



INDICATOR

Turkey Real Estate Sector 2018
2nd Quarter Report - Issue: 13



Contributed by

GYODER INDICATOR, TURKEY REAL ESTATE SECTOR 2018 Q2 REPORT

Issue:13, 13 Aug 2018

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PRESENTATION AND EVALUATION

Overview of the Turkish Real Estate and Construction Sector

Turkish Economy grows by 7.4% in the first quarter of 2018 compared to the same period of the previous year

The construction and real estate industries of our country displayed a crucial performance in 2017 and the Turkish economy grew by 7.4% while the construction industry grew by 8.9%. The data on growth in the first quarter of 2018 are shaped in the following fashion; the Gross Domestic Product estimate increased by 7.4% as the chained volume index in the first quarter of the year 2018, compared to the same quarter of the previous year. As of the same period, the construction industry took 7.9% of the shares of Gross Domestic Product based on the current prices while the real estate industry held 7.5%.

It could be claimed that the industry displayed a performance in the second quarter of the 2018 that is similar to its performance throughout the first quarter.

Construction industry owns a critical share within the economic growth and there is a severe correlation between this industry and the GDP (growth) rates. The rapid recession endured in the aftermath of Turkey's crisis of 2001 severely affected both the industry and the GDP in a crucial manner. A similar situation occurred after the global crisis of the year 2008. However, the point that needs to be regarded here is that the recovery period of the industry with the GDP is short and very sharp. In this sense, the tendency of growth of the construction industry is in a way the leading indicator of the GDP.

Within the last 16 years, the construction industry in Turkey experienced an extension in parallel with the growth of the

economy. When the world scale and our country's potential are taken into consideration, the construction industry has the opportunity to grow further in a convenient conjuncture. The industry has a highly critical effect over the employment as well. The increase in the final consumption expenditure of the households and the government has a structure creating positive effects over the construction industry and its sub sectors. The increase in the fixed capital formation is a variable that needs to be followed in respect of the construction industry.

The risk increase occurring in the world economy particularly in the last one - year draws attention in addition to the growth in our country and other macro-economic variables. The protectionist tendencies endured in the international trade and the central banks' increasing the interest rates brought a limit to the movements of money to a crucial extent due to investments. It can be estimated that this process may create pressure over the asset prices in the world economy. On the other hand, it should be expected that the increasing protectionism due to the trade wars may create a negative effect over the global growth as well.

The increase in the global systemic risks and the other uncertainties may influence our country similar with all other countries' economies.

In concern with our country, the developments occurring in the inflation and interest rates as well as the cost element created by the increase in the exchange rates continue to affect the industry.

According to the data provided by the Turkish Statistical Institute (TÜİK), the building construction cost index increased by 2.60% compared to April 2018, and by 21.84% compared to the period between May 2017 and May 2018. When the same one - year period is taken into consideration again, the material index reached 24.98% and the workmanship index reached 15.46%.

Demographic Factors are the Driving Forces of Turkish Real Estate and Construction Market

If we take a look at the demographical data, the demographical factors are the driving forces of the Turkish Real Estate and Construction markets. Turkey's population reached 80 million 810 thousand 525 as of December 31st, 2017. The middle age which was 31.4 in 2016 in our country increased to the level of 31.7 compared to the previous year. The middle age was 31.1 for men and 32.4 for the women. Yearly population increase rate was 13.5 per thousand while it decreased to 12.4 per thousand in 2017.

Having a young population is not only a driving force over the consumption and investments but also a driving force of growth as a production factor. When the age distribution of Turkey's population is examined, it is seen that the great part is composed of the main age group forming the employment (the age group of 15 - 64). The relative age group forms a severe force in terms of employment and production and also is significant in respect of the consumption.

The population of 15-64 age group (working age population) in our country increased by 1.2% in 2017 compared to the previous year. According to this, the rate of the population of working age actualized as 67.9%, the rate of the pediatric age group that is the 0-14 age group occurred as 23.6%, and the rate of the higher age groups occurred as 8.5%.

