108
2007	965	58.4	564	5.16	109
2008	967	58.6	567	5.14	110
2009	969	58.8	570	5.12	111
2010	971	59.0	573	5.10	112
2011	973	59.2	576	5.08	113
2012	975	59.4	579	5.06	114
2013	976	59.6	582	5.04	115
2014	977	59.8	584	5.02	116
2015	978	60.0	587	5.00	117

III.1.2 Housing Stock in Erzurum

Next, we will analyze and evaluate the existing housing stock in Erzurum in terms of quantity, physical condition and legal status. In this framework, data pertaining to Erzurum's housing stock are presented in this section.

TSA's 2000 Building Count data is used to evaluate Erzurum's existing housing stock. As of 2000, Erzurum has a total of 75.258 buildings and 117.810 housing units, of which 106.754 are located in urban areas.

Of the 106.754 housing units located in Erzurum's urban areas as of 2000, 65.382 residential units, which represent 61 percent, have construction permits. 41.412 housing units lack construction permits.

In other words, 4 out of every 10 housing units have been built illegally in Erzurum as of 2000. 40 percent of Erzurum's actual housing stock is met through illegal and sub-standard housing development.

TABLE.56 ERZURUM HOUSING STOCK 2000

INDICATORS	ERZURUM
NUMBER OF BUILDINGS	75.258
NUMBER OF HOUSING UNITS	117.810
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	106.754
HOUSING UNITS WITH CONSTRUCTION PERMITS	65.382
HOUSING UNITS WITH OCCUPANCY PERMITS	35.961
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	41.412
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	61.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	34.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Erzurum's housing stock in 2006 is presented in Table.57 below. The housing stock in the city and townships of Erzurum has attained 123.500 in 2006. 13.706 construction permits have been obtained in Erzurum in 2000-2005. It is estimated that 4.500 housing units have been built illegally in 2001-2006 and 1.500 housing units have been unusable in the same period.

Hence, Erzurum's urban housing stock is calculated as 123.500 units at the end of 2006. (The 2005 year-end data of the Ministry of Finance is 122.552 housing units).

TABLE.57 ERZURUM 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	ERZURUM
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	106.794
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	13.706
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	1.500
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	4.500
TOTAL HOUSING STOCK 2006	123.500

The total housing stock in Erzurum's urban areas and the total number of urban households are respectively estimated to be 123.500 and 108 thousand. The comparison of this data implies that no housing shortage exists in Erzurum in numerical terms. Nevertheless, approximately 36 percent of the housing stock in Erzurum in 2006, or 44.500 housing units, are illegal and of sub-standard quality.

When evaluated in this framework and considering Erzurum's current economic and social development level, large quantities of social housing need to be developed within the context of urban regeneration projects. Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and the age of the housing stock affect the need for housing.

The physical condition of Erzurum's existing housing stock as of 2000 is presented according to TSA's 2000 Building Count data. As of 2000, 4.272 housing units within Erzurum's existing housing stock are ruined and planned to be demolished, whereas 13.833 units are in need of serious repair and refurbishment. As of 2000, approximately 17 percent of the total housing stock can be considered to require renewal.

TABLE.58 PHYSICAL CONDITION OF THE HOUSING STOCK IN ERZURUM 2000

INDICATORS	ERZURUM
NUMBER OF HOUSING UNITS	117.810
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	106.794
THOSE THAT DON'T NEED REPAIRS	53.397
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	35.242
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	13.833
IN RUINS AND PLANNED TO BE PULLED DOWN	4.272
UNKNOWN CONDITION	50

SOURCE: TSA, Building Count 2000

When the housing stock is evaluated in terms of building life, the total number of buildings that are 50 years and older that are solely and/or predominantly used for residential purposes are 6.492 in 2000. This number is anticipated to reach 14.300 by 2015. Approximately 20.000 housing units will be 50 years and older until 2015. The physical lives of these buildings (except for the historical ones) that are 50 years and older will expire, which will in turn be reflected in the housing need.

TABLE.59 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	655	97
1930-1939	640	56
1940-1949	1.350	123
1950-1959	3.309	262
1960-1969	7.161	647
1970-1979	12.663	1.406
1980-1989	14.203	1.738
1990-2000	9.293	1.275
UNKNOWN	345	109
TOTAL	49.619	5.713

SOURCE: Building Count 2000, TSA

III.1.3 Housing Need in Erzurum

We make projections for Erzurum's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section.

A total need for 36 thousand housing units is forecast in Erzurum in 2007-2015. The urban regeneration based housing need is the main driver of Erzurum's housing need.

1- Households in Erzurum are predicted to increase by 9 thousand in 2007-2015. The corresponding housing need based on population growth is rather limited and is anticipated as 9 thousand. The slow down in Erzurum's population growth rate results in a very limited increase in the number of urban households and the related housing need.

2- The urban regeneration based housing need in Erzurum is predicted as 18 thousand in 2007-2015. It is assumed that 40 percent of the total 44.5 thousand illegal and sub-standard housing units at end of 2006 will be renewed within the context of urban regeneration projects until 2015, and that this urban regeneration based housing need of 18 thousand units will be evenly distributed per years and will translate into a yearly need for 2 thousand housing units.

3- A renewal based housing need of 9 thousand units will arise in Erzurum in 2007-2015 and will be evenly distributed as one thousand units per annum. It is assumed that 0.5 percent of the total housing stock will be renewed yearly.

TABLE.60 PREDICTIONS FOR HOUSING NEED IN ERZURUM (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	1	2	1	4
2008	1	2	1	4
2009	1	2	1	4
2010	1	2	1	4
2011	1	2	1	4
2012	1	2	1	4
2013	1	2	1	4
2014	1	2	1	4
2015	1	2	1	4
TOTAL	9	18	9	36

III.1.4 Factors that Influence the Housing Demand in Erzurum

Next, we will evaluate the factors that influence the housing demand in Erzurum, subsequent to having made housing need projections. Home ownership and income structures of households are major factors that shape the housing demand.

Home ownership is the leading factor that affects the housing demand in the upcoming period. Data pertaining to home ownership in Erzurum is displayed below in Table.61.

According to TSA's 2000 Population Census data, 29.485 households are tenants in Erzurum in 2000 and, thus, constitute a potential housing demand in the forthcoming periods. 3.474 households in Erzurum are neither homeowners nor pay rent.

TABLE.61 HOME OWNERSHIP OF HOUSEHOLDS IN ERZURUM

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	122.028	74.80
TENANT	29.485	18.08
LODGING DWELLER	7.387	4.53
NOT HOMEOWNER/DOES NOT PAY RENT	3.474	2.13
OTHER	687	0.43
UNKNOWN	86	0.03
TOTAL	163.147	100.00

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand. Erzurum lags behind the average of Turkey in terms of economic development and per capita income indicators.

In 2006, Erzurum had a gross product of 2.47 billion dollars, which represents 0.65 percent of Turkey's total national income. The per capita income was 2.565 dollars.

Table.62 below gives predictions pertaining to the developments in Erzurum's gross product and per capita income. The main assumption used is that Erzurum's share within Turkey's national income will remain stable at 0.65 percent. As a result, the per capita income in Erzurum is projected to increase to 3.050 dollars in 2010 and to 3.915 dollars in 2015 in fixed prices.

Even though Erzurum's per capita income is anticipated to grow by almost 50 percent until 2015, the level of personal income attained still reflects a limited potential in terms of housing demand.

TABLE.62 ERZURUM GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	2.35	960	2.450
2006	2.47	963	2.565
2007	2.59	965	2.685
2008	2.72	967	2.815
2009	2.86	969	2.950
2010	3.00	971	3.090
2011	3.15	973	3.240
2012	3.31	975	3.395
2013	3.47	976	3.555
2014	3.64	977	3.725
2015	3.83	978	3.915

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

We now make predictions for Erzurum's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

1- Social housing development to meet the housing need of the low and middle income groups represents the main development opportunity in Erzurum's housing sector in the forthcoming period.

2- The private sector's participation in construction and housing development will remain limited. The low rate of economic development in the city causes the housing development and sale by the private sector to be restricted.

3- Predominantly, cooperatives will carry out the private sector's housing development.

4- Erzurum's climate conditions (150 days of frost per year) will continue to negatively affect construction activities and housing development.

5- Housing projects developed under market conditions will continue to command low prices and limited rates of appreciation. For this reason, the investment demand of Erzurum's households will shift outside of the city, to big cities such as İstanbul and Ankara.

6- Erzurum's low income levels will continue to suppress the renewal based housing need and households will keep on expanding within the same housing unit.

7- Yıldızkent, Kayakyolu and Yenişehir regions are the developing residential settlement areas. The Çaykara-Terminal and Gez regions in the city center remain important and attractive residential areas.

8- Urban regeneration projects will largely affect Erzurum's housing sector. The city center is being restructured and illegal and ruined buildings are being demolished within the context of new and continuing urban regeneration projects. Social housing projects have shifted to the new residential settlement regions of Hasanbasri and Rabiahatun. The

Housing Development Administration of Turkey is currently undertaking a social housing project with 1.026 housing units in these regions. TOKİ also has projects with 1.500-2.000 housing units in the Yıldızkent, Habibefendi and Mehdiefendi regions.

9- The utilization of housing credits is also foreseen to remain restricted considering Erzurum's existing income structure. Respectively 156 and 533 units of housing credit have been utilized in Erzurum in 2005 and 2006. Moreover, the development of housing units with the price and characteristics suitable to make use of the housing finance system is very limited in Erzurum.

III.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate the commercial real estate markets in Erzurum and make projections, after having studied Erzurum's housing sector. We start our evaluation with shopping centers and the retail market.

In this framework, economic sizes pertaining to Erzurum's retail market and shopping centers are presented below.

In 2006, Erzurum had a gross product of 2.47 billion dollars, a 0.65 percent share of Turkey's national income, and a per capita income of 2.565 dollars.

TABLE.63 ERZURUM ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	0.65	1.95	2.045
2005	0.65	2.35	2.450
2006	0.65	2.47	2.565

Private consumption expenditures have been 1.76 billion dollars in Erzurum in 2006. Retail expenditures were 0.94 billion dollars in the same period.

The ratio of retail expenditures to private consumption expenditures is 53 percent. Food and non-food expenditures respectively made up 65 percent and 35 percent of retail expenditures. As of the end of 2006, there are no shopping centers in Erzurum suitable to ICSC standards.

TABLE.64 ERZURUM PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	1.95	1.32	0.46	0.25	0.71
2005	2.35	1.64	0.57	0.31	0.88
2006	2.47	1.76	0.61	0.33	0.94

Projections pertaining to shopping centers in Erzurum are displayed below in two alternative scenarios, as given so far for other cities. Shopping centers that are in construction and/or are actively planned are taken into account for the forecast until the end of 2009. The shopping center gross leasable area per 1000 persons is projected for subsequent years.

No shopping center is scheduled to open in Erzurum in 2007. 1 new shopping center is scheduled to open yearly in 2008 and 2009, respectively with a GLA of 15.000 m2 and 31.000 m2. In light of these developments, Erzurum will have 2 shopping centers at the end of 2009 with a gross leasable area of 46.000 m2 and a corresponding GLA per 1000 persons of 47.5 m2.

Two alternative scenarios display the development potential of shopping centers in Erzurum in subsequent years.

The scenarios respectively assume a shopping center gross leasable area per 1000 persons of 80 m2 and 100 m2 in 2015. Accordingly, the total gross leasable area of Erzurum shopping centers is calculated as 78.240 m2 in the first scenario and as 97.800 m2 in the second scenario.

TABLE.65 PREDICTIONS FOR ERZURUM SHOPPING CENTERS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	963	-	-	-	-
2007	965	-	-	-	-
2008	967	15.5	15.5	15.000	15.000
2009	969	47.5	47.5	46.000	46.000
2010	971	55.0	55.0	53.405	53.405
2011	973	60.0	60.0	58.380	58.380
2012	975	65.0	70.0	63.375	68.250
2013	976	70.0	80.0	68.320	78.080
2014	977	75.0	90.0	73.275	87.930
2015	978	80.0	100.0	78.240	97.800

The size of the annual potential retail expenditures per gross leasable area is also evaluated in making projections for shopping centers. Total retail expenditures in Erzurum are estimated for each year and divided into total shopping center GLA, as foreseen in the above two scenarios, to determine the annual potential retail expenditure size per shopping center GLA. Annual potential retail expenditures in Erzurum in 2015 are projected to be 1.815 dollars in the first scenario and 1.450 dollars in the second scenario. Both of these expenditure figures are insufficient for shopping centers. The limited increase in incomes and retail expenditures anticipated in Erzurum negatively affects the development potential of shopping centers.

TABLE.66 PREDICTIONS FOR SHOPPING CENTERS IN ERZURUM

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	0.94	-	-	-	-
2007	0.96	-	-	-	-
2008	1.01	15.000	15.000	6.735	6.735
2009	1.06	46.000	46.000	2.300	2.300
2010	1.11	53.405	53.405	2.080	2.080
2011	1.17	58.380	58.380	2.005	2.005
2012	1.23	63.375	68.250	1.950	1.645
2013	1.29	68.320	78.080	1.890	1.650
2014	1.35	73.275	87.930	1.845	1.535
2015	1.42	78.240	97.800	1.815	1.450

III.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Accommodation establishments are evaluated next among commercial real estate.

In this framework, statistical data pertaining to Erzurum's accommodation establishments is analyzed, the development potential of tourism in Erzurum is evaluated and predictions are made for tourism and accommodation establishments.

In 2006, a total of 97.116 visitors (87.825 domestic, 9.291 foreign) stayed over in Erzurum where the growth of tourism is based on winter tourism. The total number of overnight stays has been 181.287 nights in 2006, 40.277 nights by foreigners and 141.010 nights by Turkish nationals.

Erzurum's accommodation establishments had an occupancy rate of 30.94 percent in 2006. The number of foreign visitors, total number of overnight stays and occupancy rates have been higher in 2004 and 2005.

TABLE.67 ERZURUM ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	12.202	94.917	107.119	28.637	134.391	163.028	3.89	18.27	22.16
2003	11.239	74.104	85.343	41.973	123.428	165.401	6.73	19.80	26.54
2004	18.333	98.237	116.570	61.592	156.350	217.942	9.93	25.21	35.14
2005	20.253	95.442	115.695	74.505	155.044	229.549	12.66	26.32	38.97
2006	9.291	87.825	97.116	40.277	141.010	181.287	6.87	24.07	30.94

SOURCE: MINISTRY OF CULTURE AND TOURISM

As of the end of 2005, Erzurum had 10 establishments endowed with tourism operating licenses, with 905 rooms and a bed capacity of 1.874. The 8 establishments with a tourism investment license will have a capacity of 1.263 beds and 604 rooms.

TABLE.68 ERZURUM ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENT	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL				1	221	450
4 STAR HOTEL	2	320	663	2	323	678
3 STAR HOTEL	3	234	488	1	75	159
2 STAR HOTEL	2	43	98	4	205	414
1 STAR HOTEL				2	81	173
PENSION	1	7	14			
TOTAL	8	604	1.263	10	905	1.874

SOURCE: MINISTRY OF CULTURE AND TOURISM

Tourism in Erzurum is anticipated to rapidly expand in the upcoming period, focused on winter sports and winter tourism. The Palandöken-Konaklı-Gez tourism master plan has aimed to establish an international ski center in that region.

However, so far, winter sports only developed in Palandöken to a limited extent. The fact that Erzurum will host the 2011 Intercollegiate Winter Olympic Games led to this region to gain importance once again.

The Palandöken-Konaklı Region is now being re-planned for tourism accommodation establishments and winter sports facilities. A total investment of 350 million dollars is planned (200 million dollars from the public sector and 150 million dollars from the private sector) until 2011 when Winter Olympic Games will take place. The accommodation capacity is targeted to attain 150 thousand in 2011.

In addition to winter sports, Erzurum displays a significant potential for the expansion of rafting and outdoors sports (the Çoruh upland and river), sports tourism (Palandöken, İspir and Şenkaya have very high oxygen content), history-faith-culture tourism and health tourism (extensive thermal resources exist).

In this framework, there will be a need in Erzurum in the upcoming period for:

1. Winter sports oriented accommodation establishments (4-5 stars) and sports facilities in the Palandöken-Konaklı region
2. Outdoors and alternative sports oriented boutique and specialized accommodation establishments (3 stars)
3. Thermal tourism facilities (3-4 stars).

III.4 INDUSTRIAL AND LOGISTICS AREAS

The development of industry in Erzurum has been constrained as a result of geographical, natural and climate conditions (Erzurum is the world's 9th highest city). The city's economy is predominantly based on trade and livestock. The contribution of tourism to Erzurum's economy is anticipated to gradually increase.

Erzurum currently has an organized industry zone established on 1.150 thousand m2 in which 20 companies are actively in operation. Demand for this small OIZ is rather limited.

The industrial expansion and the related demand for industrial areas will focus on the Livestock Organized Industry Zone in Erzurum in the upcoming period rather than on the existing OIZ. The Livestock OIZ is in investment stage, will be established over an area of 2.4 million m2 and will consist of 108 parcels. Investments targeted to optimize Erzurum's strong livestock potential and a corresponding demand for industrial areas will take place in this new organized industry zone.

The Ata Techno City Technology Development Center founded within the Erzurum Atatürk University on an area of 140 thousand m2 will be another expansion area. Agriculture and livestock based technological novelties are targeted in this area.

Due to Erzurum's characteristics as a natural gas pipeline gathering and distribution center in the East Anatolia region, as a dispersal point for the Kars-Tiflis-Bakü railway in Turkey and as a distribution hub for regional trade with the Erzurum Airport, the city is increasingly becoming a logistics distribution center in the region. For this reason, the need for logistics areas to serve as regional distribution centers is foreseen to increase in the upcoming period.

TABLE.69 ERZURUM ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
ERZURUM ORGANIZED INDUSTRY ZONE	1.150.000 M2 91 PARCELS	HAS 100% OCCUPANCY 20 COMPANIES IN ACTIVE OPERATION
LIVESTOCK ORGANIZED INDUSTRY ZONE	2.400.000 M2 108 PARCELS	IN INVESTMENT STAGE
ATA TECHNO CITY (ATATÜRK UNIVERSITY)	140.000 M2	

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter IV.

ESKİŞEHİR REAL ESTATE SECTOR AND PROGNOSES

IV.1 HOUSING SECTOR AND MARKETS

The evaluation of Eskişehir's real estate market starts with the residential sector. The evaluation consists of making projections for the housing sector to forecast the need and demand for housing in Eskişehir until 2015.

IV.1 Demography and Population Forecast

Demographic and population changes and tendencies are evaluated as the main determinants of the housing need and demand; and then population projections are made. In this framework, factors such as absolute population size, population growth rate, net migration flows, urban population size, urbanization rate, number and average size of urban households are the main variables used in this evaluation. The changes in and the forecast of Eskişehir's demography and population are presented below.

Changes in Eskişehir's population and its share within the national population are given in Table.70. Eskişehir's population grew from 543 thousand in 1980 to 708 thousand, according to the 2000 population census. Eskişehir's population has been 721 thousand in 2005 and 723 thousand in 2006.

The share of Eskişehir's population within the total population of Turkey is diminishing. Eskişehir's share within the total population of Turkey regressed from 1.22 percent in 1980 to 0.99 percent in 2006.

TABLE.70 POPULATION OF ESKİŞEHİR AND TURKEY

YEARS	ESKİŞEHİR (000)	TURKEY (000)	ESKİŞEHİR SHARE %
1980	543	44.737	1.22
1985	597	50.664	1.18
1990	641	56.473	1.14
2000	706	67.804	1.05
2005 (1)	721	72.538	1.00
2006 (1)	723	73.466	0.99

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

Eskişehir's population growth rate has slowed down drastically and has been far below the national average since 1980. The annual average population growth rate dramatically declined from 1.9 percent in 1980-1985 to 0.42 percent in 2000-2005 and to 0.28 percent in 2006. The population growth rate of Turkey has been 1.28 percent in 2006. Eskişehir's population growth rate has been 1 percent below the average population growth rate of Turkey.

TABLE.71 POPULATION GROWTH RATES OF ESKİŞEHİR AND TURKEY (%)

PERIODS	ESKİŞEHİR (%)	TURKEY (%)
1980-1985	1.90	2.49
1985-1990	1.42	2.17
1990-2000	0.96	1.83
2000-2005 (1)	0.42	1.36
2005-2006 (1)	0.28	1.28

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

As for other cities, urban population growth and net migration constitute the two major sources of Eskişehir's population growth. The net migration rate and the absolute net migration in Eskişehir are presented in Table.72. Eskişehir has been exposed to a steady but limited migration inflow. 9.582 migrants have been received in 1995-2000, corresponding to a net migration rate of 1.42 percent. Migration to Eskişehir slowed down after 2000. The net migration rate which regressed to 0.71 percent in 2000-2005 bottomed out with 0.03 percent in 2006.

TABLE.72 ESKİŞEHİR NET MIGRATION AND NET MIGRATION RATE

PERIOD	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	7.759	1.31
1980-1985	8.506	1.56
1985-1990	6.510	1.09
1995-2000	9.582	1.42
2000-2005 (1)	5.000	0.71
2005-2006 (1)	200	0.03

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

Table.73 below displays the sources of population growth in Eskişehir: migration and urban population growth. Urban population growth has slowed down considerably in Eskişehir from an annual average of 1.60 percent in 1980-1985 to 0.30 percent per annum in 2000-2005 and to 0.25 percent in 2006. Such rapid and drastic decline in the urban population growth rate has in turn slowed down the total population growth rate in Eskişehir, where net absolute migration also geared down. Of the 0.28 percent annual population growth in Eskişehir in 2006, 0.25 percent comes from urban population growth and 0.03 percent arises from net migration.

TABLE.73 SOURCES OF ESKİŞEHİR'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	54	8.5	0.30	45.5	1.60
1985-1990	44	6.5	0.21	37.5	1.21
1995-2000	32	9.6	0.28	22.4	0.65
2000-2005	15	5.0	0.12	10.0	0.30
2005-2006	2	0.2	0.03	1.8	0.25

The urbanization rate, size and total number of urban households are important indicators of the relationship between population and demographic data and the housing sector. Eskişehir's urbanization rate and the corresponding urban population size are displayed below in Table.74.

Eskişehir has an elevated rate of urbanization. The urbanization rate jumped from 69.9 percent in 1980, to 78.0 percent in 2000, and attained 80.2 percent in 2006. Correspondingly, Eskişehir's urban population grew from 380 thousand in 1980, to 546 thousand in 2000, and reached 580 thousand in 2006.

TABLE.74 URBANIZATION RATE AND URBAN POPULATION IN ESKİŞEHİR

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	543	69.9	380
1985	597	75.0	448
1990	641	76.4	489
2000	706	78.0	546
2005	721	80.0	577
2006	723	80.2	580

The number of urban households in Eskişehir according to the total size of the urban population is shown in Table.75 below. The average urban household size is the most important determinant of the number of urban households. The average size of Eskişehir's urban households, measured as 3.52 persons according to the 2000 General Population Census, is below the average of Turkey (4.18 persons). The average urban household size is estimated to be 3.37 persons in 2006. Hence, the total number of urban households in Eskişehir increased from 155 thousand in 2000 to 172 thousand in 2006.

