

SECTORAL OUTLOOK FOR REAL ESTATE TURKEY & ISTANBUL

JULY 2017

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1 TURKISH ECONOMY BASIC ECONOMICAL DATA

1.1 Review of World and Turkish Economy



As globalization and the growing links between the country's economies have become more and more necessary, it has become compulsory to follow up any important development in the world economy.

After the global crisis of 2008, developed and developing country economies were affected at different dimensions. Reflections of this crisis are still continuing today.

2016 has been a year of high volatility in global markets. The presidential elections in the United States, UK's European Union exit process, Greece and Italy's debt rollover problems have all caused the increase in the market fluctuations.

In 2017, the economic decisions taken by the US administration, the FED interest rate increases, the European Region elections and the developments in the Chinese economy are on the agenda.

Worldwide economic growth rates have started to decline since 2010. The global slowdown in the first half of 2016 has brought growth rates to 3.1%. The expectation of improvement for developed countries and the declining but still continuing optimism for developing countries has reflected in the growth rates of the IMF in 2017 and 2018 in January 2017. The IMF has announced a growth rate of 3.4% for 2017 and 3.6% for 2018. This rate is determined as 2% for 2017 and 2% for 2018 for developed countries and 4.5% for 2017 and 4.8% for 2018 for developing countries.

The discipline provided in the Turkish economy after the 2001 crisis has succeeded in such points as public debt, banking ratios and budget balance, and the growth rates have been continuously increased until 2008. Between the years of 2008 and 2012, emerging economies have formed a group of countries that overcome the fastest from the global crisis. The increase in annual growth rates in this process has caused the world economy to breathe. The post-crisis performances of countries like Turkey have been quite dazzling. The ability of developing country economies to repair and recover themselves is faster than the developed countries' economies. But the main problem with such economies is that the gains achieved and stability cannot be maintained.

Turkey has deficiencies in issues such as lack of savings, unemployment, problems with general level of prices, making import and export items value added, providing foreign exchange balance, middle income trap, current deficit, demand disturbances, technological deficiencies, political and geographical risks.

Turkey has grown by an average of 5% over 92 years. Contraction in household consumption, adverse effects of terrorism on the tourism sector, a fall in exports and negative views of foreign investors directly reflected the growth rates of the year 2016. After a sharp decline of 1.3% in the third quarter of 2016, the year was closed with a growth rate of 2.9%. The increase experienced in the last quarter of 2016 reveals a more optimistic picture of 2017.

GDP Growth Rates (TUIK)					
	I	II	III	IV	Annual
2015	3.5%	7.2%	5.9%	7.4%	6.1%
2016	4.5%	5.3%	-1.3%	3.5%	2.9%

After the July 15 coup attempt, there was a decline in the indexes of economic confidence, service sector, retail trade sector and construction sector. Increasing security concerns in this process have especially affected the tourism industry. S&P, Fitch and Moodys have lowered the credit rating of Turkey. In the Fitch report, it was pointed out that political developments weaken Turkey's economic outlook. Adoption of the constitutional amendment package in April 2017 has ensured that the concerns that lived up to this process have been resolved. In the next period, it is predicted that the economy will start to recover with measures taken by the government.

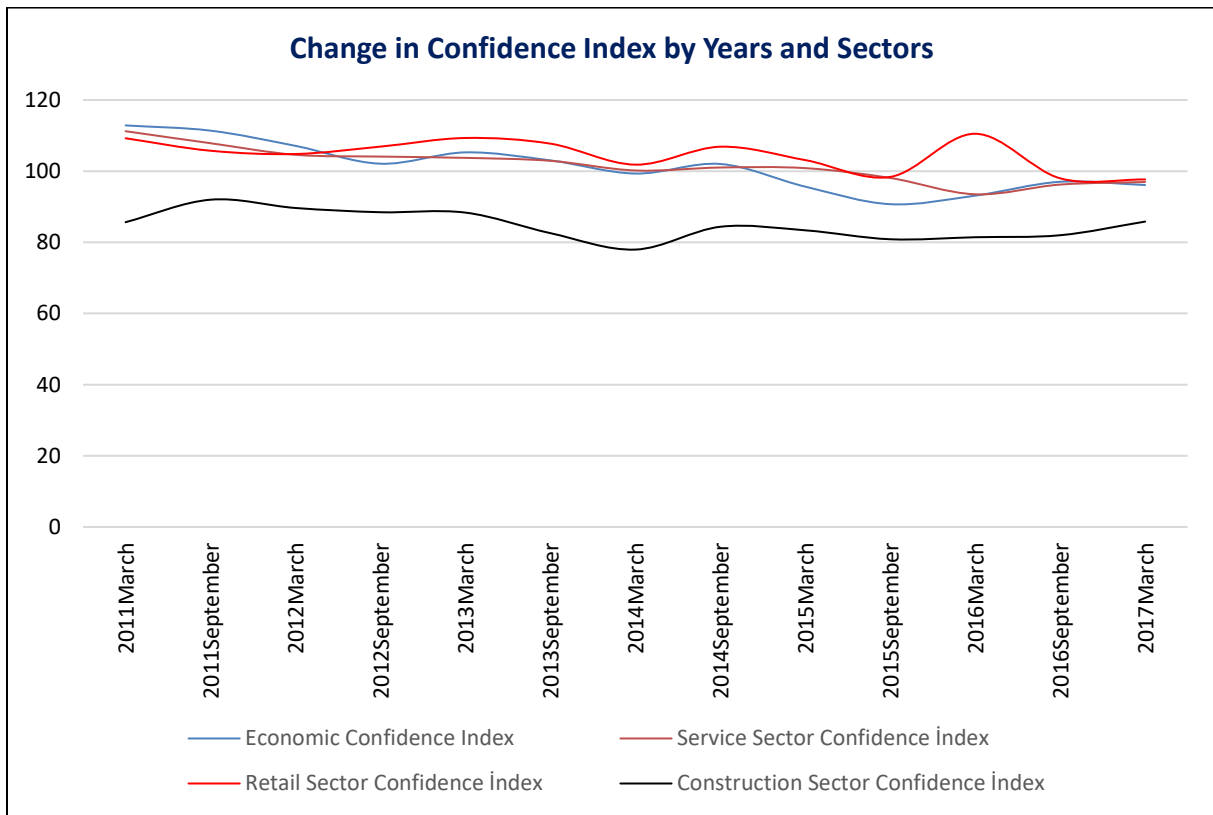
1.2 Basic Economic Data

Considering all the political developments and the depreciation of TL, it is thought that the economic recovery will be slow. It seems that since 2014 there has been a decline in core indicators. According to the forecasts for the year 2017, there will be a slight recovery compared to the year 2016.

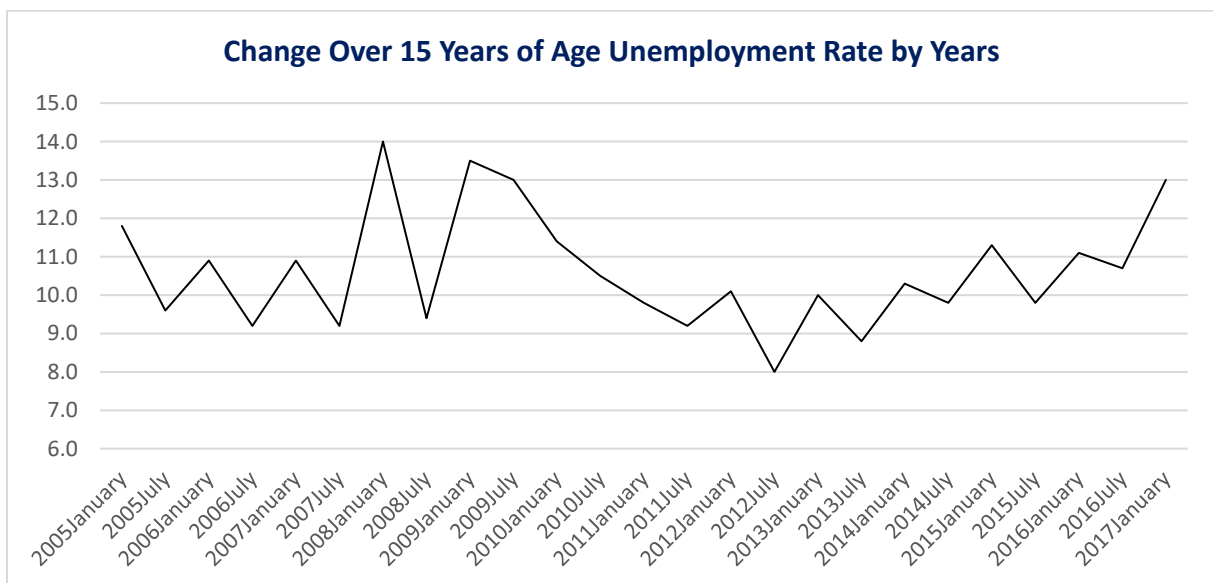
MAIN ECONOMIC INDICATORS							
	2011	2012	2013	2014	2015	2016	2017 Estimated
GDP (Income Method) Billion USD	831.7	871.1	950.3	934.8	861.5	856.8	756.0
GDP -Per Capita	11,205	11,588	12,480	12,112	11,014	10,807	9,529
Growth	2.10%	4.00%	4.20%	3.00%	6.10%	2.90%	3.40%
Inflation	40.45%	6.16%	7.40%	8.17%	8.81	8.53%	6.50%
Current Account Balance Billion USD	-77	-48	-65,1	-43,6	-32	-32,6	-32
Current Deficit / GDP	9.60%	6.10%	7.70%	5.50%	4.50%	4.50%	4.20%
Unemployment Rate	9.1	8.4	9	9.9	10.3	10.9	10.2

Source: TUIK, CBRT, UNDERSECRETARY OF TREASURY

As of February 2017, confidence indices related to all sectors, especially construction sector, have increased. Although this recovery is positive, confidence indices are still below 100 (TÜİK).



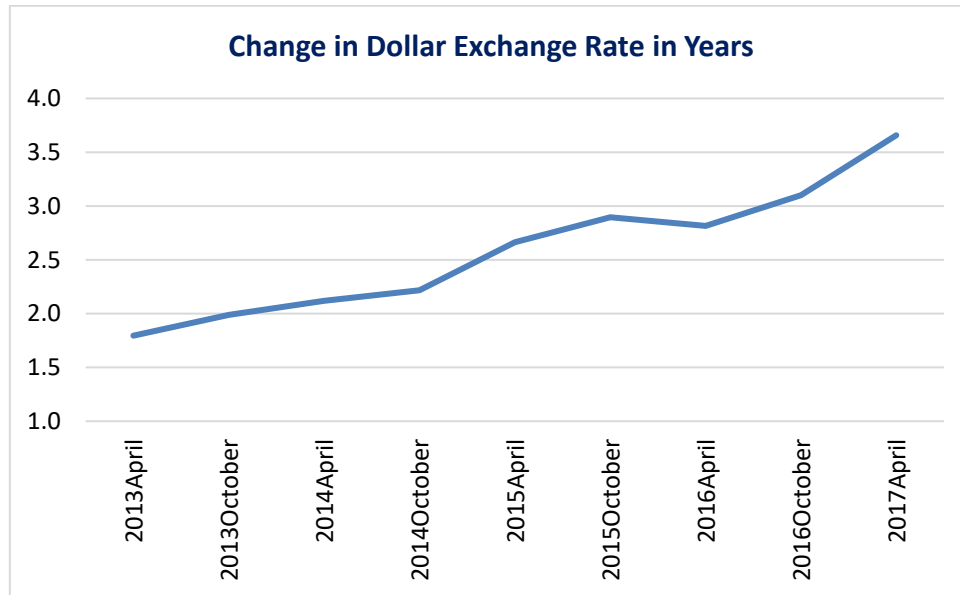
The declines in growth and confidence indexes also reflected negatively on employment data. In 2017, the unemployment rate has reached 13%. The unemployment rate has reached its highest level since the end of 2010.



The inflation rate, which reached 8.81% at the end of 2015, declined to 6.58% in the middle of 2016. This recovery did not last long and closed the year 2016 with an inflation rate of 8.5%. As of March 2017, the inflation rate was 11.5%. This situation causes the purchasing power to fall and commercial activities to become stagnant (TUIK).

Annual Change in Inflation Rates (Change compared to the same month of the previous year, %)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	7.24	7.55	7.61	7.91	8.09	7.20	6.81	7.14	7.95	7.58	8.10	8.81
2016	9.58	8.78	7.46	6.57	6.58	7.64	8.79	8.05	7,28	7.16	7.00	8.53
2017	9.22	10.13	11.29	11.87								

The Dollar-Turkish Lira parity between 2.00 - 2.50 TL from November 2013 to February 2015 has changed at the level of TL 2.50-3.00 by October 2016. The Dollar-Turkish Lira parity has exceeded 3.50 TL in a period shorter than one year which we left behind. Following the April 16 elections, the end of the uncertainty stemming from the election period helped the İstanbul Stock Exchange rise and the Turkish Lira appreciate. However its continuity is a matter of concern (CBRT).



1.3 Developments in the Real Estate Sector

Gross value added from construction and real estate sector activities; it has developed in parallel with the general gross value added increase from 2009 to 2016. Gross value added increased by around 11% in 2016 compared to 2015; the gross value added from the construction-real estate sector increased by around 16%. In 2016, the share of industrial sector gross added value is 19% and the share

of services sector is 21% while the share of construction-real estate sector is 17%. The construction and real estate sector shows itself among the main sectors such as industry and services (TUIK).

Gross Value Added and Construction - Real Estate Sector Addition Value (Billion TL)								
	2009	2010	2011	2012	2013	2014	2015	2016
Gross Value Added	999	1,160	1,394	1,570	1,810	2,044	2,338	2,591
Construction sector and real estate activities	161	186	225	253	295	330	371	429
The Value Added Effect of Construction Sector	16.11%	16.00%	16.14%	16.11%	16.29%	16.12%	15.89%	16.56%

The important position of the real estate sector in the Turkish economy pushes governments to take measures to encourage the sector's activities in the period when the economy is stagnating.

In the years of 2016-2017, uncertainties following terrorist attacks, unsuccessful coup attempts, emergency situations, elimination of terrorist activities in public and private institutions and uncertainties arising from these operations have had negative effects on Turkish economy. Many measures have been taken with regard to the construction and real estate sector in order to increase purchasing power, stimulate economic activities and provide investor confidence on these developments.

Recent measures and developments in the real estate sector are explained below.

- Following the process starting with the removal of the obstacle in front of the sale of real estate to foreigners with the amendment made in the Land Registry Law (Law No. 6302 and the Law on Amendment of the Cadastre Law) in 2012, in the beginning of 2017 a change was made in the Regulation on the Implementation of the Turkish Citizenship Law granting Turkish Citizenship to foreigners acquiring immovable property valuing at least 1 million USD. With this amendment, it is aimed that the attention of investors in Russia, Middle East and Asia will be directed to Turkey and that foreigners will gradually increase their real estate purchases in Turkey.
- In March 2017, with the decision of the Council of Ministers, until 30/09/2017, title deed fees in residential and business establishments were reduced from 20 to 15 per mille (Official Gazette No. 30008).
- In March 2017, stamp tax taken for construction contracts for flat for land or revenue sharing models, construction tax contracts between construction contractors and subcontractors performed within this scope, and consultancy service contracts and construction supervision contracts for these works were removed.

- With the decree dated 31/01/2017 numbered 2017/9759, the stamp tax rate in pre-paid housing sales contracts and real estate sales promises contracts started to be 0%.
- With the council of ministers decision dated February 3, 2017, the VAT rate for the construction license has been received after the date of 1/1/2017 with the housing deliveries of more than 150m² and the house deliveries with the unit m² price of more than 1000 TL within the limits of the metropolitan area is reduced to 8% from 18% with a reduction of 10%. In addition, the VAT rate for housing above 150 m², which will be delivered by 30/09/2017, has also been reduced to 8%.
- On 27/10/2016, amendments were made in relation with the implementation of Law No. 6306.
 - An amendment has been made for announcing the places where the public safety and order is spoiled, infrastructure services are inadequate and at least 65% of the total number of buildings is contrary to the public housing law and infrastructure and superstructure, as risky area. In this way the definition of risky areas has been expanded.
 - The restriction on the area of 15 thousand m² areas related to the announcement of risky areas has been abolished.
 - It was made compulsory to stop the services such as electricity, water and natural gas in the building where the destruction decision was taken with the demand of Administration. With these changes, it is aimed to increase the applications of urban transformation and to conclude them quickly.



2 EVALUATION BY SECTOR

2.1 Housing Sector

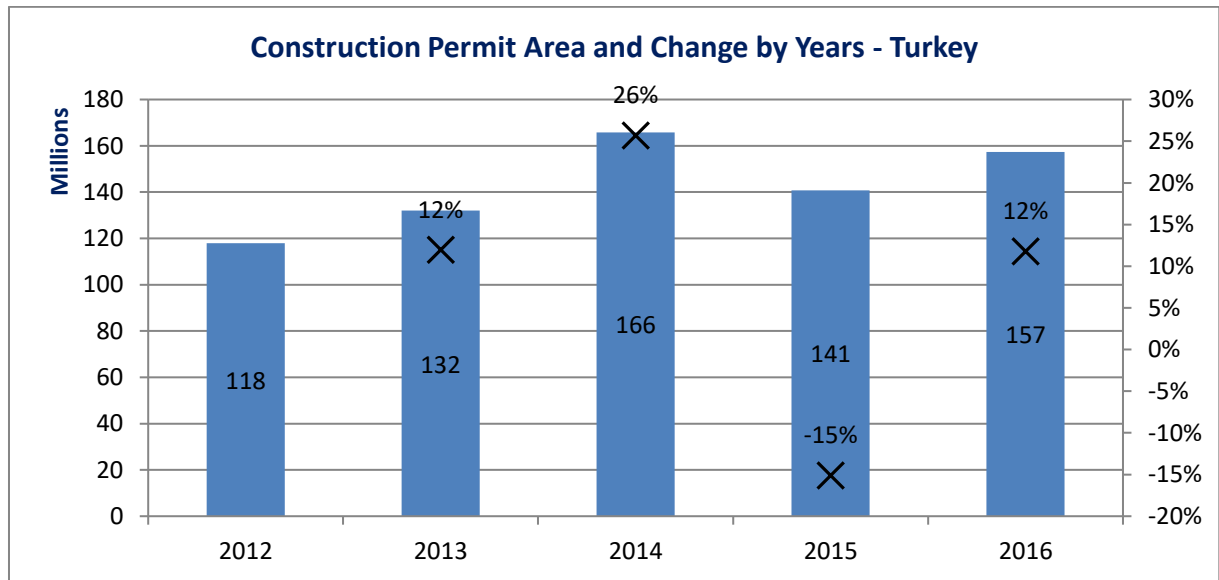


Turkey's demographic and economic characteristics cause the housing sector to continue its vitality. When the view that construction sector is the wheel of the economy is also added, housing market movement has been increasing. In this section, which examines the Turkish real estate sector and the housing sector, the factors affecting the course of the housing market and the market in Turkey have been explained and the results of the research have been presented.