The rural - urban migration in Turkey continues. The rate of urbanization in Turkey is 78% and the related population is around 60 million. The rural - urban migration is expected to continue until the year 2023 and the rate of urbanization is expected to exceed 84%. According to this projection, it is envisaged that the urbanized population would become 71 million by 2023. Due to the urbanization based on migration, it is regarded that the demand for housing would continue until 2025 in the cities receiving migration.

In addition to the internal migration movement, Turkey is subject to 'external migration' from various countries, the

neighbor countries being in the first place. As a result of urbanization, basic differences occur in the structure of the population. As the family structure shrinks, the individual's tendency of living alone increases.

The Demand and Supply of Housing Beginning to Settle Gradually in Turkey

The supply and demand of housing is beginning to settle gradually in Turkey. An average of 1.200.000 houses are exchanged annually and the demographic based demand for 650.000 new houses continue. According to the data provided by TÜİK, the number of households in our country is approximately 19.481.000.

In the first half of 2018, 646.032 houses were exchanged across our country. 201.805 of these houses were sales with mortgage and the remaining 444.227 were composed of other types of sales. During the same period of the previous year, 654.363 houses were sold in Turkey, and the number of mortgage sales was 245.375 while the remaining sales were actualized as 408.988.

The Impact of the Campaigns Conducted under the Leadership of GYODER over the Industry

The mortgage loans with an interest of 0.98% conducted under the leadership of the public banks in the first half of the year created a momentum in the industry. The outputs of the campaigns led by GYODER in the same period affected the sales positively especially in concern with the branded housing manufacturers.

Turkish housing market and other real estate markets started to reach a balance slowly. The fluctuations in the prices can be qualified as fluctuations that may occur in all types of assets. Particularly, the correction/adjustment observed in the housing prices formed a basis for the activation of the market through preventing the formation of a financial bubble.

Rise in Exchange Rates Increases Housing Demands of the Foreigners

When the Q2 of 2018 outputs of the REIDIN (Real Estate Investment Development Index) Confidence Index and the REIDIN Real Estate Price Expectation Index formed based on the views of the professionals taking part in the real estate industry which is one of the leading industries of the country's economy, composed of approximately 10.000 people in quarterly periods are examined, the REIDIN Turkey Real Estate Industry Confidence Index value is seen to have reached 86.0 points for the third quarter of 2018 decreasing by 13% compared to the previous quarter. At this point, the overall confidence index lowering under the yearly average (91.5) may be interpreted as 'partly pessimistic'. Whereas, the REIDIN Turkey Real Estate Industry Price Expectation Index value is measured as 98.0 with an increase of 4% compared to the first quarter. Therefore, compared to the previous quarter, it can be said that the price expectation regarding the real estate prices for the future three months' period increased to a certain extent. As of the previous quarter, the factors such as the rapid increase in the exchange rates, the volatility in the market and the Consumer Price Index exceeding the projections affected the reliability of the real estate industry adversely. The confidence over the real estate industry in the previous quarter has been transformed into a partly pessimistic expectation.

On the other hand, it is possible to claim that the increase in the exchange rate experienced in the second quarter of 2018 created a positive impact over the housing purchases of the foreigners. When the data provided by REIDIN and GYODER and presented within the scope of the new house price index is examined, it is observed that the rate of house sales to foreigners which was 3.7% in the last quarter of 2017 reached 6.1% in the first quarter of 2018, and furthermore it reached 8.5% in the second quarter of 2018. At this point, the impact of the relative affordability of the houses subject to sale over Turkish Lira from the perspective of the foreign investors in each increase in the exchange rate should not be forgotten.

When we consider the current status of our country, the high prices of the houses indicate that the families prefer to use mortgages or bonded purchases instead of payment by cash. The sales executed by the developer companies that started campaigns where they offer interest - free long term payment options to the buyers through their own financing models reached 26.4% in the second quarter of 2018. This figure was at the level of 35.5% during the first quarter. One of the factors playing a critical role in the decrease of bonded sales can be regarded as the 0.98% loan interest implemented especially by the public banks in the housing loans. When the REIDIN House Purchasing Power Index prepared based on 81 cities is examined, it can be claimed that the index value is over the basis value of 100, and that due to the low interest policy implemented, it got easier by an average of 4 points compared to the previous period.