TABLE.75 ESKİŞEHİR URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	546	3.52	155
2005	577	3.40	170
2006	580	3.37	172

Eskişehir's population is forecast for each year until 2015, based on demographic and population changes and tendencies.

It is assumed that Eskişehir's population growth rate will continue to gear down until 2015 and will remain significantly below the national average. Table.76 below gives population growth projections for Eskişehir according to this assumption. The population growth rate is foreseen to regress to 0.25 percent and 0.15 percent respectively in 2010 and 2015.

Eskişehir's population thus is anticipated to expand to 730 thousand in 2010 and to 735 thousand in 2015. The share of Eskişehir's population within the total population of Turkey is predicted to diminish gradually and retreat to 0.95 percent in 2010 and to 0.90 percent in 2015.

TABLE.76 ESKİŞEHİR AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	ESKİŞEHİR POPULATION GROWTH RATE %	ESKİŞEHİR POPULATION (000)	ESKİŞEHİR POPULATION SHARE %
2000	1.66	67.804	0.38	706	1.05
2005	1.33	72.538	0.28	721	1.00
2006	1.28	73.466	0.28	723	0.99
2007	1.26	74.392	0.28	725	0.98
2008	1.24	75.315	0.28	727	0.97
2009	1.22	76.234	0.27	729	0.96
2010	1.20	77.149	0.25	730	0.95
2011	1.18	78.059	0.23	731	0.93
2012	1.16	78.965	0.21	732	0.93
2013	1.14	79.865	0.19	733	0.92
2014	1.12	80.759	0.17	734	0.91
2015	1.10	81.647	0.15	735	0.90

The number of urban households and related projections are other important indicators for Eskişehir's real estate sector and housing markets. Projections pertaining to urbanization rate, urban population, average size and number of urban households in Eskişehir are displayed in Table.77 below.

Eskişehir's urbanization rate is predicted to increase, whereas the total number of urban households is anticipated to relatively diminish until 2015.

Eskişehir's urbanization rate is projected to attain 81 percent in 2010 and 82 percent in 2015. On the other hand, the average urban household size is expected to shrink to 3.29 persons in 2010 and 3.20 persons in 2015.

Based on these anticipations, Eskişehir's urban households are predicted to reach 180 thousand in 2010 and 188 thousand in 2015.

TABLE.77 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN ESKİŞEHİR

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	706	78.0	546	3.52	155
2005	721	80.0	577	3.40	170
2006	723	80.2	580	3.37	172
2007	725	80.4	583	3.35	174
2008	727	80.6	586	3.33	176
2009	729	80.8	589	3.31	178
2010	730	81.0	591	3.29	180
2011	731	81.2	593	3.27	181
2012	732	81.4	596	3.25	183
2013	733	81.6	598	3.23	185
2014	734	81.8	600	3.21	187
2015	735	82.0	603	3.20	188

IV.1.2 Housing Stock in Eskişehir

Next, we will analyze and evaluate the existing housing stock in Eskişehir in terms of quantity, physical condition and legal status. In this framework, data pertaining to Eskişehir's housing stock are presented in this section.

TSA's 2000 Building Count data is used to evaluate Eskişehir's existing housing stock. As of 2000, Eskişehir has 123.501 buildings and 207.717 housing units. 195.987 housing units are located in urban areas of Eskişehir. As of 2000, 124.243 of these urban housing units have construction permits. 63 percent of the urban housing stock is built legally. As of 2000, 71.744 housing units in Eskişehir lack construction permits.

TABLE.78 ESKİŞEHİR HOUSING STOCK 2000

INDICATORS	ESKİŞEHİR
NUMBER OF BUILDINGS	123.501
NUMBER OF HOUSING UNITS	207.717
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	195.987
HOUSING UNITS WITH CONSTRUCTION PERMITS	124.243
HOUSING UNITS WITH OCCUPANCY PERMITS	63.284
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	71.744
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	63.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	32.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Eskişehir's housing stock in 2006 is shown below in Table.79. Eskişehir's urban areas (city and townships) are estimated to have 216.637 housing units as of 2006. 17.150 construction permits have been obtained in Eskişehir in 2000-2005. It is estimated that 5.000 housing units have been built illegally and that 1.500 housing units have been unusable in 2001-2006. Hence, Eskişehir's total urban housing stock is calculated as 216.637 housing units in 2006. (The 2005 year-end data of the Ministry of Finance is 217.311 housing units).

TABLE.79 ESKİŞEHİR 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	ESKİŞEHİR
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	195.987
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	17.150
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	1.500
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	5.000
TOTAL HOUSING STOCK 2006	216.637

While Eskişehir's urban housing stock is calculated to be 216.637 units at end of 2006, the total number of urban households is estimated to be 172 thousand. Such numerical comparison implies to the existence of a housing surplus.

However, it should be taken into account that the existing housing also comprises illegal housing units of sub-standard quality. As of 2006, 76.244 housing units do not have construction permits in Eskişehir. Illegal and sub-standard quality housing units make up 35 percent of Eskişehir's urban housing stock.

The physical condition of Eskişehir's existing housing stock as of 2000, which is an important determinant of the housing need, is presented using TSA's 2000 Building Count data.

As of 2000, 13.719 units within Eskişehir's existing housing stock are in need of serious repair and refurbishment, whereas 1.960 housing units are ruined and planned to be demolished. As of 2000, 15.679 housing units have the potential to require renewal in Eskişehir.

TABLE.80 PHYSICAL CONDITION OF THE HOUSING STOCK IN ESKİŞEHİR 2000

INDICATORS	ESKİŞEHİR
NUMBER OF HOUSING UNITS	207.717
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	195.987
THOSE THAT DON'T NEED REPAIRS	119.552
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	58.796
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	13.719
IN RUINS AND PLANNED TO BE PULLED DOWN	1.960
UNKNOWN CONDITION	1.960

SOURCE: TSA, Building Count 2000

Building life is another indicator of the housing need arising from renewal. 17.823 buildings (approximately 25.000 housing units) are 50 years and older in Eskişehir as of 2000. 32.720 buildings will be 50 years and older in 2015 and will harbor approximately 50 thousand housing units. Approximately 50 thousand housing units will complete their physical lives until 2015 and therefore are expected to require renewal.

TABLE.81 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	1.623	149
1930-1939	1.577	115
1940-1949	3.183	320
1950-1959	10.280	576
1960-1969	14.153	744
1970-1979	24.655	1.527
1980-1989	20.780	1.633
1990-2000	16.728	1.788
UNKNOWN	552	69
TOTAL	93.531	6.921

SOURCE: Building Count 2000, TSA

IV.1.3 Housing Need in Eskişehir

We make projections for Eskişehir's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section.

A total need for 47.5 thousand housing units is forecast in Eskişehir in 2007-2015.

1- The considerable slow down in Eskişehir's population growth rate will result in a limited housing need for 16 thousand units in 2007-2015 to accommodate urban population growth.

2- Urban regeneration based housing need will be the main driver of Eskişehir's housing need. It is assumed that 30 percent of Eskişehir's sub-standard and illegal housing units (76 thousand as of 2006) will be renewed in 2007-2015 in the context of urban regeneration and transformation projects. Hence, urban regeneration based housing need is foreseen to be 22.5 thousand housing units in 2007-2015, which will be evenly distributed per years.

3- A renewal based housing need of 9 thousand units will arise in Eskişehir in 2007-2015. It is assumed that 0.5 percent of the total housing stock will be renewed yearly. 50 thousand housing units are projected to be 50 years and older in Eskişehir until 2015. The renewal based housing need corresponds to 18 percent of the housing stock with an age of 50 and over.

TABLE.82 PREDICTIONS FOR THE HOUSING NEED IN ESKİŞEHİR (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	2	2.5	1	5.5
2008	2	2.5	1	5.5
2009	2	2.5	1	5.5
2010	2	2.5	1	5.5
2011	1	2.5	1	4.5
2012	2	2.5	1	5.5
2013	2	2.5	1	5.5
2014	2	2.5	1	5.5
2015	1	2.5	1	4.5
TOTAL	16	22.5	9	47.5

IV.1.4 Factors that Influence the Housing Demand in Eskişehir

Next, we will evaluate the factors that influence the housing demand in Eskişehir, subsequent to having made housing need projections. In this framework, home ownership and income structures of households in Eskişehir are presented.

Home ownership is the leading factor that affects the housing demand in the upcoming period. As of 2000, 47.467 households, which correspond to 25 percent of total households, are tenants in Eskişehir. Even though the ratio of tenancy is below the average of Turkey (32.6 percent) as of 2000, approximately 47.5 thousand households that are tenants constitute a housing demand potential.

TABLE.83 HOME OWNERSHIP OF HOUSEHOLDS IN ESKİŞEHİR

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	126.448	66.46
TENANT	47.467	24.95
LODGING DWELLER	4.780	2.52
NOT HOMEOWNER/DOES NOT PAY RENT	10.096	5.31
OTHER	1.468	0.78
UNKNOWN	25	0.02
TOTAL	190.284	100.00

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development, household and personal incomes are other important determinants of the housing demand. State Planning Organization's most recent data (2003) shows Eskişehir to have the 6th highest rank in terms of economic and social development. In 2006, Eskişehir had a gross product of 4.6 billion dollars and a per capita income level of 6.365 dollars, which exceeds the national average.

Table.84 below gives predictions pertaining to the developments in Eskişehir's gross product and per capita income. The main assumption used in making these projections is that Eskişehir's share within Turkey's national income will remain stable at 1.2 percent until 2015.

Thus, Eskişehir's gross product is anticipated to rise to 5.5 billion dollars in 2010 and to 7.1 billion dollars in 2015, while per capita income is projected to increase to 7.535 and 9.660 dollars respectively in 2010 and 2015.

Per capita income projections reflect a desirable capacity to create housing demand and to benefit from the housing finance system.

TABLE.84 ESKİŞEHİR GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	4.3	721	5.965
2006	4.6	723	6.365
2007	4.8	725	6.620
2008	5.0	727	6.880
2009	5.3	729	7.270
2010	5.5	730	7.535
2011	5.8	731	7.935
2012	6.1	732	8.335
2013	6.4	733	8.730
2014	6.7	734	9.130
2015	7.1	735	9.660

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

We now make predictions for Eskişehir's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

1- Eskişehir has the third highest rank in terms of lifestyle quality. Eskişehir's very high life and city standards represent attractive opportunities for the planned urbanization of its housing sector and markets. In this framework, Eskişehir's housing sector is anticipated to expand in a planned and orderly manner.

2- Nevertheless, absolute population size and population growth projections restrict the housing sector's growth potential in numerical terms. While the housing need and demand arising from population growth will remain limited, urban regeneration and renewal based housing need and demand will be more influential in shaping Eskişehir's housing sector and residential markets.

3- The west of the city and the Batıkent region are developing, designated as new residential settlement areas within the scope of the urban planning and design project which started in 2000. These areas, in which land and unit prices are in an upward trend, will continue to be focus of residential expansion in the upcoming periods.

4- The Batıkent, Bursa road, Zincirlikuyu and Vişnelik districts, as well as Karabayır and Eskibağ regions are Eskişehir's anticipated residential development areas.

5- Atatürk Bulvarı, Vişnelik Mahallesi and Cengiz Topel Caddesi are the top 3 most attractive residential areas in the city center.

6- There is a scarcity of land in the city center suitable for housing development. New residential developments in the city center will greatly be restricted due to land shortage and lack to produce new zoning areas.

7- Nevertheless, urban regeneration works carried out in the city center will lead to the expansion of social housing developments. Illegal settlements are being demolished in the city center where an unhealthy urbanization took place in the last period. The Housing Development Administration of Turkey is carrying out social housing projects in these areas (in the Odunpazarı region as the first step) for low and middle income groups. TOKİ has projects in Eskişehir with 2.362 housing units.

8- Housing demand created by approximately 70-90 thousand university students in Eskişehir affects the housing sector. Due to the limited development of new housing in the city center, existing housing units are being refurbished, transformed and turned into apart-residences. Such demand pushes Eskişehir's inner city housing prices upwards.

9- The tendency to utilize housing credits is anticipated to increase in Eskişehir. Respectively 2.719 and 3.343 units of housing credit have been utilized in Eskişehir in 2005 and in 2006.

IV.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate commercial real estate markets. We start our evaluation with Eskişehir's shopping centers and retail market and then make related predictions.

Economic size, private consumption and retail expenditures of households are the basic variables analyzed in coming up with projections for Eskişehir shopping centers. In this framework, economic sizes pertaining to Eskişehir's retail market and shopping centers are presented below.

In 2006, Eskişehir had a 1.20 percent share within Turkey's national income, a gross product of 4.6 billion dollars and a per capita income of 6.365 dollars.

TABLE.85 ESKİŞEHİR ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	1.20	3.6	5.025
2005	1.20	4.3	5.965
2006	1.20	4.6	6.365

Private consumption expenditures have been 3.3 billion dollars in Eskişehir in 2006 whereas total retail expenditures amounted to 1.55 billion dollars. Retail expenditures made up 47 percent of private consumption expenditures. Food expenditures have been 0.97 billion dollars or 62.6 percent of total retail expenditures. Non-food expenditures totaled 0.58 billion dollars and accounted for 37.4 percent of retail expenditures.

TABLE.86 ESKİŞEHİR PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	3.6	2.5	0.74	0.47	1.21
2005	4.3	3.0	0.88	0.53	1.41
2006	4.6	3.3	0.97	0.58	1.55

Evaluations and predictions made for shopping centers in Eskişehir are shown below.

As of the end of 2006, there are no shopping centers in Eskişehir suitable to ICSC standards. However, there are shopping centers inaugurated in 2007 and are scheduled to start operations in 2008 and in 2009. Shopping center expansion projections are presented below in two alternative scenarios.

The gross leasable area of the 2 shopping centers which started operations in 2007 is 83.950 m2. The new shopping center scheduled to open in 2008 has a GLA of 12.000 m2, and the 2 new shopping centers planned to start operations in 2009 have a total GLA of 54 thousand m2. Thus, Eskişehir shopping centers are anticipated to reach a total gross leasable area of 149.890 m2 at the end of 2009. This total GLA will also be maintained in 2010. As of 2010, the shopping center gross leasable area per 1000 persons will be 205.3 m2 in Eskişehir.

The first of the two scenarios for the following years assumes a gross leasable area m2 per 1000 persons of 250 m2 in 2015 and therefore a total shopping center GLA of 183.750 m2 is projected. The second scenario predicts a GLA per 1000 persons of 275 m2 and a corresponding shopping center gross leasable area of 202.125 m2.

TABLE.87 PREDICTIONS FOR ESKİŞEHİR SHOPPING CENTERS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	723	-	-	-	-
2007	725	115.7	115.7	83.890	83.890
2008	727	131.9	131.9	95.890	95.890
2009	729	205.6	205.6	149.890	149.890
2010	730	205.3	205.3	149.890	149.890
2011	731	210.0	215.0	153.510	157.165
2012	732	220.0	230.0	161.040	168.360
2013	733	230.0	245.0	168.590	179.585
2014	734	240.0	260.0	176.160	190.840
2015	735	250.0	275.0	183.750	202.125

Table.88 below shows the size of annual potential retail expenditures per shopping center gross leasable area, as projected in the above two scenarios.

With the inauguration of the planned shopping centers, annual potential retail expenditures per shopping center GLA will be 12.075 dollars at the end of 2010. In 2015, annual potential retail expenditures are predicted to reach 12.680 dollars in the first scenario, which anticipates a GLA of 183.750 m2. This figure is 11.527 dollars in the second scenario where a gross leasable area of 202.125 m2 is projected. These evaluations lead us to the conclusion that, once Eskişehir shopping centers attain a GLA of 149.890 m2 in 2010, an investment potential still exists for shopping centers with an additional gross leasable area of 35 - 50 thousand m2 between the years 2010-2015.

TABLE.88 PREDICTIONS FOR SHOPPING CENTERS IN ESKİŞEHİR

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.55	-	-	-	-
2007	1.58	83.890	83.890	18.835	18.835
2008	1.65	95.890	95.890	17.207	17.207
2009	1.75	149.890	149.890	11.675	11.675
2010	1.81	149.890	149.890	12.075	12.075
2011	1.91	153.510	157.165	12.440	12.155
2012	2.01	161.040	168.360	12.480	11.940
2013	2.11	168.590	179.585	12.515	11.750
2014	2.20	176.160	190.840	12.485	11.525
2015	2.33	183.750	202.125	12.680	11.527

IV.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Tourism and accommodation establishments are the second topic of evaluation within commercial real estate.

In this framework, statistical data pertaining to Eskişehir's accommodation establishments is analyzed, the development potential of tourism is evaluated and predictions are made for tourism and accommodation establishments.

Tourism activities are very limited in Eskişehir. In 2006, a total of 107.249 tourists (3.693 of foreign and 103.556 of domestic origin) visited Eskişehir. These visitors stayed for a total of 167.486 nights. The average duration of stay was 2.8 nights for foreigners and 1.5 nights for Turkish citizens. While the majority of domestic and some foreign tourists visit Eskişehir for business and trade purposes, foreign visitors nevertheless are very limited.

TABLE.89 ESKİŞEHİR ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	1.963	45.783	47.746	4.858	58.110	62.968	1.95	23.34	25.29
2003	2.223	51.023	53.246	6.253	69.911	76.164	2.53	28.24	30.77
2004	2.609	60.161	62.770	9.206	94.704	103.910	3.74	38.45	42.19
2005	4.030	91.945	95.975	20.031	140.228	160.259	4.14	28.95	33.09
2006	3.693	103.556	107.249	10.251	157.235	167.486	2.13	32.60	34.72

SOURCE: MINISTRY OF CULTURE AND TOURISM

At the end of 2005, Eskişehir had 11 establishments endowed with tourism operating licenses, with 675 rooms and a bed capacity of 1.332. The 2 establishments with a tourism investment license in 2005 had a capacity of 346 beds and 173 rooms.

TABLE.90 ESKİŞEHİR ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL				1	174	372
4 STAR HOTEL	1	65	130	1	79	123
3 STAR HOTEL	1	108	216	3	214	440
2 STAR HOTEL				5	173	327
APART HOTEL				1	35	70
TOTAL	2	173	346	11	67	1.332

SOURCE: MINISTRY OF CULTURE AND TOURISM

In spite of Eskişehir's advance lifestyle and city standards, development level and industrial expansion; tourism has not yet attained the desired level. The history-culture tourism potential of Eskişehir will be exploited when the Phrygia valley, surrounding historical sites and archeological monuments are promoted as tourism sites. Eskişehir also enjoys sufficient potential for alternative sports tourism (game hunting, mountaineering, rafting, water sports, camping and golf). Moreover, universities and the aim of the city to become a high technology based industry city make Eskişehir a science and technology focused business and trade center.

In this framework, in addition to Eskişehir's existing accommodation capacity, a need is foreseen for additional:

1- Business oriented concept hotels (3-4 stars)

2- Boutique hotels to cater to sports, vacation, entertainment and culture oriented accommodation needs.

IV.4 INDUSTRIAL AND LOGISTICS AREAS

Eskişehir will experience a major and diverse industrialization until 2015, and hence a significant expansion in industrial and logistics areas.

Industry in Eskişehir, which flourished in Turkey's largest organized industry zone, displays great diversity. In the forthcoming process, industry will expand in two distinct axes in Eskişehir.

The shift of industry squeezed in the Marmara metropolitan area and in Ankara to Eskişehir as a new industrial basin will constitute the first development axis.

The second expansion axis will result from the changes in the characteristics of industry. As an innovation center, Eskişehir will turn into a region where high technology industries will flourish. These industries, which emphasize material based and metal technologies, include aviation-defense, space, computers and ceramics. The existence of universities will encourage Eskişehir to develop as an innovation and technology focused science and industry city. The city will thus be the preferred designation for national and international high technology investments.

Eskişehir's logistics needs will expand, parallel to its industrial growth. Despite the city's role as Anatolia's gate opening up to the Marmara region, the insufficiency of its land-air-sea routes prevented Eskişehir so far to become fully integrated with national and international markets. With the completion of Ankara-Eskişehir-İstanbul fast train project, more efficient use of the Eskişehir airport, expansion of its highway (completion of İstanbul-Bursa-Eskişehir-Ankara connections), Eskişehir's transportation infrastructure will improve and allow the city to fully benefit from its logistics potential.

Eskişehir hosts Turkey's largest Organized Industry Zone with the most modern infrastructure. An area of 14 million m2 is currently in use in the Eskişehir OIZ (EOSB) with a capacity of 32 million m2. Of a total of 450 companies, 290 are actively in operation.

An area of 450 thousand m2 is set aside for Small and Medium size Enterprises (SME) within the organized industry zone, in which 91 companies are active. Moreover, an area of 5 million m2 is also separated within the OIZ for the Aviation and Defense Specialty Organized Industry Zone which is in the planning stages. 19 companies are actively operational in the Technology Development Zone which is established on an area of 500 thousand m2 within the OIZ. Additionally, a logistics base is also active within the Eskişehir Organized Industry Zone. In the near future, Eskişehir will become a city where the demand and the need for industrial and logistics areas will rapidly expand. As a result, industrial and logistics areas will be considered to be preferential for real estate investments.

TABLE.91 ESKİŞEHİR ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
ESKIŞEHIR OIZ	32 MILLION M2 14.5 MILLION M2 IN USE AN ADDITIONAL 1 MILLION M2 WILL BE USED EACH YEAR UNTIL 2015	450 COMPANIES 290 COMPANIES IN ACTIVE OPERATION 90 COMPANIES IN INVESTMENT STAGE 70 COMPANIES NEWLY OBTAINED PERMISSION
ESKIŞEHIR OIZ	450 THOUSAND M2 SET ASIDE FOR SMALL AND MEDIUM SIZE ENTERPRISES	91 COMPANIES IN OPERATION
AVIATION AND DEFENSE SPECIALTY OIZ	5 MILLION M2 WITHIN THE ESKIŞEHIR OIZ	IN PLANNING STAGE
TECHNOLOGY DEVELOPMENT ZONE	500 THOUSAND M2 WITHIN OIZ	19 COMPANIES IN OPERATION

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter V.

KAYSERİ REAL ESTATE SECTOR AND PROGNOSES

V.1 HOUSING SECTOR AND MARKETS

The evaluation of Kayseri's real estate market starts with the residential sector. The evaluation consists of making projections for the housing sector to forecast the need and demand for housing in Kayseri until 2015. To this end, in this section we examine the factors that affect housing demand and supply, evaluate and make projections for residential markets.

V.1.1 Demography and Population Forecast

Demographic and population changes are the main factors that affect housing need and demand. In this framework, we first evaluate demographic and population changes and tendencies in Kayseri and then forecast population based on the assumptions made.