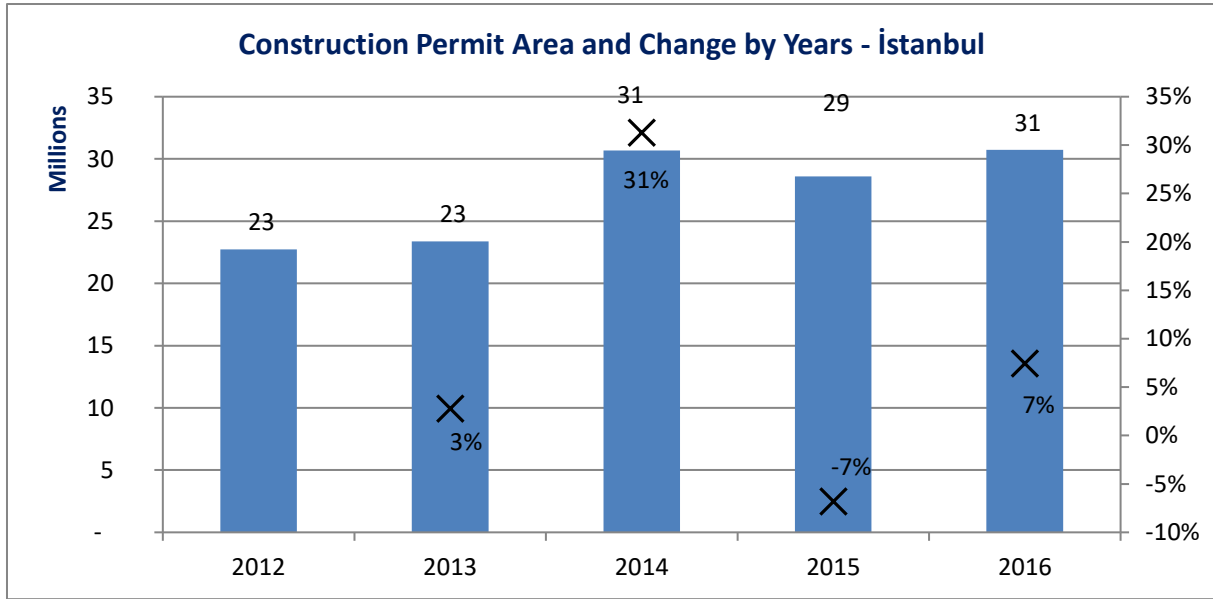
2.1.1 Evaluation of Construction License Data

According to the data issued by TÜİK, in 2016, a total of 131,848 construction permits were issued, having a building area of 202,321,341 m² at the national level. The total number of independent sections in the construction permits is 986,119. 157,288,148 m² of these permits are given only for housing purposes.

Over the years, it can be said that the permits given at national level fluctuate. The following chart shows the change over the years in the construction sites at the national level permits.



When the 2016 İstanbul data was examined, a total of 18,998 building permits were issued, covering 38,890,625 m² of construction area. The total number of independent sections in the building permits is 213,526. 30,728,513 m² of these permits are given only for housing purposes.



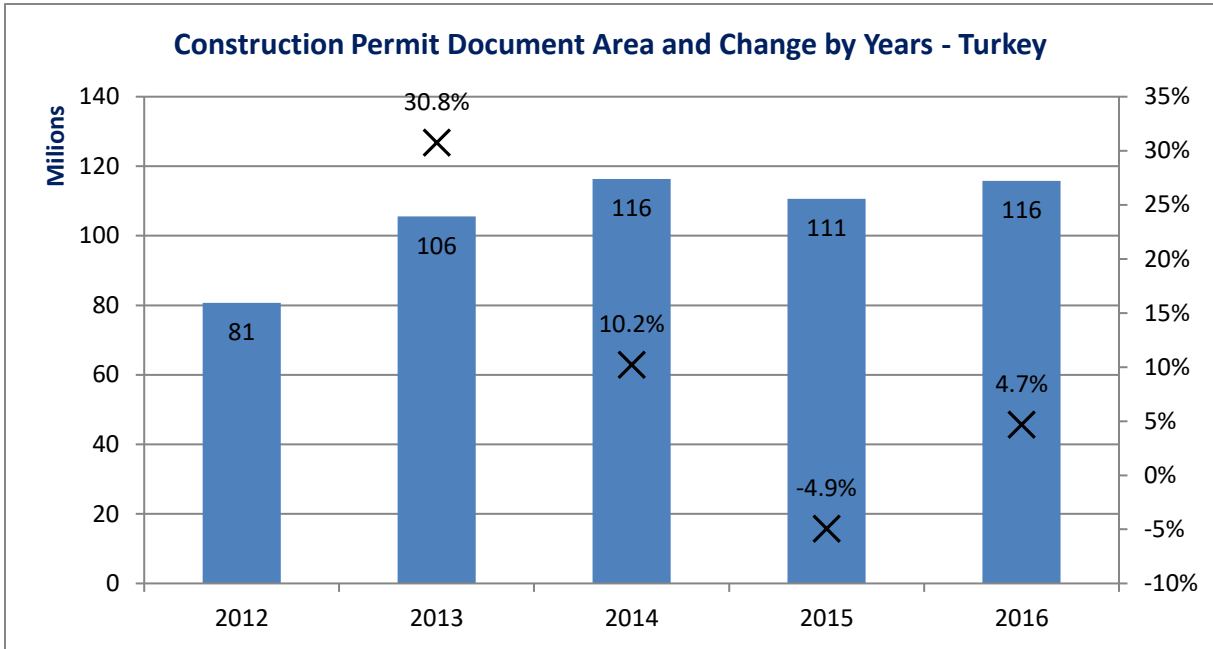
It is observed that the highest value in both Turkey and İstanbul scale is realized in 2014, there is a decline in 2015 following this year, and a recovery is beginning to take place in 2016 again.

2.1.2 Building Permit Documents

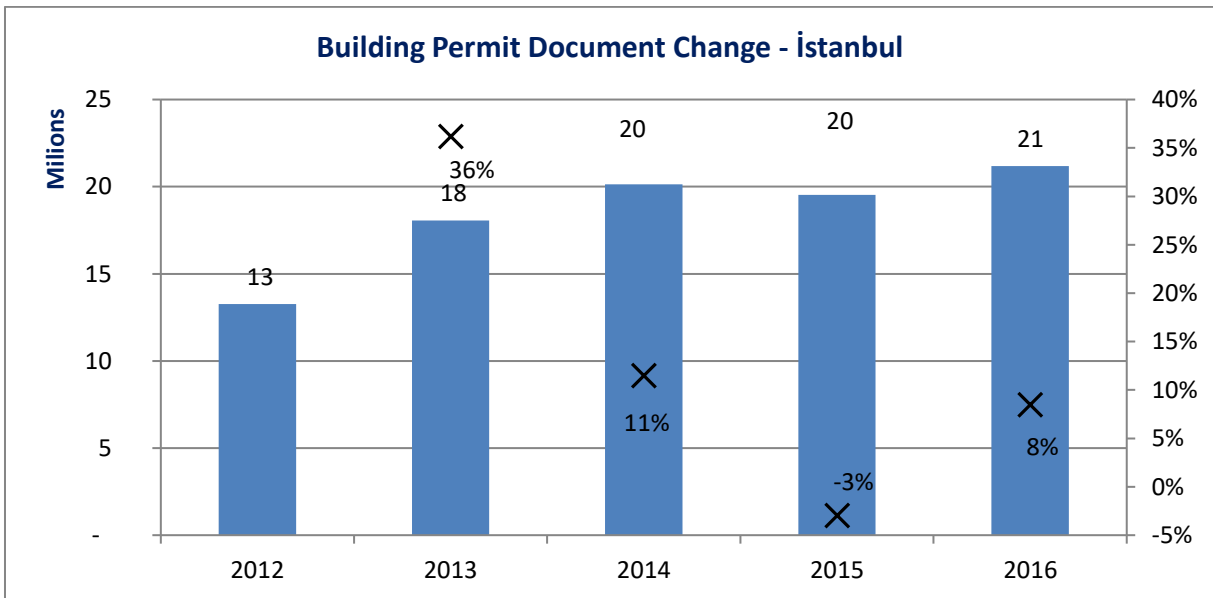
In 2016, 110,401 buildings covering 150,263,448 m² areas were granted construction permit documents throughout the country. The number of independent sections in these structures is 750,000.

The distribution of the construction permit documents given is very similar to the distribution of the license area. Housing areas have a rate of 77%.

The construction permit document is taken approximately two years after the receipt of the building license. Under these conditions, compared to construction permits received in 2014 and the construction permit documents issued in 2016, it is observed that no construction permit document has been obtained for an area of approximately 70,000,000 m².

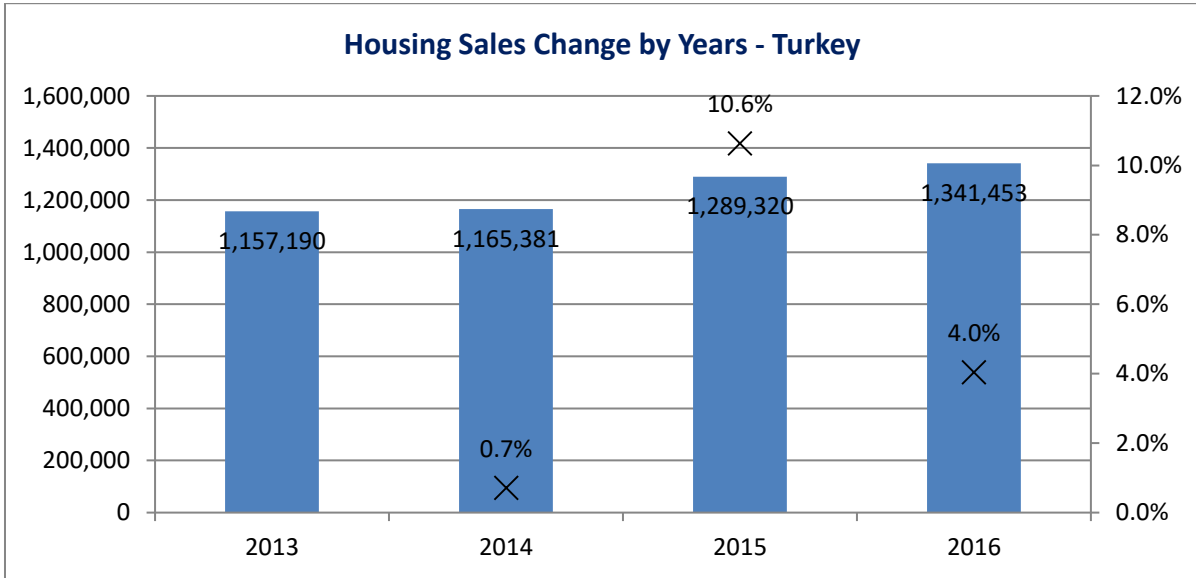


When the 2016 İstanbul data was examined, a total of 15,940 construction permit documents were issued, covering 28,128,875 m² of construction area. The total number of independent sections in the construction permits issued is 158,709. 21,182,935 m² of these permits were given only for housing purposes.



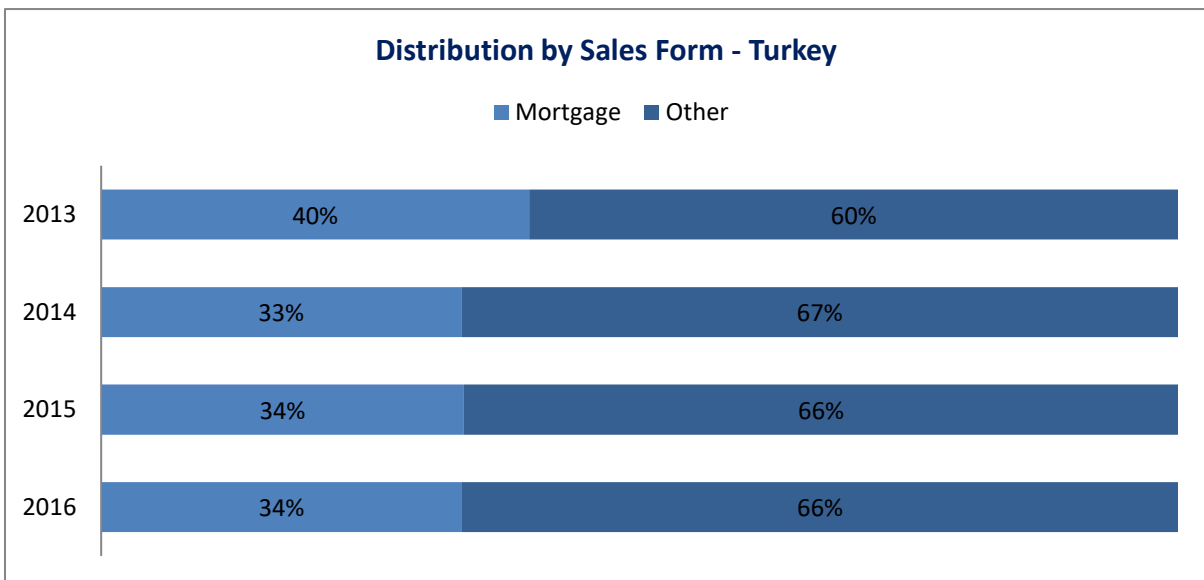
2.1.3 Evaluation of Housing Sales Data

The most basic indicator about the housing sector is the sales figures. At the national level, 1,341,453 housing units were sold in 2016.

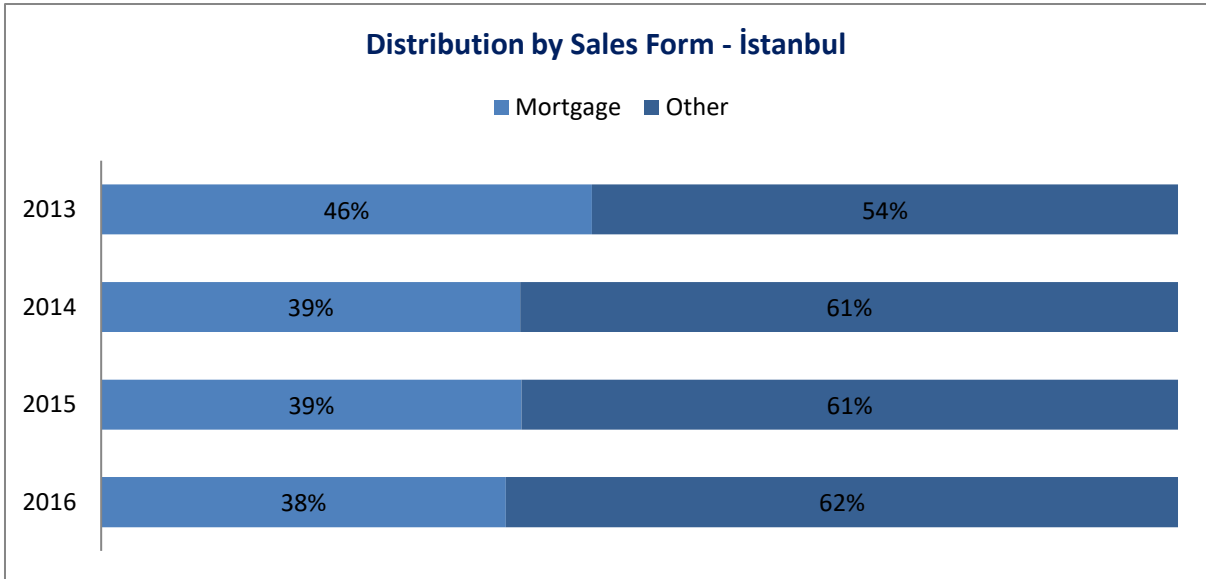


The number of housing sales at the national level shows steady increase with the rise at around 7% (around 8,000 residences) in 2014. The increase in 2015 was at the levels of 10.6%, and in 2016 was 4%.

Sales figures according to the used sales form (mortgage and other) are given in the following chart. Options such as advance payment, company term sales and sales with credit that can be described as other sales forms seem to be more preferred options than the mortgage sales.

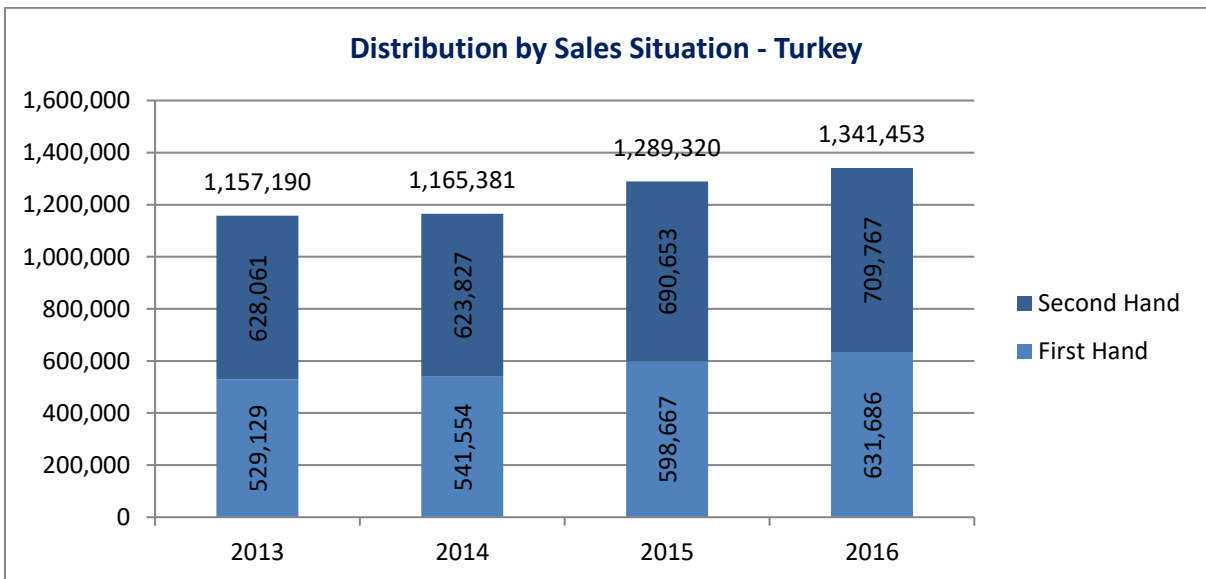


In 2013, 40% of sales were made with mortgage sales options, but mortgaged sales declined to 33% - 34% with a 15% decline in mortgage sales options in 2014. This fall in mortgage sales options is due to the fact that the interest rates on the loan are starting to move higher.

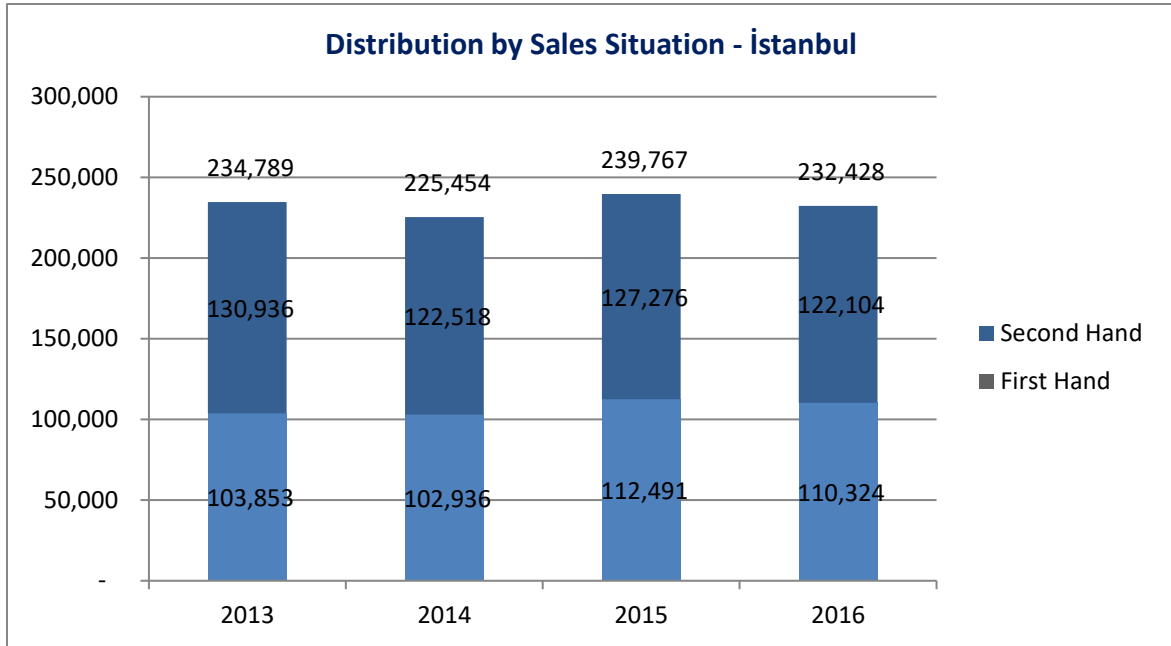


The same situation seems to have been experienced in sales in İstanbul. Since 2014, the mortgage sales ratio has declined to 38-39%.