The Periodic Yield in the Houses Remains below the Inflation in the Second Quarter of 2018

When the increase in the house prices as well as the financial investment tools' increases and yield performances in the second quarter of 2018 are examined, since the risk return expectations of the BIST-100 Index are high, the formation of a loss at the rate of 17.83% is observed even if the variability in the profits are high by months. Crucial yields are in question in this quarter in the US Dollar, Euro and Gold. The deposit rates providing more regular returns to its investors provided a return below the inflation (the second 3 months' period of 2018 CPI 6.23%) in the relevant period. The housing investments of the Turkish investors that we may refer to as a traditional investment method have always been a good alternative especially compared to the other financial investment tools in long term. However, in the second quarter of 2018, the periodic yield of both the new houses and second hand houses remained below the inflation.

'Amnesty on Housing/Construction' Law

Another critical development concerning the industry occurred in the second half of the year, the law on 'amnesty on housing/construction' was issued for regulating the constructions violating the housing regulations in our country. It is known that the constructions violating the housing regulations in our country are over 50%. And this percentage is approximately equal to 13 million independent units. The existing violations in the buildings are mostly composed of the buildings constructed during 1950 - 2000.

All the unlicensed structures or all the structures built in violation of the amendments of the licenses in rural and urban areas prior to December 31st, 2017 are covered by the Amnesty on Housing/Construction. The applications started in June 2018 and will continue until the date 31.10.2018.

The amnesty on the housing/construction process is believed to be paving the way for factories and all types of real estates' being claimed as mortgages or guarantees in the commercial markets in a healthy manner as the houses or business venues will own an economic value.

For Achieving the 'Sustainable' Growth of the Real Estate Industry

For achieving the sustainable growth of the economy and substantially the real estate industry, it is obvious that both legal and institutional regulations are required. To this end the goals to be achieved may be summarized as follows:

- Providing advantages particularly to individuals buying their first houses through accomplishing a permanent tax regulation,
- Providing certain exemptions specific to the industry regarding the Corporate Tax and Income Tax,

- The increase in the potential sales opportunities through certain amendments in the regulations on the sale of real estate to foreigners,

- Execution of basic regulations specific to present circumstances regarding the increase of value and the property tax (adoption of the value based method),

- Accomplishment of the regulations in the building bylaws (the activities regarding these are ongoing) based on the population density, infrastructural status, earthquakes and other natural disaster risks and urbanization plans,

- Execution of the administrative activities required for increasing the role of İller Bankası in the urban transformation process and the related process,

- The activities towards the establishment of a bank that conducts securization based on real estates, providing long term housing loans both to individuals and institutions, based mostly on public just like other countries will be affecting the financial sector in an extremely positive way. To this end, the organizing and opening the 'Real Estate Bank' in parallel with the banks with similar characteristics abroad,

- Updating or creating the legal regulations for generating securities based on real estate in respect of the banks (considering both the deposit banks and the participation banks) and the capital markets,

- Establishment of markets regarding the rights based on real estate and the securization of the real estates under the auspices of the BIST (İstanbul Stock Exchange),

- Continuation of the tax exemptions over the Real Estate Investment Funds and Real Estate Investment Trusts,

- Establishment of Infrastructure Real Estate Investment Trusts and providing incentives to the Municipalities in respect to this,

- Reduction in the basic inputs (tax deduction for concrete, steel, etc.) of the housing constructions to be conducted

towards urban transformation and for the medium and low income groups,

- Qualifying the house sales to foreigners as exports

- Establishment of cooperatives (or funds) to fulfil the housing requirements of the medium and medium - low income groups.

Sincerely yours,
GYODER Training, Publications and
Information Production Committee



“It is a diplomatic issue but I will assess it from an economic perspective...”

I am aware that everyone has been going through certain difficulties because of the exchange rates. Yet, I have to explain where the problem actually starts from.

In the beginning of this month, the US Government adopted to implement sanctions to Turkey's Minister of Justice and Minister of Internal Affairs, and then announced that they will soon be declaring their direct sanctions towards Turkey. Turkey started to prepare a list of sanctions to be implemented towards the US as well. As a result, for the first time in the history a tension of such extent occurred between the two countries. Even in the times of Muavenet Battleship and Sack Scandals the tension between these two countries did not reach to such extent.