The absolute size and evolution of Kayseri's population as well as its share within the total population of Turkey are presented below in Table.92. Kayseri's population grew from 778 thousand in 1980 to 1.06 million in 2000, according to the general population census data. Kayseri's population has attained 1.09 million in 2005 and 1.1 million in 2006. The share of Kayseri's population within the total population of Turkey has been regressing since 1980 from 1.74 percent to 1.57 percent in 2000. This downward trend continued in following years whereby the share of Kayseri's population within Turkey declined to 1.5 percent in 2006.

TABLE.92 POPULATION OF KAYSERİ AND TURKEY

YEARS	KAYSERİ (000)	TURKEY (000)	SHARE %
1980	778	44.737	1.74
1985	864	50.664	1.71
1990	944	56.473	1.68
2000	1.060	67.804	1.57
2005 (1)	1.095	72.538	1.51
2006 (1)	1.102	73.466	1.50

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

Kayseri's population growth rate has slowed down considerably and has been below the average of Turkey. The population growth rates of Kayseri and Turkey are displayed comparatively in Table.93 below.

The annual average population growth rate declined from 2.12 percent in 1980-1985 to 0.65 percent in 2000-2005. The average population growth rate has been 0.64 percent in 2006, which corresponds to half of the population growth rate of Turkey (1.28 percent in 2006).

TABLE.93 POPULATION GROWTH RATES OF KAYSERİ AND TURKEY (%)

PERIODS	KAYSERİ (%)	TURKEY (%)
1980-1985	2.12	2.49
1985-1990	1.76	2.17
1990-2000	1.16	1.83
2000-2005 (1)	0.65	1.36
2005-2006 (1)	0.64	1.28

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

Migration flows are the leading determinants of population changes in Kayseri. Kayseri is subject to a simultaneous migration inflow and outflow. As a result, Kayseri has become a city with a net migration outflow since 1980. On the one hand, Kayseri receives migrants from surrounding cities; on the other hand there is a constant migration to more developed cities and coastal towns. As a result, Kayseri has a net migration outflow.

Kayseri's net migration rate and absolute net migration are presented below in Table.94. Migration outflow from Kayseri started subsequent to the migration inflow of 1975-1980. The highest migration outflow occurred in 1985-1990 and resulted in a net migration rate of -1.85 percent. After slowing down in 1995-2000, migration from Kayseri increased once again in 2000-2005. 2.600 persons are estimated to have migrated from the city in 2006, which corresponds to a net migration rate of -0.24 percent.

TABLE.94 KAYSERİ NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	10.698	1.63
1980-1985	-5.145	-0.66
1985-1990	-16.005	-1.85
1995-2000	-3.307	-0.33
2000-2005 (1)	-14.000	-1.32
2005-2006 (1)	-2.600	-0.24

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

Table.95 below displays the sources of population growth in Kayseri: migration and urban population growth. Kayseri's urban population growth rate has declined significantly. The average urban population growth rate regressed from 2.34 percent per annum in 1985-1990, to 0.90 percent in 2000-2005 and has been 0.88 percent in 2006.

The slowing down in Kayseri's urban population growth rate and the continued migration from the city resulted in the overall population growth rate to diminish. In 2006, urban population growth rate has been 0.88 percent, net migration rate amounted to –0.24 percent and Kayseri's urban population grew by 0.64 percent.

TABLE.95 SOURCES OF KAYSERİ'S POPULATION GROWTH

PERIODS	TOTAL POPULATION GROWTH (000)	TOTAL NET MİGRATION (000)	ANNUAL AVERAGE GROWTH DUE TO MIGRATION %	URBAN POPULATION GROWTH (000)	ANNUAL AVERAGE GROWTH DUE TO URBAN POPULATION %
1980-1985	86	-5	-0.22	91	2.34
1985-1990	80	-16	-0.35	96	2.11
1995-2000	49	-3	-0.05	52	1.00
2000-2005	35	-14	-0.25	49	0.90
2005-2006	7	2.6	-0.24	9.6	0.88

Urbanization rate and urban population size are important indicators of the relationship between population and demographic data and the housing sector.

The evolution of Kayseri's urbanization rate and urban population size are displayed in Table.96 below. Kayseri's urbanization rate shifted from 56.1 percent in 1980 to 69.6

percent in 2000. Kayseri's urbanization rate continues to increase, and has been estimated to be 72.5 percent in 2005 and 72.7 percent in 2006. Based on these urbanization rates, Kayseri's urban population has grown from 436 thousand in 1980, to 738 thousand in 2000, and reached 801 thousand in 2006.

TABLE.96 URBANIZATION RATE AND URBAN POPULATION IN KAYSERİ

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	778	56.1	436
1985	864	60.5	523
1990	944	64.2	606
2000	1.060	69.6	738
2005	1.095	72.5	794
2006	1.102	72.7	801

Kayseri's urban population size and number of urban households according to the average urban household size are shown in Table.97 below. The 2000 General Population Census data indicated an average urban household size of 4.38 persons in Kayseri. The average urban household size is estimated to be 4.23 persons in 2006. Hence, Kayseri's urban households have increased from 168 thousand in 2000 to 189 thousand in 2006.

TABLE.97 KAYSERİ URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	738	4.38	168
2005	794	4.25	187
2006	801	4.23	189

Next, we forecast Kayseri's population for each year until 2015, based on demographic and population changes and tendencies.

It is assumed that Kayseri's population growth rate will continue to gear down until 2015 and will remain significantly below the national average. The slow down in Kayseri's population growth rate will exceed the slow down in the population growth rate of Turkey.

Kayseri's population is projected to grow from 1.1 million in 2006 to 1.13 million in 2010 and 1.15 million in 2015. The share of Kayseri's population within the total population of Turkey is foreseen to regress from 1.5 percent in 2006 to 1.41 percent in 2015.

TABLE.98 KAYSERİ AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	KAYSERİ POPULATION GROWTH RATE %	KAYSERİ POPULATION (000)	KAYSERİ POPULATION SHARE %
2000	1.66	67.804	0.70	1.060	1.57
2005	1.33	72.538	0.66	1.095	1.51
2006	1.28	73.466	0.64	1.102	1.50
2007	1.26	74.392	0.62	1.109	1.49
2008	1.24	75.315	0.59	1.115	1.48
2009	1.22	76.234	0.56	1.121	1.47
2010	1.20	77.149	0.53	1.127	1.46
2011	1.18	78.059	0.50	1.132	1.45
2012	1.16	78.965	0.47	1.137	1.44
2013	1.14	79.865	0.45	1.142	1.43
2014	1.12	80.759	0.42	1.147	1.42
2015	1.10	81.647	0.40	1.152	1.41

The number of urban households and related projections are other important indicators for Kayseri's real estate sector and housing markets. Projections pertaining to Kayseri's urbanization rate, average size and number of urban households are given in Table.99 below.

As can be seen from the table, Kayseri's urbanization rate is predicted to gradually increase, whereas the average urban household size is anticipated to diminish.

Based on these assumptions, Kayseri's urbanization rate is foreseen to attain 73.6 percent in 2010 and 75 percent in 2015, while the average urban household size is projected to regress to 4.15 persons in 2010 and 4.05 persons in 2015. As a result, Kayseri's urban households are expected to grow from 189 thousand in 2006 to 200 thousand in 2010 and to attain 213 thousand in 2015.

TABLE.99 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN KAYSERİ

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.060	69.6	738	4.38	168
2005	1.095	72.5	794	4.25	187
2006	1.102	72.7	801	4.23	189
2007	1.109	73.0	810	4.21	192
2008	1.115	73.2	816	4.19	195
2009	1.121	73.4	823	4.17	197
2010	1.127	73.6	829	4.15	200
2011	1.132	74.0	838	4.13	203
2012	1.137	74.2	844	4.11	205
2013	1.142	74.4	850	4.09	208
2014	1.147	74.7	857	4.07	211
2015	1.152	75.0	864	4.05	213

V.1.2 Housing Stock in Kayseri

Next, we will analyze and evaluate Kayseri's existing housing stock in order to make projections for the housing sector and markets. The existing housing stock is evaluated in terms of quantity, physical condition and legal status. In this framework, data pertaining to Kayseri's housing stock are presented and examined in this section. TSA's 2000 Building Count data is used to evaluate Kayseri's existing housing stock.

As of 2000, there are 142.399 buildings and 273.620 housing units in Kayseri. 231.219 units are located in Kayseri's urban areas (city and townships). An analysis of the legal condition of Kayseri's housing stock as of 2000 shows that 67.987 housing units have been built without construction permits. 29 percent of the housing stock consists of illegal units with sub-standard quality. 44 percent of housing units have occupancy permits. Kayseri experienced extensive illegal urbanization as a result of migration, rapid urbanization and economic conditions.

TABLE.100 KAYSERİ HOUSING STOCK 2000

INDICATORS	KAYSERİ
NUMBER OF BUILDINGS	142.399
NUMBER OF HOUSING UNITS	273.620
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	231.219
HOUSING UNITS WITH CONSTRUCTION PERMITS	163.241
HOUSING UNITS WITH OCCUPANCY PERMITS	102.666
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	67.978
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	71.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	44.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Kayseri's housing stock in 2006 is presented below in Table.101. Kayseri's urban housing stock is estimated to have attained 297.719 in 2006. 48.500 construction permits have been obtained in Kayseri in 2000-2005. It is estimated that 20.000 housing units have been built illegally in 2001-2006 and that 2.000 housing units have been unusable in the same period.

Hence, Kayseri's total housing stock is calculated as 297.710 units in 2006. (The Ministry of Finance 2005 data is 296.561 housing units).

TABLE.101 KAYSERİ 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	KAYSERİ
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	231.219
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	48.500
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	2.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	20.000
TOTAL HOUSING STOCK 2006	297.719

While the housing stock in the city and townships of Kayseri is calculated as 297.719 at the end of 2006, the total number of urban households is estimated to be 189 thousand. The comparison of the number of households with the existing housing stock leads us to the conclusion that Kayseri has a housing surplus in numerical terms. In recent years, the majority of Kayseri's new housing has been observed to be produced legally.

Nevertheless, approximately 29 percent of the existing housing stock (approximately 86 thousand units) is comprised of illegal housing units without construction permits as of 2006. Almost all of these housing units are assumed to be of sub-standard quality and will in turn create a housing need to be addressed through urban regeneration projects. Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and age of the housing stock affect the need for housing.

The physical condition of Kayseri's existing housing stock as of 2000 is presented according to TSA's 2000 Building Count data. As of 2000, 23.122 housing units within Kayseri's existing housing stock are in need of serious repair and refurbishment whereas 6.937 units are ruined and planned to be demolished. As of 2000, 30.059 housing units in Kayseri can be considered to require renewal.

TABLE.102 PHYSICAL CONDITION OF THE HOUSING STOCK IN KAYSERİ 2000

INDICATORS	KAYSERİ
NUMBER OF HOUSING UNITS	273.620
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	231.219
THOSE THAT DON'T NEED REPAIRS	115.610
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	80.927
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	23.122
IN RUINS AND PLANNED TO BE PULLED DOWN	6.937
UNKNOWN CONDITION	4.623

SOURCE: TSA, Building Count 2000

When the housing stock is evaluated in terms of building life, the total number of buildings that are 50 years and older that are solely and/or predominantly used for residential purposes are 15.219 in 2000 (approximately 20 thousand housing units).

This number is anticipated to reach 29.079 by 2015 (approximately 50 thousand housing units). These buildings whose physical lives will expire will create a need for renewal.

TABLE.103 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	1.384	212
1930-1939	1.331	416
1940-1949	3.501	846
1950-1959	6.150	1.379
1960-1969	11.524	2.333
1970-1979	27.331	4.665
1980-1989	26.813	4.354
1990-2000	20.770	2.858
UNKNOWN	691	207
TOTAL	99.495	17.270

SOURCE: Building Count 2000, TSA

V.1.3 Housing Need in Kayseri

We make projections for Kayseri's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section. A total need for 60 thousand housing units is forecast in Kayseri between the years 2007-2015.

1- Households in Kayseri are predicted to increase by 24 thousand in 2007-2015. The corresponding housing need based on population growth is thus anticipated as 24 thousand.

2- The urban regeneration based housing need in Kayseri is predicted as 27 thousand. The main assumptions made in forecasting this housing need are that 30 percent of the total 86 thousand illegal housing units as of 2006 will be renewed through urban regeneration, will generate an equivalent need for housing and that this urban regeneration based housing need will be evenly distributed per years.

3- A renewal based housing need of 9 thousand units will arise in 2007-2015. It is assumed that 0.5 percent of the total housing stock will be renewed on a yearly basis.

TABLE.104 PREDICTIONS FOR THE HOUSING NEED IN KAYSERİ (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	3	3	1	7
2008	3	3	1	7
2009	2	3	1	6
2010	3	3	1	7
2011	3	3	1	7
2012	2	3	1	6
2013	3	3	1	7
2014	3	3	1	7
2015	2	3	1	6
TOTAL	24	27	9	60

V.1.4 Factors that Influence the Housing Demand in Kayseri

Next, we will evaluate the factors that influence the housing demand in Kayseri, subsequent to having made housing need projections. Home ownership and income structures of households are the main factors that shape the housing demand.

Home ownership is the leading factor that will affect the housing demand in the upcoming period. Data pertaining to home ownership in Kayseri is displayed below in Table.105.

Accordingly, 55.729 households are tenants in Kayseri in 2000 and thus have the potential to create housing demand in the following periods. The Ministry of Finance 2005 data shows 60.401 households in Kayseri to be tenants as of 2005.

TABLE.105 HOME OWNERSHIP OF HOUSEHOLDS IN KAYSERİ

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	165.259	70.02
TENANT	55.729	23.61
LODGING DWELLER	4.324	1.84
NOT HOMEOWNER/DOES NOT PAY RENT	8.903	3.78
OTHER	1.645	0.70
UNKNOWN	170	0.05
TOTAL	236.030	100.00

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand. In 2006, Kayseri had a gross product of 4.9 billion dollars and a per capita income of 4.445 dollars. The per capita income in Kayseri is just below the average of Turkey.

Table.106 below gives projections pertaining to the developments in Kayseri's gross product and per capita income. The main assumption used is that Kayseri will preserve its 1.3 percent share within Turkey's national income until 2015. Therefore, Kayseri's gross product is projected to grow to 6 billion dollars in 2010 and to 7.7 billion dollars

TABLE.106 KAYSERİ GROSS PRODUCT AND PER CAPITA INCOME PROJECTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	4.7	1.095	4.290
2006	4.9	1.102	4.445
2007	5.2	1.109	4.690
2008	5.5	1.115	4.935
2009	5.7	1.121	5.085
2010	6.0	1.127	5.325
2011	6.3	1.132	5.565
2012	6.6	1.137	5.805
2013	6.9	1.142	6.042
2014	7.3	1.147	6.365
2015	7.7	1.152	6.685

in 2015, whereas the per capita income is expected to attain 5.325 dollars in 2010 and 6.685 dollars in 2015. The per capita income projections reflect a limited potential in terms of housing demand and the capacity to benefit from the housing finance system.

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

We now make predictions for Kayseri's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

1- High quality housing development by the private sector for Kayseri's middle and upper income groups represents a significant growth potential. In addition to Ankara, Kayseri will be the only other city in Central Anatolia where the private sector is foreseen to play such an important role in housing development. Hence, the housing markets are expected to grow in a planned and orderly manner.

2- Kayseri is undergoing a new phase whereby new residential construction is taking place in all areas of the city. The private sector engaged in the development of high quality mass housing (especially compounds). (Beyazşehir 9.000 units, İldem 3.500 units, Anayurt 6.000 units, Mimsin 4.000 units)

3- The areas of Gesi, Erkilet, Mimarsinan and the Şeker region are the designated new mass housing expansion areas. Moreover, Melikgazi, Alpaslan, Gültepe district and Talas are still the most attractive residential zones for country homes.

4- The Malatya Road, Sivas Road, Mimarsinan and Ambarlar regions and their surroundings will gain importance and grow as residential areas in the upcoming period, due to the scarcity of land with zoning and high prices in the city center.

5- Urban regeneration and transformation projects of the local administration are expanding in Kayseri. A significant development and price increase occurred in shantytown prevention zones (for the clearance of shanty towns and new housing construction) in Kayseri's old city center.

6- The Housing Development Administration of Turkey (TOKİ) is carrying out housing projects with 5.000 units in Kayseri for the low and middle income groups. The development of social housing is foreseen to expand.

7- Despite the growth of housing developments suitable for housing credits in Kayseri, the utilization of housing credits has been rather limited in 2005 and 2006. Respectively 1.424 and 1.107 units of housing credit have been utilized in Kayseri in 2005 and 2006. The utilization of housing credits is anticipated to grow in the upcoming period.

V.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate the commercial real estate markets in Kayseri, after having studied the housing sector. We start our evaluation with shopping centers and the retail market. In this framework, economic sizes pertaining to Kayseri's retail market and shopping centers are presented below. In 2006, Kayseri had a 1.3 percent share within Turkey's national income, a gross product of 4.9 billion dollars and a per capita income of 4.445 dollars.

TABLE.107 KAYSERİ ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	1.30	3.9	3.588
2005	1.30	4.7	4.290
2006	1.30	4.9	4.445

Private consumption expenditures have been 3.5 billion dollars in Kayseri in 2006, of which 1.9 billion dollars were retail expenditures. The ratio of retail expenditures to private consumption expenditures has been 54 percent. Food and beverage expenditures made up 68 percent (1.3 billion dollars) of retail expenditures whereas non-food items accounted for 32 percent (0.64 billion dollars).

TABLE.108 KAYSERİ PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	3.9	2.7	1.00	0.46	1.46
2005	4.7	3.3	1.22	0.57	1.79
2006	4.9	3.5	1.30	0.60	1.90

Indicators pertaining to shopping centers in Kayseri are given below in Table.109. As of the end of 2006, Kayseri has a total of 4 shopping centers, 1 medium sized and 3 small, according to ICSC standards. The total gross leasable area of these 4 shopping centers is 48.652 m2. The gross leasable area per 1000 persons is 44.1 m2 and the annual potential retail expenditure per GLA m2 corresponds to 39.055 dollars.

TABLE.109 KAYSERİ SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	4	48.652	44.1	39.055

Evaluations and predictions made for Kayseri's shopping centers are shown below. No shopping centers are under construction nor planned to open in Kayseri in 2007 and 2008. On the other hand, 3 shopping centers with a total gross leasable area of 115 thousand m2 are scheduled to open in 2009. Therefore, the total shopping center GLA in Kayseri will attain 163.652 m2 at the end of 2009, which in turn will correspond to a gross leasable area of 146 m2 per 1000 persons. The same sizes will be maintained in 2010.

In subsequent years, the two scenarios pertaining to Kayseri's shopping centers respectively assume a shopping center gross leasable area per 1000 persons of 175 m2 and 200 m2 in 2015.

Based on these assumptions, the total gross leasable area of shopping centers is projected as 210.600 m2 in the first scenario, and as 230.400 m2 in the second scenario.

TABLE.110 PREDICTIONS FOR KAYSERİ SHOPPING CENTERS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.102	44.1	44.1	48.652	48.652
2007	1.109	44.1	44.1	48.652	48.652
2008	1.115	44.1	44.1	48.652	48.652
2009	1.121	146.0	146.0	163.652	163.652
2010	1.127	145.2	145.2	163.652	163.652
2011	1.132	150.0	160.0	169.800	181.120
2012	1.137	155.0	170.0	176.235	193.290
2013	1.142	160.0	180.0	182.720	205.560
2014	1.147	165.0	190.0	189.255	217.930
2015	1.152	175.0	200.0	201.600	230.400

The size of the annual potential retail expenditures per gross leasable area is also evaluated in making projections for Kayseri's shopping centers. Thus, an annual potential retail expenditure of 14.435 dollars is foreseen in 2015 in the first scenario, whereas this number is 12.630 dollars in 2015 in the second scenario.

In this framework, an investment potential exists in Kayseri for shopping centers with an additional gross leasable area of 35 - 65 thousand m2 between the years 2010-2015, based on the outcomes of the two scenarios.

TABLE.111 PREDICTIONS FOR SHOPPING CENTERS IN KAYSERİ

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.90	48.652	48.652	39.055	39.055
2007	1.97	48.652	48.652	40.490	40.490
2008	2.08	48.652	48.652	42.750	42.750
2009	2.15	163.652	163.652	13.135	13.135
2010	2.27	163.652	163.652	13.870	13.870
2011	2.38	169.800	181.120	14.015	13.140
2012	2.49	176.235	193.290	14.130	12.880
2013	2.61	182.720	205.560	14.280	12.700
2014	2.76	189.255	217.930	14.580	12.665
2015	2.91	201.600	230.400	14.435	12.630

V.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Accommodation establishments are evaluated next among commercial real estate. In this framework, statistical data pertaining to Kayseri's accommodation establishments is analyzed, the development potential of tourism is evaluated and predictions are made for tourism and accommodation establishments.

144.471 tourists (10.555 foreign and 133.916 domestic) stayed over in Kayseri in 2006 for a total of 209.962 nights. The total number of overnight stays of foreigners and Turkish nationals respectively has been 23.148 and 186.814 nights. The average duration of stay was 2.2 nights for foreigners and 1.4 nights for domestic tourists. Kayseri's accommodation establishments had an occupancy rate of 37.92 percent in 2006.

TABLE.112 KAYSERİ ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	6.629	75.714	82.343	9.273	87.756	97.029	3.20	30.28	33.48
2003	5.474	75.891	81.365	8.342	98.634	106.976	2.64	31.27	33.91
2004	7.317	109.391	116.708	12.874	168.357	181.231	2.43	31.75	34.18
2005	9.599	119.871	129.470	17.877	168.409	186.286	3.42	32.26	35.69
2006	10.555	133.916	144.471	23.148	186.814	209.962	4.18	33.74	37.92

SOURCE: MINISTRY OF CULTURE AND TOURISM

As of the end of 2005, Kayseri had 11 establishments endowed with tourism operating licenses, with 698 rooms and a bed capacity of 1.434. The 8 establishments with a tourism investment license had a capacity of 411 rooms and 825 beds.

Kayseri's tourism benefits from a three-fold expansion potential: winter sports, history-faith-culture tourism and the potential which arises from Kayseri's location as a crossing gate to Cappadocia.

TABLE.113 KAYSERİ ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL				1	215	443
4 STAR HOTEL	2	191	380	1	100	210
3 STAR HOTEL	2	115	234	5	249	510
2 STAR HOTEL	3	90	181	3	124	249
BOUTIQUE HOTEL	1	15	30			
PENSION				1	10	22
TOTAL	8	411	825	11	698	1.434

SOURCE: MINISTRY OF CULTURE AND TOURISM

The Mountain of Erciyes in Kayseri has a significant winter tourism and winter sports potential. The Mountain of Erciyes has been declared as a tourism investment zone and the Tourism Master Plan of the Mountain of Erciyes has been completed. The Master Plan permits the establishment of integrated Erciyes winter sports facilities in the region from the Develi ridge to Hacılar, from the Koç Summit to Hisarcık. With an investment of 2 billion dollars, the Master Plan targets to create an international tourism center with a bed capacity of 4.500 beds.