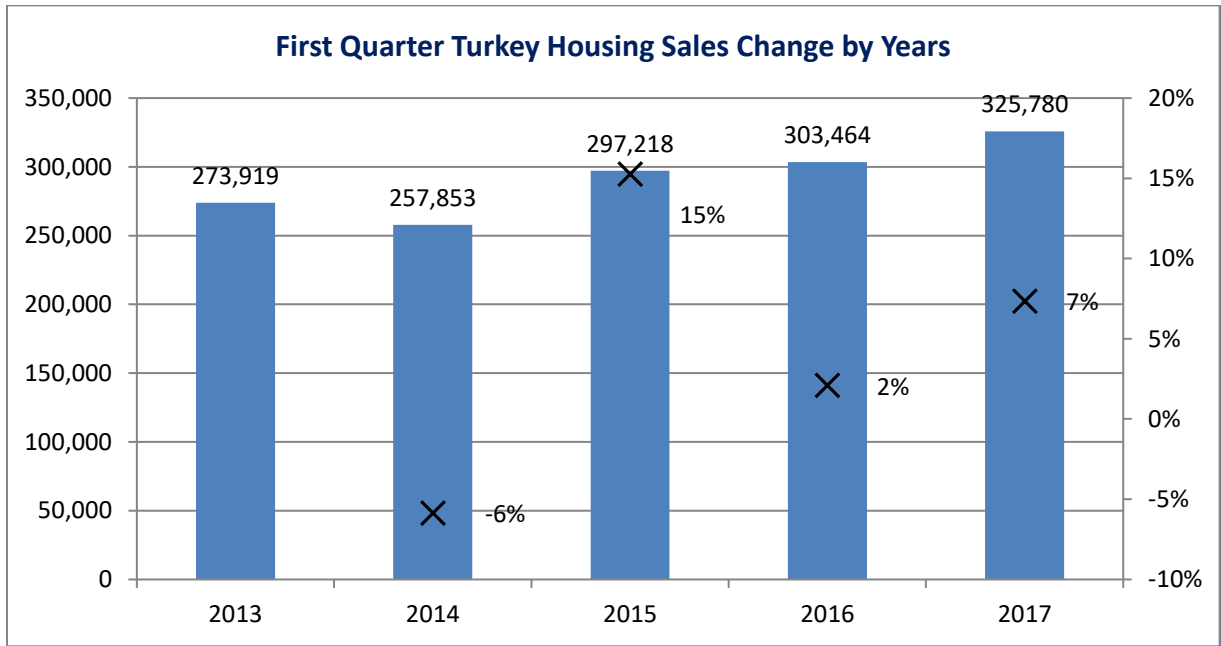
When sales values are analyzed according to the sales situation, it is seen that about 54% of the items sold annually are from houses sold second time and 46% are from houses sold for the first time. First-hand sales showed 5% increase in 2016.



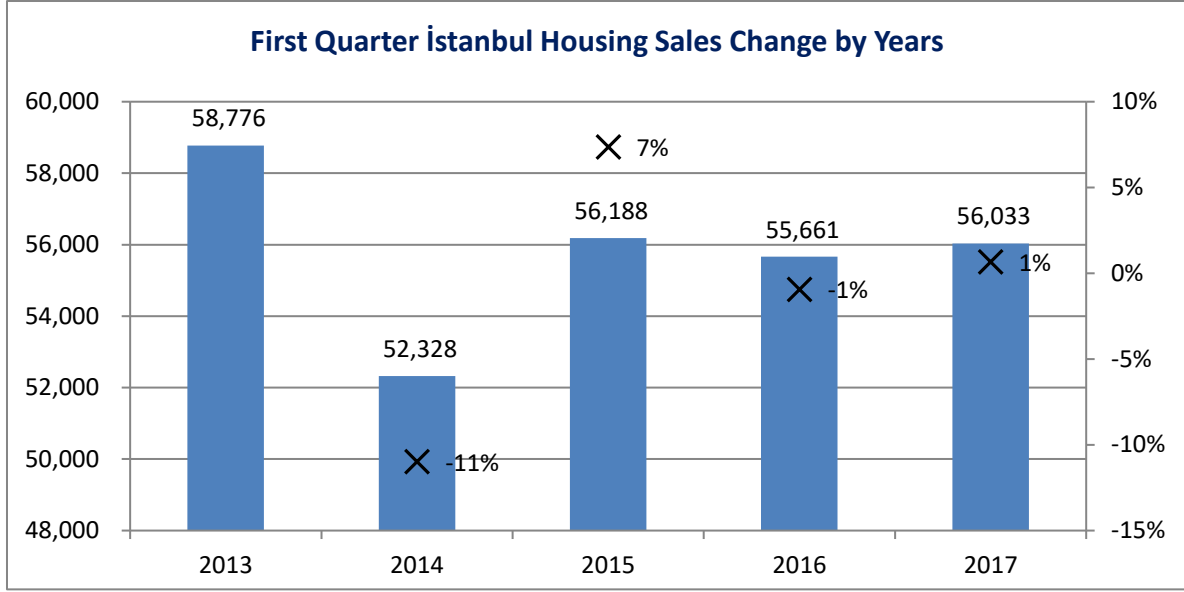
When the sales values are examined according to the sales situation in İstanbul, it is observed that the houses sold annually are around 56% in 2013 and 53-54% in the following years.



On the date the report was prepared, the sales data for the first quarter of the year were published. When the published data were analyzed, 325,780 houses were sold at the national level in the first quarter of 2017. Sales figures increased by 7% compared to the first quarter of last year.



When İstanbul data is analyzed, it is observed that in 2014 there was a decrease of 11% compared to the previous year while in 2015 the increase in the level of Turkey remained at a lower level. In 2017, according to the previous year, the first quarter of Turkey increased by 7% while the increase in İstanbul was about 1%.



2.1.4 İstanbul Housing Sales Numbers

When the number of housing sales in İstanbul district is examined, it is observed that 17.5% of sales in 2016 are realized in Esenyurt province. This province is followed by Sancaktepe, Beylikdüzü, Pendik and Kartal respectively. These districts are seen as the provinces where branded housing projects have started to settle with the transformation of İstanbul's newly developing and largely industrial areas. It is seen that these 5 provinces have 36% of sales in İstanbul.

	2016 Sales Number ¹	2016 Sales (%)	First Quarter Inc. in 2017
Prince Islands	0	0.0%	0.0%
Arnavutköy	3.954	1.7%	-2.4%
Ataşehir	5.851	2.5%	-8.8%
Avcılar	6.702	2.9%	-14.4%
Bağcılar	4.088	1.8%	15.1%
Bahçelievler	7.465	3.2%	0.1%
Bakırköy	3.516	1.5%	-10.8%
Başakşehir	8.009	3.5%	6.7
Bayrampaşa	3.454	1.5%	-16.7%
Beşiktaş	2.289	1.0%	-28.9%
Beykoz	335	0.1%	-14.9%
Beylikdüzü	10.901	4.7%	3.7%
Beyoğlu	1.939	0.8%	-12.6%
Büyükkçekmece	5.710	2.5%	-5.7%
Çatalca	0	0.0%	0.0%
Çekmeköy	4.980	2.2%	8.9%
Esenler	6.005	2.6%	21.5%
Esenyurt	40.436	17.5%	15.5%
Eyüp	4.671	2.0%	-4.6%
Fatih	3.632	1.6%	-12.6%
Gaziosmanpaşa	4.960	2.1%	0.7%
Güngören	2.561	1.1%	-10.0%
Kadıköy	7.374	3.2%	12.1%
Kağıthane	6.575	2.8%	-16.1%
Kartal	9.081	3.9%	-15.0%
Küçükçekmece	6.107	2.6%	19.2%
Maltepe	6.799	2.9%	-5.1%
Pendik	10.117	4.4%	5.4%
Sancaktepe	11.885	5.1%	3.9%
Sarıyer	1.813	0.8%	-13.8%
Silivri	4.927	2.1%	0.0%
Sultanbeyli	1.712	0.7%	57.1%
Sultangazi	5.765	2.5%	6.7%
Şile	0	0.0%	0.0%
Şişli	3.861	1.7%	-26.3%
Tuzla	6.622	2.9%	8.0%
Ümraniye	8.683	3.8%	-8.5%
Üsküdar	4.427	1.9%	-14.2%
Zeytinburnu	3.624	1.6%	-22.2%

In the first quarter of 2017, 56,033 houses were sold across the city. Sales figures increased by 0.7% compared to the same period of the previous year. The highest increases in sales have been realized in Sultanbeyli, Esenler, Küçükçekmece, Esenyurt and Bağcılar provinces. Sales in emerging regions are

¹ As a result of low number of sales in the Prince Islands, Çatalca and Şile, TÜİK does not disclose the sales numbers realized in these areas in terms of confidentiality.

striking. The biggest decreases in housing sales were realized in Beşiktaş, Şişli, Zeytinburnu, Bayrampaşa and Kağıthane.

2.1.5 Evaluation of Foreign Sales Data

When 2016 data are analyzed, 18,189 housing at national level were sold to citizens of other countries. The largest sales with 5,811 units were realized in İstanbul (32%).

Total	18,189	100%
İstanbul	5,811	32%
Antalya	4,352	24%
Bursa	1,318	7%
Aydın	871	5%
Yalova	822	5%
Trabzon	810	4%
Sakarya	657	4%
Muğla	632	3%
Ankara	623	3%
Mersin	580	3%
Other cities	1,713	9%

While the highest sales in 2013 and 2014 are seen in Antalya, the biggest sales figures have started to be seen in İstanbul as of 2015.

It is observed that the top ten cities the foreigners demand have never changed except 2013. In 2013, İzmir was among the top ten cities, leaving its place in Trabzon afterwards.

	2013	2014	2015	2016	2017 First Quarter
İstanbul	2	2	1	1	1
Antalya	1	1	2	2	2
Bursa	6	5	3	3	3
Ankara	9	9	10	9	4
Yalova	7	7	4	5	5
Sakarya	10	8	6	7	6
Trabzon	-	10	8	6	7
Aydın	3	3	5	4	8
Muğla	4	4	7	8	9
Mersin	5	6	9	10	10

Along with the outcome of the reciprocity law, the southern cities first became more prominent in the foreign housing sales, but then the Black Sea region and the Marmara region became more prominent. When this information is considered together with the purchasing nationalities given in the following table, it is observed that our areas famous with its green nature are placed near the top with the demand from the Gulf Countries.

	2015	2016	2017 First Quarter
Iraq	4.228	3.036	1.129
Saudi Arabia	2.704	1.886	620
Kuwait	2.130	1.744	537
Afghanistan	656	1.205	381
Russia	2.036	1.224	351
Azerbaijan	815	610	224
Egypt	318	348	168
Iran	744	664	171
Germany	869	714	183
England	1.054	827	171
Ukraine	608	484	142
Jordan	243	345	131
Palestine			116
China	271	281	75
Lebanon			
Sweden	541	417	94
Qatar	277	256	
Kazakhstan	540	380	88
United Arab Emirates	332	192	117
Yemen	231		102
Libya	427		
Norway	453	296	65
Netherlands		217	
Belgium		198	64
Other countries	3.514	3.067	1.021

	2015	2016	2017 First Quarter
Iraq	18.4%	16.5%	20.7%
Saudi Arabia	11.8%	10.3%	10.6%
Kuwait	9.3%	9.5%	8.4%
Afghanistan	2.9%	6.6%	6.9%
Russia	8.9%	6.7%	5.0%
Azerbaijan	3.5%	3.3%	4.0%
Egypt	1.4%	1.9%	3.4%
Iran	3.2%	3.6%	3.1%
Germany	3.8%	3.9%	2.9%
England	4.6%	4.5%	2.8%
Ukraine	2.6%	2.6%	2.8%
Jordan	1.1%	1.9%	2.1%
Palestine			1.8%
China	1.2%	1.5%	1.7%
Lebanon			1.4%
Sweden	2.4%	2.3%	1.4%
Qatar	1.2%	1.4%	1.4%
Kazakhstan	2.3%	2.1%	1.3%
United Arab Emirates	1.4%	1.0%	1.3%
Yemen	1.0%		1.1%
Libya	1.9%		
Norway	2.0%	1.6%	
Holland		1.2%	
Belgium		1.1%	
Other countries	15.3%	16.7%	16.0%

It seems that the demand from the Western countries has mostly left the place to the Gulf States. For this reason, sales in the Black Sea and the Marmara regions are increasing at a higher rate.

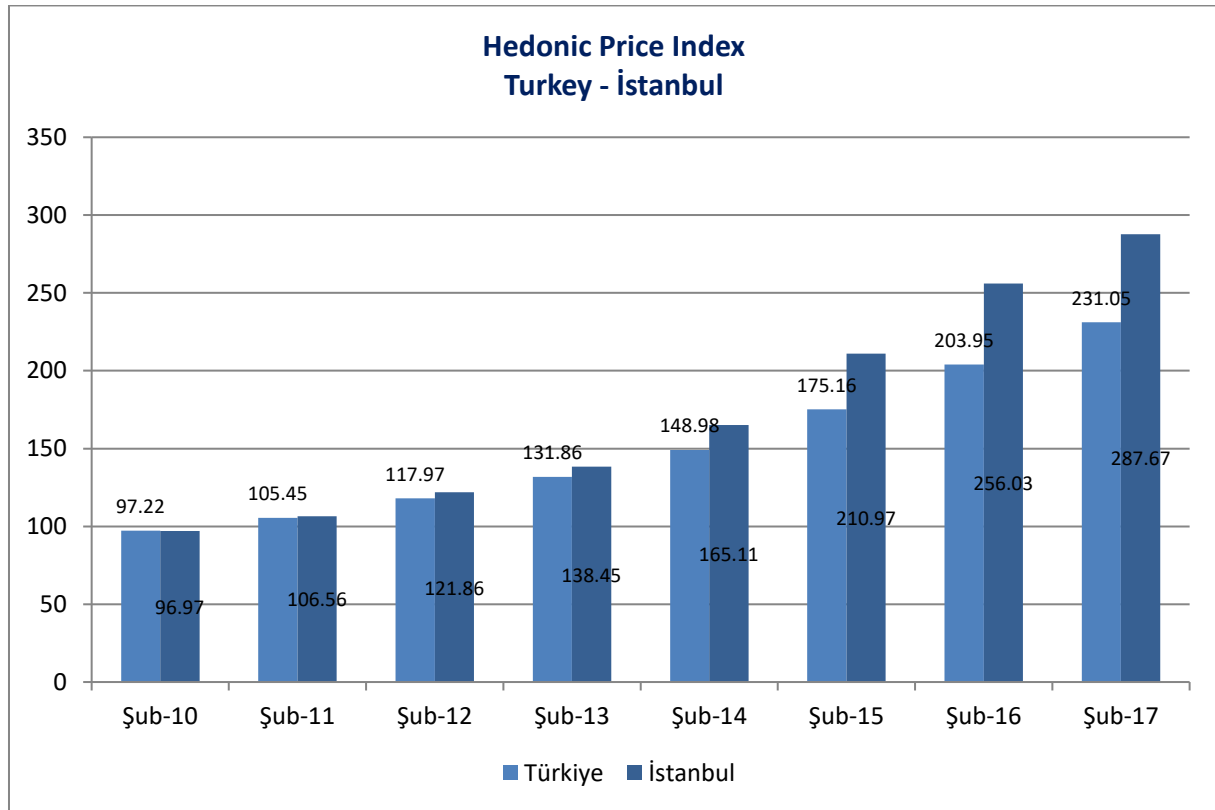
When the increase in foreign housing sales is examined, 56% increase was realized in 2014. The value of foreign housing sales increased by 20% in 2015 showed a sharp decline of 20% in 2016. When the first two months of 2017 were analyzed, the decrease was 12% compared to the first two months of 2016.

2.1.6 Housing Sales Prices Increase Analysis

2.1.6.1 CBRT Hedonic Price Increase Analysis

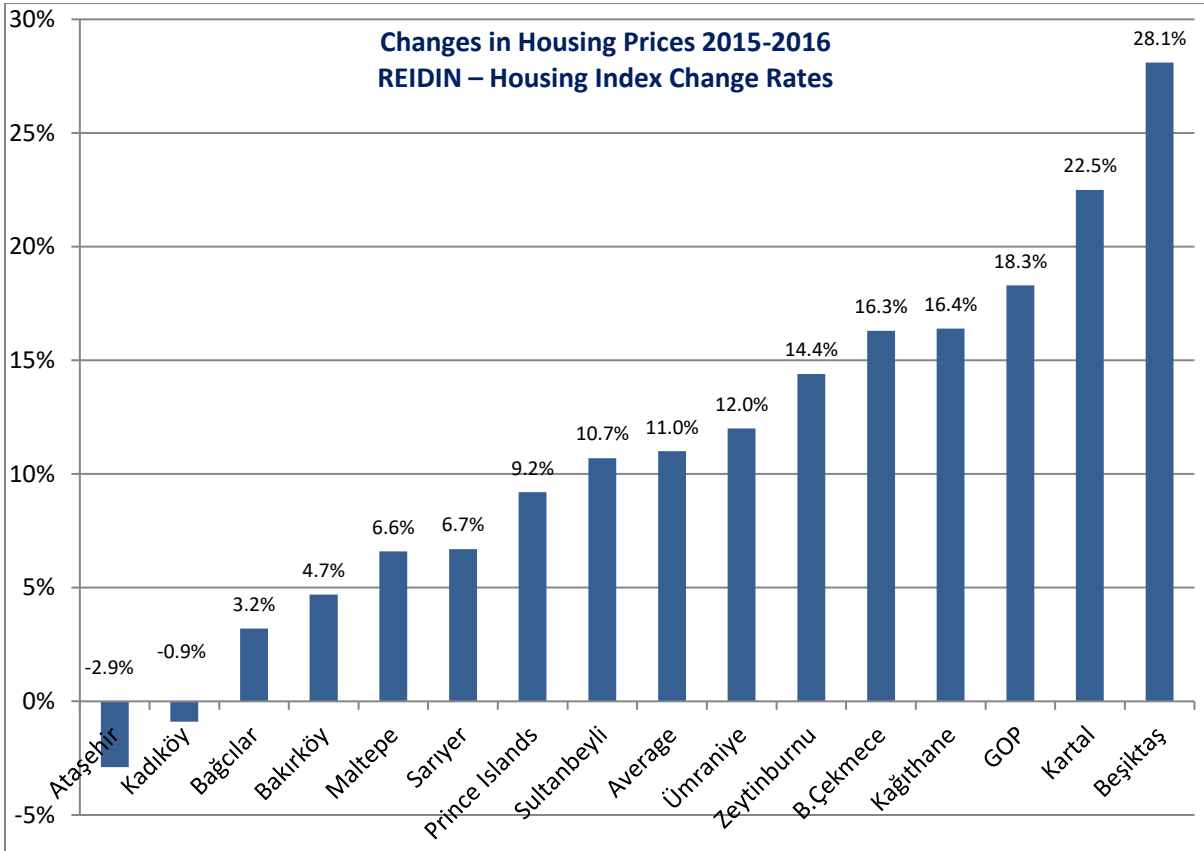
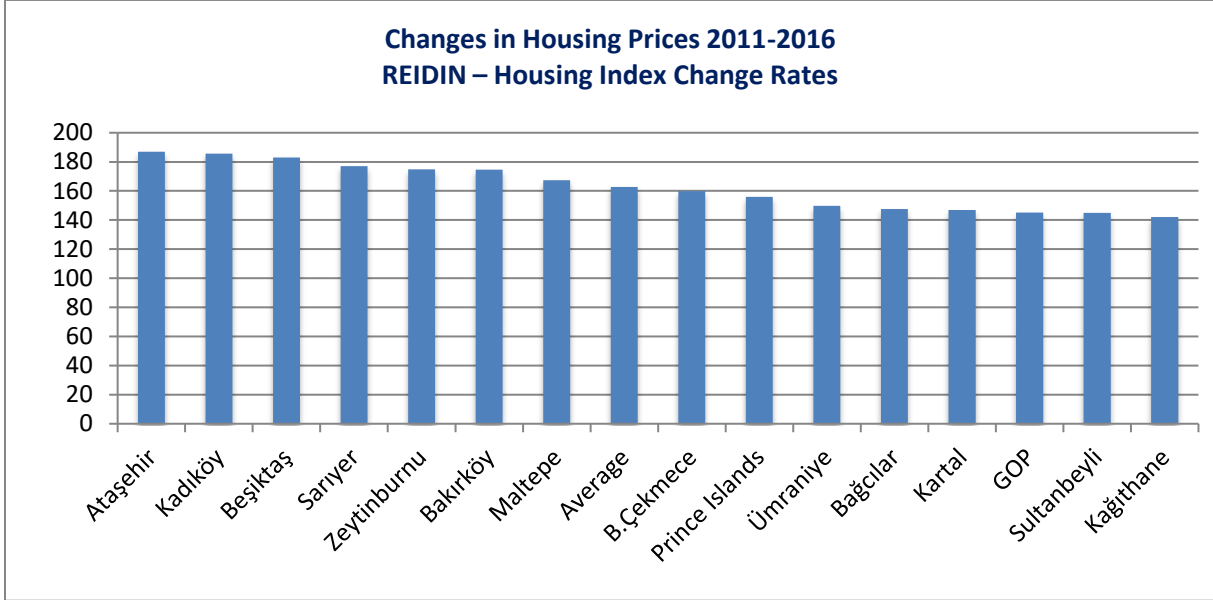
When the hedonic housing price index published by CBRT is examined, it is observed that the increase between February 2010 and February 2017 was 92.4% in the scale of Turkey, while it was 118.6% in the scale of İstanbul.