Then I thought to myself: “Could all these still be the revenge of the Mandate of March 1st?” Today it is known that the commanders in senior positions at Pentagon were amongst the ones at the ships offshore İskenderun or waiting for the instructions at the land to get on board. They may be attempting to get even for the difficulties they had been through in those times.

What I clearly understand is that, behind the malicious attack of July 15th, there are units that arose in the government during the authority gap at the time of the former President Obama. Strengthened by the management weakness of Trump, these units impose anything they wish on the government. Struggle against such a process could not be conducted with known methods.

At all the TV channels I showed up since the beginning of the month, I repeated “we absolutely have to launch long lasting lobbying activities”. I even added: “As of today, we would have already reached 5.5, so this means that there is a belief that this tension will be diminished “. In the relations between the countries, and if a friendship reaching to hundred years is in question, perhaps I may claim that the investors acted carefully, with the existence of the faith that eventually common sense will be dominating.

Yet all hell broke loose instantly. And maybe we started to cruise at the unknown seas once again. Well, one of the features of the floating rate, the exchange rates will surely fluctuate and then settle. But, as long as the diplomatic tension continues, expecting long term calmness in the US Dollar / TRY would be quite fanciful. I had to add that.

Throughout this process, my single warning to my colleagues in Ankara was as follows: “All forces should be joined to prevent Trump from being elected again”. Yet, we have to understand well that the US has been evolving into another direction and the diplomatic developments are far more critical than the economic steps.

So what shall we do then? Let me share it in headlines:

On Money and Capital Markets basis:

Unfortunately the rumors that the foreign exchange regime would be getting stricter have reached their peak. It has to be immediately announced that “there is no such thing”. Also external sources have to be found quite urgently. Therefore, the Economy Administration has to calm its discourses, and repeat that it would not be leaving the liberal system in a determined voice. As diplomacy lies in the midst of the issue currently, the authorities in interests-foreign exchanges and capital flows should avoid making statements that would raise question marks. In the meantime, if the Foreign Currency Exchange Transactions continue in a registered way, then no limitations or additional taxes should be applied over the exchange transactions. As the buying-selling transactions increase, the exchange rates will cool down. Applying limitations may have an adverse effect. Of course, we may regulate the foreign exchange transactions of the individuals in the medium run. Probably the markets will react at first, but the foreign exchange transactions in the USA and EU are also conducted in certain amounts and under pre-identified conditions. The currency speculation is not conducted by the citizens on the streets; it is executed through intermediary firms. Not presently, but I believe that a regulation in the medium term would be useful. We should not

ask the Central Bank for an intervention. As the net foreign currency reserve of the Central Bank is less than \$ 30 billion, its intervention may cause a negative result. As done until today, the Central Bank's continuing its steps for relieving the Banks would be more appropriate. We should not forget that we have to be calm about the interests as well. There are people wishing that Central Bank would increase its cost of funding to 20%, yet that would be a temporary solution. Then again, it seems inevitable. As the Central Bank adopts tightening measures, the interest rates increase, and also the exchange rate increases. The Central Bank has to relieve the liquidity carefully in the required amount. Otherwise, as it also happened during the crisis of 2001, both the interest rates and the exchange rates would increase sharply.

Responsibilities of the Government and Civil Society:

The government has to rapidly go for savings. We are using external sources since the private savings short fall. Although, we are spending these sources in long term fields with high profits yet with low rates of added value. Therefore, we are facing problems in creating added value. So, we have to prioritize the prestige projects. The municipalities' excessive expenditures and debts should be examined. Of course, we have to launch a strong public diplomacy attack with the support of the government and the private industry. We have to overcome Turkey's problem of perception with the famous and recognized people, the foreign Banks in foreign countries. Extremely heavy criticism is being made regarding the economic model. The statements of the Ministers are not sufficient alone; the representatives of the private sector have to make statements as well. The Union of Chambers and Commodity Exchanges of Turkey and Turkish Exporters Assembly are surely crucial, but we also have to mobilize the initiatives established by the Private Industry. The Banking Association should stand out in this respect. It remains in quite silence. Of course, additionally we have to conduct presentations at the international finance centers with a team composed of severe economists. Persuasive people fluent in foreign languages, who are known to be speaking objectively and have international works in economy, should be selected.