Kayseri, which has a past of 6000 years, is the cradle of many civilizations. The city is similar to an open-air museum with its buildings and monuments dating from the era of the Hittites, Assyrians, Romans, Seljuks and Ottomans. However, Kayseri's historical potential is not being fully exploited. Furthermore, 70 percent of the foreign tourists transit through Kayseri in accessing Cappadocia. Even though Kayseri is an entry and exit gate to Cappadocia, tourists do not stay over in Kayseri. A major step will be taken ahead if these tourists in transit also get to benefit from Kayseri's historical potential.

In line with the development of industry and trade in Kayseri, the business-trade focused tourism potential is also expected to flourish. Kayseri also has the potential to become an attraction center with its many cultural activities. The new cultural center with a capacity of 7.200 persons can serve this purpose. In this framework, in addition to Kayseri's existing accommodation facilities, a need is foreseen for:

1. Winter sports and winter tourism oriented hotels (4-5 stars) and sports facilities
2. Concept hotels endowed with business facilities (3-4 stars)
3. Boutique hotels (3-4 stars) to predominantly meet vacation-entertainment needs.

V.4 INDUSTRIAL AND LOGISTICS AREAS

Finally, we will examine and evaluate industrial and logistics areas within commercial real estate. Kayseri has become a model city for Turkey with its industrialization movement. Despite some negative effects created by the subsidy system, the expansion of industry is anticipated to continue in Kayseri.

The growth of industry in Kayseri is occurring in a polycentric manner around organized industry zones. Kayseri's industry is gathered within 3 organized industry zones. The total size of the Kayseri, Mimarsinan and İncesu Organized Industry Zones is approximately 40 million m2. Nevertheless, a 100 percent occupancy rate has been achieved in the 3 OIZ together with companies actively in operation and those in investment stages who have been allocated parcels. The demand for logistics and industrial areas inside and outside of the OIZ is high, and land prices are in an upward trend. The demand for industrial land is foreseen to increase in the middle run. Moreover, a high level of demand is also apparent for the 3 livestock specialty organized industry zones of which 2 are in planning and 1 is in decision stage. Demand also prevails for the Technology Development Zone within the Erciyes University.

Kayseri is also becoming an important logistics center. Of the 6 logistics villages that are planned, 1 is being established in Boğazköprü, at a 4 km distance to the Kayseri Organized Industry Zone. The logistics village will comprise distribution centers for internal trade as well as storage and warehousing areas for regional and international trade. A container park will also be founded. Kayseri will become the city with the highest demand for industrial and logistics areas in the Central Anatolia region. For this reason, investments in industrial and trade areas are considered to represent attractive real estate opportunities in Kayseri.

TABLE.114 KAYSERİ ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
KAYSERI OIZ	25 MILLION M2 1239 PARCELS	720 COMPANIES IN OPERATION 101 COMPANIES IN INVESTMENT STAGE
KAYSERI FREE TRADE ZONE	7 MILLION M2	70 COMPANIES IN OPERATION
ERCIYES UNIVERSITY TECHNOLOGY DEVELOPMENT ZONE	270.000 M2	NEWLY INAUGURATED 45 COMPANIES IN OPERATION
MIMARSINAN OIZ	4.9 MILLION M2 + 1.5 MILLION M2 EXPANSION AREA	NEWLY INAUGURATED COMPANY INVESTMENTS IN PROGRESS
INCESU OIZ	610 HECTARES 157 PARCELS	NEWLY INAUGURATED COMPANY INVESTMENTS IN PROGRESS
YEŞILHISAR LIVESTOCK SPECIALTY ORGANIZED INDUSTRY ZONE	2.5 MILLION M2	IN PLANNING STAGE
PINARBAŞI LIVESTOCK SPECIALTY ORGANIZED INDUSTRY ZONE	2.0 MILLION M2	IN PLANNING STAGE
DEVELI LIVESTOCK SPECIALTY ORGANIZED INDUSTRY ZONE	1.9 MILLION M2	IN DECISION STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter VI.

KOCAELİ REAL ESTATE SECTOR AND PROGNOSES

VI.1 HOUSING SECTOR AND MARKETS

The evaluation of Kocaeli's real estate sector starts with the residential markets. We make projections to forecast the housing need in Kocaeli until 2015 and examine the factors, which affect the housing demand and supply.

VI.1.1 Demography and Population Forecast

Demographic and population changes are the main factors that affect the demand and need for housing. In this framework, we first evaluate the changes and tendencies in Kocaeli's demography and population, and then we forecast population, urbanization and number of urban households.

Changes in Kocaeli's population and its share within the national population are given in Table.115 below. Kocaeli's population rose from 597 thousand in 1980 to 1.2 million in the 2000 population census. The population of Kocaeli has been 1.338 thousand in 2005 and 1.366 thousand in 2006. The share of Kocaeli's population within the total population of Turkey is rising. Kocaeli's share within the total population of Turkey increased from 1.34 percent in 1980 to 1.78 percent in the 2000 population census, and attained 1.86 percent in 2006.

TABLE.115 POPULATION OF KOCAELİ AND TURKEY

YEARS	KOCAELİ (000)	TURKEY (000)	SHARE %
1980	597	44.737	1.34
1985	742	50.664	1.47
1990	922	56.473	1.64
2000	1.206	67.804	1.78
2005 (1)	1.338	72.538	1.85
2006 (1)	1.366	73.466	1.86

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

Despite its slow down in recent years, Kocaeli's population growth rate still exceeds the average population growth rate of Turkey. Kocaeli's annual average population growth rate grew from 4.45 percent in 1980-1985 to 4.67 percent in 1985-1990 and then retreated to 2.70 percent in 1990-2000. The loss of population as a result of the 1999 earthquake has been influential in this decline. The population growth rate continued to slow down in the 2000-2005 period, yet remained far above the average of Turkey (1.28 percent) with 2.10 percent.

TABLE.116 POPULATION GROWTH RATES OF KOCAELİ AND TURKEY (%)

PERIODS	KOCAELİ (%)	TURKEY (%)
1980-1985	4.45	2.49
1985-1990	4.67	2.17
1990-2000	2.70	1.83
2000-2005 (1)	2.10	1.36
2005-2006 (1)	2.10	1.28

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

Migration flows are the primary determinants of the population changes and tendencies in Kocaeli. Kocaeli has been subject to a significant migration inflow for a long time as a result of industrialization. 83.262 persons migrated to Kocaeli in 1985-1990, which corresponds to a net migration rate of 9.03 percent. Migration to Kocaeli continued in the 1995-2000 period until the 1999 earthquake, when a large migration outflow took place.

Hence, the net migration rate for 1995-2000 has been only 0.19 percent. Migration to Kocaeli started to rise again in 2000-2005, with 52.000 migrants and a corresponding net migration rate of 4.3 percent. Net migration inflow to Kocaeli is observed to carry on in 2006.

TABLE.117 KOCAELİ NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	53.640	11.29
1980-1985	41.287	6.92
1985-1990	83.262	9.03
1995-2000	211	0.19
2000-2005 (1)	52.000	4.30
2005-2006 (1)	11.000	0.85

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

Table.118 below displays the sources of Kocaeli's population growth: urban population growth and migration. The urban population growth rate has been slowing down in Kocaeli. The average urban population growth rate regressed from 3.19 percent per annum in 1985-1990 to 1.3 percent in 2000-2005 and has been 1.25 percent in 2006. On the other hand, migration based population growth continues to contribute to the population growth of the city. Of the 2.10 percent population growth in Kocaeli in 2006, 1.25 percent comes from urban population growth and 0.85 percent from net migration.

TABLE.118 SOURCES OF KOCAELİ'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	145	41	1.26	104	3.19
1985-1990	180	83	2.15	97	2.52
1995-2000	89	0.2	0.00	89	1.55
2000-2005	132	52	0.80	80	1.30
2005-2006	28	11	0.85	17	1.25

Urbanization rate and urban population size are important indicators of the relationship between population and demographic data and the housing sector. Despite considerable migration inflow and high rate of industrialization, Kocaeli has a low urbanization rate. Residents in the city and townships of Kocaeli made up 57 percent and 62.9 percent of Kocaeli's total population respectively in 1980 and 1990. The urbanization rate has been measured as 58.8 percent in the 2000 general population census. The urban population loss caused by the 1999 earthquake drastically affected this indicator. The urbanization rate started to increase again in the following period and attained 63.3 percent in 2006. Based on these urbanization rates, Kocaeli's urban population has grown from 340 thousand in 1980, to 709 thousand in 2000, and reached 865 thousand in 2006.

TABLE.119 URBANIZATION RATE AND URBAN POPULATION IN KOCAELİ

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	597	57.0	340
1985	742	60.0	445
1990	922	62.9	580
2000	1.206	58.8	709
2005	1.338	63.0	843
2006	1.366	63.3	865

The number of urban households in Kocaeli according to the total urban population size is shown below in Table.120. The average urban household size, which was measured as 4 persons in the 2000 population census, is estimated to be 3.83 persons in 2006. Hence, Kocaeli's urban households have grown from 177 thousand in 2000 to 226 thousand in 2006.

TABLE.120 KOCAELİ URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	709	4.00	177
2005	843	3.85	219
2006	865	3.83	226

Next, we forecast Kocaeli's population for each year until 2015, based on demographic and population changes and tendencies. The assumptions made to forecast Kocaeli's population growth are that migration to Kocaeli will continue, on the other hand the urban population growth will slow down, nevertheless Kocaeli's population growth rate will exceed that of Turkey.

Based on these assumptions, Kocaeli's population growth rate, which was 2.10 percent in 2006, is foreseen to regress to 1.95 percent and 1.80 percent respectively in 2010 and 2015. As a result, Kocaeli's population is expected to expand to 1.478 thousand in 2010 and to 1.621 thousand in 2015. Furthermore, the share of Kocaeli's population within the population of Turkey is projected to increase to 1.92 percent in 2010 and to 1.99 percent in 2015.

The number of urban households and related projections are other important indicators for Kocaeli's real estate sector and housing markets. Projections pertaining to Kocaeli's urbanization rate, average size and number of urban households are given in Table.122 below.

TABLE.121 KOCAELİ AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION(000)	KOCAELİ POPULATION GROWTH RATE %	KOCAELİ POPULATION (000)	KOCAELİ POPULATION SHARE %
2000	1.66	67.804	1.55	1.206	1.78
2005	1.33	72.538	2.15	1.338	1.85
2006	1.28	73.466	2.10	1.366	1.86
2007	1.26	74.392	2.06	1.394	1.88
2008	1.24	75.315	2.02	1.422	1.89
2009	1.22	76.234	1.98	1.450	1.91
2010	1.20	77.149	1.95	1.478	1.92
2011	1.18	78.059	1.92	1.506	1.93
2012	1.16	78.965	1.89	1.534	1.95
2013	1.14	79.865	1.86	1.563	1.96
2014	1.12	80.759	1.83	1.592	1.98
2015	1.10	81.647	1.80	1.621	1.99

We anticipate Kocaeli's urbanization rate to gradually increase and attain 66 percent in 2015, yet the average urban household size to diminish and regress to 3.65 persons in 2015. Hence, Kocaeli's 226 thousand urban households in 2006 are expected to reach 254 thousand in 2010 and 293 thousand in 2015.

TABLE.122 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN KOCAELİ

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATIONSIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.206	58.8	709	4.00	177
2005	1.338	63.0	843	3.85	219
2006	1.366	63.3	865	3.83	226
2007	1.394	63.6	887	3.81	233
2008	1.422	63.9	909	3.79	240
2009	1.450	64.2	931	3.77	247
2010	1.478	64.5	953	3.75	254
2011	1.506	64.8	976	3.73	262
2012	1.534	65.1	999	3.71	269
2013	1.563	65.4	1.022	3.69	277
2014	1.592	65.7	1.046	3.67	285
2015	1.621	66.0	1.070	3.65	293

VI.1.2 Housing Stock in Kocaeli

Next, we will analyze and evaluate Kocaeli's existing housing stock to make projections for the housing sector and markets. The existing housing stock is evaluated in terms of quantity, physical condition and legal status. Kocaeli's housing stock as of 2000 is presented below in Table.123 according to TSA's Building Count data. As of 2000, Kocaeli has a total of 140.613 buildings and 352.079 housing units. As of 2000, 209.086 housing units are located in Kocaeli's urban areas.

175.049 housing units have construction permits. 83 percent of total housing stock has construction permits, which constitutes the highest ratio in Turkey. As of 2000, 34.037 housing units lack construction permits.

TABLE.123 KOCAELİ HOUSING STOCK 2000

INDICATORS	KOCAELİ
NUMBER OF BUILDINGS	140.613
NUMBER OF HOUSING UNITS	352.079
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	209.086
HOUSING UNITS WITH CONSTRUCTION PERMITS	175.049
HOUSING UNITS WITH OCCUPANCY PERMITS	90.027
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	34.037
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	83.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	43.0

SOURCE: TSA, Building Count 2000 Results

We expect Kocaeli's urban areas to have 256.254 housing units as of 2006. The evolution of Kocaeli's housing stock after the year 2000 has been affected by after-the-earthquake initiatives. The 2006 housing stock estimate does not comprise temporary housing units. 50.168 construction permits have been obtained in Kocaeli in 2000-2005. It is estimated that 6.000 housing units are unusable in 2001-2006 and that only 3.000 housing units have been built illegally in the same period, as a result of effective inspections after the earthquake. Thus, the housing stock in Kocaeli is estimated to have attained 256.254 in 2006.

TABLE.124 KOCAELİ 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	KOCAELİ
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	209.086
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	50.168
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	6.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	3.000
TOTAL HOUSING STOCK 2006	256.254

The demolishment of buildings after the 1999 earthquake and the abandonment of housing units in risky areas gave rise to a significant housing deficit in Kocaeli. As of 2006, the housing stock is 256 thousand and the number of urban households is 226 thousand. The comparison of these two figures reveals a housing surplus in numerical terms. In fact, a housing shortage prevails in Kocaeli when both unusable and illegal residential units are taken into account. The uncertainties experienced in extending construction permits subsequent to the earthquake also limit the possibility to narrow this housing deficit.

Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and the age of the housing stock affect the housing need.

The physical condition of Kocaeli's existing housing stock is presented below in Table.125 according to TSA's 2000 Building Count data. As of 2000, 10.454 housing units within Kocaeli's existing housing stock are in need of serious repair and refurbishment whereas 2.091 units are ruined and planned to be demolished. As of 2000, approximately 12.5 thousand housing units in Kocaeli can be considered to require renewal.

TABLE.125 PHYSICAL CONDITION OF THE HOUSING STOCK IN KOCAELİ 2000

INDICATORS	KOCAELİ
NUMBER OF HOUSING UNITS	352.079
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	209.086
THOSE THAT DON'T NEED REPAIRS	144.269
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	50.181
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	10.454
IN RUINS AND PLANNED TO BE PULLED DOWN	2.091
UNKNOWN CONDITION	2.090

SOURCE: TSA, Building Count 2000

When the housing stock is evaluated in terms of building life, the total number of buildings that are 50 years and older that are solely and/or predominantly used for residential purposes are 5.623 in 2000 (approximately 10 thousand housing units). This number is anticipated to reach 13.862 buildings by 2015 (approximately 20 thousand housing units). These buildings whose physical lives will expire will create a need for renewal.

TABLE.126 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	658	25
1930-1939	402	69
1940-1949	917	133
1950-1959	3.207	212
1960-1969	7.646	593
1970-1979	18.339	2.261
1980-1989	38.846	5.560
1990-2000	40.464	5.952
UNKNOWN	867	222
TOTAL	111.346	15.027

SOURCE: Building Count 2000, TSA

VI.1.3 Housing Need in Kocaeli

We make projections for Kocaeli's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section. A total need for 94 thousand housing units is forecast in Kocaeli between the years 2007-2015.

1- The housing need based on population growth is anticipated to be 67 thousand in 2007-2015.

2- The urban regeneration based housing need is predicted as 18 thousand. In other words, 18 thousand housing units are projected to replace illegal units without construction permits as well as housing units located in areas with a high earthquake risk. This housing need is assumed to be evenly met every year within the context of urban regeneration projects.

3- The renewal based housing need will be 9 thousand units in 2007-2015. It is assumed that 0.5 percent of the total housing stock will be renewed on a yearly basis.

TABLE.127 PREDICTIONS FOR THE HOUSING NEED IN KOCAELİ (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL
2007	7	2	1	10
2008	7	2	1	10
2009	7	2	1	10
2010	7	2	1	10
2011	8	2	1	11
2012	7	2	1	10
2013	8	2	1	11
2014	8	2	1	11
2015	8	2	1	11
TOTAL	67	18	9	94

VI.1.4 Factors that Influence the Housing Demand in Kocaeli

Next, we will evaluate the factors that influence the housing demand in Kocaeli, subsequent to having made housing need projections. Home ownership and income structures of households are major factors that shape the housing demand.

Home ownership is the leading factor that affects the housing demand in the forthcoming period. According to the 2000 general population census data, 77.056 households are tenants in Kocaeli. The Ministry of Finance 2005 data shows 82.974 households in Kocaeli to be tenants as of 2005. Thus, approximately 83 thousand households represent a housing demand potential in the following periods.

TABLE.128 HOME OWNERSHIP OF HOUSEHOLDS IN KOCAELİ

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	170.597	60.14
TENANT	77.050	27.16
LODGING DWELLER	5.582	1.97
NOT HOMEOWNER/DOES NOT PAY RENT	23.003	8.11
OTHER	7.402	2.61
UNKNOWN	68	0.01
TOTAL	283.708	100.00

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand. Kocaeli exceeds the average of Turkey in terms of economic development and per capita income indicators. Kocaeli has the highest per capita income in Turkey. In 2006, Kocaeli had a gross product of 17.5 billion dollars and a per capita income of 12.810 dollars.

Table.129 below gives predictions pertaining to the developments in Kocaeli's gross product and per capita income.

With the assumption that Kocaeli will maintain its share within Turkey's national income until 2015, the per capita income is forecast to attain 14.410 dollars in 2010 and 16.720 dollars in 2015.

Per capita income projections point out to a desirable capacity in terms of housing demand and the capacity to benefit from the housing finance system

VI.1.5 Prognoses for the Housing Sector and Markets in Kocaeli

We now make predictions for Kocaeli's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

TABLE.129 KOCAELİ GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	16.6	1.338	12.405
2006	17.5	1.366	12.810
2007	18.4	1.394	13.200
2008	19.3	1.422	13.575
2009	20.2	1.450	13.930
2010	21.3	1.478	14.410
2011	22.3	1.506	14.808
2012	23.4	1.534	15.255
2013	24.6	1.563	15.740
2014	25.8	1.592	16.206
2015	27.1	1.621	16.720

1- Kocaeli's housing and construction sectors have been very negatively affected by the 1999 earthquake. In spite of a major housing deficit, housing development activities stopped for a long time due to uncertainties in issues such as the new after-the-earthquake zoning law, ground survey, the number of floors permitted etc.

2- After the earthquake activities in the housing sector consisted of permanent housing development, evacuation of risky areas and establishment of new residential areas. Housing developments started again in 2005-2006, primarily driven by the private sector.

3- Investments for the development of new (and permanent) housing projects after the earthquake shifted to the Uzunçiftlik, Alikahya and Gündoğu regions located in the north and east part of the city where the ground is solid. 80 percent of all new housing has been built in these regions.

4- A maximum of 4 floors are allowed in Kocaeli depending on ground conditions. As a result, new housing developments comprise 2-3 floor buildings, villas, private compounds and mass housing.

5- There are no land alternatives in the Kocaeli city center (the existing settlement area) suitable for housing developments. For this reason, the Cumhuriyet Parkı and Rasathane Caddesi regions in the city center continue to be the most expensive, attractive and sought-after regions.

6- The need and demand for housing in Kocaeli are foreseen to continue in the forthcoming period. The housing need resulting from the increase in the number of urban households will especially be high. Thus, the need for new residential settlement areas will increase. The Döngel, Bahçecik and Karşıyaka regions are anticipated to expand as new residential settlement areas.

7- The social housing deficit is also high in Kocaeli. The Housing Development Administration of Turkey has targeted major residential projects comprising the development of 10.906 units in İzmit center, Gölcük and Gemlik. The Kocaeli Greater City Municipality started the development of 2-3 storey buildings for the middle income group within the scope of the urban regeneration process. Housing developments by the local administration will also flourish.

8- Kocaeli's housing sector has not fully completed its restructuring process after the earthquake. On the one hand earthquake-safe and adequate housing to address the housing deficit and on the other hand high quality housing for the middle and upper income groups will be developed concurrently.

9- Kocaeli seems to have a high capacity to benefit from the housing finance system. Respectively 4.557 and 5.571 units of housing credit have been utilized in Kocaeli in 2005 and 2006.

VI.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate the commercial real estate markets in Kocaeli, after having studied the housing sector. We start our evaluation with shopping centers and the retail market. In this framework, economic sizes pertaining to Kocaeli's retail market and shopping centers are presented below.

TABLE.130 KOCAELİ ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	4.60	13.8	10.560
2005	4.60	16.6	12.405
2006	4.60	17.5	12.810

In 2006, Kocaeli had a 4.6 percent share within Turkey's national income, a gross product of 17.5 billion dollars and a per capita income of 12.810 dollars. Kocaeli has the highest per capita income in Turkey.

Private consumption expenditures have been 12.5 billion dollars in Kocaeli in 2006. Retail expenditures amounted to 6.3 billion dollars. Retail expenditures correspond to 50 percent of private consumption expenditures. Food and beverage expenditures made up 60 percent (3.8 billion dollars) of retail expenditures whereas non-food items accounted for 40 percent (2.5 billion dollars).

TABLE.131 KOCAELİ PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	13.8	9.4	2.9	1.9	4.8
2005	16.6	11.6	3.5	2.4	5.9
2006	17.5	12.5	3.8	2.5	6.3

Information pertaining to Kocaeli's shopping centers is given below. As of 2006, Kocaeli has 4 shopping centers suitable to ICSC standards, of which 3 are of small size and 1 is an outlet center. The total gross leasable area of these 4 shopping centers is 49.792 m2. The GLA per 1000 persons in Kocaeli is 36.45 m2 while the annual potential retail expenditure per GLA m2 corresponds to 126.500 dollars.

TABLE.132 KOCAELİ SHOPPING CENTER INDICATORS

YEAR	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	4	49.792	36.45	126.500

Evaluations and predictions made for Kocaeli shopping centers are shown below. No shopping centers are under construction nor planned to open in Kocaeli in 2007 and 2008. Therefore the total GLA in Kocaeli will remain the same until the end of 2008.

Two alternative scenarios are used for subsequent years which respectively assume a shopping center gross leasable area per 1000 persons of 100 m2 and 125 m2 in 2015. Based on these assumptions, the total gross leasable area of shopping centers is calculated as 162.100 m2 in the first scenario, and as 202.625 m2 in the second scenario.