	Index		Change by Periods		Cumulative Change by Periods	
	Türkiye	İstanbul	Türkiye	İstanbul	Türkiye	İstanbul
Feb 10	97.22	96.97				
Feb 11	105.45	106.56	8.5%	10%	8.5%	9.9%
Feb 12	117.97	121.86	12%	14%	20.3%	24.2%
Feb 13	131.86	138.45	12%	14%	32.1%	37.9%
Feb 14	148.98	165.11	13%	19%	45.1%	57.1%
Feb 15	175.16	210.97	18%	28%	62.7%	84.9%
Feb 16	203.95	256.03	16%	21%	79.1%	106.3%
Feb 17	231.05	287.67	13%	12%	92.4%	118.6%



2.1.6.2 Reidin Index Analysis

When the Reidin Index was examined between 2011 and 2016, the highest increase was observed in Ataşehir province and the lowest increase was observed in Kağıthane. The high prices of new housing supply in Ataşehir province increased rapidly due to the influence of Finance Center.



As seen, Ataşehir has reached certain saturation, so the decrease in the rate of increase has begun. In the last 5 years, it has been in the 1st place, it has decreased to the 15th place in the last one year.

Likewise, the same situation occurred in all provinces with new housing development which are appealing to the high income group.

	Ranking by Total Price Increase Rate of Last 5 Years	Ranking by Price Increase Rate in Last 1 Year
Ataşehir	1	15
Kadıköy	2	14
Beşiktaş	3	1
Sarıyer	4	11
Zeytinburnu	5	6
Bakırköy	6	13
Maltepe	7	12

2.1.6.3 Evaluation on the Data Collected from the Real Estate Portals

When the housing sales prices in İstanbul city and districts and when the price increases of the last two years are examined, the average monthly increase in İstanbul is calculated as 1.7%. When the data of last two years are analyzed, the biggest increases in the provinces are seen in Gaziosmanpaşa, Üsküdar, Arnavutköy, Beykoz and Eyüp respectively. The lowest price increases are seen in Şişli, Kadıköy, Beyoğlu, Küçükçekmece and Ataşehir. When the increases in the last year are examined, the biggest increases are again in these provinces.

When the reasons for these provinces are investigated, the new subway line and the development of new real estate projects in the city of Gaziosmanpaşa are the most. In Arnavutköy, prices are increasing due to the development of new airport and canal İstanbul project. Eyüp region is also at the forefront especially for the attraction of new airport and connection roads. The increase in Üsküdar and Beykoz regions is related to the strengthening of the transport links in these regions and the development of important real estate projects.

The average sales price in İstanbul is 4.519 TL / m². Beşiktaş, Beykoz, Bakırköy, Sarıyer and Kadıköy have the highest housing sales prices. On the other hand, Esenyurt, Sultangazi, Beylikdüzü, Arnavutköy and Avcılar have respectively the lowest housing sales prices. The highest housing sales prices belong to well-planned developed neighborhoods usually located in the center of the city. The lowest housing prices are found in the newly developed regions of the city walls.

Housing Rent Prices

When the rental prices are examined, the rental value across the city is calculated as TL 21 / m² / month. The highest rent values are found respectively in Beşiktaş, Beyoğlu, Sarıyer, Beykoz and Bakırköy. The lowest rental values are found respectively in Esenyurt, Sultangazi, Avcılar, Beylikdüzü, and Başakşehir. It is observed that the well-developed and central cities have the highest rental values

as in the sales values of the residence, while the lower rent values are found in the newly developed neighborhoods of the city walls.

It is seen that rent values in the city decreased by 4.5% in the last year but increased by 5% in the last two years period. When the increases in last year are analyzed, it is observed that biggest increase in rental values were in Büyükçekmece, Avcılar, Çekmeköy, Pendik and Kağıthane areas. In the last year, the highest decreases in rental values were respectively in Bayrampaşa, Esenyurt, Bağcılar, Zeytinburnu and Sarıyer.

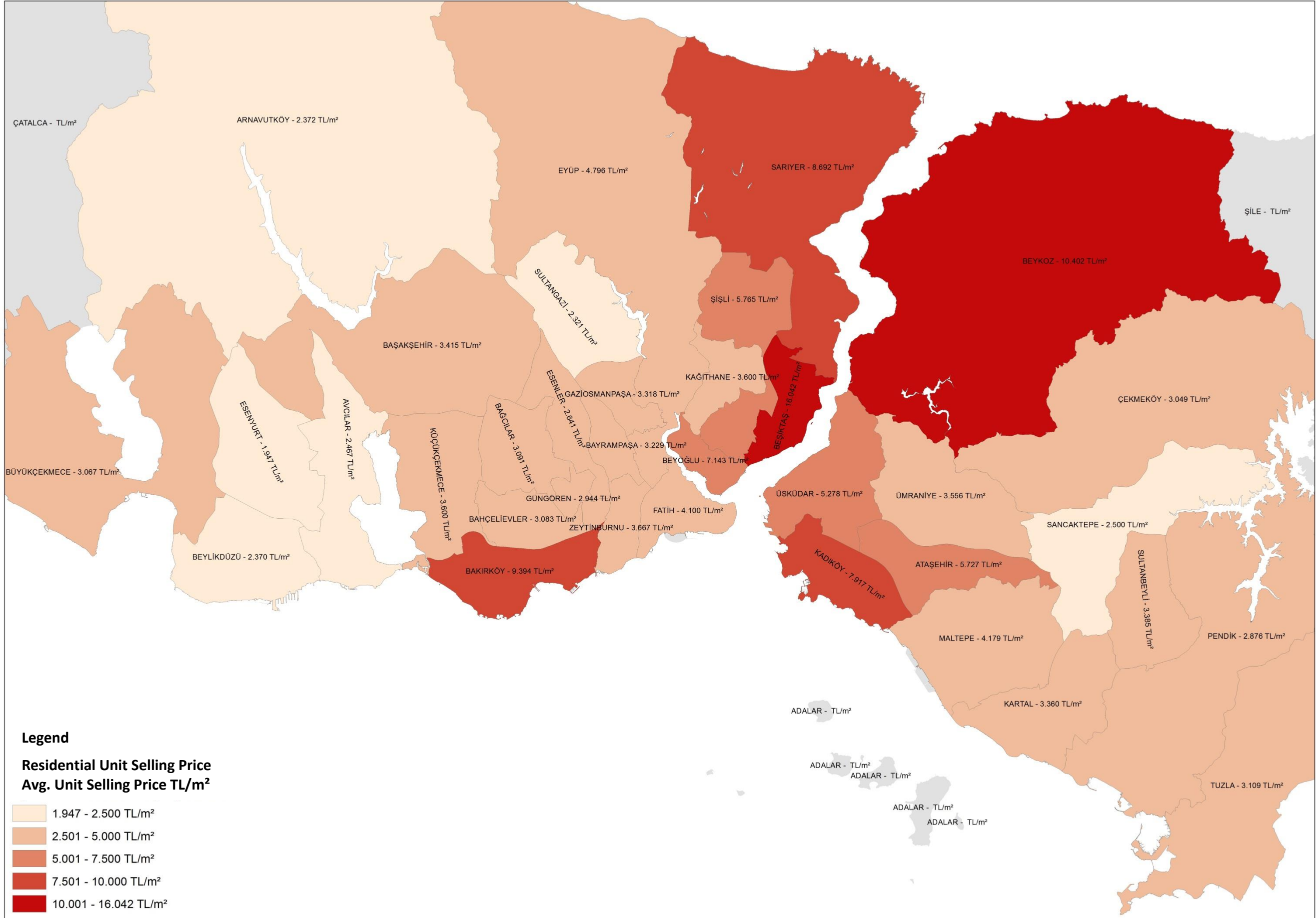
Amortization Period

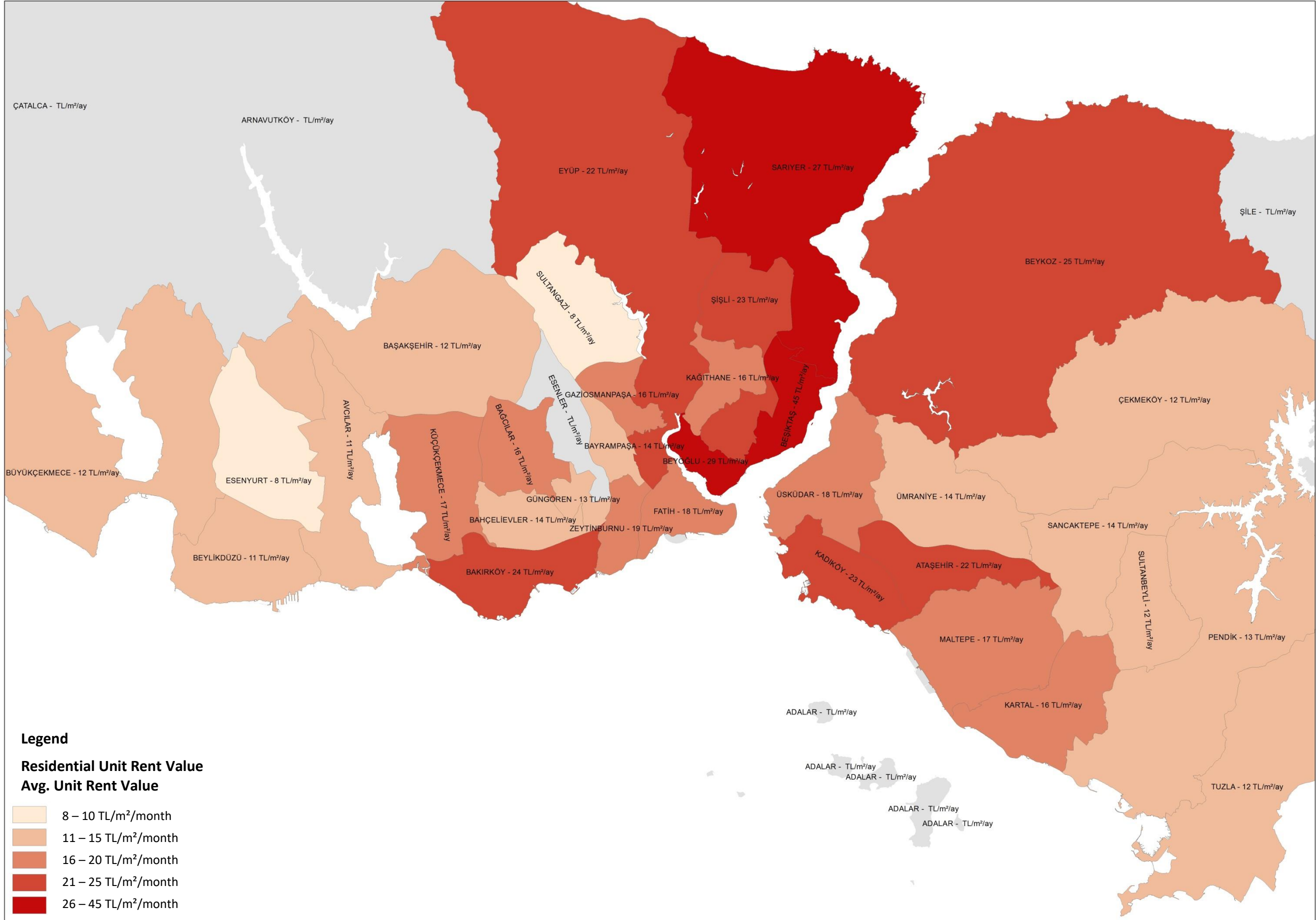
The amortization period in İstanbul is 18 years (approximately 220 months). The longest periods of amortization are respectively seen in Beykoz, Bakırköy, Beşiktaş, Kadıköy and Sarıyer. Whereas, the shortest periods of amortization are seen in Sancaktepe, Bağcılar, Esenyurt, Zeytinburnu and Gaziosmanpaşa.

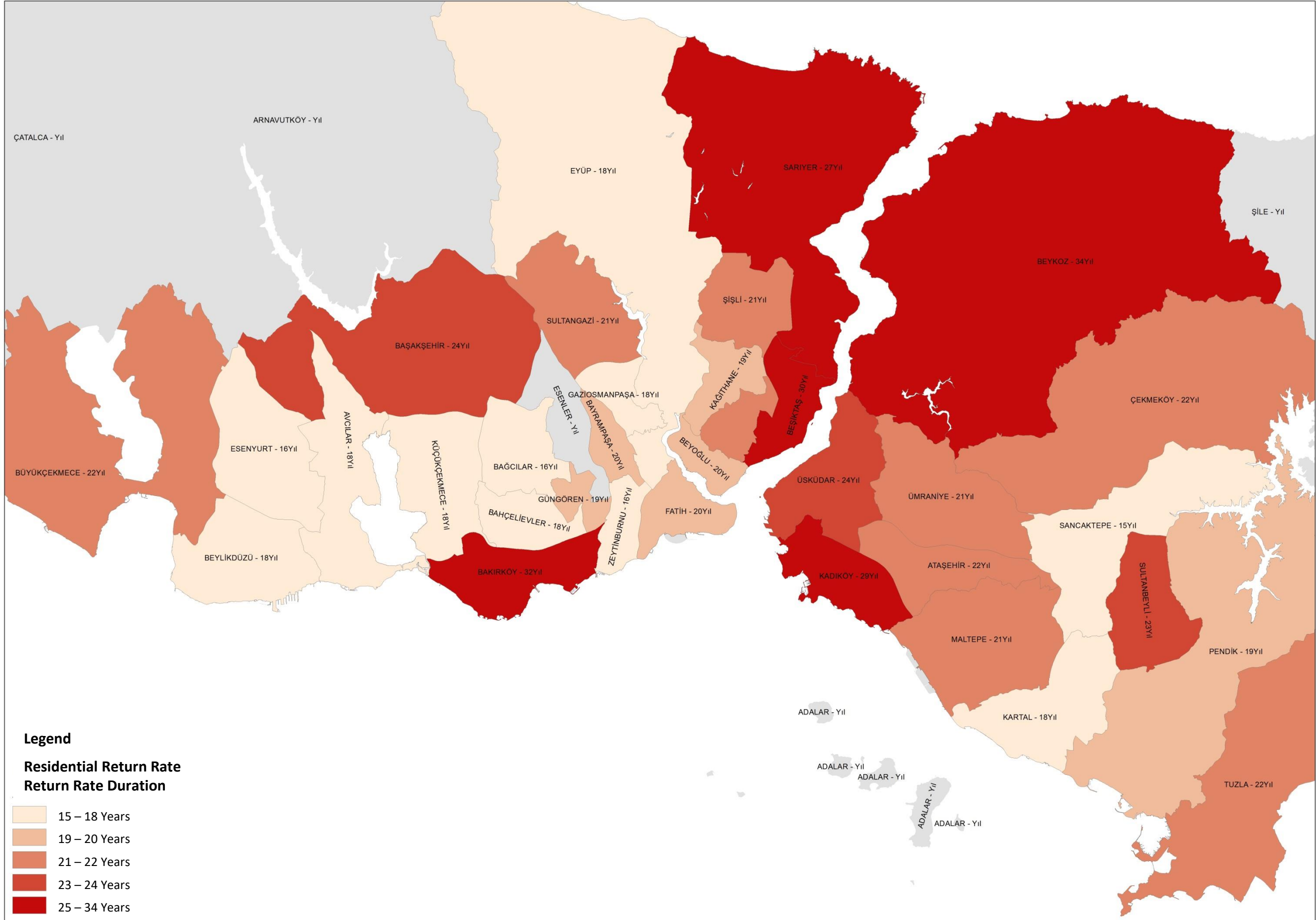
While the longest amortization periods are observed in high priced residential areas; shorter amortization periods are found in relatively low priced and newly developed residential areas.