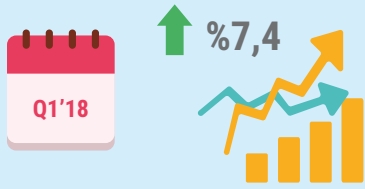
Direct restructuring for the debtors:

It is essential to launch an immediate "restructuring" campaign in personal loans. Not only the ones subject to legal proceedings but also the ones suspending their payments should also be covered by this campaign. Our citizens avoid paying their debts and instead they cling onto the foreign currencies. At least, a reason for converting these foreign currencies to Turkish Lira should be created. A new understanding of a Credit Guarantee Fund has to be released for the private sector. The resources to be collected through Internal Borrowing in order to decrease the pressure over the market caused by the owners of the foreign exchange assets should be suggested to the other banks, the public banks being in the first place, as a support mechanism to the campaign of "converting the foreign exchange assets into Turkish Liras". A source should be formed by the public parties in order to prevent the financial institutions from facing losses due to exchange differences. USA applied the aforesaid through an implementation titled as the TARP in 2008. It collected the nonperforming papers from the banks and paid them money in exchange. Providing support to the banks for such campaigns in exchange of the guarantees identified in Turkey would be a revolutionary move as well. In summary, in addition to the immediate measures to be adopted in order to release the pressure caused by the debtors in foreign currencies, certain implementations will have to be launched to prevent the people from stocking foreign currencies instead of paying their debts in Turkish Liras. Enabling alternatives to the individuals and the institutions for paying their debts will release the pressure over the financial system as well.

Prof. Dr. Emre Alkin
Istanbul Kemerburgaz University
Vice Chancellor

MAIN ECONOMIC DATA

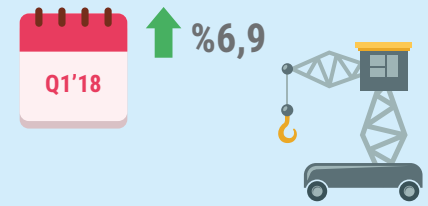
Annual Growth (TL)



Inflation



Construction Sector Growth Rate*

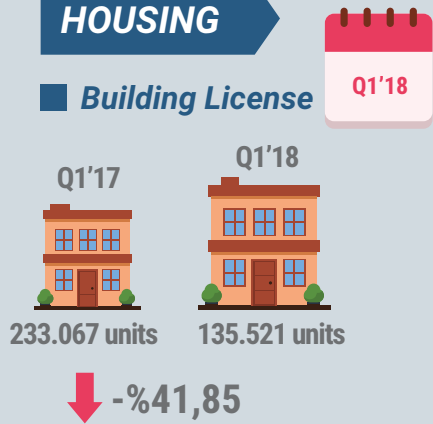


*As chained volume index (2009=100)

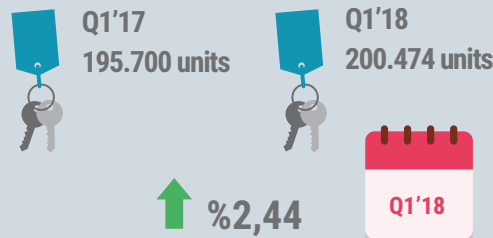
*As chained volume index (2009=100)