TABLE.133 PREDICTIONS FOR KOCAELİ SHOPPING CENTERS

	POPULATİON	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
YEARS	(000)	SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.366	36.45	36.45	49.792	49.792
2007	1.394	35.72	35.72	49.792	49.792
2008	1.422	35.00	35.00	49.792	49.792
2009	1.450	40.00	40.00	58.000	58.000
2010	1.478	50.00	55.00	73.900	81.290
2011	1.506	60.00	70.00	90.360	105.420
2012	1.534	70.00	85.00	107.380	130.390
2013	1.563	80.00	100.00	125.040	156.300
2014	1.592	90.00	115.00	143.280	183.080
2015	1.621	100.00	125.00	162.100	202.625

The anticipated GLA sizes in the above two scenarios are evaluated in terms of annual potential retail expenditures. The total gross leasable area attains 162.100 m2 in 2015 in the first scenario, where annual potential retail expenditures per GLA m2 are foreseen as 58.600 dollars. In the second scenario, where a total GLA of 202.625 m2 is attained in 2015, annual potential retail expenditures correspond to 46.880 dollars. These numbers show significant retail expenditure potential for shopping centers.

In this framework, an investment potential exists in Kocaeli for shopping centers with an additional gross leasable area of 110 - 150 thousand m2 until 2015 (between the years 2009-2015) based on the outcomes of the two scenarios.

TABLE.134 PREDICTIONS FOR SHOPPING CENTERS IN KOCAELİ

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	6.3	49.792	49.792	126.500	126.500
2007	6.5	49.792	49.792	130.540	130.540
2008	6.8	49.792	49.792	136.570	136.570
2009	7.1	58.000	58.000	122.400	122.400
2010	7.5	73.900	81.290	101.480	92.240
2011	7.8	90.360	105.420	86.300	73.990
2012	8.2	107.380	130.390	76.365	62.900
2013	8.6	125.040	156.300	68.800	55.000
2014	9.0	143.280	183.080	62.820	49.160
2015	9.5	162.100	202.625	58.600	46.880

VI.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Accommodation establishments are evaluated next among commercial real estate. In this framework, statistical data pertaining to Kocaeli's accommodation establishments is analyzed, the development potential of tourism is evaluated and predictions are made for tourism and accommodation establishments.

A total number of 99.403 tourists (26.990 foreign and 72.413 Turkish nationals) stayed over in Kocaeli in 2006. The total number of overnight stays has been 233.449 nights in 2006. The average duration of stay was 3.45 nights for foreigners and 1.95 nights for domestic tourists. The occupancy rate in Kocaeli's accommodation establishments has been 34.15 percent in 2006.

TABLE.135 KOCAELİ ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	6.768	35.400	42.168	18.857	62.966	81.823	7.13	23.79	30.92
2003	8.149	40.414	48.563	33.570	76.303	109.873	9.47	21.53	31.00
2004	9.863	39.153	49.016	41.668	78.915	120.583	11.64	22.05	33.69
2005	11.026	42.898	53.924	47.278	88.115	135.393	12.08	22.52	34.60
2006	26.990	72.413	99.403	92.628	140.821	233.449	13.55	20.60	34.15

SOURCE: MINISTRY OF CULTURE AND TOURISM

13 establishments, with 527 rooms and a bed capacity of 1.043, had a tourism operating license in Kocaeli as of 2005. The 4 establishments with tourism investment licenses had 527 rooms and 1.084 beds.

TABLE.136 KOCAELİ ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL				1	123	284
4 STAR HOTEL	2	471	970			
3 STAR HOTEL				2	106	212
2 STAR HOTEL	2	56	114	8	265	479
1 STAR HOTEL				2	33	68
TOTAL	4	527	1084	13	527	1.043

SOURCE: MINISTRY OF CULTURE AND TOURISM

Tourism is predicted to grow on two different axes in Kocaeli. The first development axis consists of winter and summer tourism. The Kartepe region has been declared as a tourism development zone for winter tourism. Kartepe will flourish as a winter sports center. The Kandıra shoreline on Kocaeli's Black Sea coast has been also declared as a tourism development zone. The Yazlık and Yeniköy towns have been announced as health and thermal tourism centers. Kocaeli also has a significant potential for alternative outdoors sports. All of the above development potential focuses on domestic tourists and especially on the short-term accommodation of Istanbul residents. A target of 1 million tourists from Istanbul is aimed.

The second tourism development axis in Kocaeli consists of business-trade-convention-exhibition oriented tourism activities. A rapid expansion of business oriented tourism activities is expected in Kocaeli, triggered by increasing foreign investments and the fast growth of industry-trade-logistics. In this framework, in addition to Kocaeli's existing accommodation facilities, a need is foreseen for:

1. Hotels (3-4-5 stars) and sports facilities in the winter tourism center, hotels (3-4-5 stars) and boutique hotels in summer tourism centers
2. Boutique hotels (3 stars) to meet the short term accommodation needs arising from vacation-entertainment and alternative sports purposes
3. Multi-purpose hotels (4-5 stars) where convention-exhibition activities can be carried out
4. Business oriented concept hotels (3-4 stars).

VI. 4 INDUSTRIAL AND LOGISTICS AREAS

Finally, we will examine and evaluate industrial and logistics areas within commercial real estate. A significant expansion is foreseen in Kocaeli's industrial and logistics activities, driven by four trends.

Industry, which has been squeezed in the city center and central areas of İstanbul, is moving to Kocaeli at an increasing rate. Moreover, Kocaeli will continue to be the preferred city for the new investments of Istanbul based companies.

According to the municipality's new master plan, industrial plants in the inner city of Kocaeli are being shifted outside of the city center. In the upcoming period, Kocaeli will be becoming a transportation and logistics center not only for its own industry but also for Istanbul.

Kocaeli is also becoming a transportation and logistics hub for the cities of Zonguldak, Bartın, Bolu, Düzce and Yalova where industry is expanding.

Kocaeli will host 1 of the 6 planned logistics villages in Köseköy and will therefore become an important logistics base. In light of these four trends, the need for industrial and logistics areas in Kocaeli will rapidly increase.

The industrial and logistics areas in Kocaeli are quickly being exhausted. The Treasury land is very limited. For this reason, the prices of industrial and logistics land is rapidly increasing. The majority of Kocaeli's new industrial areas will be located within organized industry zones. The Köseköy and Derince regions as well as the area surrounding the Cengiz Topel airport will be the new logistics areas. Kocaeli represents a significant potential for industrial and logistics investments.

TABLE.137 KOCAELİ ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
GEBZE OIZ	820 HECTARES 241 PARCELS	94 COMPANIES IN OPERATION
TAŞIT ARAÇLARI OIZ	2.500 MILLION M2 103 PARCELS	76 COMPANIES IN OPERATION
GEBZE PLASTIKÇILER OIZ	168 HECTARES	113 COMPANIES IN OPERATION
GEBZE GÜZELLER OIZ	178 PARCELS	6 COMPANIES IN OPERATION
KIMYACILAR OIZ	120 HECTARES	45 COMPANIES IN OPERATION
MAKINACILAR OIZ	2.500 MILLION M2	68 COMPANIES IN OPERATION
IMES OIZ	5.100 MILLION M2	215 COMPANIES IN OPERATION
ARSLANBEY OIZ	2.300 MILLION M2	10 COMPANIES IN OPERATION
KÖMÜRCÜLER OIZ	77 HECTARES	INFRASTRUCTURE WORKS IN PROGRESS
DILOVASI OIZ	822 HECTARES 1.788 PARCELS	170 COMPANIES IN OPERATION
ASIM KIBAR OIZ	206 HECTARES	NATIONALIZATION WORKS IN PROCESS
ALIKAHYA OIZ		NATIONALIZATION WORKS IN PROCESS
TAŞ-TOPRAK OIZ		CHOICE OF LOCATION IN PROCESS
YUMRUKAYA OIZ		CHOICE OF LOCATION IN PROCESS
KÖRFEZ ENERGY OIZ		IN PROPOSAL STAGE
KANDIRA OIZ		IN PLANNING STAGE
KOCAELI FREE TRADE ZONE	ADDITIONAL 250.000 M2	IN INVESTMENT STAGE
GEBZE OIZ TECHNOPARK TECHNOLOGY DEVELOPMENT ZONE		
TUBITAK MARMARA RESEARCH CENTER & TECHNOPARK		
KOCAELI UNIVERSITY TECHNOLOGY DEVELOPMENT ZONE		

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter VII.

KONYA REAL ESTATE SECTOR AND PROGNOSES

VII.1 HOUSING SECTOR AND MARKETS

The evaluation of Konya's real estate sector starts with the residential sector. We make projections to forecast the need and demand for housing in Konya until 2015 and to put forth the changes in the housing markets.

VII.1.1 Demography and Population Forecast

Demographic and population changes are the main factors that shape the housing need and demand. In this framework, first of all, the changes and tendencies in Konya's demography and population are evaluated; and then population projections are made. Factors such as population growth rate, growth rate of the urban population, net migration flows, urban population size, urbanization rate, number and average size of urban households are the main variables used in this evaluation. The changes in and the forecast of Konya's demography and population are presented below. A consequential change to be noted has been the spin off of the Karaman borough from Konya as a separate city. Post-1975 evaluations pertaining to Konya exclude the borough of Karaman.

Konya's population rose from 1.36 million in 1980 to 2.19 million in 2000, according to the last population census. The population of Konya has attained 2.42 million in 2006, which led Konya to be Turkey's 5th largest city in terms of population. The share of Konya's population within the total population of Turkey increased from 3.05 percent in 1980 to 3.24 percent in 2000, and reached 3.3 percent in 2006.

TABLE.138 POPULATION OF KONYA AND TURKEY

YEARS	KONYA (000)	TURKEY (000)	KONYA SHARE %
1980	1.362	44.737	3.05
1985	1.562	50.664	3.09
1990	1.752	56.473	3.11
2000	2.192	67.804	3.24
2005 (1)	2.384	72.538	3.29
2006 (1)	2.424	73.466	3.30

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

The population growth rates of Konya and Turkey are compared below. Konya's population growth rate has been following a downward trend. The annual average population growth rate diminished from 2.78 percent in 1980-1985 to 1.69 percent in 2000-2005 and then retreated to 1.68 percent in 2006. In spite of its slow down, Konya's population growth rate exceeds the average of Turkey.

TABLE.139 POPULATION GROWTH RATES OF KONYA AND TURKEY (%)

PERIODS	KONYA (%)	TURKEY (%)
1980-1985	2.78	2.49
1985-1990	2.29	2.17
1990-2000	2.24	1.83
2000-2005 (1)	1.69	1.36
2005-2006 (1)	1.68	1.28

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

The population growth in cities is due to two factors that are urban population growth and net migration flows. Konya has been subject to a net migration outflow until 1990. Thereafter, migration patterns reversed and Konya started receiving a net flow of migrants. 27.184 persons migrated from Konya in 1985-1990, which corresponds to a net migration rate of -1.74 percent. In the subsequent period, migration to Konya has been intense, parallel to the city's economic development. In 2000-2005, 16.000 migrants settled in Konya, which translates into a net migration rate of 0.73 percent. The number of migrants to Konya has been 4.000 in 2006.

TABLE.140 KONYA NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	-10.152	-0.75
1980-1985	-10.623	-0.78
1985-1990	-27.184	-1.74
1995-2000	2.787	0.15
2000-2005 (1)	16.000	0.73
2005-2006 (1)	4.000	0.15

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

The sources of Konya's population growth, which are urban population growth and migration, are displayed below. The urban population growth rate has been slowing down in Konya. The average urban population growth rate, which was 2.62 percent per annum in 1995-2000, regressed to 1.56 percent in 2000-2005 and retreated to 1.53 percent in 2006. On the other hand, migration based population growth has been increasing, even though at a limited pace. Of the 1.68 percent population growth in Konya in 2006, 1.53 percent comes from urban population growth and 0.15 percent from net migration.

TABLE.141 SOURCES OF KONYA'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	200	-11	-0.15	211	2.93
1985-1990	190	-27	-0.33	217	2.62
1995-2000	269	3	0.03	266	2.62
2000-2005	192	26	0.13	176	1.56
2005-2006	40	4	0.15	36	1.53

Urbanization rate and total number of urban households are important indicators of the relationship between population and demographic data and the housing sector. The evolution of Konya's urbanization rate and urban population is displayed below.

Konya's urbanization rate which was 49 percent in 1980 has been measured as 58.8 percent in the 2000 general population census. Despite the migration inflow and the dense urbanization in the city center, Konya is still an important agricultural city with a significant rural population.

Konya's urbanization rate is estimated to be 63 percent in 2005 and 63.2 percent in 2006. Hence, Konya's urban population almost doubled from 667 thousand in 1980 to 1.29 million in 2000, and attained 1.53 million in 2006.

TABLE.142 URBANIZATION RATE AND URBAN POPULATION IN KONYA

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	1.362	49.0	667
1985	1.562	52.0	812
1990	1.752	55.0	963
2000	2.192	58.8	1.289
2005	2.384	63.0	1.502
2006	2.424	63.2	1.532

The number of urban households in Konya according to urban population size is shown in Table.143 below. The average urban household size was determined as 4.49 persons in the 2000 population census. The average urban household size is estimated to be respectively 4.20 and 4.18 persons in 2005 and 2006. In turn, Konya's urban households are estimated to have grown from 287 thousand in 2000 to 367 thousand in 2006.

TABLE.143 KONYA URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.289	4.49	287
2005	1.502	4.20	358
2006	1.532	4.18	367

Konya's population is forecast for each year until 2015, based on demographic and population changes and tendencies.

The main assumption made in forecasting Konya's population is that the population growth rate will continue to gear down as a result of the slow down in the urban population growth rate, nevertheless will remain above the average of Turkey.

Konya's population growth rate is foreseen to decline to 1.56 percent in 2010 and to 1.40 percent in 2015. In light of these assumptions, Konya's total population is projected to attain 2.58 million in 2010 and 2.78 million in 2015. The share of Konya's population within the population of Turkey is expected to increase to 3.35 percent in 2010 and to 3.41 percent in 2015.

TABLE.144 KONYA AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	KONYA POPULATION GROWTH RATE %	KONYA POPULATION (000)	KONYA POPULATION SHARE %
2000	1.66	67.804	1.83	2.192	3.24
2005	1.33	72.538	1.70	2.384	3.29
2006	1.28	73.466	1.68	2.424	3.30
2007	1.26	74.392	1.65	2.463	3.31
2008	1.24	75.315	1.62	2.503	3.33
2009	1.22	76.234	1.59	2.543	3.34
2010	1.20	77.149	1.56	2.583	3.35
2011	1.18	78.059	1.53	2.623	3.36
2012	1.16	78.965	1.50	2.662	3.38
2013	1.14	79.865	1.47	2.701	3.39
2014	1.12	80.759	1.44	2.740	3.40
2015	1.10	81.647	1.40	2.778	3.41

The number of urban households and related projections are other important indicators for Konya's real estate sector and housing markets. Projections pertaining to the urbanization rate, size and number of urban households in Konya are given in Table.145 below.

Konya's urbanization rate is predicted to slightly increase, whereas the average urban household size is anticipated to relatively diminish. In light of these anticipations and population tendencies, Konya's urban households are foreseen to reach 403 thousand in 2010 and 452 thousand in 2015.

TABLE.145 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN KONYA

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	2.192	58.8	1.289	4.49	287
2005	2.384	63.0	1.502	4.20	358
2006	2.424	63.2	1.532	4.18	367
2007	2.463	63.4	1.562	4.16	375
2008	2.503	63.6	1.592	4.14	385
2009	2.543	63.8	1.622	4.12	394
2010	2.583	64.0	1.653	4.10	403
2011	2.623	64.2	1.684	4.08	413
2012	2.662	64.4	1.714	4.06	422
2013	2.701	64.6	1.745	4.04	432
2014	2.740	64.8	1.776	4.02	442
2015	2.778	65.0	1.806	4.00	452

VII.1.2 Housing Stock in Konya

Next, we will analyze and evaluate the existing housing stock in Konya in terms of quantity, physical condition and legal status. In this framework, data pertaining to Konya's housing stock are presented in this section.

As of 2000, TSA's Building Count data indicates Konya to have a total of 333.645 buildings and 469.894 housing units.

341.318 housing units are located in urban areas. 108.483 housing units within the existing housing stock in Konya's urban areas lack construction permits, which corresponds to 32 percent of the total urban housing stock. In other words, every 32 out of 100 housing units in Konya's urban areas are illegal and of sub-standard quality.

TABLE.146 KONYA HOUSING STOCK 2000

INDICATORS	KONYA
NUMBER OF BUILDINGS	333.645
NUMBER OF HOUSING UNITS	469.894
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	341.318
HOUSING UNITS WITH CONSTRUCTION PERMITS	232.835
HOUSING UNITS WITH OCCUPANCY PERMITS	132.147
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	108.483
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	68.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	39.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Konya's housing stock in 2006 is presented in Table.147 below. The housing stock in Konya's urban areas is anticipated to have attained 417.283 in 2006. 52.965 construction permits have been obtained in Konya in 2000-2005. It is estimated that 25.000 housing units have been built illegally in 2001-2006 and that 2.000 housing units have been unusable in the same period. Thus, Konya's total housing stock is calculated as 417.283 units. Approximately 31.5 percent (131 thousand housing units) of the housing stock is comprised of illegal units.

TABLE.147 KONYA 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	KONYA
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	341.318
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	52.965
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	2.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	25.000
TOTAL HOUSING STOCK 2006	417.283

Konya's urban housing stock and total number of urban households are respectively estimated to be 417 thousand and 367 thousand in 2006. The comparison of these numbers points out to a housing surplus in Konya. However, it should be noted that 31.5 percent of the existing housing stock consists of illegal and sub-standard housing units. In fact, a significant housing deficit exists in Konya. Rapid urbanization and migration inflows have led to a shortage of acceptable quality housing, which in turn will be translated into a considerable housing need and demand in the forthcoming period.

Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and age of the housing stock affect the housing need.

The physical condition of Konya's existing housing stock is presented according to TSA's 2000 Building Count data. As of 2000, 27.305 housing units in Konya are in need of serious repair and refurbishment whereas 3.415 units are ruined and planned to be demolished. As of 2000, 30.720 housing units in Konya can be considered to require renewal.

TABLE.148 PHYSICAL CONDITION OF THE HOUSING STOCK IN KONYA 2000

INDICATORS	KONYA
NUMBER OF HOUSING UNITS	469.894
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	341.318
THOSE THAT DON'T NEED REPAIRS	208.204
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	98.982
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	27.305
IN RUINS AND PLANNED TO BE PULLED DOWN	3.415
UNKNOWN CONDITION	3.412

SOURCE: TSA, Building Count 2000

When the housing stock is evaluated in terms of building life, the total number of buildings in Konya that are 50 years and older that are solely and/or predominantly used for residential purposes are 43.410 in 2000 (approximately 60 thousand housing units). This number is anticipated to reach 80.267 by 2015 (approximately 120 thousand housing units). These buildings whose physical lives will expire will create a renewal need.

TABLE.149 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	4.859	1.958
1930-1939	3.871	1.133
1940-1949	8.083	2.467
1950-1959	17.195	3.844
1960-1969	31.494	5.363
1970-1979	55.191	5.976
1980-1989	64.064	5.527
1990-2000	58.849	4.555
UNKNOWN	2.270	241
TOTAL	245.876	31.064

SOURCE: Building Count 2000, TSA

VII.1.3 Housing Need in Konya

We make projections for Konya's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section. A total need for 148 thousand housing units is forecast in Konya in 2007-2015.

1- Households in Konya are estimated to grow by 85 thousand in 2007-2015, thus the corresponding housing need based on population growth is anticipated as 85 thousand.

2- The urban regeneration based housing need in is predicted as 45 thousand. It is assumed that 35 percent of the 131 thousand illegal housing units of sub-standard quality as of 2006 will be renewed within the context of urban regeneration projects until 2015 and that this need will be evenly distributed per years. Hence, an urban regeneration based housing need for 45 thousand is anticipated until 2015.

3- A renewal based housing need of 18 thousand units will arise in 2007-2015. It is assumed that 0.5 percent of the total housing stock will be renewed on a yearly basis.

TABLE.150 PREDICTIONS FOR THE HOUSING NEED IN KONYA (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	8	5	2	15
2008	10	5	2	17
2009	9	5	2	16
2010	9	5	2	16
2011	10	5	2	17
2012	9	5	2	16
2013	10	5	2	17
2014	10	5	2	17
2015	10	5	2	17
TOTAL	85	45	18	148

VII.1.4 Factors that Influence the Housing Demand in Konya

Next, we will evaluate the factors that influence the housing demand in Konya, subsequent to having made housing need projections. Home ownership and income structures of households are major factors that shape the housing demand.

2000 population census data is used as the basis of home ownership of Konya's households. Accordingly, 92.201 households are tenants in Konya in 2000. 16.308 households are neither home owners nor pay rent. These households represent a housing demand potential in the following periods. The Ministry of Finance 2005 data shows 97.784 households in Konya to be tenants as of 2005.

TABLE.151 HOME OWNERSHIP OF HOUSEHOLDS IN KONYA

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	325.093	73.16
TENANT	92.201	20.75
LODGING DWELLER	7.624	1.72
NOT HOMEOWNER/DOES NOT PAY RENT	16.308	3.67
OTHER	2.882	0.65
UNKNOWN	246	0.05
TOTAL	444.354	100.00

SOURCE: General Population Census 2000, TSA

The rate of a city's economic development and personal incomes are other important determinants of the housing demand. In 2006, Konya had a gross product of 9.7 billion dollars and a per capita income of 4.000 dollars. The per capita income in Konya is below the average national income.

Table.152 below gives predictions pertaining to the developments in Konya's gross product and per capita income.

The main assumption used is that Konya will preserve its 2.55 percent share within Turkey's national income until 2015.

Hence, Konya's gross product is projected to grow to 15 billion dollars in 2015, whereas the per capita income is foreseen to attain 5.400 dollars, nevertheless still lag behind the national average.

Per capita income projections reflect a limited potential in terms of housing demand and the capacity to benefit from the housing finance system.

TABLE.152 KONYA GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	9.2	2.384	3.860
2006	9.7	2.424	4.000
2007	10.2	2.463	4.140
2008	10.7	2.503	4.275
2009	11.2	2.543	4.404
2010	11.8	2.583	4.570
2011	12.4	2.623	4.730
2012	13.0	2.662	4.885
2013	13.6	2.701	5.035
2014	14.3	2.740	5.220
2015	15.0	2.778	5.400

VII.1.5 Prognoses for the Housing Sector and Markets in Konya

We now make predictions for Konya's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

1- The housing sector in Konya will show a significant expansion in the upcoming period, leading to the formation of an organized market. High quality housing developments which started recently are foreseen to grow at an increasing rate.

2- The housing sector will expand in new residential areas, driven by the private sector (especially cooperatives). New residential settlement zones are evolving in Konya.

3- Agricultural land in the borough of Selçuklu, located along the İstanbul-Ankara highway in the direction of İstanbul, has been recently zoned and is fast becoming a mass housing and residential expansion area. The borough represents a new attraction center with its shopping centers and cultural activities.