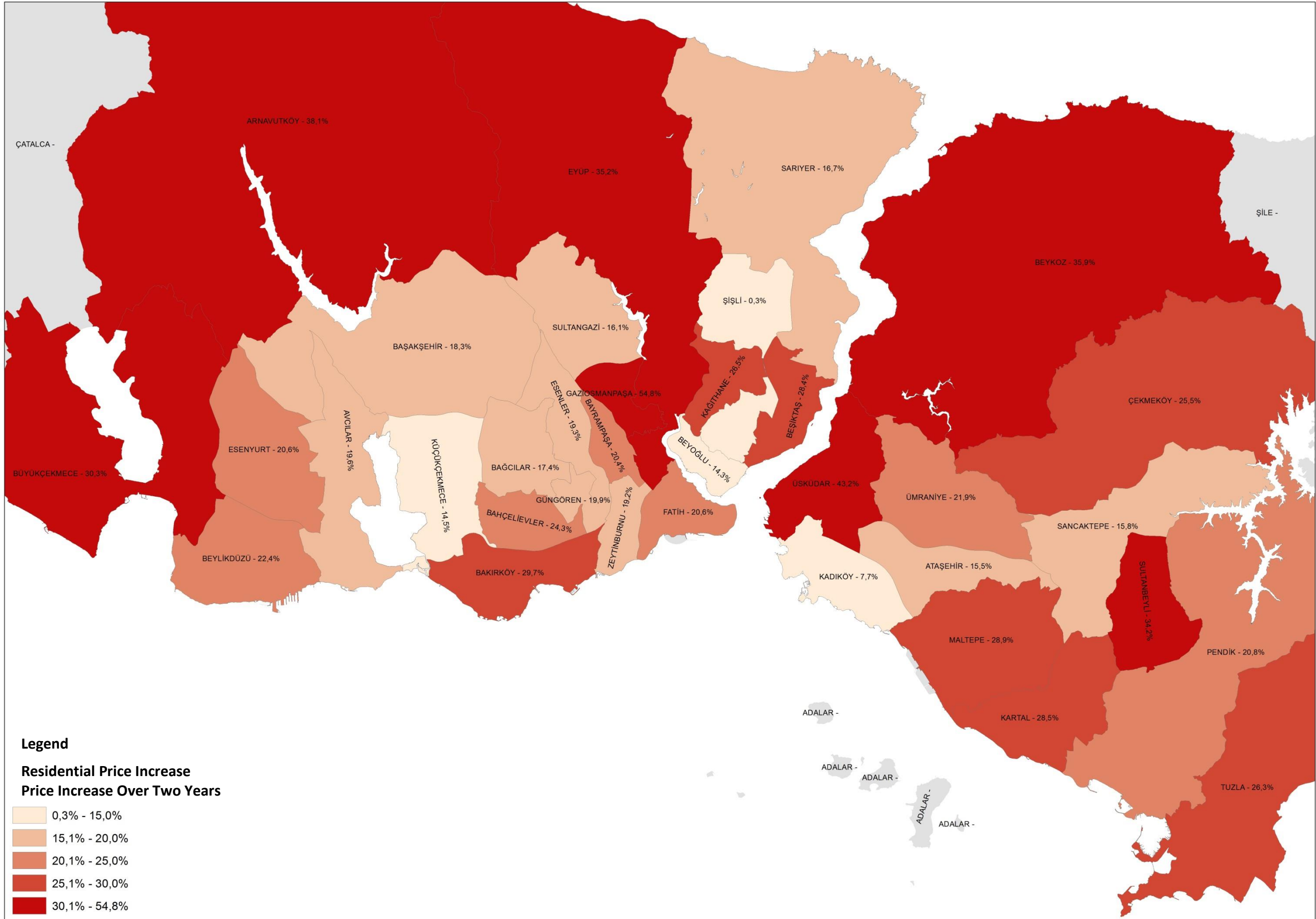
	Housing Unit Sales Price TL / m ²	Price Increase of Two Years	Mean Rental value TL / m ² / month	Rent Increase of Two Years	Amortization Period
İstanbul	4,519	39.7	21	5.0%	18
Arnavutköy	2,372	38.1%			
Ataşehir	5,727	15.5%	22	4.8%	22
Avcılar	2,467	19.6%	11	10.0%	18
Bağcılar	3,091	17.4%	16	-11.1%	16
Bahçelievler	3,083	24.3%	14	7.7%	18
Bakırköy	9,394	29.7%	24	14.3%	32
Başakşehir	3,415	18.3%	12	-7.7%	24
Bayrampaşa	3,229	20.4%	14	-33.3%	20
Beşiktaş	16,042	28.4%	45	7.1%	30
Beykoz	10,402	35.9%	25	8.7%	34
Beylikdüzü	2,370	22.4%	11	10.0%	18
Beyoğlu	7,143	14.3%	29	-9.4%	20
B.Çekmece	3,067	30.3%	12	33.3%	22
Çekmeköy	3,049	25.5%	12	20.0%	22
Esenler	2,641	19.3%			
Esenyurt	1,947	20.6%	8	-11.1%	16
Eyüp	4,796	35.2%	22	10.0%	18
Fatih	4,100	20.6%	18	5.9%	20
GOP	3,318	54.8%	16	-23.8%	18
Güngören	2,944	19.9%	13	0.0%	19
Kadıköy	7,917	7.7%	23	4.5%	29
Kağıthane	3,600	26.5%	16	14.3%	19
Kartal	3,360	28.5%	16	14.3%	18
K.çekmece	3,600	14.5%	17	13.3%	18
Maltepe	4,179	28.9%	17	21.4%	21
Pendik	2,876	20.8%	13	18.2%	19
Sancaktepe	2,500	15.8%	14	7.7%	15
Sarıyer	8,692	16.7%	27	3.8%	27
Sultanbeyli	3,385	34.2%	12	20.0%	23
Sultangazi	2,321	16.1%	8	0.0%	21
Şişli	5,765	0.3%	23	-11.5%	21
Tuzla	3,109	26.3%	12	33.3%	22
Ümraniye	3,556	21.9%	14	7.7%	21
Üsküdar	5,278	43.2%	18	12.5%	24
Zeytinburnu	3,667	19.2%	19	26.7%	16

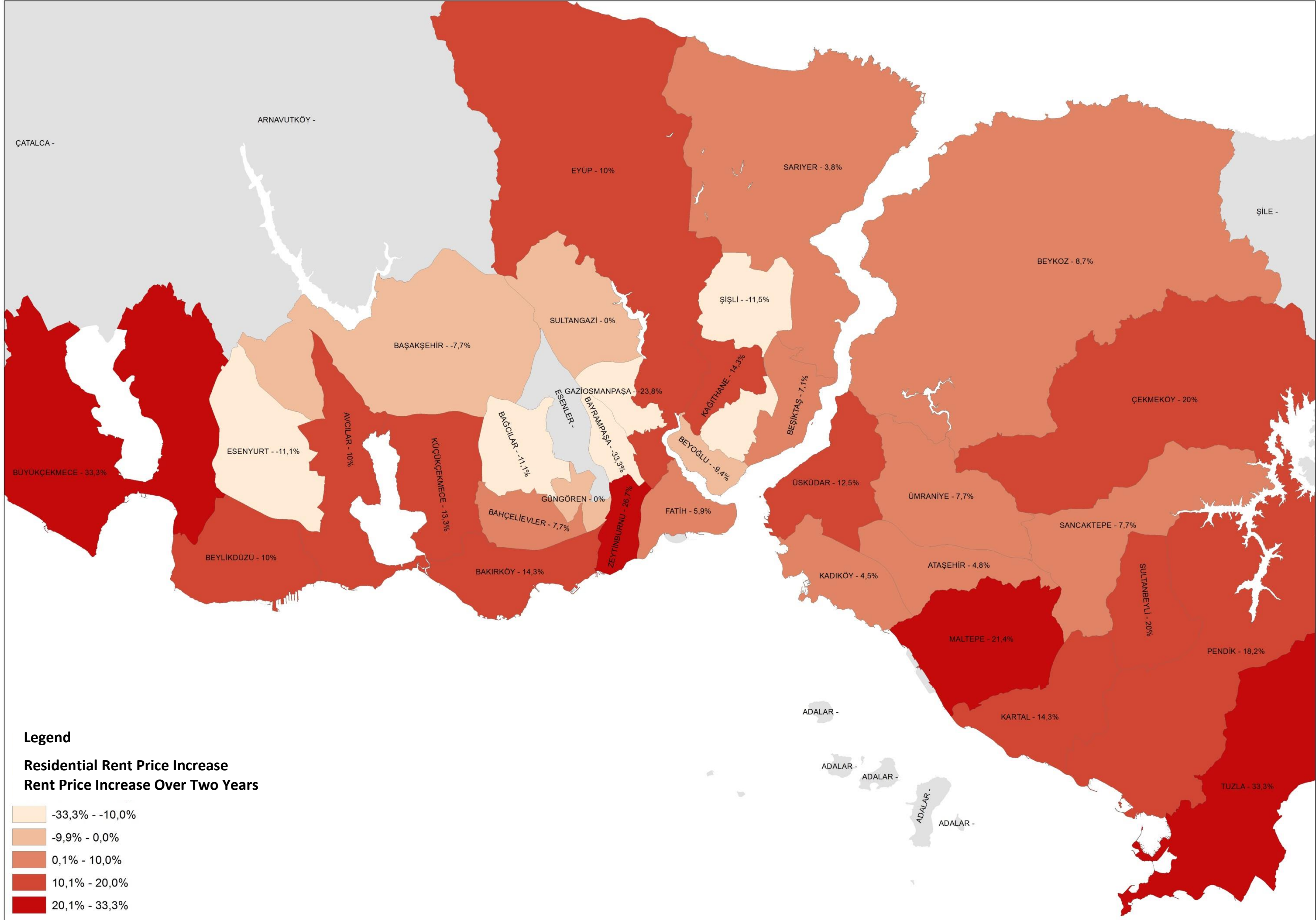
Below is a map of İstanbul's current sales prices, rental prices, amortization periods, sales price increase and rent price increase prices.











2.1.7 Areas with Higher Price Increase Expectations

When we look at İstanbul in general, it is observed that some regions are showing a bigger price increase compared to the city in general. It is known that the infrastructure projects in the city, especially the transportation works, greatly affect the neighboring regions and cause increase in the prices. On the other hand, in regions where qualified real estate projects are developed, prices increases are respectively higher.

When the city is generally considered, it is thought that higher housing price increases will be seen in the secondary districts and in the houses located in the peripheries than the central districts.

Regions with a higher price increase expectation can be listed as follows without any importance order.

- Due to the 3rd Airport and the Northern Marmara Motorway, price increases are expected in Arnavutköy District center, Bolluca Bogazköy and Işıklar. Similarly, higher price increases are expected in Göktürk - Kemerburgaz regions of Eyüp. Although this region is a relatively high-priced region, it still shows higher price increases.
- In Gaziosmanpaşa, especially the areas close to the TEM highway have entered into a major urban transformation mobilization. The fact that the construction of Mecidiyeköy - Mahmutbey metro will continue in this region will ensure that the rapid price increase in the region will continue for a while.
- Zeytinburnu coastal high-level housing projects, the opening of the Marmaray Zeytinburnu station and the presence of the road crossing of the Bosphorus, along with the Zeytinburnu coast, cause significant price increases throughout the district. On the other hand, mixed use projects in the district with E-5 highway frontage are expected to cause significant price increases in the E-5-looking regions.
- Kayaşehir region located within the borders of Başakşehir district and the development areas located in the northern direction continue to host important real estate development projects. The projects that are shaped by the public authorities to be bounded with the public on the roads have significant advantages by its location which is close to Kanal İstanbul project and by providing a direct access to the North Marmara Motorway and the New Airport. In these regions, important investments and planning studies are being carried out with the establishment of a new city. It is thought that there will be higher price increases in this region.

- Urban transformation activities are accelerating in the neighborhoods of the Pendik region, especially to the north of E-5 and to the inner parts of the district. In these regions, mostly local developers are producing projects, however higher price increases are seen. This situation is expected to continue in the coming period.
- Levent Çeliktepe district is especially attractive for its location close to the business area. Although this region is not a highly preferred region due to poor and obsolete building stocks, it is thought that the start of urban transformation activities in this region will lead to significant sales price increases.
- It is anticipated that the Kağıthane region will result in relatively higher price increases due to both metro investments and new and large-scale real estate development projects.
- In the coastal areas of Tuzla region and in the regions that have developed as a secondary residence, new quality housing projects has been realized. It is estimated that these regions will provide substantial returns in the middle and long term.

2.1.8 Remarkable Housing Projects

The following are some of the remarkable projects that are being sold in Anatolia and European Sides between 2017 and 2021, depending on their characteristics such as concept, urban transformation and different functions.

Anatolian Side Projects

Koşuyolu projects presented in the table are developed in the area where the land stock is limited and appealing to the high income group. The Mandarins Acıbadem and Kentplus Kadıköy are urban transformation projects and are developed in Fikirtepe region. Sinpaş Palas project developed in Ataşehir is an important project developed by a branded group near the financial center. The projects developed in Sancaktepe, Pendik and Kartal, which are the urban districts of the city, are remarkable in terms of their scale.

Project Name	Province	Contractor Firm	Land Area	Unit	Due Date	Average Unit Sales Price
Elysium Elite Koşuyolu	Kadıköy	Ofton İnşaat	10,000	86	Mar 17	16,000 TL
Excellence Koşuyolu	Kadıköy	Sur Yapı	25,000	184	Jun 19	17,500 TL
The Mandarins Acıbadem	Kadıköy	Selka-NSK İnşaat	15,120	493	May 18	9,700 TL
Kentplus Kadıköy	Kadıköy	Emay İnşaat	27,000	1,276	Jun 17	10,400 TL
Sinpaş Palas	Ataşehir	Sinpaş GYO	88,733	1,015	Dec 18	8,500 TL
Resim İstanbul	Sancaktepe	Ortadoğu Grup	81,433	1,394	Jul 17	5,200 TL
Lens İstanbul	Pendik	Lens Yapı	33,000	1,162	Oct 18	4,400 TL

AND Pastel	Kartal	Anadolu Gayrimenkul Yatırımları A.Ş	45,000	1,200	Jun 18	5,600 TL
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European Side Projects

Bağcılar Toya Next project presented in the table is a project where small square meters of houses are located. The most striking feature of the project is the provision of solutions that increase housing efficiency with mobile furniture. Başakşehir is a district where Emlak Konut is planned with a new settlement area along with developers and housing supply is intensive. As can be seen, the scale of the project is quite large and sales prices are attractive to the investors due to the center distances. The projects developed on both Halkalı housing area and Basın Ekspres Yolu in Küçükçekmece are catching attractions. In particular, a new residential area is being constructed on the left side of the Basın Ekspres in the direction of Tem, with new projects. Bakırköy is also striking with projects developed on the Ataköy-E5 and coastline. On the last land stocks of the region, projects are mostly developed for the high income group. Zeytinburnu projects are important in terms of urban transformation. The projects in the region are attracting attention with its closeness to the center. Development projects are ongoing both on the coast and near the E-5 axis. Piyalepaşa region, where the urban transformation is also intensive, is a large-scale development project developed in the neighborhood concept. Projects developed on Tem crossing Gaziosmanpaşa and Eyüp and Kağıthane are attracting attention due to its closeness to Levent. The Vadi İstanbul project has seen intense demand due to its different functions.

Zekeriyaköy, due to its connections to both the city center and the 3rd bridge, has always attracted the attentions of the high income group. The land stock in the region is limited and it is remarkable with the village project scale developed in the region.

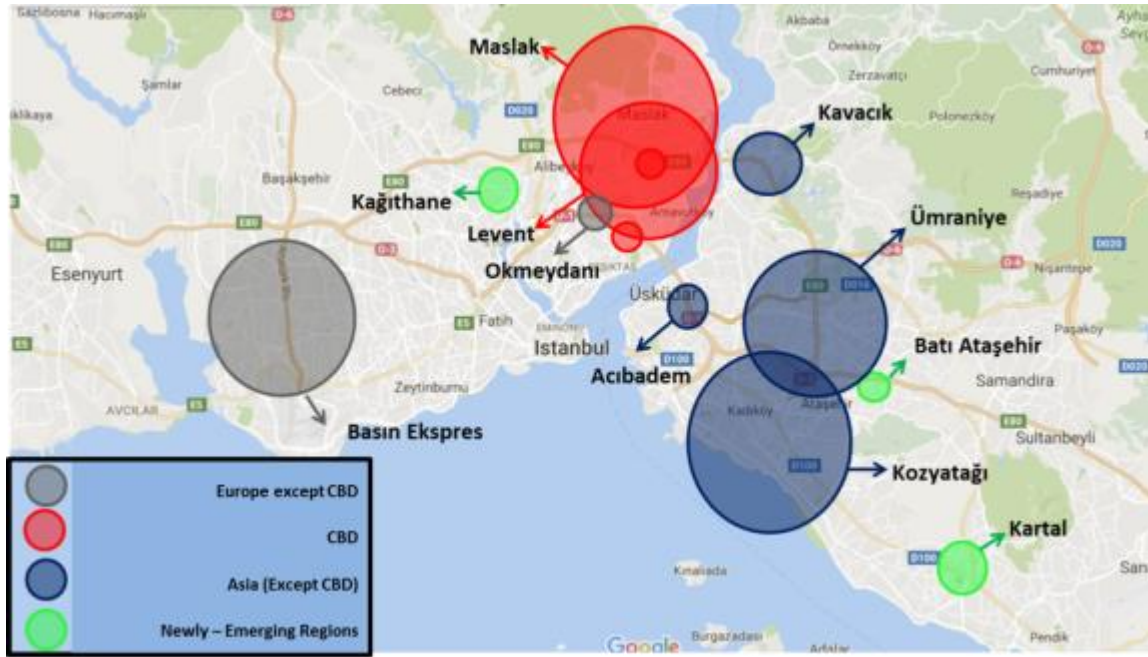
Project Name	District	Developer	Plot Size	Cons. Area	Units	Due Date	Avg. Selling Price TL/m ²
Toya Next	Bağcılar	Toya Yapı	19.000	93.600	410	1 February 2019	8.700 TL
Avrupark Bahçekent	Başakşehir	Emlak Konut GYO ve Cihan İnşaat	78.640	293.700	1.394	1 April 2018	3.700 TL
Tual Bahçekent	Başakşehir	Dağ Mühendislik	190.000	515.000	1.739	1 December 2018	3.500 TL
Akzirve Strada	Başakşehir	Akzirve Gayrimenkul Yatırım	102.000	475.000	2.440	1 April 2021	4.128 TL
Babacan Port Royal	Küçükçekmece	Babacan Yapı A.Ş.	16.500	57.000	802	1 April 2019	6.700 TL
Tema İstanbul	Küçükçekmece	Artaş İnşaat-Mesa Mesken Sanayii A.Ş.-Öztaş-Kantur-Akdaş	1.505.000		3.531	11 July 1905	6.400 TL
Tem Avrasya Konutları	Gaziosmanpaşa	Fuzul Yapı-Yol İnşaat	18.621		612	1 June 2019	6.200 TL
Nef Bahçelievler	Bahçelievler	Timur Gayrimenkul	44.326	220.000	1.023	1 December 2018	10.300 TL
Büyükyalı İstanbul	Zeytinburnu	Özak GYO, Yeniğün ve Ziyancı	111.263	238.000	960	1 March 2019	19.500 TL
Yedi Mavi	Zeytinburnu	Kalkavan İnşaat, Hasan Sever İnşaat ve Gül Yapı	63.500		1.047	1 February 2019	20.700 TL
Nivo Ataköy	Bakırköy	Cathay Group	13.000	55.000	310	1 June 2018	12.000 TL
Nef Ataköy 22	Bakırköy	Timur Gayrimenkul Geliştirme Yapı Ve Yatırım A.Ş.	24.208	120.000	1.229	1 June 2018	10.300 TL
Sea Pearl Ataköy	Bakırköy	Kuzu Grup	127.600	547.000	1.401	1 November 2018	35.400 TL
Piyalepaşa İstanbul	Beyoğlu	Polat İnşaat	82.000	450.000	1.140	1 December 2018	12.600 TL
5. Levent	Eyüp	Torunlar GYO	516.000	578.400	4.064	1 December 2017	8.300 TL
Queen Central Park	Şişli	Sinpaş GYO	15.335	171.283	1.078	1 December 2018	14.900 TL
Vadi İstanbul	Kağıthane	Artaş İnşaat, Aydınlı Grup ve Keleşoğlu İnşaat	424.000	1.350.000	1.942	1 December 2017	10.500 TL
Zekeriyaköy Köyü	Sarıyer	Siyahkalem Mühendislik, Emlak Konut GYO ve TOKİ	467.000	430.000	1.167	1 June 2018	9.000 TL
Maslak 1453	Sarıyer	Ağaoğlu	314.000	1.685.000	4.789	1 March 2017	10.500 TL

2.2 Office Sector



It is possible to examine the İstanbul office market mainly in 3 regions. These regions are namely central business district, off-center business district and newly emerging office district.