4- Mass housing for the middle income group continues to be developed in the central township of Karatay. New housing development will go on to a limited extent in Karatay, which is subject to a migration inflow. The township municipality also has a significant housing development activity (8.556 residential units, of which 5.476 are completed).

5- Urban regeneration work will also increasingly expand in Konya. Within the context of the Altınhamle urban regeneration project (ex Fish and Meat Enterprise region), Turkey's 3rd largest urban regeneration project, an additional city center is being established in Konya's Zafer quarter. The development of 1.450 housing units in Çaybaşı is another urban regeneration project.

6- Alaadettin Keykubat Yerleşkesi region of the Selçuk University is turning into a satellite city with the pioneering of the Housing Development Administration of Turkey. Meram is also developing as a high quality villa settlement area.

7- The expansion of Konya's housing sector in the forthcoming period will be driven by the extensive participation of the private sector (especially cooperatives), the Housing Development Administration of Turkey and municipalities.

8- Respectively 1.978 and 4.286 units of housing credit have been utilized in Konya in 2005 and 2006. The number of housing credits used in 2006 is an indication of the potential to utilize housing credits in subsequent periods.

VII.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate the commercial real estate markets in Konya and make projections, after having studied Konya's housing sector. We start our evaluation with shopping centers and the retail market. In this framework, economic sizes pertaining to Konya's retail market and shopping centers are presented below. In 2006, Konya had a 2.55 percent share within Turkey's national income, a gross product of 9.7 billion dollars and a per capita income of 4.000 dollars.

TABLE.153 KONYA ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	2.55	7.7	3.285
2005	2.55	9.2	3.860
2006	2.55	9.7	4.000

Private consumption expenditures have been 6.9 billion dollars in Konya in 2006. Retail expenditures amounted to 3.6 billion dollars. Retail expenditures correspond to 52 percent of private consumption expenditures. Food and beverage expenditures made up 64 percent (2.3 billion dollars) of retail expenditures whereas non-food items accounted for 36 percent (1.3 billion dollars).

TABLE.154 KONYA PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURE BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	7.7	5.2	1.7	1.0	2.7
2005	9.2	6.4	2.1	1.2	3.3
2006	9.7	6.9	2.3	1.3	3.6

Indicators pertaining to Konya's shopping centers are given below. As of 2006, Konya has 4 shopping centers, of which 1 is of small size, 2 are of large size and 1 is an outlet center. The total gross leasable area of these shopping centers is 122.054 m2. The GLA per 1000 persons in Konya is 50.4 m2 and annual potential retail expenditures per GLA m2 correspond to 29.495 dollars.

TABLE.155 KONYA SHOPPING CENTER INDICATORS

YEAR	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	4	122.054	50.4	29.495

Evaluations and predictions made for shopping centers in Konya are shown below. No shopping centers are under construction nor planned to open in Konya in 2007 and 2008.

Thus, the existing total shopping center GLA will prevail until the end of 2008. Two scenarios pertaining to Konya's shopping centers are presented for subsequent years and respectively assume a shopping center gross leasable area per 1000 persons of 100 m2 and 125 m2 in 2015. Based on these presumptions, the total gross leasable area of Konya's shopping centers is calculated as 277.800 m2 in the first scenario, and as 347.250 m2 in the second scenario.

TABLE.156 PREDICTIONS FOR KONYA SHOPPING CENTERS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	2.424	50.4	50.4	122.054	122.054
2007	2.463	49.6	49.6	122.054	122.054
2008	2.503	48.8	48.8	122.054	122.054
2009	2.543	50.0	60.0	127.150	152.580
2010	2.583	55.0	70.0	142.065	180.810
2011	2.623	60.0	80.0	157.380	209.840
2012	2.662	70.0	90.0	186.340	239.580
2013	2.701	80.0	100.0	216.080	270.100
2014	2.740	90.0	110.0	246.600	301.400
2015	2.778	100.0	125.0	277.800	347.250

The anticipated gross leasable area size in Konya is evaluated in terms of annual potential retail expenditures. Thus, an annual potential retail expenditure of 19.800 dollars per shopping center gross leasable area m2 is foreseen in 2015 in the first scenario, whereas this number is 15.850 dollars in 2015 in the second scenario.

In this framework, it can be concluded that an investment potential exists in Konya for shopping centers with an additional gross leasable area of 150 - 225 thousand m2 until 2015, based on the outcomes of the two scenarios.

TABLE.157 PREDICTIONS FOR SHOPPING CENTERS IN KONYA

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	3.6	122.054	122.054	29.495	29.495
2007	3.7	122.054	122.054	30.315	30.315
2008	3.9	122.054	122.054	31.950	31.950
2009	4.1	127.150	152.580	32.250	26.870
2010	4.3	142.065	180.810	30.270	23.780
2011	4.5	157.380	209.840	28.590	21.450
2012	4.7	186.340	239.580	25.223	19.620
2013	5.0	216.080	270.100	23.140	18.500
2014	5.2	246.600	301.400	21.100	17.250
2015	5.5	277.800	347.250	19.800	15.850

VII.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Accommodation establishments are evaluated next among commercial real estate.

In this framework, statistical data pertaining to Konya's accommodation establishments is analyzed, the development potential of tourism is evaluated and predictions are made for tourism and accommodation establishments.

The number of tourists visiting Konya has been steadily increasing. 83.599 foreign and 218.132 domestic, thus a total of 301.731 tourists visited Konya in 2006. The total number of overnight stays has been 411.205 nights. The average duration of stay was 1.2 nights for foreigners and 1.4 nights for domestic tourists. The occupancy rate in Konya's accommodation establishments has been 42.94 percent in 2006.

TABLE.158 KONYA ACCOMMODATION STATISTICS

YEARS	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000			OCCUPANCY RATE %		
	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	58.386	137.323	195.709	71.182	183.140	254.322	9.04	23.25	32.29
2003	35.665	156.665	192.330	43.153	212.955	256.108	5.33	26.31	31.64
2004	58.651	164.588	223.239	81.018	227.934	308.952	10.28	28.94	39.22
2005	100.078	178.924	279.002	109.948	248.880	358.828	12.83	29.05	41.88
2006	83.599	218.132	301.731	101.319	309.886	411.205	10.58	32.36	42.94

SOURCE: MINISTRY OF CULTURE AND TOURISM

The 14 establishments with a tourism operating license in Konya as of 2005 had a bed capacity of 2.329 in 1.122 rooms. Konya's 8 accommodation establishments with a tourism investment license had 426 rooms and a bed capacity of 886 beds.

TABLE.159 KONYA ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL	1	180	380	1	279	574
4 STAR HOTEL	1	82	172	4	402	846
3 STAR HOTEL	1	60	129	3	204	426
2 STAR HOTEL	3	78	163	4	170	341
1 STAR HOTEL	1	16	22	1	12	24
MOTEL	1	10	20			
SPECIAL FACILITY				1	55	118
TOTAL	8	426	886	14	1.122	2.329

SOURCE: MINISTRY OF CULTURE AND TOURISM

Tourism in Konya is anticipated to flourish on two main axes in the forthcoming period. Konya's history-faith-culture tourism focused on Hz. Mevlana will continue its expansion. The second growth axis will be the trade-convention-exhibition oriented tourism activities as a result of the expansion of small and medium sized industry and trade. In this framework, in addition to Konya's existing accommodation establishments, a need is foreseen for:

1- Multi-purpose hotels (4-5 stars) where convention-exhibition-culture activities can be carried out

2- Hotels endowed with business facilities (3-4 stars).

VII.4 INDUSTRIAL AND LOGISTICS AREAS

Last, industrial and logistics areas are evaluated within the scope of commercial real estate. Konya has become a hub for the growth and expansion of small and medium sized industry. The city will reinforce this characteristic in the forthcoming period.

32 thousand Small and Medium Size Enterprises are active in Konya in 80 different branches of industry, predominantly in the automotive spare parts, agricultural machinery, machine tools, food, construction materials and footwear industries which use high technology and enjoy a high level of competitive strength in exports. Export and technology based expansion will continue in these branches of industry in the coming periods.

Industry in Konya is growing within organized industry zones in a planned and organized manner. Konya is Turkey's 4th largest city in terms of the number of total

OIZ parcels. Existing organized industry zones have 100 percent occupancy and new OIZ are being founded. Moreover, an agricultural technology and biotechnology focused technology development center is also in the process of being established.

The need for industrial land will continue to rise in the forthcoming period. However, the size and areas of the parcels are relatively small as a result of the needs of the Small and Medium Size Enterprises. This characteristic reduces the appeal of industrial real estate investments.

The need for logistics areas will also expand as a result of international trade and the evolution of export oriented industries. However, Konya's distance to the main transportation arteries and highways diminishes the attractiveness of investments in logistics areas.

TABLE.160 KONYA ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
ORGANIZED INDUSTRY ZONE I	134 HECTARES 177 PARCELS	150 COMPANIES IN OPERATION
ORGANIZED INDUSTRY ZONE II	300 HECTARES 223 PARCELS	273 COMPANIES IN OPERATION % 100 OCCUPANCY
ORGANIZED INDUSTRY ZONE III	6.400.000 M2 328 PARCELS	31 COMPANIES IN OPERATION
KONYA BEYŞEHIR OIZ	100 HECTARES 76 PARCELS	2 COMPANIES IN OPERATION
KONYA ALAŞEHIR OIZ	100 HECTARES 125 PARCELS	
KONYA SEYDIŞEHIR OIZ	150 HECTARES	
KONYA KARAPINAR OIZ	200 HECTARES	
BÜSAN SPECIAL INDUSTRY ZONE	350 HECTARES	305 COMPANIES IN OPERATION
ORGANIZED INDUSTRY ZONE IV	4 MILLION M2	IN INCEPTION STAGE
SELÇUK UNIVERSITY TECHNOLOGY DEVELOPMENT ZONE		IN INVESTMENT STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter VIII.

MERSİN REAL ESTATE SECTOR AND PROGNOSES

VIII.1 HOUSING SECTOR AND MARKETS

The evaluation of Mersin's real estate market starts with the residential sector. The evaluation consists of making projections for the housing sector to forecast the need and demand for housing in Mersin until 2015.

VIII.1.1 Demography and Population Forecast

Demographic and population changes are the main factors that affect the demand and need for housing. In this framework, first of all, the changes and trends in the demography and population in Mersin are evaluated, and then population predictions are made in relation to these trends and assumptions. Factors such as population growth rate, urban population growth rate, net migration flows, urban population size, urbanization rate, number and average size of urban households are the main variables used in this evaluation.

The changes in the population of Mersin and its relative share within the total population of Turkey are given below in Table.161. The 2000 population census data shows Mersin's population to have grown from 844 thousand in 1980 to 1.65 million. The population has attained 1.87 million in 2006. The share of Mersin's population within the total population of Turkey has steadily increased since 1980 from 1.89 percent to 2.22 percent in 2000, and reached 2.54 percent in 2006.

TABLE.161 POPULATION OF MERSİN AND TURKEY

YEARS	MERSİN (000)	TURKEY (000)	MERSİN SHARE %
1980	844	44.737	1.89
1985	1.034	50.664	2.04
1990	1.267	56.473	2.25
2000	1.651	67.804	2.22
2005 (1)	1.828	72.538	2.52
2006 (1)	1.865	73.466	2.54

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

Mersin is a city with a rapid population growth. The population growth rates of Mersin and Turkey are compared below. Mersin's annual average population growth rate has been 4.14 percent both in 1980-1985 and 1985-1990.

Thereafter, the population growth started to slow down, declined from 2.65 percent in 1990-2000 to 2.06 percent in 2000-2005 and then retreated further to 2.03 percent in 2006. Despite its downward trend, Mersin's population growth rate still exceeds the average population growth rate of Turkey and is relatively high as compared to other cities.

TABLE.162 POPULATION GROWTH RATES OF MERSİN AND TURKEY (%)

PERIODS	MERSİN (%)	TURKEY (%)
1980-1985	4.14	2.49
1985-1990	4.14	2.17
1990-2000	2.65	1.83
2000-2005 (1)	2.06	1.36
2005-2006 (1)	2.03	1.28

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

Mersin is subject to a considerable migration inflow that is the main determinant of Mersin's population and demographic tendencies. Mersin received an important migration wave in 1975-1990. 74.717 persons migrated to Mersin in 1985-1990, which translates into a net migration rate of 7.23 percent.

The net migration inflow geared down in 1995-2000, primarily due to the migration of newcomers from Mersin to other cities within a certain period of time. The absolute net migration rose and net migration rate rose again in 2000-2005 as a result of migration increase to Mersin, and attained 51 thousand persons and 3.09 percent. Net migration has been estimated as 10 thousand persons in 2006.

TABLE.163 MERSİN NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	40.273	5.75
1980-1985	49.593	5.88
1985-1990	74.717	7.23
1995-2000	18.429	1.23
2000-2005 (1)	51.000	3.09
2005-2006 (1)	10.000	0.55

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

Table.164 below displays the sources of Mersin's population growth, migration and urban population growth. Mersin's urban population growth has been steadily declining. The average urban population growth rate regressed from 3.05 percent per annum in 1980-1985 to 1.50 percent in 2000-2005, then retreated further to 1.48 percent in 2006. While urban population growth is gearing down, migration based population growth has been maintaining its speed and increasing its share within the total population growth rate. Of the 2.03 percent population growth in Mersin in 2006, 1.48 percent comes from urban population growth and 0.55 percent from net migration.

TABLE.164 SOURCES OF MERSİN'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	190	50	1.09	140	3.05
1985-1990	233	75	1.33	158	2.81
1995-2000	150	18	0.23	132	1.72
2000-2005	177	51	0.56	126	1.50
2005-2006	37	10	0.55	27	1.48

The urbanization rate and size of urban population are important indicators of the relationship between population and demographic data and the housing sector. The evolution of Mersin's urbanization rate and urban population is shown below.

Mersin's urbanization rate has been fluctuating since 1980 as a result of intensive migration activity. A migration inflow and outflow has been simultaneously taking place in Mersin, which is the cause of urban population fluctuations. The urbanization rate shifted from 62.5 percent in 1980 to 67.1 percent in 1985, and thereafter regressed to 62.3 percent in 1990. The 2000 general population census data showed an urbanization rate of 61.2 percent in Mersin. The urbanization rate, which started a slight upward movement in subsequent periods, is estimated to have attained 63.3 percent in 2006. In spite of these urbanization rate fluctuations, Mersin's urban population has been on a steady growth trend. Mersin's urban population almost doubled from 527 thousand in 1980 to 1.01 million in 2000, and reached 1.18 million in 2006.

TABLE.165 URBANIZATION RATE AND URBAN POPULATION IN MERSİN

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	844	62.5	527
1985	1.034	67.1	694
1990	1.267	62.3	789
2000	1.651	61.2	1.011
2005	1.828	63.0	1.152
2006	1.865	63.3	1.181

The number of urban households according to the total size of Mersin's urban population is displayed in Table.166 below. The 2000 General Population Census data indicated an average urban household size of 4.46 persons in Mersin. The average urban household size is estimated to be 4.20 persons in 2005 and 4.18 persons in 2006. Hence, the total number of urban households in Mersin, which was 227 thousand according to the 2000 population census data, is estimated to have reached 283 thousand in 2006.

TABLE.166 MERSİN URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.011	4.46	227
2005	1.152	4.20	274
2006	1.181	4.18	283

Mersin's population is forecast for each year until 2015, based on demographic and population changes and tendencies. It is assumed that Mersin's population growth rate will continue to gear down until 2015, however will significantly exceed the average annual population growth rate of Turkey.

Based on these assumptions, Mersin's population growth rate is anticipated to diminish to 1.89 percent in 2010 and to 1.75 in 2015. Mersin's population is correspondingly projected to attain 2 million in 2010 and 2.2 million in 2015. The share of Mersin's population within the total population of Turkey is predicted rise to 2.61 percent in 2010 and to 2.70 percent in 2015.

TABLE.167 MERSİN AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	MERSİN POPULATION GROWTH RATE %	MERSİN POPULATION (000)	MERSİN POPULATION SHARE %
2000	1.66	67.804	2.20	1.651	2.22
2005	1.33	72.538	2.04	1.828	2.52
2006	1.28	73.466	2.03	1.865	2.54
2007	1.26	74.392	2.00	1.902	2.56
2008	1.24	75.315	1.96	1.939	2.58
2009	1.22	76.234	1.92	1.976	2.60
2010	1.20	77.149	1.89	2.013	2.61
2011	1.18	78.059	1.86	2.050	2.63
2012	1.16	78.965	1.83	2.088	2.65
2013	1.14	79.865	1.80	2.126	2.67
2014	1.12	80.759	1.77	2.164	2.68
2015	1.10	81.647	1.75	2.202	2.70

The number of urban households and related projections are other important indicators for Mersin's real estate sector and housing markets. Projections pertaining to urbanization rate, size and number of urban households in Mersin are given below.

The main assumptions made, in addition to population forecast, are that Mersin's urbanization rate will continue to slightly increase, yet the average urban household size will diminish. The urbanization rate is anticipated to be 64.1 percent in 2010 and 65 percent in 2015, and the average urban household size is respectively projected as 4.05 and 3.90 persons for 2010 and 2015.

Based on these assumptions, Mersin's urban population is expected to reach 1.29 million in 2010 and 1.43 million in 2015, and urban households are predicted to attain 319 thousand in 2010 and 367 thousand in 2015.

TABLE.168 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS IN MERSİN

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.651	61.2	1.011	4.46	227
2005	1.828	63.0	1.152	4.20	274
2006	1.865	63.3	1.181	4.18	283
2007	1.902	63.5	1.208	4.15	291
2008	1.939	63.7	1.235	4.12	300
2009	1.976	63.9	1.263	4.09	309
2010	2.013	64.1	1.290	4.05	319
2011	2.050	64.3	1.318	4.02	328
2012	2.088	64.5	1.347	3.99	338
2013	2.126	64.7	1.376	3.96	347
2014	2.164	64.9	1.404	3.93	357
2015	2.202	65.0	1.431	3.90	367

VIII.1.2 Housing Stock in Mersin

Next, we will analyze and evaluate the existing housing stock in Mersin in terms of quantity, physical condition and legal status.

As of 2000, 108.161 housing units within Mersin's urban housing stock have been built without construction permits. In other words, 36 percent of the total housing stock in Mersin's urban areas consists of illegal and sub-standard housing units as of 2000.

TABLE.169 MERSİN HOUSING STOCK 2000

INDICATORS	MERSİN
NUMBER OF BUILDINGS	206.089
NUMBER OF HOUSING UNITS	440.184
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	299.592
HOUSING UNITS WITH CONSTRUCTION PERMITS	191.431
HOUSING UNITS WITH OCCUPANCY PERMITS	99.362
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	108.161
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	64.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	33.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Mersin's housing stock in 2006 is shown below in Table.170. The housing stock in the city and townships of Mersin is estimated as 345.519 in 2006. 27.927 construction permits have been obtained in Mersin in 2000-2005.

It is estimated that 20.000 housing units have been built illegally in 2001-2006 and that 2.000 housing units have been unusable in the same period. Therefore, Mersin's total urban housing stock is calculated as 345.519 units at the end of 2006.

TABLE.170 MERSİN 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	MERSİN
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	299.592
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	27.927
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	2.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	20.000
TOTAL HOUSING STOCK 2006	345.519

In 2006, the total housing stock in Mersin's urban areas and the total number of urban households are respectively estimated to be 345.519 and 283 thousand. The comparison of these numbers point out to a housing surplus in Mersin. Nevertheless, it should be noted that 36.5 percent of the existing housing stock, which corresponds to 126 thousand housing units, consists of illegal and sub-standard housing units.

In fact, a significant deficit exists in Mersin vis-à-vis housing of acceptable quality. Moreover, secondary homes for seasonal use are also included in Mersin's existing housing stock. Thus, the exclusion of secondary homes from the total housing stock increases the need for acceptable quality housing for permanent residential use.

Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and age of the housing stock affect the housing need. The physical condition of Mersin's existing housing stock is presented according to TSA's 2000 Building Count data.

As of 2000, 23.967 housing units in Mersin are in need of serious repair and refurbishment whereas 4.494 units are ruined and planned to be demolished. As of 2000, 28.461 housing units in Mersin can be considered to require renewal.

TABLE.171 PHYSICAL CONDITION OF THE HOUSING STOCK IN MERSİN 2000

INDICATORS	MERSİN
NUMBER OF HOUSING UNITS	440.184
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	299.592
THOSE THAT DON'T NEED REPAIRS	179.755
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	86.882
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	23.967
IN RUINS AND PLANNED TO BE PULLED DOWN	4.494
UNKNOWN CONDITION	4.494

SOURCE: TSA, Building Count 2000

When the housing stock is evaluated in terms of building life, the total number of buildings in Mersin that are 50 years and older that are solely and/or predominantly used for residential purposes are 12.139 in 2000 (approximately 15 thousand housing units). This number is anticipated to reach 27.001 by 2015 (approximately 40 thousand housing units). These approximately 40 thousand units whose physical lives will expire until 2015 will create a renewal need.

TABLE.172 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	1.761	226
1930-1939	1.044	182
1940-1949	2.070	453
1950-1959	5.135	1.268
1960-1969	12.486	2.376
1970-1979	29.407	4.765
1980-1989	50.311	8.354
1990-2000	54.599	8.725
UNKNOWN	986	269
TOTAL	157.799	26.618

SOURCE: Building Count 2000, TSA

VIII.1.3 Housing Need in Mersin

We make projections for Mersin's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section.

A total need for 147 thousand housing units is forecast in Mersin in 2007-2015.

1- Households in Mersin are projected to increase by 84 thousand until 2015. Thus, the corresponding housing need based on population growth is anticipated to be 84 thousand.

2- The urban regeneration based housing need is predicted as 45 thousand. It is assumed that 35 percent of the total 126 thousand illegal housing units in 2006 will be renewed within the scope of urban regeneration until 2015. Based on this presumption, the urban regeneration based housing need is foreseen as 45 thousand units and to be evenly distributed per years.

3- The renewal based housing need is projected as 18 thousand units. It is assumed that 0.5 percent of the total housing stock will be renewed on a yearly basis. The renewal based housing need is thus expected to be 2 thousand units per annum until 2015.

TABLE.173 PREDICTIONS FOR THE HOUSING NEED IN MERSİN (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	8	5	2	15
2008	9	5	2	16
2009	9	5	2	16
2010	10	5	2	17
2011	9	5	2	16
2012	10	5	2	17
2013	9	5	2	16
2014	10	5	2	17
2015	10	5	2	17
TOTAL	84	45	18	147

VIII.1.4 Factors that Influence the Housing Demand in Mersin

Next, we will evaluate the factors that influence the housing demand in Mersin, subsequent to having made housing need projections. Home ownership, income structures and tendency of households to own housing units in addition to those they reside in are the main factors that shape the housing demand.

The 2000 population census data is used as the basis of home ownership of Mersin's households. 85.571 households are tenants in Mersin in 2000. Moreover, 18.900 households are neither home owners nor pay rent. Hence, approximately 105 thousand households in Mersin as of 2000 represent a housing demand potential for the following periods. The Ministry of Finance 2005 data shows 88.850 households in Mersin to be tenants in 2005.