- Central business district; has the most intense office space and the pedestrian-vehicle traffic. Besiktas, Balmumcu, Zincirlikuyu, Esentepe, Şişli, Etiler, Akatlar, Levent and Maslak districts are within the scope of this central business district.
- Off-central business district; consists the periphery of the central business district and the secondary office areas. Taksim - Nişantaşı, Şişli - Fulya districts in European side and Kozyatağı, Altunizade, Kavacık and Ümraniye districts in Anatolian side are examined within the scope of this off-central business district.
- Newly emerging office district; includes new office buildings, especially those that continue to grow with the transportation network. Kağıthane, Bomonti - Piyalepaşa, Kartal - Maltepe and West Ataşehir districts are prominent among this type of regions.



In İstanbul as of the first quarter of 2017, this type of regions has reached 3.261.980 m², 66% of which belongs to Class A office buildings. While the vacancy rate of Class A office buildings in Asian side is close to 40%, the average vacancy rate for class B office buildings is 19%. Office vacancy rates in the European side are lower than the Asian side. While the vacancy rate of Class A office buildings in European side is close to 34%, the vacancy rate for class B office buildings is 13%.

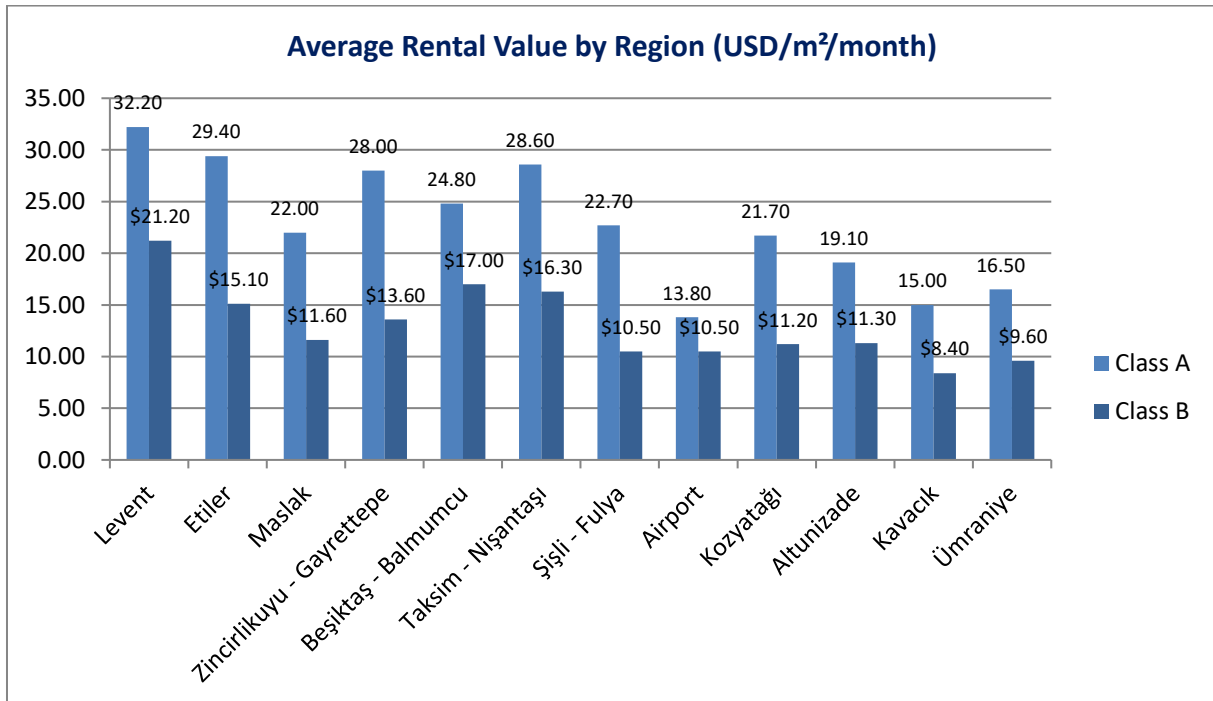
According to the results of the first quarter of 2017, average rental value of Class A office units across İstanbul was 24 USD, and of Class B office buildings was 18 USD. Class A office unit rental value in Europe side is observed to be 7 USD more expensive than it is in Asian side.

	Class	Total Office Area (m ²)	Average Vacancy Ratio (%)	Average Rental Value (USD)
Asia	A	811,460	36.67%	21.00
	B	255,663	19.10%	16.00
Europe	A	1,341,220	33.77%	28.00
	B	853,637	12.41%	21.00
İstanbul (Total)	A	2,152,680	34.86%	24.00
	B	1,109,300	13.95%	18.00

Source: Colliers International

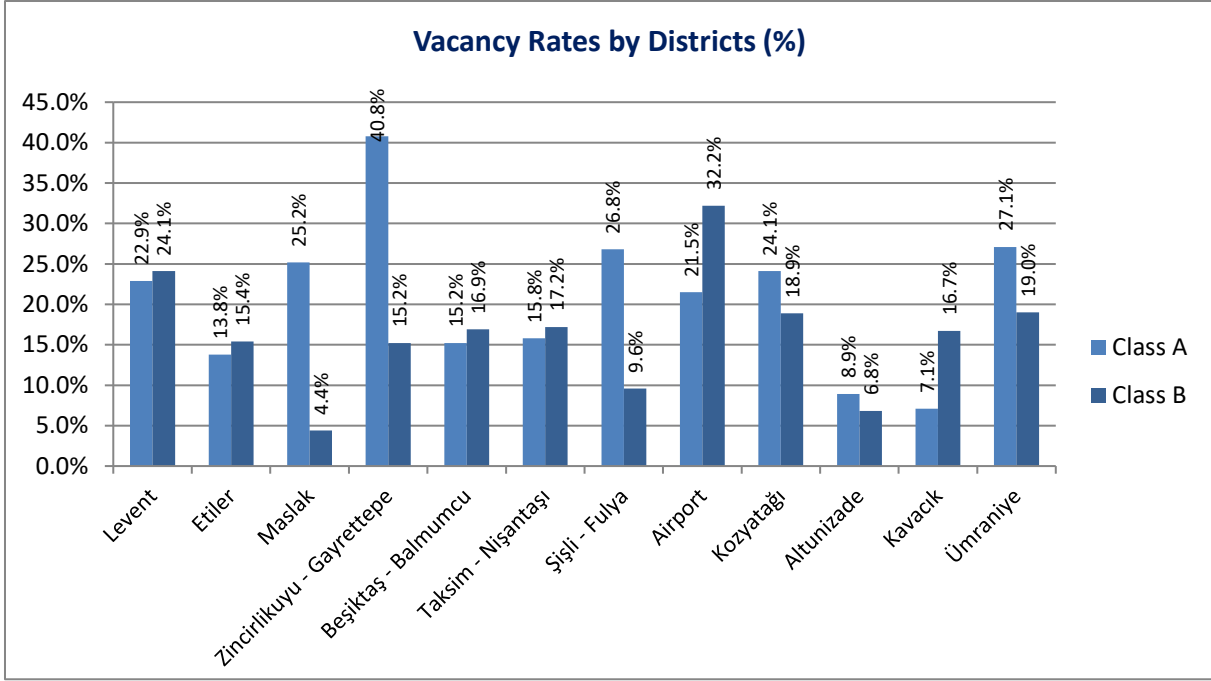
2.2.1 Average Rental Value and Occupancy by Region

The graph below shows the rent averages of Class A and B offices for 12 districts of İstanbul. Levent has highest rental value among the CBDs with 32 USD/ m², and the highest off-CBD rental value in European side was of Taksim-Nişantaşı with 28.6 USD/ m². On the other hand, the highest off-CBD rental value in Asian side was of Kozyatağı with 21.7 USD/m².



Source: Propin

The highest vacancy rate among the 12 regions examined was determined in Class A offices in Zincirlikuyu - Beşiktaş Region. This is caused by newly supplied office units. The highest vacancy rate in Asian side is seen in Ümraniye. The lowest vacancy rate was observed in class B offices located in Maslak. The most important reason for this situation is that class B office buildings are not supplied in this CBD.

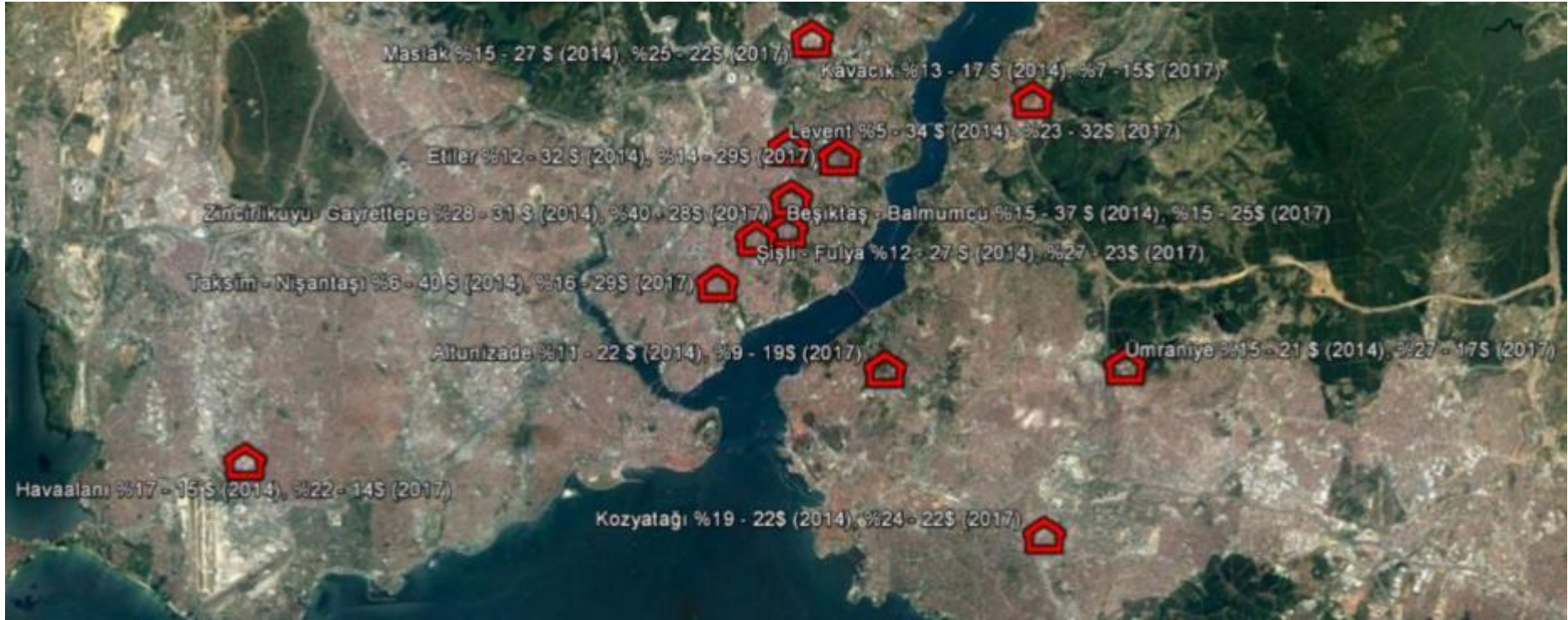


Source: Propin

The change in rent values and vacancy rates in the 12 regions of İstanbul which are important regarding the office development has been examined. The change study was conducted over the first quarter of 2014 and the first quarter of 2017. According to this;

- In the period between two years, the dollar appreciation and the economic recession caused the rent values to decrease and vacancy rates to increase.
- Regions where Class A offices with the highest rental value decrease are Taksim-Nişantaşı, Beşiktaş-Balmumcu and Maslak regions.
- The vacancy rates have increased in the Class A and B offices in Levent, Zincirlikuyu - Gayrettepe, Maslak, Ümraniye and Airport.
- The vacancy rates of Class A and B offices located in the district of Altunizade and Class A offices located in the district of Kavacık have decreased compared to the year 2014. In these regions rent values have also decreased and relatively lower rent values in the Anatolian side offices have reduced vacancy rates.
- The vacancy rate in Class A offices in Beşiktaş - Balmumcu region has remained almost the same and the rental value has decreased from 37 USD/m²/ month to 25 USD/m²/ month. Lower rental value of the province, which is easy to access and close to the center, comparing to Levent is a situation that decrease the vacancy rates.

The rental values and vacancy rates for the first quarter of 2014 and 2017 are shown in the map below.



Source: Propin

2.2.2 Office Sector Expectations

Along with the increasing user demand in the CBD, the demand for land is not supported due to the fact that the production of land is very limited. The transportation possibilities and prestige perception have an upward effect on the rents in the CBD, while the increasing exchange rates and the favorable rental prices in the alternative regions have a negative effect. Increased rent and limited supply forced both tenants and developers to focus on new areas outside the CBD and to develop projects in secondary office spaces. These new developments have become areas where new transportation links such as Ümraniye, Kağıthane and Bomonti have been integrated with the city and many different projects have been developed at the same time. These areas are preferred by users who prefer economic office districts instead of being in the primary location. It is estimated that the value of rental values will fall in these regions with the new supply that developers will present in these regions.

According to researches made by various institutions; by the end of 2019, İstanbul office stock is expected to be between 6.5 and 7 million square meters (Propin, JLL and CW). It is predicted that between 2017 and 2019, office stock will be concentrated especially in developing office areas. Among these regions, the Finance Center, located in the district of Ataşehir - Ümraniye, is considered to be at the forefront.

2.3 Retail Sector



By January 2017, there are 375 Shopping Centers throughout the country.² In addition, by the end of 2019, 61 new shopping malls are expected to open. Until the end of 2019, the total Shopping Center leasable area is expected to reach 14 million m² at the national level.

		Existing Shopping Centers	Shopping Centers under Construction	End of 2019 Expectations
İstanbul	Unit	108	32	140
	TKA (m ²)	4,112,803	1,585,859	5,698,662
Ankara	Unit	38	7	45
	TKA (m ²)	1,496,806	223,668	1,720,474
Other Cities	Unit	229	22	251
	TKA (m ²)	5,574,501	936,674	6,511,175
Turkey	Unit	375	61	436
	TKA (m ²)	11,184,110	2,746,201	13,930,311

Currently the total Shopping Centers Gross leasable area is 11.1 million m² across the country. The gross leasable area per 1,000 persons is 140 m² at the national level. This indicator is 270 m² in the Europe's average. It can be roughly said that the average of Turkey is below the European average.

2.3.1 Gross Leasable Area Distribution

Table showing shopping centers gross leasable area distribution is presented below.

Order	City	Gross Leasable Area / 1000 Persons
1	Bolu	303
2	Ankara	279
3	İstanbul	278
4	Kocaeli	179
5	Muğla	167
6	Karabük	166
7	Kırıkkale	163
8	Gaziantep	145
9	Antalya	143
10	Kayseri	143
	Total	140

Bolu, Ankara and İstanbul have the largest leasable area value of 1,000 persons. These three cities are followed by the cities with lower average leasable land values. Between the third and fourth year, the

² Within the scope of Shopping Centers, Shopping Centers which have at least 25 stores and more than 5,000 m² commercial rental areas have been evaluated.

leasable area values, which fall to 1,000 persons, are about one and a half times the difference. Having the third most crowded population of Turkey, İzmir ranks in the 16th order for the leasable area ratio per 1,000 persons.

İstanbul is the largest organized retail market with a total of 108 shopping centers and 4.1 Million m² leasable areas. İstanbul has the 34% of the total number and 39% of the total area of the shopping centers.

It is seen that of the biggest 40 shopping centers in size in the city, 15 shopping malls are in Anatolian side and 25 in European side. These 40 shopping centers constitute 65% of the total leasable area across the city.

According to the national shopping centers research report, the weighted average rental value at the national level is 29.03 USD / m² / month. It is thought that the Marmara Region, especially İstanbul, raises the average of the national level. Table showing average rents made on a regional basis is presented in the following section.

2.3.2 Shopping Center Rents by Regions

It is seen that the Marmara region raise the country average. The average rental value of all regions except the Marmara region is below the national average.

Region	Weighted Avg. Rent USD / m ² / Month
Marmara Region	37.27
Aegean Region	24.60
Black Sea Region	23.38
Mediterranean Region	20.97
Central Anatolia Region	20.80
Southeastern Anatolia Region	16.32
Eastern Anatolia Region	14.90
Turkey Average	29.03

When the regional calculations are examined, it is seen that İstanbul and Ankara raise the average rental value. The following table emerges when İstanbul and Ankara are excluded from the national calculation.

Shopping Centers Rent Averages by Cities and Regions

	Anatolia	İstanbul	Ankara	Turkey
Weighted Average Rent USD/m²/month	19.17	41.67	21.77	29.03

As expected, İstanbul has the highest rental value of 41.67 USD / m² / month, while the average rental value in Ankara is 29 USD and general weighted average excluding these two big cities is 19.17 USD. The table clearly shows the huge contribution of İstanbul for raising the average rental values.

2.3.3 Retail Store Streets

While the retail sector in İstanbul is slowly turning to shopping centers, the retail streets are still important. The most important retail streets in İstanbul are İstiklal Street, Nişantaşı (Vali Konağı, Teşvikiye, Rumeli ve Abdi İpekçi Streets) and the Bağdat Streets. The total number of stores on these three shopping streets is about 1,000 covering a total of 190,000 m² leasable area. These three streets are the most important areas of street retailing in İstanbul. In addition to these streets, major street retailing axes are developing at the secondary stage. Kadıköy Bahariye Street, Ümraniye Alemdağ Street, Beşiktaş Ortabahçe (Ihlamur Dere) Street, Bakırköy Station and İstanbul Streets may be given as an example of these axes. Although these streets are not the most important shopping streets, they are becoming important with their location, number of users and their brands. It can be said that the mentioned streets are important streets at the secondary level.

When the locations of the Shopping Streets are examined, it is observed that these streets are located and shaped mostly near the living areas preferred by middle and high income group.

When the three most important shopping malls are examined, almost half of the stores appear to be in the garment, footwear and handbag sectors. This sector is followed by the food and beverage sector and banks and foreign exchange bureaus.

Information on the major retail streets has been provided in the following table.