TABLE.174 HOME OWNERSHIP OF HOUSEHOLDS IN MERSİN

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	251.232	68.36
TENANT	85.571	23.25
LODGING DWELLER	4.583	1.25
NOT HOMEOWNER/DOES NOT PAY RENT	18.900	5.15
OTHER	6.912	1.85
UNKNOWN	247	0.14
TOTAL	367.445	100.00

SOURCE: General Population Census 2000, TSA

The tendency of households to own housing units other than those they reside in is another factor that affects the housing demand. 41.666 households, within Mersin's 251.232 homeowner households in 2000, own housing unit(s) in addition to those they reside in. The main reason for such ownership in Mersin is to obtain rental income (25.9 percent).

Home acquisition for investment purposes is 15 percent. Other reasons include the residence of one of the household members (24.3 percent) and the temporary/seasonal/weekend use of the household (17.9 percent). Investment and usage oriented demand is observed to be relatively high in Mersin.

TABLE.175 THE REASONS WHY HOUSEHOLDS IN MERSİN OWN ONE OR MORE HOMES IN ADDITION TO THOSE THEY RESIDE IN

REASONS OF OWNERSHIP	NUMBER OF HOUSEHOLDS	% SHARE
FOR THE HOUSEHOLD TO RESIDE IN	3.737	9.0
FOR THE SEASONAL/TEMPORARY/WEEKEND USE OF THE HOUSEHOLD	7.475	17.9
TO OBTAIN RENT INCOME	10.797	25.9
FOR ONE OF THE HOUSEHOLD MEMBERS TO RESIDE IN	10.105	24.3
TO RENEW AND SELL	-	-
FOR INVESTMENT PURPOSES	6.229	15.0
THROUGH INHERITANCE	2.630	6.3
OTHER	692	1.7
TOTAL	41.666	100.00

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. In 2006, Mersin had a gross product of 10.5 billion dollars and a per capita income of 5.630 dollars. The per capita income in Mersin exceeds the average of Turkey.

Table.176 below shows predictions pertaining to the developments in Mersin's gross product and per capita income. The main assumption used is that Mersin will preserve its 2.75 percent share within Turkey's national income until 2015.

Hence, Mersin's per capita income is expected to attain 6.310 dollars in 2010 and 7.357 dollars in 2015.

These per capita income projections reflect a limited potential in terms of housing demand and the capacity to benefit from the housing finance system.

TABLE.176 MERSİN GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	10.0	1.828	5.470
2006	10.5	1.865	5.630
2007	11.0	1.902	5.785
2008	11.5	1.939	5.930
2009	12.1	1.976	6.125
2010	12.7	2.013	6.310
2011	13.3	2.050	6.490
2012	14.0	2.088	6.705
2013	14.7	2.126	6.915
2014	15.4	2.164	7.115
2015	16.2	2.202	7.357

VIII.1.5 Prognoses for the Housing Sector and Markets in Mersin

We now make predictions for Mersin's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

1- Mersin's residential sector and markets are entering a new phase where the private sector will lead the development and expansion of standard and high quality housing.

2- After 1980's, on one hand the private sector (predominantly cooperatives) has produced dense high-storey buildings and local administrations have undertaken mass housing projects, on the other hand migration resulted in the periphery of Mersin to be covered by extensive shanty town settlements. Thus, Mersin experienced unplanned, uncontrolled and illegal urbanization. The resulting housing surplus negatively affected Mersin's housing markets and caused a substantial decline in housing prices and rents.

3- As of 2004, a new trend started in Mersin whereby investments for planned, legal and high quality housing will flourish. The demand for high quality, adequate and livable housing units has been steadily on the rise in Mersin.

4- Increasing demand will be observed in Mersin for low-storey housing units that are located in compounds, offer extensive amenities, and are developed by the private sector.

5- Sea side locations and their vicinity are the preferred residential settlement areas in Mersin. However, land scarcity in these areas will restrict housing developments.

6- The Yenişehir region in the north of Mersin is developing as a new residential settlement zone. The region, whose infrastructure and transportation links are ready, displays a high development potential.

7- The demand for secondary homes is foreseen to continue in Mersin. However, secondary homes are expected to shift from high-storey buildings to low-storey villas/units with gardens and located in compounds.

8- Mersin's extensive illegal urbanization will require the social housing development of the public sector within the scope of urban regeneration projects.

9- The tendency to utilize housing credits is quite high in Mersin. Respectively 7.721 and 8.828 units of housing credit have been utilized in Mersin in 2005 and 2006. The utilization of housing credits will increase parallel to the expansion of the housing finance system.

VIII.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate the commercial real estate markets in Mersin and make projections, after having studied Mersin's housing sector.

We start our evaluation with shopping centers and the retail market. In this framework, economic sizes pertaining to Mersin's retail market and shopping centers are presented below.

In 2006, Mersin had a 2.75 percent share within Turkey's national income, a gross product of 10.5 billion dollars and a per capita income of 5.630 dollars.

TABLE.177 MERSİN ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	2.75	8.3	4.640
2005	2.75	10.0	5.470
2006	2.75	10.5	5.630

Private consumption expenditures have been 7.5 billion dollars in Mersin in 2006. Retail expenditures amounted to 3.8 billion dollars.

TABLE.178 MERSİN PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	8.3	5.6	1.9	0.9	2.8
2005	10.0	6.8	2.3	1.1	3.4
2006	10.5	7.5	2.6	1.2	3.8

Retail expenditures correspond to 51 percent of private consumption expenditures. Food and beverage expenditures made up 68 percent (2.6 billion dollars) of retail expenditures whereas non-food items accounted for 32 percent (1.2 billion dollars).

Indicators pertaining to shopping centers in Mersin are given below in Table.179. Mersin has 1 shopping center suitable to ICSC standards as of the end of 2006.

The total gross leasable shopping center area in Mersin as of 2006 is 12.236 m2. The gross leasable area per 1000 persons is 6.6 m2 and the annual potential retail expenditure per GLA m2 corresponds to 310.560 dollars.

TABLE.179 MERSİN SHOPPING CENTER INDICATORS

YEAR	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA
2006	1	12.236	6.6	310.560

Growth projections for Mersin's shopping centers are shown below. 2 new shopping centers are scheduled to open in Mersin in 2007 and 1 in 2008. Therefore, the gross leasable are will expand by 80.250 m2 in 2007 and by 25.000 m2 in 2008.

The total shopping center GLA will attain 117.486 as of the end of 2008 and the gross leasable area per 1000 persons will reach 60.6 m2. Projections are based on two alternative scenarios for subsequent years. The two scenarios respectively assume a shopping center gross leasable area per 1000 persons of 150 m2 and 175 m2 in 2015.

Based on these assumptions, the total gross leasable area of Mersin's shopping centers is predicted as 330.300 m2 in the first scenario and as 385.350 m2 in the second scenario.

TABLE.180 PREDICTIONS FOR MERSİN SHOPPING CENTERS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.865	6.6	6.6	12.236	12.236
2007	1.902	48.6	48.6	92.486	92.486
2008	1.939	60.6	60.6	117.486	117.486
2009	1.976	70.0	75.0	138.320	148.200
2010	2.013	80.0	90.0	161.040	181.170
2011	2.050	90.0	110.0	184.500	225.500
2012	2.088	100.0	130.0	208.800	271.440
2013	2.126	115.0	145.0	244.490	308.270
2014	2.164	130.0	160.0	281.320	346.240
2015	2.202	150.0	175.0	330.300	385.350

The anticipated gross leasable area size is compared with annual potential retail expenditures. Thus, an annual potential retail expenditure size of 17.560 dollars is foreseen in 2015 in Mersin in the first scenario which projects a total GLA of 330.300 m2, whereas this number is 15.050 dollars in 2015 for the second scenario.

In this framework, an investment potential exists in Mersin for shopping centers with an additional gross leasable area of 210 - 270 thousand m2 until 2015 (between the years 2009-2015), based on the outcomes of the two scenarios.

TABLE.181 PREDICTIONS FOR SHOPPING CENTERS IN MERSİN

YEARS	RETAIL EXPENDITURES	TOTAL GROSS LEASABLE AREA M2		ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	3.8	12.236	12.236	310.560	310.560
2007	3.9	92.486	92.486	42.170	42.170
2008	4.1	117.486	117.486	34.890	34.890
2009	4.3	138.320	148.200	31.090	29.015
2010	4.5	161.040	181.170	27.950	24.840
2011	4.7	184.500	225.500	25.475	20.840
2012	5.0	208.800	271.440	23.950	18.420
2013	5.2	244.490	308.270	21.270	16.870
2014	5.5	281.320	346.240	19.550	15.900
2015	5.8	330.300	385.350	17.560	15.050

VIII.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Accommodation establishments take up the second place within commercial real estate in our evaluation. In this framework, statistical data pertaining to Mersin's accommodation establishments is analyzed, the development potential of tourism is evaluated and predictions are made for tourism and accommodation establishments.

A total number of 272.574 tourists (40.325 foreign and 232.249 Turkish nationals) visited Mersin in 2006. Overnight stays have been 496.067 nights in 2006. The average duration of stay was 2.7 nights for foreigners and 1.7 nights for domestic tourists. Mersin's accommodation establishments had an occupancy rate of 27.78 percent in 2006. While a fluctuation is observed in the number of foreign tourists visiting Mersin, the number of domestic tourists has been steadily increasing.

TABLE.182 MERSİN ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	52.881	127.484	180.365	110.257	237.350	347.607	7.28	15.67	22.95
2003	34.461	112.498	146.959	82.639	207.329	289.968	5.36	13.46	18.82
2004	49.685	157.365	207.050	100.097	280.014	380.111	5.83	16.32	22.15
2005	47.917	224.225	272.142	118.050	371.341	489.391	7.02	22.09	29.11
2006	40.325	232.249	272.574	107.684	388.383	496.067	6.03	21.75	27.78

SOURCE: MINISTRY OF CULTURE AND TOURISM

As of 2005, Mersin had 39 accommodation establishments endowed with tourism operating licenses, with a capacity of 2.511 rooms and 5.501 beds. The 7 establishments with a tourism investment license had 855 rooms and a capacity of 1.798 beds.

TABLE.183 MERSİN ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	BED CAPACITY
5 STAR HOTEL	1	481	976	2	438	1.066
4 STAR HOTEL	2	186	401	6	530	1.100
3 STAR HOTEL	3	170	369	11	761	1.593
2 STAR HOTEL				16	512	1.036
MOTEL				1	65	134
PENSION				1	27	54
APART HOTEL				2	178	518
GOLF FACILITY	1	18	52			
TOTAL	7	855	1.798	39	2.511	5.501

SOURCE: MINISTRY OF CULTURE AND TOURISM

Tourism is anticipated to expand on two axes in Mersin in the forthcoming period.

The first axis consists of the expansion of summer tourism, focused on special and diverse varieties of tourism rather than mass tourism.

In 2006, the Silifke-Taşucu-Buğsak and Silifke-Narlıkuyu-Akyar regions have been declared as tourism development zones and the Mersin-Tarsus Korboğazı region has been announced as a tourism protection and development zone. Therefore, the total number of tourism zones has increased to 8. Tourism in Mersin is anticipated to grow in totally different manner than Antalya's competitive mass tourism. Mersin's summer tourism activities are anticipated to focus on history-culture-faith tourism and vacation-entertainment-sports-health tourism, targeting the markets of neighboring and close-by countries.

The Tarsus-Kozanlı culture tourism protection and development zone, where a project with a capacity of 10 thousand beds and 2 golf courses will be undertaken, represents a significant expansion potential. The project has been on hold as the area, located within the forest, awaits the issuance of a new legislation. The Anamur region and the coast line are also foreseen to grow as new tourism areas.

The second expansion axis comprises business-trade-convention-exhibition based tourism activities, parallel to the development of trade and the logistics sector. In this framework, in addition to Mersin's existing accommodation capacity, a need is foreseen for:

1- Summer tourism oriented facilities (holiday villages, sports facilities, health facilities, golf courses, vacation-entertainment areas) which offer various sports activities

2- Concept hotels endowed with business facilities (3-4-5 stars) where multi-purpose convention-exhibition-art activities can be undertaken.

VIII.4 INDUSTRIAL AND LOGISTICS AREAS

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

Mersin will become one of Turkey's most important logistics centers in the upcoming period. In addition to Marmara metropolitan area and İzmir, Mersin is turning into Turkey's third Anatolia based export gate. The port of Mersin will become Turkey's second largest port for freight transportation, which will give rise to a need for vast logistics areas in the port area and its surroundings. The Under secretariat of Foreign Trade is planning to establish a logistics free zone in Mersin. The Association of International Forwarders is also planning to set up a logistics village in Mersin. Hence, these new establishments will share the burden carried so far by the Port of Mersin and the Mersin Free Trade Zone.

The Mersin Free Trade Zone will loose its attractiveness as a result of the removal of subsidies granted in line with the EU harmonization process.

Industry in Mersin has been flourishing within organized industry zones. The Mersin-Tarsus OIZ is fully occupied and a new expansion investment has started. The demand is high, predominantly from the food industry. A high level of demand is also foreseen for the Tarsus Agriculture Specialty Organized Industry Zone in planning stage. The technology development center founded within Mersin's Tarsus OIZ will also provide high technology infrastructure and input for the agriculture and food industries.

In this respect, logistics areas represent a very important real estate investment and development opportunity in Mersin. Moreover, industry is foreseen to expand within organized industry zones.

TABLE.184 MERSİN ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
MERSIN TARSUS ORGANIZED INDUSTRY ZONE	280 HECTARES 153 PARCELS	88 COMPANIES IN OPERATION
MERSIN TARSUS AGRICULTURE SPECIALTY ORGANIZED INDUSTRY ZONE		IN PLANNING STAGE
MERSIN TECHNOPARK WITHIN MERSIN TARSUS OIZ	50.000 M2	39 AVAILABLE OFFICES
MERSIN TARSUS ORGANIZED INDUSTRY ZONE EXPANSION AREA	100 HECTARES	IN INVESTMENT STAGE 52 COMPANIES IN INVESTMENT STAGE
MERSIN FREE TRADE ZONE		BUILD-OPERATE-TRANSFER MODEL 497 COMPANIES IN OPERATION
MERSIN-SILIFKE ORGANIZED INDUSTRY ZONE	92 HECTARES 35 PARCELS	COMPANIES IN INVESTMENT STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

Chapter IX.

SAMSUN REAL ESTATE SECTOR AND PROGNOSES

IX.1 HOUSING SECTOR AND MARKETS

The evaluation of Samsun's real estate market starts with the residential sector. The evaluation consists of making projections for the housing sector to forecast the need and demand for housing in Samsun until 2015.

IX.1.1 Demography and Population Forecast

Demographic and population changes are the main factors that shape the demand and need for housing. In this framework, first, the changes and trends in Samsun's demography and population are evaluated, and then population predictions are made based on these trends and assumptions. Factors such as population growth rate, urban population growth rate, net migration flows, size of urban population, urbanization rate, and number and average size of urban households are the main variables used in this evaluation. The changes in and the forecast of Samsun's demography and population are presented below.

Samsun's population is on a downward trend in absolute terms. The evolution in Samsun's population is displayed below in Table.185. The inhabitants of Samsun reached 1 million in 1980. In subsequent years where Samsun has been subject to a migration outflow, the absolute population increased and attained 1.2 million in 2000. Thereafter, Samsun's population started to decline as a result of the rising net migration from Samsun. The population diminished to 1.198 thousand in 2005 and to 1.194 thousand in 2006, which causes the share of Samsun within the total population of Turkey to decline. The share of Samsun's population within the total population of Turkey, which was 2.26 percent in 1980, regressed to 1.79 percent in 2000 and to 1.63 percent in 2006.

TABLE.185 POPULATION OF SAMSUN AND TURKEY

YEARS	SAMSUN (000)	TURKEY (000)	SAMSUN SHARE %
1980	1.008	44.737	2.26
1985	1.110	50.664	2.19
1990	1.161	56.473	2.06
2000	1.209	67.804	1.79
2005 (1)	1.198	72.538	1.66
2006 (1)	1.193	73.466	1.63

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

The population growth rates of Samsun and Turkey are compared below. Samsun's annual average population growth rate which was 1.95 percent in 1980-1985 rapidly diminished to 0.40 percent in 1990-2000.

The annual average population growth rate retreated further to -0.17 percent in 2000-2005, and to -0.42 percent in 2006.

TABLE.186 POPULATION GROWTH RATES OF SAMSUN AND TURKEY

PERIODS	SAMSUN (%)	TURKEY (%)
1980-1985	1.95	2.49
1985-1990	0.90	2.17
1990-2000	0.40	1.83
2000-2005 (1)	-0.17	1.36
2005-2006 (1)	-0.42	1.28

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

Net migration flows determine the population tendencies of Samsun. Since 1975, the net migration from Samsun has been continuing at an increasing rate for each period. 11.144 persons migrated from Samsun on a net basis in 1975-1980, which corresponds to a net migration rate of 1.26 percent. The absolute net migration and the migration rate respectively have been 51.644 persons and 4.35 percent in 1995-2000. The net migration increased further in 2000-2005 to 79.000 persons, causing the net migration rate to climb up to 6.53 percent.

TABLE.187 SAMSUN NET MIGRATION AND NET MIGRATION RATE

PERIODS	NET MIGRATION PERSONS	NET MIGRATION RATE %
1975-1980	-11.144	1.26
1980-1985	-13.709	-1.36
1985-1990	-31.222	-2.81
1995-2000	-51.644	-4.35
2000-2005 (1)	-79.000	-6.53
2005-2006 (1)	-18.000	-1.50

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

The effects of the urban population growth and migration on Samsun's total population growth are examined below. Samsun's urban population growth rate is steadily declining. The average urban population growth rate regressed from 2.22 percent per annum in 1980-1985 to 1.10 percent in 2000-2005. The net migration outflow exceeded the urban population growth, causing Samsun's population to enter into a phase of decline in absolute terms. As a matter of fact, while the urban population grew by 1.05 percent in 2006, the net migration of -1.47 percent resulted in a decline of 0.42 percent in Samsun's population.

The average urban population growth rate, which was 3.05 percent per annum in 1980-1985, regressed to 1.50 percent in 2000-2005 and retreated to 1.48 percent in 2006. While the growth of the urban population is gearing down, the migration based population increase is maintaining its speed and increasing its share within the total population growth rate. Of the 2.03 percent population growth in Samsun in 2006, 1.48 percent comes from urban population growth and 0.55 percent arises from net migration.

TABLE.188 SOURCES OF SAMSUN'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	102	-14	-0.27	116	2.22
1985-1990	51	-31	-0.55	82	1.45
1995-2000	20	-52	-0.88	72	1.22
2000-2005	-11	-79	-1.27	68	1.10
2005-2006	-5	-18	-1.47	13	1.05

The urbanization rate and the urban population size are important indicators of the relationship between population and demographic data and the housing sector. The evolution of Samsun's urbanization rate and urban population is displayed below in Table.189. Despite Samsun's rapid urbanization during the 1980's, Samsun's strong agricultural production resulted in maintaining a sizeable population in rural areas.

Samsun's urbanization rate jumped from 38.5 percent in 1980 to 53.8 percent in 2000. The urbanization rate is estimated as 57 percent in 2005 and 57.3 percent in 2006. The size of the urban population in Samsun increased from 388 thousand in 1980 to 650 thousand in 2000 and attained 684 thousand in 2006.

TABLE.189 URBANIZATION RATE AND URBAN POPULATION IN SAMSUN

PERIODS	TOTAL POPULATION (000)	URBANIZATION RATE (%)	URBAN POPULATION (000)
1980	1.008	38.5	388
1985	1.110	41.1	456
1990	1.161	45.4	527
2000	1.209	53.8	650
2005	1.198	57.0	683
2006	1.193	57.3	684

The number of urban households in Samsun according to the total size of the urban population is shown below. The average size of urban households was measured as 4.09 persons in the 2000 population census. The average urban household size is estimated to be respectively 4.00 and 3.98 persons in 2005 and 2006. Therefore, Samsun's urban households are estimated to have increased from 159 thousand in 2000 to 171 thousand in 2005 and to have reached 172 thousand in 2006.

TABLE.190 SAMSUN URBAN HOUSEHOLD NUMBER AND SIZE

PERIODS	URBAN POPULATION (000)	URBAN HOUSEHOLD SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	650	4.09	159
2005	683	4.00	171
2006	684	3.98	172

Samsun's population is forecast for each year until 2015, based on demographic and population changes and trends. The assumptions made in projecting Samsun's population are that the growth of Samsun's urban population will continue to gear down, net migration from the city will continue, and Samsun's total population will keep on diminishing. Also, the rate of population decline, which was 0.42 percent in 2006, is foreseen to rise to 0.46 percent in 2010 and to 0.50 percent in 2015. As a result, Samsun's total population will

TABLE.191 SAMSUN AND TURKEY POPULATION GROWTH PROJECTIONS

YEARS	TURKEY POPULATION GROWTH RATE %	TURKEY POPULATION (000)	SAMSUN POPULATION GROWTH RATE %	SAMSUN POPULATION (000)	SAMSUN POPULATION SHARE %
2000	1.66	67.804	-0.15	1.209	1.79
2005	1.33	72.538	-0.34	1.198	1.66
2006	1.28	73.466	-0.42	1.193	1.63
2007	1.26	74.392	-0.43	1.188	1.60
2008	1.24	75.315	-0.44	1.183	1.57
2009	1.22	76.234	-0.45	1.178	1.55
2010	1.20	77.149	-0.46	1.173	1.52
2011	1.18	78.059	-0.47	1.168	1.50
2012	1.16	78.965	-0.48	1.162	1.48
2013	1.14	79.865	-0.49	1.156	1.45
2014	1.12	80.759	-0.50	1.150	1.43
2015	1.10	81.647	-0.50	1.144	1.41

regress to 1.17 million in 2010 and to 1.14 million in 2015. The share of Samsun's population within the population of Turkey will correspondingly diminish to 1.52 percent in 2010 and to 1.41 percent in 2015. The number of urban households and related projections are other important indicators for Samsun's real estate sector and housing markets. Samsun's urbanization rate is predicted to increase until 2015 but the population is foreseen to decline in absolute terms. On the other hand, the average size of the urban households is anticipated to diminish.

Based on these assumptions, the urbanization rate in Samsun is presumed to attain 58.5 percent in 2010 and 60 percent in 2015, while the average size of the urban households is anticipated to regress to 3.90 and 3.80 persons respectively in 2010 and 2015. In spite of the decline in Samsun's absolute population, the number of urban households is expected to grow. Samsun's 172 thousand urban households in 2006 are predicted to reach 176 thousand in 2010 and 181 thousand in 2015.