Brief Information on Prominent Trade Axes

	İstiklal Street	Nişantaşı	Bağdat Street
Length	1.42 Km	2.06 Km	2.52 Km
Surrounding Population	440,000	710,000	547,000
Leasable area	55,500	56,300	75,000
Number of Stores	267	395	365
Estimated Visitor Number (weekdays)	142,000	43,000	35,000
Estimated Visitor Number (weekends)	212,000	52,000	60,000

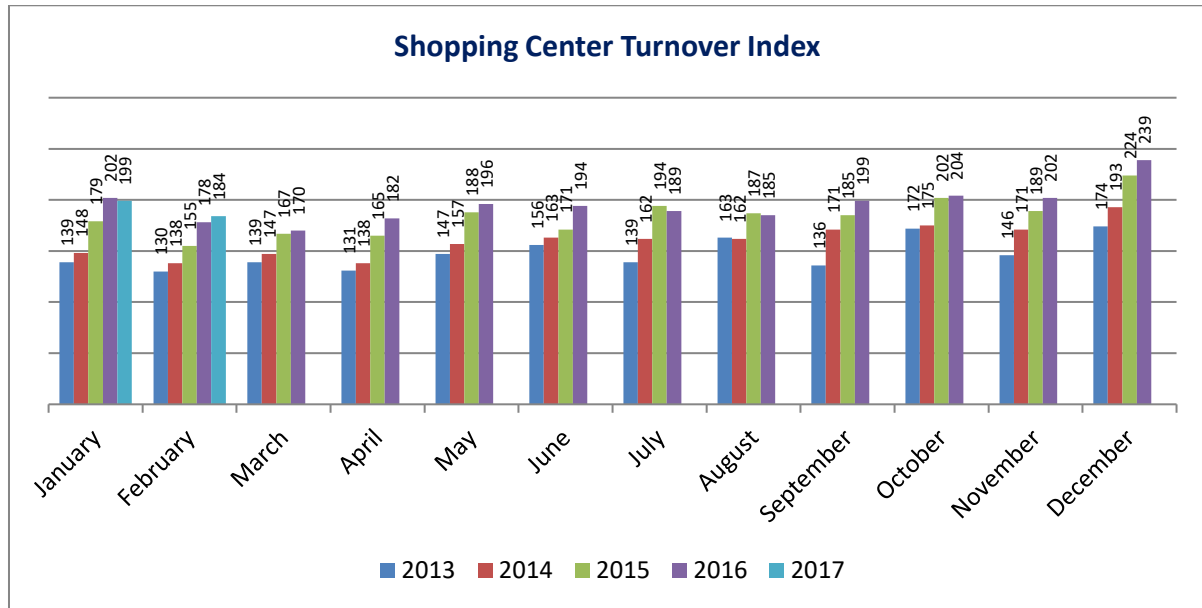
The largest leasable area is located on Bağdat Street. The leasable area sizes of Nişantaşı and İstiklal Streets are very close to each other. The longest street in terms of length is Bağdat Street. It is followed by Nişantaşı and İstiklal Streets. Nişantaşı has the highest number of stores, and it is followed by Bağdat and İstiklal Streets. İstiklal Street has the largest number of visitors. İstiklal Street has approximately twice weekday and weekend visits of the total visits of the other two streets.

İstiklal Street has a structure hosting lot of brands especially on garments. Having been most visited street in İstanbul, İstiklal Street is the most important retail street in İstanbul. Despite Nişantaşı is also prominent in ready-to-wear sector, its user group and stores are more of a luxury segment and appeal to the upper income groups.

Bağdat Street is the most visited shopping street in the Anatolian side with its structure focusing predominantly ready-to-wear and eating and drinking. It is the most important street of Anatolian side.

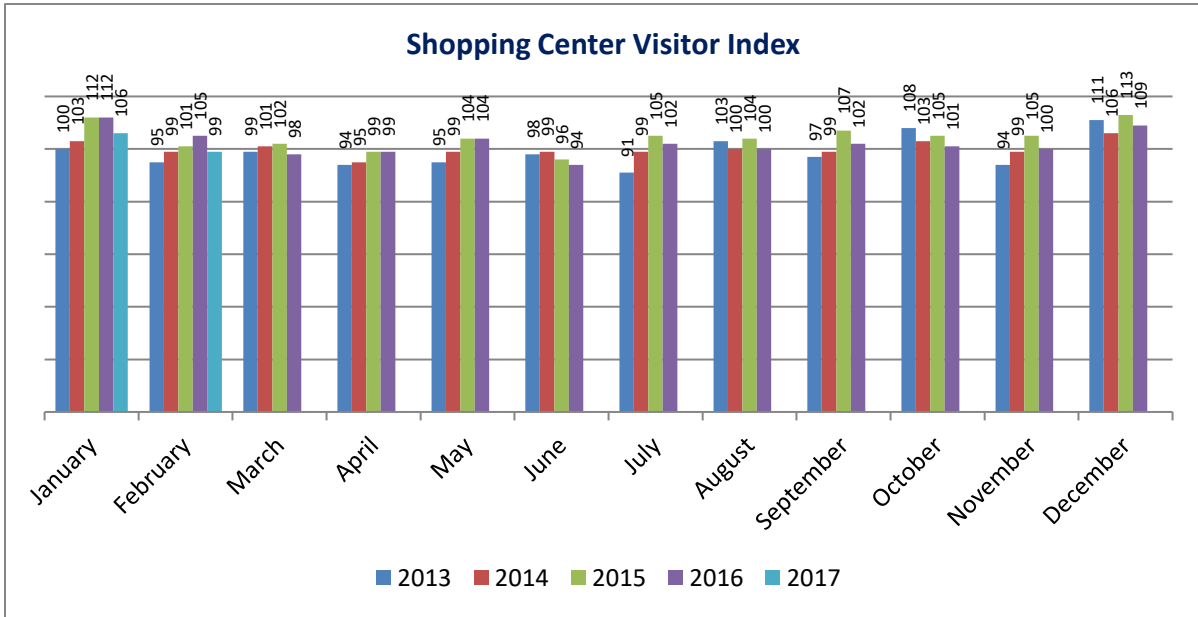
2.3.4 Shopping Center Turnover -Visitor Index

Shopping Center turnover indices prepared by the Shopping Investors Association were examined and presented in the following table.



When turnover index is analyzed, it is observed that turnover index decreased by 1.5% in January of 2017, and there was a 3.4% increase in February 2017 compared to the previous year.

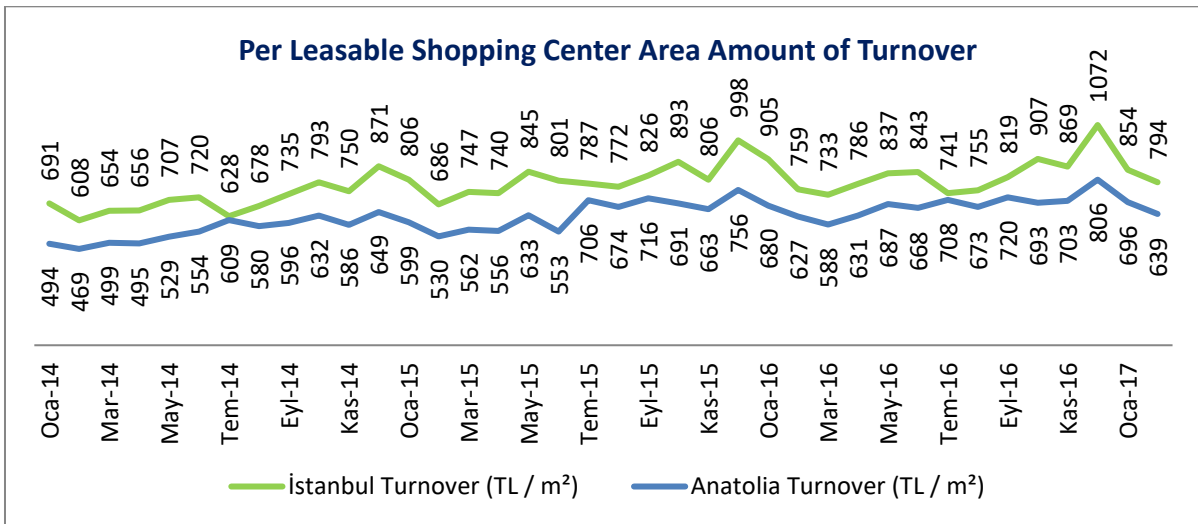
In addition to turnover index, visitor index has also been examined. Visitor index is presented in the following chart.



According to visitor indices, significant decreases such as 5.4% and 5.7% in January and February 2017 compared to the previous year are observed. The visitor index has been in a steady decline since March 2016.

2.3.5 Turnover Amount Generated Per Rental Area of Shopping Centers

When the value of turnover generated per leasable area is examined, it is seen that 794 TL turnover is generated per leasable shopping center area in İstanbul, and that in other cities this value was realized as 639 TL in February.



Turkey's turnover value per unit of leasable area was realized as 701 TL.

2.4 Tourism Sector



Within the GDP, tourism revenues have an undeniable significance. It is observed that the share of tourism was 5.3% in 2001, 5.4% in 2002 and 4.1% in 2009. After the crisis period, due to the constriction and shrinking in the economy, it is observed that the share of tourism revenues in GDP has increased in the crisis years. The tourism revenues, which had shown shrinking between the years of 2005 and 2007, have risen again with the plans put into practice by the Ministry of Culture and Tourism (2007). However, the ratio of tourism revenues in GDP, which was 4.1% in 2009, decreased to 3.4% with 0.7% decrease due to the crisis. With the policies implemented since 2009, it has started to increase again. It was 3.9% in 2013, and as a result of investments and incentives it raised to 6.2% in 2015. However, its share in GDP declined to 2.6% in 2016 which was a difficult period in the tourism sector.

The Place of Tourism Revenues in the Economy

YEARS	Share of Tourism Revenues in GNP	Ratio of Tourism Revenues to Exportation
2000	2.9	27.5
2001	5.3	32.1
2002	5.4	33.9
2003	4.5	28.2
2004	4.4	25.2
2005	4,2	24.7
2006	3.5	19.7
2007	3.2	17.3
2008	3.4	16.6
2009	4.1	20.8
2010	3.4	18.3
2011	3.6	20.8
2012	3.7	19.2
2013	3.9	21.3
2014	4.3	21.8
2015	6.2	21.9
2016	2.6	15.5

Source: TÜRSAB

The ratio of tourism revenues to exports by years is shown in the table given above. In 2002, the ratio of tourism to exports reached the highest level (33.9%) and then tended to decline until 2009 (16.6%). In 2016, the ratio of tourism income to exports was 15.5%.

As can be understood from the table, the worst year in terms of tourism for our country was 2016.

2.4.1 Tourism Revenues

Tourism maintains its characteristics of being an ever-growing industry in Turkey just as all around the world. While the number of people visiting the country for touristic purposes was 4.4 million in the 1990s, the beginning of the tourism industry, this figure exceeded 10 million in the 2000s. When it comes to the 2010s, it now has an important place in the world market and has exceeded 30 million.

	Total			FOREIGNER			Citizen		
	Turism Income(Mn USD)	Number of Visitor (Mn)	Avg. Expençe (USD)	Turism Income(Mn USD)	Number of Visitor (Mn)	Avg. Expençe (USD)	Turism Income(Mn USD)	Number of Visitor (Mn)	Avg. Expençe (USD)
2004	17,077	20.3	843	13,061	17.2	759	3,863	3.1	1,262
2005	20,322	24.1	842	15,726	20.5	766	4,374	3.6	1,214
2006	18,594	23.1	803	13,919	19.3	722	4,464	3.9	1,153
2007	20,943	27.2	770	15,936	23.0	692	4,704	4.2	1,121
2008	25,415	31.0	820	19,612	26.4	742	5,418	4.5	1,191
2009	25,064	32.0	783	19,064	27.3	697	5,691	4.7	1,222
2010	24,931	33.0	755	19,110	28.5	670	5,558	4.5	1,231
2011	28,116	36.2	778	22,222	31.3	709	5,638	4.8	1,168
2012	29,007	36.5	795	22,410	31.3	715	6,354	5.1	1,241
2013	32,309	39.2	824	25,322	33.8	749	6,760	5.4	1,252
2014	34,306	41.4	828	27,778	35.9	775	6,289	5.6	1,130
2015	31,465	41.6	756	25,439	35.6	715	5,843	6.0	970
2016	22,107	31.4	705	15,991	25.3	633	5,965	6.1	978
2017 (*)	3,370	4.8	696	2,405	3.8	637	944	1.1	880

Source: Turkish Statistical Institute, Central Bank, Ministry of Culture and Tourism

2017 (*), contains data for the first 3 months of 2017.

In the table given above, the average tourism revenue, the number of visitors (foreign / citizen) and their expenditure per capita between the years of 2004 and 2017 are presented. In 2016, our country hosted 31,365,330 visitor and earned 22,107,440,000 USD tourism revenue. According to the TÜİK data, the average expenditure per capita is estimated to be 705 USD in 2016. According to the table, the lowest expenditure average of the last 13 years belongs to the year 2016. While the number of Turkish citizens coming to our country and their tourism revenues showed an increase, there was a decrease of more than 10 million foreign tourists in 2016. The first three months of 2017 is also presented in the table. (Source: TÜİK)

	Foreigner	Citizen	Total
First Quarter of 2016 (MN USD)	2.9	1.2	4.1
First Quarter of 2017 (MN USD)	2.4	0.9	3.4
Change, %	-16.5	-18.5	-17.1

In the first quarter, income from foreign tourists dropped by 16.5% to 2.4 billion USD from 2.8 billion USD. Revenue from citizens' visits to Turkey has decreased by 18.5% to 943 million USD from 1.1 billion USD.

2.4.2 Change of the Visitors by Years and Months

According to January 2017 report of T.R. Ministry of Culture and Tourism, the number of visitors coming to our country in 2016 decreased by 24.83% compared to 2015.

DISTRIBUTION OF VISITORS COMING TO TURKEY BY YEARS AND MONTHS (Mn Person)					
MONTHS	YEARS			CHANGE RATIO %	
	2014	2015	2016*	2015/2014	2016*/2015
JANUARY	1.4	1.6	1.5	11.80	4.59
FEBRUARY	1.7	1.8	1.6	2.52	-6.86
MARCH	2.2	2.3	2.0	3.28	-10.37
APRIL	3.0	2.8	2.2	-8.04	-19.83
MAY	4.3	4.2	3.0	-3.31	-27.66
JUNE	4.8	4.5	2.9	-6.51	-35.26
JULY	5.8	6.1	4.2	5.17	-31.31
AUGUST	5.8	5.7	3.7	-2.77	-34.42
SEPTEMBER	4.8	4.7	3.4	-1.37	-27.52
OCTOBER	3.8	3.7	2.9	-3.47	-22.64
NOVEMBER	2.0	2.1	1.7	1.47	-17.30
DECEMBER	1.9	1.8	1.7	-3.81	-7.58
TOTAL	41.6	41.1	30.9	1.23	-24.83

Source: T.R. Ministry of Culture and Tourism

2.4.3 Distribution of Visitors by Their Nationalities

According to T.R. Ministry of Culture and Tourism January 2017 data, the top 5 countries that sent the most visitors to our country in 2015, 2016 and 2017 are Germany, Georgia, Bulgaria, Iran and Russia respectively and in 2017, Georgia is the first, Iran is the second, Germany is the third, Bulgaria is the fourth and Russia is the last place in the list of countries sending most visitors.

DISTRIBUTION OF FOREIGN VISITORS COMING OUR COUNTRY IN JANUARY OF 2015-2017 (*) BY THEIR NATIONALITIES - FIRST 5 COUNTRIES (Thousand People)						
COUNTRIES	2017	NAT. SHARE %	2016*	NAT. SHARE %	2015	NAT. SHARE %
Georgia	141.0	13.36	113.6	9.71	108.0	8.64
Iran	101.6	9.63	92.3	7.88	79.7	6.37
Germany	78.8	7.46	114.2	9.76	116.0	9.27
Bulgaria	77.9	7.38	98.8	8.44	99.1	7.92
Russia	40.1	3.80	22.1	1.89	51.1	4.08
OTHERS	616.1	58.37	729.4	62.32	797.1	63.72
GRAND TOTAL	1,055.5	100.00	1,170.3	100.00	1,250.9	100.00

Source: T.R. Ministry of Culture and Tourism

2.4.4 Distribution of Foreign Visitors Coming to İstanbul by Their Nationalities (January- March)

When we compare January-March of the years 2016 and 2017 for İstanbul, it is observed that the highest increase was in Indonesian visitors (111.9%) while the highest decrease was in Syria visitors (41,6%). The first 5 and the last 5 nationalities, according to their change rates, are presented in the following table.

(Thousand People)	2016	2017	Change, %
INDONESIA	10.4	22.0	111.9
TAIWAN	9.1	13.4	47.4
RUSSIAN FEDERATION	52.6	76.3	45.1
UZBEKISTAN	23.4	32.2	37.5
TURKMENISTAN	31.2	40.9	31.1
DENMARK	18.6	12.6	-32.1
SPAIN	23.2	15.4	-33.5
GREECE	25.6	16.1	-37
USA	79.1	48.9	-38.2
SYRIA	33.0	19.3	-41.6

Source: T.R. Ministry of Culture and Tourism



2.4.5 Facility Distribution in Turkey and İstanbul

Number of Accommodation Facilities, Rooms and Beds Certified by Local Administrations by Their Type of Facilities - 2015

TYPE OF FACILITY	NUMBER OF FACILITIES	NUMBER OF ROOMS	NUMBER OF BEDS
HOTEL	5,642	165,161	354,143
MOTEL	374	8,500	19,237
PENSION	3,021	43,504	104,035
HOLIDAY VILLAGE	22	1,166	3,272
CAMPING	87	3,458	9,496
HOT SPRING	41	2,368	6,391
TOTAL	9,187	224,157	496,574

Source: T.R. Ministry of Culture and Tourism

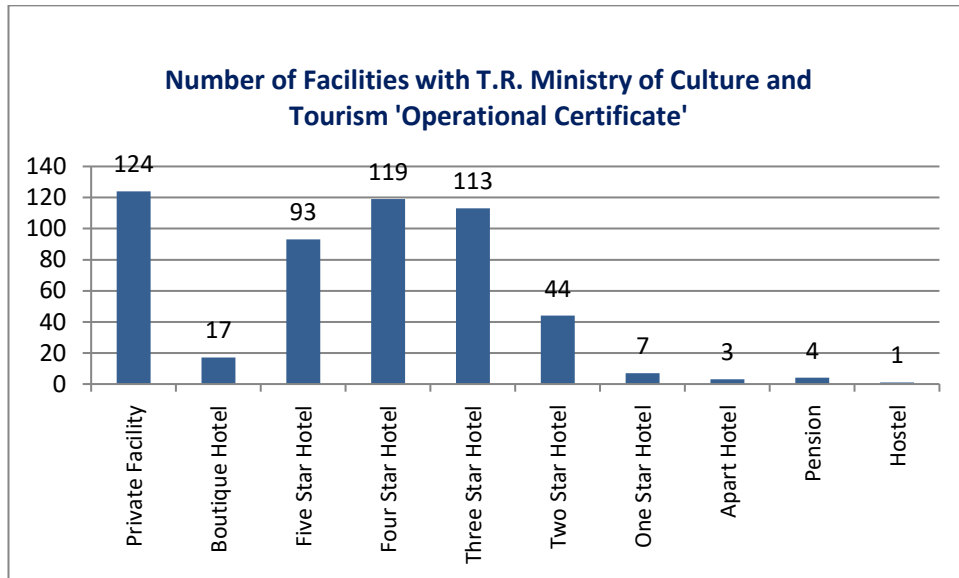
There are 9,187 facilities, 224,157 rooms and 496,574 beds in Turkey in 2015. Hotels and pensions outnumber other facilities; there are 5,642 hotels and 3,021 pensions in İstanbul.