TABLE.192 PROJECTIONS FOR URBAN POPULATION AND NUMBER OF HOUSEHOLDS

YEARS	TOTAL POPULATION (000)	URBANIZATION RATE %	URBAN POPULATION (000)	URBAN POPULATION SIZE	NUMBER OF URBAN HOUSEHOLDS (000)
2000	1.209	53.8	650	4.09	159
2005	1.198	57.0	683	4.00	171
2006	1.193	57.3	684	3.98	172
2007	1.188	57.6	684	3.96	173
2008	1.183	57.9	685	3.94	174
2009	1.178	58.2	686	3.92	175
2010	1.173	58.5	686	3.90	176
2011	1.168	58.8	687	3.88	177
2012	1.162	59.1	687	3.86	178
2013	1.156	59.4	687	3.84	179
2014	1.150	59.7	687	3.82	180
2015	1.144	60.0	687	3.80	181

IX.1.2 Housing Stock in Samsun

Next, we will analyze and evaluate the existing housing stock to make projections for the housing sector and markets. The existing housing stock is evaluated in terms of quantity as well as physical condition and legal status. As of 2000, Samsun's existing housing stock is presented using TSA's Building Count data. Samsun has a total of 115.595 buildings in 2000. The total number of housing units in Samsun is 255.042, of which 222.484 are located in urban areas. There are 82.738 housing units within Samsun's urban housing stock of 222.484 units as of 2000 that have been built without construction permits. In other words, 37 percent of the existing urban housing stock in Samsun is comprised of illegal and sub-standard housing units.

TABLE.193 SAMSUN HOUSING STOCK 2000

INDICATORS	SAMSUN
NUMBER OF BUILDINGS	115.595
NUMBER OF HOUSING UNITS	255.042
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	222.484
HOUSING UNITS WITH CONSTRUCTION PERMITS	139.746
HOUSING UNITS WITH OCCUPANCY PERMITS	81.771
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS	82.738
CONSTRUCTION PERMITS/TOTAL HOUSING UNITS %	63.0
OCCUPANCY PERMITS/TOTAL HOUSING UNITS %	37.0

SOURCE: TSA, Building Count 2000 Results

An estimate of Samsun's housing stock in 2006 is presented below in Table.194. The housing stock in the urban areas in Samsun is estimated to have attained 266.784 in 2006. (The Ministry of Finance 2005 data is 264.086 housing units). 27.300 construction permits have been obtained in Samsun in 2000-2005.

It is estimated that 18.000 housing units have been built illegally in 2001-2006 and that 1.000 housing units have become unusable in the same period. Hence, Samsun's total housing stock is calculated as 266.784 units as of the end of 2006.

TABLE.194 SAMSUN 2006 HOUSING STOCK ESTIMATE (CITY AND TOWNSHIPS)

INDICATORS	SAMSUN
NUMBER OF HOUSING UNITS 2000 (CITY AND TOWNSHIPS)	222.484
NUMBER OF CONSTRUCTION PERMITS (2000-2005)	27.300
HOUSING UNITS THAT ARE UNUSABLE (2001-2006)	1.000
HOUSING UNITS WITHOUT CONSTRUCTION PERMITS (2001-2006)	18.000
TOTAL HOUSING STOCK 2006	266.784

The total housing stock in the city and townships of Samsun in 2006 is estimated to be 266.784, and the total number of urban households is estimated to be 172 thousand. The comparison of the number of households with the existing housing stock leads us to conclude that Samsun does not have a housing deficit in numerical terms. Nonetheless, 100 thousand of the 267 thousand housing units located in Samsun's urban areas in 2006 are illegal. In this respect, a significant housing shortage exists in Samsun for standard quality housing units.

Indicators pertaining to the physical condition of the existing housing stock are other important determinants of the housing need. The physical condition and the age of the housing stock affect the need for housing.

The physical condition of Samsun's existing housing stock as of 2000 is presented according to the TSA 2000 Building Count data. As of 2000, 17.799 housing units within Samsun's existing housing stock are in need of serious repair and refurbishment whereas 4.450 units are ruined and planned to be demolished. As of 2000, 22.249 housing units in Samsun can be considered to create a need for renewal in the upcoming periods.

TABLE.195 PHYSICAL CONDITION OF THE HOUSING STOCK IN SAMSUN 2000

INDICATORS	SAMSUN
NUMBER OF HOUSING UNITS	255.042
NUMBER OF HOUSING UNITS (CITY AND TOWNSHIPS)	222.484
THOSE THAT DON'T NEED REPAIRS	129.041
THOSE THAT NEED SIMPLE REPAIRS AND MODIFICATIONS	71.195
THOSE THAT NEED DRASTIC REPAIRS AND MODIFICATIONS	17.799
IN RUINS AND PLANNED TO BE PULLED DOWN	4.450
UNKNOWN CONDITION	50

SOURCE: TSA, Building Count 2000

When housing stock is evaluated in terms of building life, the total number of buildings in Samsun that are 50 years and older that are solely and/or predominantly used for residential purposes are 7.140 in 2000 (approximately 10 thousand housing units).

This number is anticipated to reach 16.329 by 2015 (approximately 20 thousand housing units). Approximately 20 thousand housing units will complete their physical lives in Samsun and will require renewal until 2015.

TABLE.196 CONSTRUCTION YEARS OF BUILDINGS

BUILDING COMPLETION DATE	BUILDINGS THAT ARE SOLELY USED AS RESIDENCES	BUILDINGS THAT ARE PREDOMINANTLY USED AS RESIDENCES
-1929	625	41
1930-1939	640	59
1940-1949	1.512	116
1950-1959	3.756	391
1960-1969	8.042	1.147
1970-1979	16.247	3.321
1980-1989	23.882	5.907
1990-2000	20.682	5.387
UNKNOWN	472	168
TOTAL	75.858	16.537

SOURCE: Building Count 2000, TSA

IX.1.3 Housing Need in Samsun

We make projections for Samsun's housing need for every year until 2015, based on the results and findings of the evaluations made in the previous section. A total need for 45 thousand housing units is forecast in Samsun in 2007-2015.

1- Despite the population decline in Samsun, increasing urbanization and a reduction in the average urban household size will not cause a considerable increase in the number of urban households. Households are estimated to grow by 9 thousand in 2007-2015, resulting in a housing need of 9 thousand.

2- The urban regeneration based housing need in Samsun is predicted as 27 thousand. It is assumed that 30 percent of the 100 thousand illegal housing units as of 2006 will be renewed within the context of urban regeneration projects until 2015. Therefore, the urban regeneration based housing need until 2015 is anticipated as 27 thousand and this need is assumed to be evenly distributed per years.

3- A renewal based housing need of 9 thousand units will arise in 2007-2015. It is assumed that 0.5 percent of the total housing stock will be renewed on a yearly basis.

TABLE.197 PREDICTIONS FOR HOUSING NEED IN SAMSUN (000)

YEARS	HOUSING NEED BASED ON THE INCREASE OF HOUSEHOLDS	URBAN REGENERATION BASED HOUSING NEED	RENEWAL BASED HOUSING NEED	TOTAL HOUSING NEED
2007	1	3	1	5
2008	1	3	1	5
2009	1	3	1	5
2010	1	3	1	5
2011	1	3	1	5
2012	1	3	1	5
2013	1	3	1	5
2014	1	3	1	5
2015	1	3	1	5
TOTAL	9	27	9	45

IX.1.4 Factors that Influence the Housing Demand in Samsun

Next we will evaluate the factors that influence the housing demand in Samsun, after having made housing need projections. Home ownership, households' income structure and the tendency to own housing units in addition to those they reside in are the main factors that shape the housing demand.

Home ownership of Samsun's households is presented based on the population census data in 2000. Accordingly, 53.844 households are tenants in Samsun in 2000. Moreover, 10.036 households are neither homeowners nor pay rent. Thus, approximately 64 thousand households in Samsun as of 2000 represent a housing demand potential in the following periods. The Ministry of Finance 2005 data shows 55.753 households in Samsun to be tenants as of 2005.

TABLE.198 HOME OWNERSHIP OF HOUSEHOLDS IN SAMSUN

HOME OWNERSHIP	NUMBER OF HOUSEHOLDS	HOUSEHOLDS % SHARE
HOMEOWNER	195.909	73.74
TENANT	53.844	20.27
LODGING DWELLER	5.021	1.89
NOT HOMEOWNER/DOES NOT PAY RENT	10.036	3.78
OTHER	815	0.31
UNKNOWN	77	0.03
TOTAL	265.702	100.00

SOURCE: General Population Census 2000, TSA

The tendency of households to own housing units other than those they reside in is another factor affecting the housing demand. As of 2000, 22.005 households in Samsun own one or more housing unit(s) in addition to those they reside in. The main reason for owning more than one residential unit in Samsun is to obtain rental income (37.8 percent share). While home acquisition for investment purposes has an 11.2 percent share, the residence of one of the household members accounts for 23 percent.

A limited number of households in Samsun own residential units other than those they reside in. To obtain rental income ranks first among reasons households purchase additional residential units.

TABLE.199 THE REASONS WHY HOUSEHOLDS IN SAMSUN OWN ONE OR MORE HOMES IN ADDITION TO THOSE THEY RESIDE IN

REASONS OF OWNERSHIP	NUMBER OF HOUSEHOLDS	% SHARE
FOR THE HOUSEHOLD TO RESIDE IN	2.807	12.8
FOR THE SEASONAL/TEMPORARY/WEEKEND USE OF THE HOUSEHOLD	2.021	9.2
TO OBTAIN RENT INCOME	8.308	37.8
FOR ONE OF THE HOUSEHOLD MEMBERS TO RESIDE IN	5.052	23.0
TO RENEW AND SELL	-	-
FOR INVESTMENT PURPOSES	2.470	11.2
THROUGH INHERITANCE	1.010	4.6
OTHER	337	1.5
TOTAL	22.005	100.00

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. In 2006, Samsun had a gross product of 5.1 billion dollars and a per capita income of 4.275 dollars. The per capita income in Samsun lags behind the average of Turkey.

Table.200 below portrays predictions pertaining to the developments in Samsun's gross product and per capita income. The main assumption used is that Samsun will preserve its 1.35 percent share within Turkey's national income until 2015.

Accordingly, Samsun's gross product is anticipated to reach 6.2 billion dollars in 2010 and 8 billion dollars in 2015, whereas the per capita income is projected to attain 5.285 dollars in 2010 and 6.995 dollars in 2015.

These per capita income projections reflect a limited potential in terms of housing demand and the capacity to benefit from the housing finance system.

TABLE.200 SAMSUN GROSS PRODUCT AND PER CAPITA INCOME PREDICTIONS

YEARS	GROSS PRODUCT BILLION DOLLARS	POPULATION (000)	PER CAPITA INCOME DOLLAR
2005	4.9	1.198	4.090
2006	5.1	1.193	4.275
2007	5.4	1.188	4.545
2008	5.7	1.183	4.820
2009	5.9	1.178	5.010
2010	6.2	1.173	5.285
2011	6.5	1.168	5.565
2012	6.9	1.162	5.940
2013	7.2	1.156	6.230
2014	76	1.150	6.610
2015	8.0	1.144	6.995

IX.1.5 Prognoses for the Housing Sector and Markets in Samsun

We now make predictions for Samsun's housing sector and markets, after we have evaluated the factors that affect the housing sector and made housing need projections.

1- Urban regeneration and renewal projects will shape Samsun's housing sector in the upcoming period. Housing developments of the private sector are estimated to be limited.

2- New mass housing and residential settlement areas are being developed in the periphery of Samsun. While there is no land in the city center suitable for new housing development, the industrial area and the shanty town settlement in the east of the city form natural borders. As a result, residential settlement areas are expanding towards the west of Samsun.

3- The region extending from the new highway to the Derebahçe valley in the east of the city is becoming more attractive as the new expansion area for high quality and luxury housing projects. This region will develop as a satellite city.

4- The new residential development areas in Samsun comprise the Atakum region, which has expanded as a new satellite city in the last 10 years, as well as the Atakent and Gazi regions. The Housing Development Administration of Turkey also has plans to produce higher quality (luxury) housing units in these regions.

5- The industrial area located in the east of the city is planned to be vacated within the context of urban regeneration and turned into a new residential settlement area. This area will be very attractive for high quality inner city investments, given that the municipality puts this plan into action.

6- Mass housing compounds are anticipated to be developed in the southern region of the city.

7- Urban regeneration projects are being undertaken in Samsun's city center for high quality housing development. Illegal settlement areas are planned to be demolished and new residential areas to be created. In this respect, the Housing Development Administration of Turkey has projects with 1.836 housing units in Samsun.

8- The utilization of housing credits will also affect the housing demand in Samsun. Respectively 3.795 and 3.089 units of housing credit have been utilized in Samsun in 2005 and 2006.

IX.2 RETAIL MARKET AND SHOPPING CENTERS

Next, we will evaluate the commercial real estate markets in Samsun. Shopping centers and the retail market are examined first within different categories of commercial real estate. In this framework, economic sizes pertaining to Samsun's retail market and shopping centers are presented below.

In 2006, Samsun had a 1.35 percent share within Turkey's national income, a gross product of 5.1 billion dollars and a per capita income of 4.275 dollars.

TABLE.201 SAMSUN ECONOMIC SIZE

YEARS	GNP % SHARE	GROSS PRODUCT BILLION DOLLARS	PER CAPITA INCOME DOLLAR
2004	1.35	4.1	3.420
2005	1.35	4.9	4.090
2006	1.35	5.1	4.275

Private consumption expenditures have been 3.6 billion dollars in Samsun in 2006, and retail expenditures amounted to 1.91 billion dollars. Retail expenditures consist of 53 percent of private consumption expenditures.

Food and beverage expenditures accounted for 69 percent (1.31 billion dollars) of retail expenditures whereas non-food items made up 31 percent (0.6 billion dollars).

TABLE.202 SAMSUN PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	GROSS PRODUCT BILLION DOLLARS	PRIVATE CONSUMPTION EXPENDITURES BILLION DOLLARS	RETAIL EXPENDITURES BILLION DOLLARS		
			FOOD BEVERAGE	OTHER	TOTAL
2004	4.1	2.8	0.96	0.46	1.42
2005	4.9	3.4	1.23	0.56	1.79
2006	5.1	3.6	1.31	0.60	1.91

Indicators pertaining to Samsun's shopping centers are shown below in Table.203. As of the end of 2006, Samsun has 1 shopping center suitable to ICSC standards, with a gross leasable area of 14.452 m2.

The GLA per 1000 persons in Samsun is 12.1 m2 and the annual potential retail expenditure per GLA m2 corresponds to 132.160 dollars.

TABLE.203 SAMSUN SHOPPING CENTER INDICATORS

YEARS	NUMBER OF SHOPPING CENTERS	TOTAL SHOPPING CENTER GROSS LEASABLE AREA M2	GROSS LEASABLE AREA PER 1000 PERSONS M2	ANNUAL POTENTIAL RETAIL EXPENDITURE PER SHOPPING CENTER GLA DOLLARS
2006	1	14.452	12.1	132.160

Growth projections pertaining to shopping centers in Samsun are given below. 1 shopping center was inaugurated in Samsun in 2007, with a gross leasable area of 13.000 m2. Except for the ones in conception stage, no shopping center is scheduled to open in Samsun in 2008 and thereafter.

With the inauguration of the new shopping center, the total GLA attained 27.452 m2 in 2007, and is anticipated to prevail in 2008.

Projections are made for Samsun for subsequent years based on two alternative scenarios. The 23.1 m2 gross leasable area per 1000 persons in 2007 is assumed to rise to 75 m2 in 2015 in the first scenario and to 100 m2 in the second scenario. Based on these presumptions, the total gross leasable area of shopping centers in Samsun is calculated as 85.000 m2 in the first scenario, and as 114.400 m2 in the second scenario.

TABLE.204 PREDICTIONS FOR SAMSUN SHOPPING CENTERS

YEARS	POPULATION (000)	GROSS LEASABLE AREA M2 PER 1000 PERSONS		TOTAL GROSS LEASABLE AREA M2	
		SCENARIO A	SCENARIO B	SCENARIO A	SCENARIO B
2006	1.193	12.1	12.1	14.452	14.452
2007	1.188	23.1	23.1	27.452	27.452
2008	1.183	23.2	23.2	27.452	27.452
2009	1.178	30.0	30.0	35.340	35.340
2010	1.173	35.0	40.0	41.055	46.920
2011	1.168	40.0	50.0	46.720	58.400
2012	1.162	50.0	60.0	58.100	69.720
2013	1.156	60.0	70.0	69.360	80.920
2014	1.150	70.0	85.0	80.500	103.500
2015	1.144	75.0	100.0	85.800	114.400

The anticipated shopping center gross leasable area is compared with annual potential retail expenditures.

An annual potential retail expenditure of 34.615 dollars per shopping center gross leasable area m2 is foreseen in 2015 in the first scenario which presumes a total shopping center GLA of 85.800 m2. The second scenario where a GLA of 114.400 m2 is projected gives rise to annual potential retail expenditures of 25.960 dollars in 2015.

In this framework, it can be concluded that an investment potential exists in Samsun for shopping centers with an additional gross leasable area of 60 - 85 thousand m2 until 2015 (2008-2015), based on the outcomes of the two scenarios.

TABLE.205 PREDICTIONS FOR SHOPPING CENTERS IN SAMSUN

YEARS	RETAIL EXPENDITURES BILLION DOLLARS	TOTAL GROSS LEASABLE AREA M2 SCENARIO A	TOTAL GROSS LEASABLE AREA M2 SCENARIO B	ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS SCENARIO A	ANNUAL POTENTIAL RETAIL EXPENDITURES PER GROSS LEASABLE AREA DOLLARS SCENARIO B
2006	1.91	14.452	14.452	132.160	132.160
2007	2.00	27.452	27.452	72.850	72.850
2008	2.11	27.452	27.452	76.860	76.860
2009	2.19	35.340	35.340	61.970	61.970
2010	2.30	41.055	46.920	56.020	49.020
2011	2.41	46.720	58.400	51.580	41.270
2012	2.56	58.100	69.720	44.060	36.720
2013	2.67	69.360	80.920	38.500	32.995
2014	2.82	80.500	103.500	35.030	27.245
2015	2.97	85.800	114.400	34.615	25.960

IX.3 TOURISM AND ACCOMMODATION ESTABLISHMENTS

Next, we will examine and evaluate tourism and accommodation establishments. In this framework, statistical data pertaining to Samsun's accommodation establishments is examined, the growth potential of tourism is evaluated and predictions are made for tourism and accommodation establishments.

5.804 foreign and 61.176 domestic tourists, a total of 72.980 visitors arrived to Samsun in 2006. The total number of overnight stays has been 103.308 nights in 2006. The average duration of stay was 1.7 nights for foreigners and 1.4 nights for domestic tourists. The occupancy rate in Samsun's accommodation establishments has been 29.54 percent in 2006. The number of tourists, especially of foreign origin, who visit Samsun, remains limited.

TABLE.206 SAMSUN ACCOMMODATION STATISTICS

	NUMBER OF GUESTS (000)			NUMBER OF OVERNIGHT STAYS (000)			OCCUPANCY RATE %		
YEARS	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL	FOREIGN	DOMESTIC	TOTAL
2002	3.753	46.946	50.699	11.053	72.399	83.452	4.79	31.35	36.13
2003	1.266	59.386	60.652	3.070	100.069	103.139	1.18	38.56	39.74
2004	1.657	55.234	56.891	3.114	78.381	81.495	1.14	28.82	29.96
2005	4.503	51.737	56.240	7.536	68.372	75.908	2.46	22.33	24.79
2006	5.804	67.176	72.980	10.057	93.251	103.308	2.88	26.67	29.54

SOURCE: MINISTRY OF CULTURE AND TOURISM

At the end of 2005, Samsun had 7 accommodation facilities with tourism operating licenses with 422 rooms and a bed capacity of 839. The 4 establishments with tourism investment licenses had 287 rooms and 587 beds.

TABLE.207 SAMSUN ACCOMMODATION ESTABLISHMENTS 2005

	WITH TOURISM INVESTMENT LICENSE			WITH TOURISM OPERATING LICENSE		
ESTABLISHMENTS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	NUMBER OF BEDS	NUMBER OF ESTABLISHMENT	NUMBER OF ROOMS	NUMBER OF BEDS
4 STAR HOTEL	1	118	245	1	112	234
3 STAR HOTEL	2	148	303	4	263	510
2 STAR HOTEL	1	21	39	2	47	95
TOTAL	4	287	587	7	422	839

SOURCE: MINISTRY OF CULTURE AND TOURISM

The expansion of Samsun's tourism will be based on business and trade, in line with the city's role as a regional trade center in the Black Sea region.

Moreover, Samsun's Havza region has been declared as a tourism development zone where vacation-entertainment based tourism activities are anticipated to flourish. In this framework, in addition to Samsun's existing accommodation establishments, a need is foreseen for:

1- Multi-purpose hotels (4-5 stars) where convention-exhibition activities can be carried out
2- Hotels endowed with business facilities (3-4 stars)
3- Boutique hotels to meet the vacation and entertainment related accommodation needs.

IX.4 INDUSTRIAL AND LOGISTICS AREAS

Finally, we will evaluate industrial and logistics areas.

The trends and developments anticipated in industrial and logistics areas in Samsun are portrayed below.

Industry in Samsun will expand within organized industry zones. Merkez OIZ is fully occupied. Therefore, demand for the newly established Bafra OIZ will be increasing. Moreover, a high level of demand is also anticipated for industrial areas within the Tekkeköy ship building industry zone in planning stage and the food specialty organized industry zone in investment stage.

The fact that Samsun is an exit gate for oil and natural gas and an oil refinery may be established will positively affect industrial areas.

Samsun has the potential to become a significant logistics base. Samsun is becoming an important gateway for the trade of Anatolia (southeast Anatolia, east Anatolia, center Anatolia, center Black Sea regions) with Black Sea countries and Europe. Samsun is foreseen to benefit to a great extent from the privatization of its port, its international airport and central location for land-rail transportation.

In this framework, it is anticipated that the demand for logistics areas will expand, industrial areas within organized industry zones will be sought after and logistics areas will represent attractive real estate investment opportunities in Samsun.

TABLE.208 SAMSUN ORGANIZED INDUSTRY ZONES

ORGANIZED INDUSTRY ZONE	AREA HECTARES /M2	CHARACTERISTICS
SAMSUN MERKEZ ORGANIZED INDUSTRY ZONE	160 HECTARES 112 PARCELS	72 COMPANIES IN OPERATION 17 COMPANIES IN INVESTMENT STAGE 2 COMPANIES IN PLANNING STAGE
SAMSUN ORGANIZED INDUSTRY ZONE	228 HECTARES 143 PARCELS	INFRASTRUCTURE WORKS IN PROGRESS IN INVESTMENT STAGE
KAVAK ORGANIZED INDUSTRY ZONE		LAND ALLOCATION IN PROGRESS IN INVESTMENT STAGE
SHIP BUILDING INDUSTRY ZONE (TEKKEKÖY)		IN PLANNING STAGE
HAVZA ORGANIZED INDUSTRY ZONE		IN INVESTMENT STAGE
FOOD SPECIALTY ORGANIZED INDUSTRY ZONE		IN INVESTMENT STAGE

SOURCE: MINISTRY OF INDUSTRY AND TRADE

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