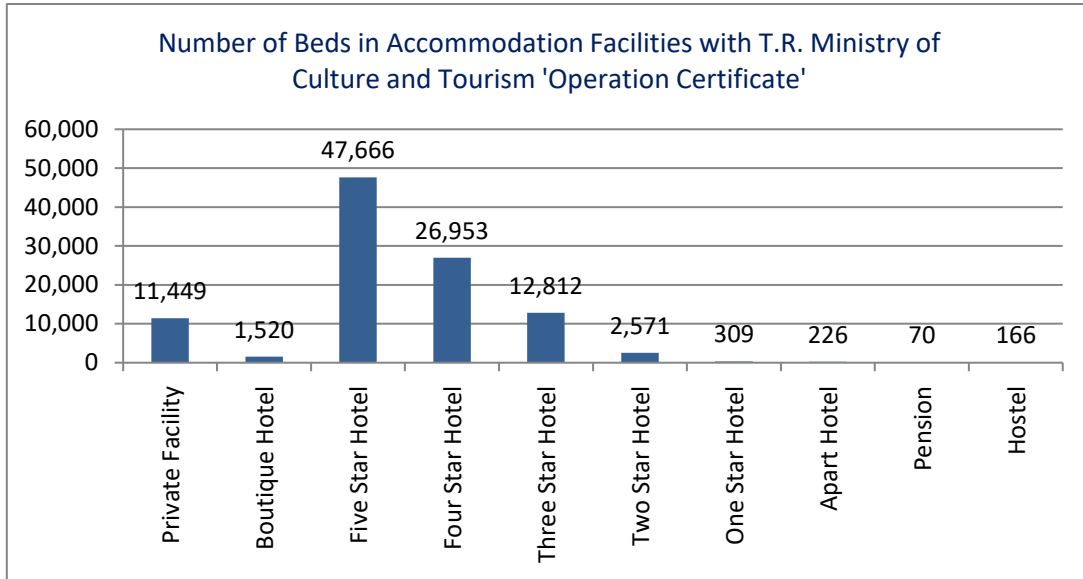
Distribution of Facilities in İstanbul by Type and Stars

There are a total of 716 accommodation facilities in İstanbul with operation or investment certificates.

Accommodation Facilities with T.R. Ministry of Culture and Tourism 'Operation Certificate'

	Number of Facilities			Number Of Rooms			Number Of Beds		
	European Side	Anatolian Side	Total	European Side	Anatolian Side	Total	European Side	Anatolian Side	Total
Special Facility	112	12	124	4.188	411	4.599	10.630	819	11.449
Boutique Hotel	15	2	17	716	42	758	1.436	84	1.520
Five Star Hotel	74	19	93	18.637	4.891	23.528	37.706	9.960	47.666
Four Star Hotel	109	10	119	12.494	971	13.465	25.032	1.921	26.953
Three Star Hotel	97	16	113	5.709	853	6.562	11.179	1.633	12.812
Two Star Hotel	40	4	44	1.450	146	1.596	2.276	295	2.571
One Star Hotel	6	1	7	144	19	163	271	38	309
Apart Hotel	2	1	3	58	36	94	154	72	226
Pension	3	1	4	26	9	35	52	18	70
Hostel	1	-	1	123	-	123	166	-	166
TOTAL	459	66	525	43.545	7.378	50.923	88.902	14.840	103.742

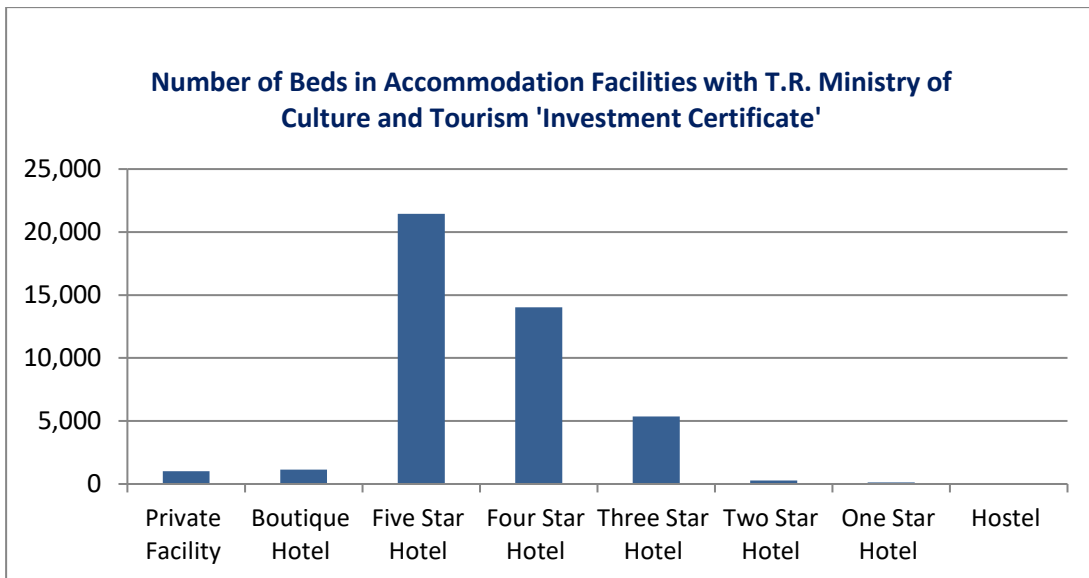
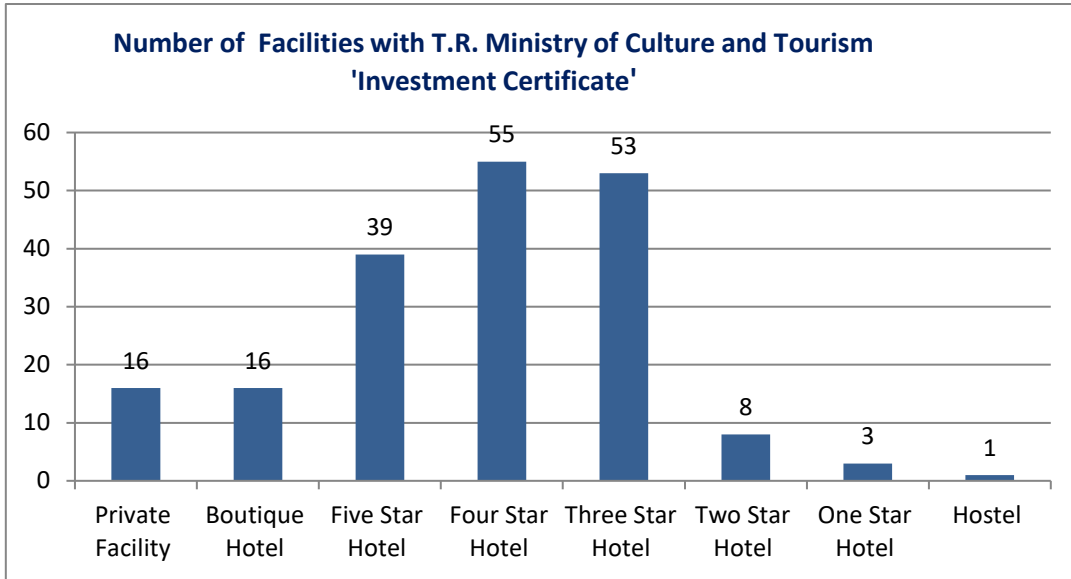




In the above table Accommodation Facilities with T.R. Ministry of Culture and Tourism 'Operation Certificate' are presented. It is seen that the total bed capacity of all 525 facilities, which are separately specified as European and Anatolian side, is 103.742. Of the 459 facilities in Europe, 112 are privately owned, 109 are 4-star hotels, and 3-star hotels follow them in number. There are a total of 66 facilities in the Anatolian Side.

Accommodation Facilities with T.R. Ministry of Culture and Tourism 'Investment Certificate'

	Number of Facilities			Number Of Rooms			Number Of Beds		
	European Side	Anatolian Side	Total	European Side	Anatolian Side	Total	European Side	Anatolian Side	Total
Special Facility	15	1	16	487	12	499	982	24	1.006
Boutique Hotel	16	-	16	574	-	574	1.152	-	1.152
Five Star Hotel	33	6	39	8.573	1.361	9.934	18.612	2.834	21.446
Four Star Hotel	46	9	55	5.594	1.351	6.945	11.156	2.874	14.030
Three Star Hotel	42	11	53	1.919	751	2.670	3.905	1.457	5.362
Two Star Hotel	5	3	8	101	46	147	192	92	284
One Star Hotel	3	-	3	62	-	62	124	-	124
Hostel	1	-	1	30	-	30	60	-	60
TOTAL	161	30	191	17.340	3.521	30	36.183	7.281	43.464



In the above table values belonging to 191 facilities which have received investment certificate from Ministry of Culture and Tourism are presented. A total of 43,464 bed capacity accommodation facilities are under construction in İstanbul. Of these 191 facilities, 161 are in European side and 30 are in Anatolian side.

2.4.6 Occupancy Rates and Average Length of Stay (on the basis of Important Cities)

According to the "March 2017 Country Performance Report" prepared by STR Global for Turkish Hoteliers Federation (TÜROB), Turkey's hotel occupancy in March 2017 increased by 5.3% to 55.8% compared to the same period in 2016. This rate was 53% in March 2016. In the first quarter of the year, it increased by 2.3% to 52.3% from 50.1%.

OCCUPANCY RATES % (ACROSS TURKEY)			
	FOREIGN	DOMESTIC	TOTAL
2000	23.33	13.48	36.8
2001	32.82	12.8	45.6
2002	36.04	12.65	48.7
2003	33.56	13.33	46.9
2004	36.57	13.5	50.1
2005	39.22	13.16	52.4
2006	32.35	14.91	47.3
2007	36.68	14.43	51.1
2008	37.71	13.8	51.5
2009	35.38	13.52	48.9
2010	37.23	11.94	49.2
2011	38.12	13.34	51.5
2012	40.74	13.61	54.3
2013	38.41	14.19	52.6
2014	38.9	12.94	51.8
2015	36.85	14.33	51.2

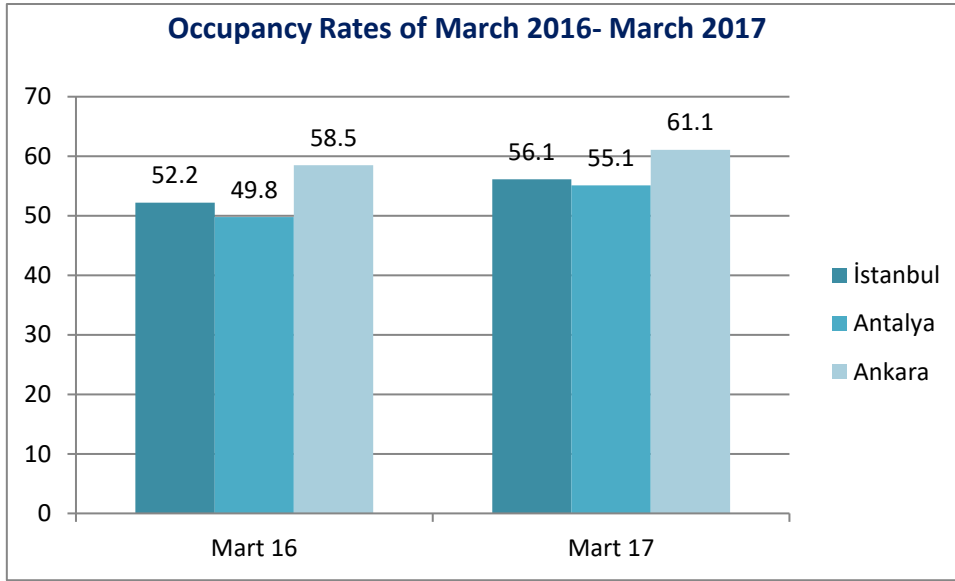
Source: Türsab

When we examine the occupancy rates between 2000 and 2015, the lowest rate is seen with 36.8% in 2000 and the highest rate with 54.3% in 2012. Since 2012, there has been a fall in occupancy rates.

Occupancy Rates in İstanbul, Antalya and Ankara

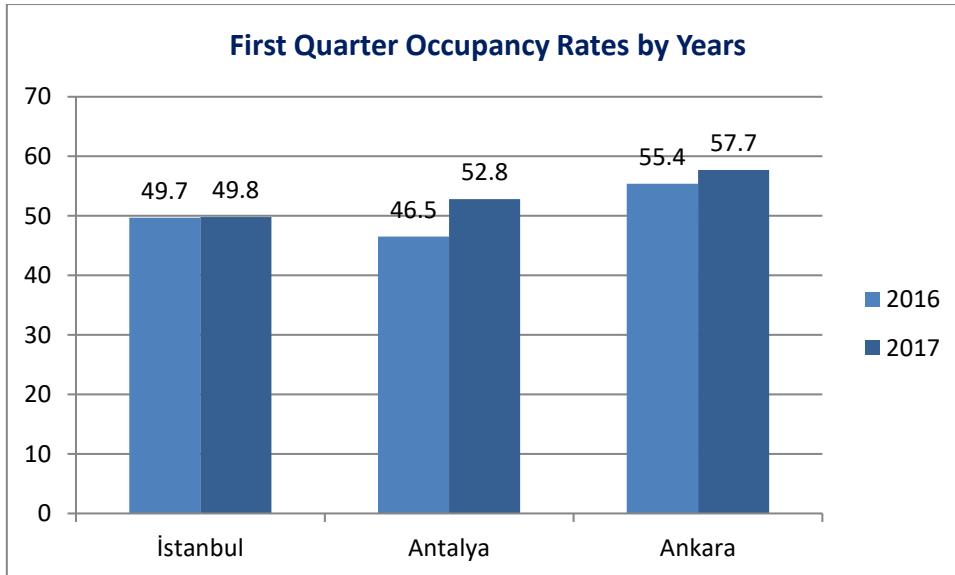
According to the "March 2017 Country Performance Report" prepared by STR Global for Turkish Hoteliers Federation (TÜROB), the city with the highest occupancy rate in March 2016 and March 2017 is Ankara which is followed by İstanbul and Antalya.

Occupancy Rates (%)			
City	March 16	March 17	Change
İstanbul	52.2	56.1	3.9
Antalya	49.8	55.1	5.3
Ankara	58.5	61.1	2.6



According to the same report, the highest increase in the rate of occupancy in the first quarter of 2016 and 2017 is seen in Antalya and Ankara (2.3%), whereas the least change is seen in İstanbul (0.1%).

Occupancy Rates (%)			
City	First Quarter of 2016	First Quarter of 2017	Change
İstanbul	49.7	49.8	0.1
Antalya	46.5	52.8	6.3
Ankara	55.4	57.7	2.3



Average Length of Stay

When the average length of stay between 2000 and 2015 is examined, it is seen that it changes between 2.87-3.3 days. While the minimum stay was 2.87 days in 2000, the maximum stay in 2010 and

2012 was 3.3 days. In 2015 foreigners stayed an average of 4.17 days while citizens stayed for 1.85 days. The general average for 2015 is 3.09 days. The figures for 2016 have not been announced yet.

Average Length of Stay by Tourist Type

	AVERAGE LENGTH OF STAY (NUMBER OF DAYS)		
	FOREIGN	DOMESTIC	TOTAL
2000	4.19	1.86	2.87
2001	4.14	1.83	3.06
2002	4.39	1.92	3.29
2003	4.54	1.93	3.28
2004	4.53	1.89	3.29
2005	4.33	1.8	3.2
2006	3.92	1.86	2.9
2007	3.82	1.85	2.94
2008	4.17	1.85	3.12
2009	4.17	1.89	3.13
2010	4.3	1.9	3.3
2011	4.1	1.9	3.2
2012	4.4	1.9	3.3
2013	4.23	1.94	3.2
2014	4.13	1.88	3.18
2015	4.17	1.85	3.09

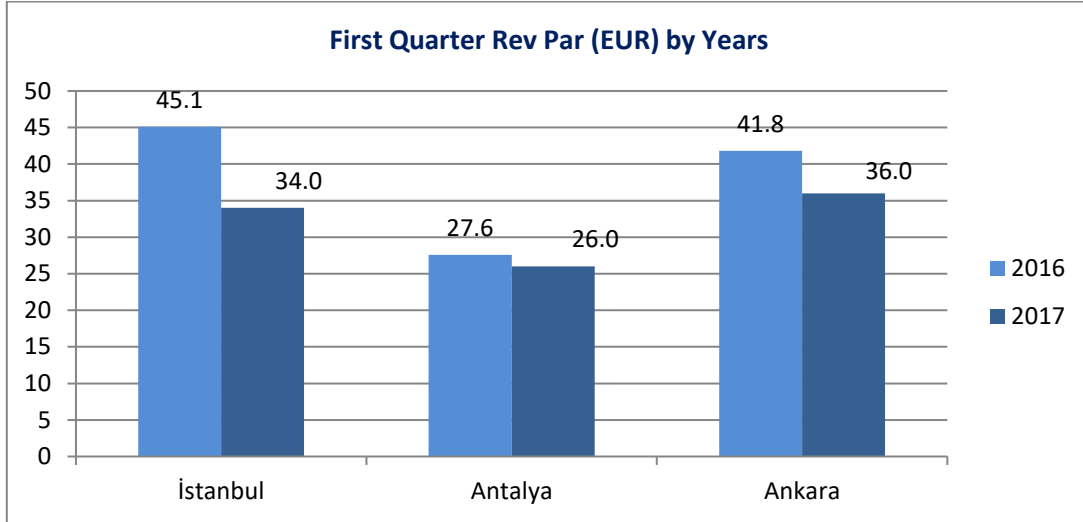
Source: Türsab

2.4.7 Daily Room Price

According to the "March 2017 Country Performance Report" prepared by STR Global for Turkish Hoteliers Federation (TÜROB), Turkey has been the country which experience the biggest loss in room revenues in the first three months of 2017. Average Daily Rate (ADR) decreased from 74.2 euros to 57.2 euros in three months, while room-based revenues (RevPAR-Revenue per Available Room) decreased from 37.2 euros to 29.3 euros.

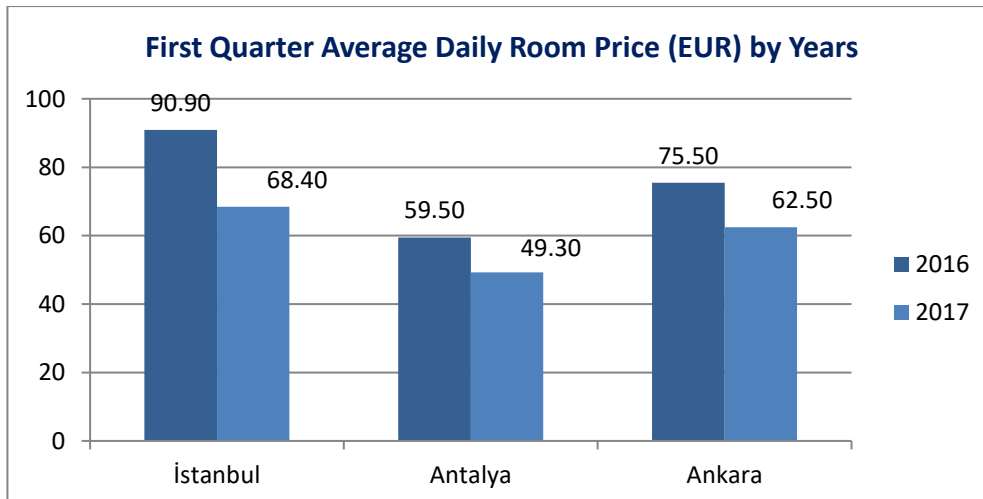
İstanbul has become the European destination with the biggest loss of income in 2016. When we compare the first 3 months of 2016 and 2017, it is seen that the biggest loss in Rev Par is in İstanbul. The lowest loss of 1.6 EUR belongs to Antalya. The arrival of tourists from Russia again has been effective in slowing down Antalya's room price declines.

Rev Par (EUR)			
City	First Quarter of 2016	First Quarter of 2017	Change (%)
İstanbul	45.1	34.0	-11.1
Antalya	27.6	26.0	-1.6
Ankara	41.8	36.0	-5.8



When we compare the first 3 months of 2016 and 2017, it is seen that the highest loss in terms of the average daily room price is seen in İstanbul (22.5 EUR). The decrease in the average daily room price in Antalya and Ankara is about the same (10.5 EUR -13 EUR).

Average Daily Room Price (EUR)			
City	First Quarter of 2016	First Quarter of 2017	Change (%)
İstanbul	90.9	68.4	-22.5
Antalya	59.5	49.3	-10.2
Ankara	75.5	62.5	-13.0



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