HOUSING

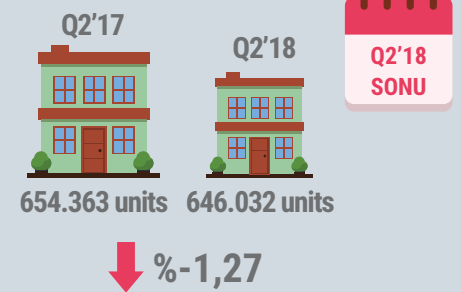
Building License



Occupancy Permit

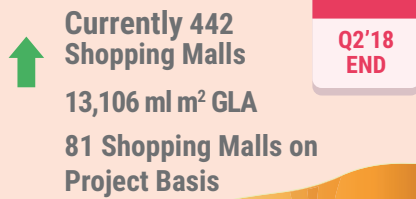


Housing Sales



SHOPPING MALLS

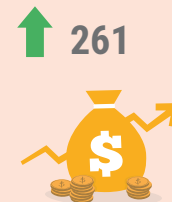
Total Stock



Leasable Area Per 1.000 persons



Turnover Index

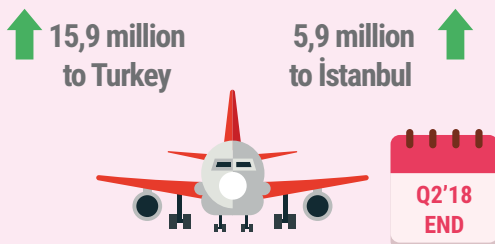


Visitor Index



TOURISM AND HOTEL

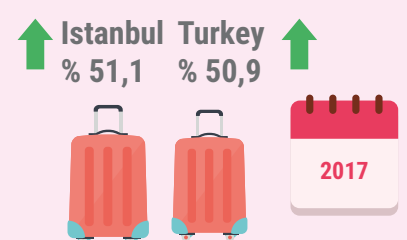
Number of Total Visitors



Tourism Revenue



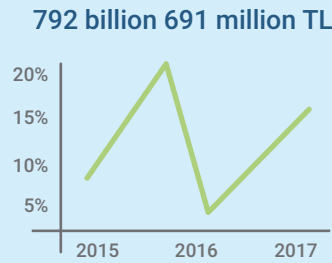
Occupancy Rates



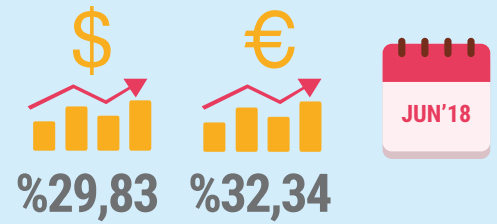
Unemployment Rate



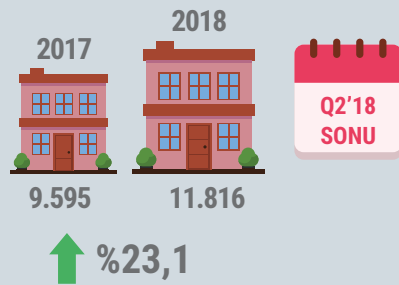
GDP



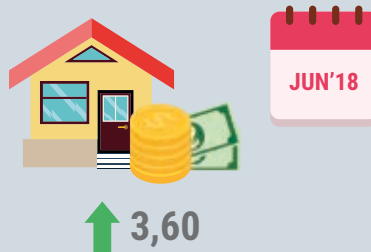
Exchange Rate Increase



Housing Sales to Foreigners



New Housing Price Index



Housing Loan Stock



Monthly Interest Compound Interest



LOGISTICS

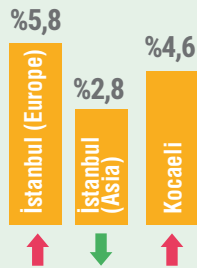
Total Stock
9,96 million m²

On Project Basis
2,19 million m²

On Construction Basis
832.198 m²



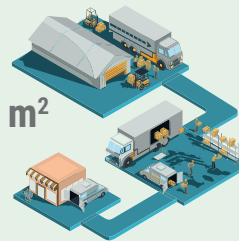
Vacancy Rates



Leasing Transaction Volume

152.919 m²

Q2 '18 END



REITs

Number of REIT (Q1 '18)
33 units

REIT Market Value (Q1 '18)
26,51 billion TL

XGMYO (Jun '18)
35.562



OFFICE

Total Stock

5,99 million m²

Q2 '18



Vacancy Rates

% 24,6

Q2 '18



Leasing Transaction Volume

61.665 m²

Q2 '18

Primary Rent

32\$ / m² / month



Q2 '18

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



MAIN ECONOMIC DATA

Turkish Economy Grows by 7.4% in the first quarter of 2018

Growing by 7.4% in 2017 according to the chained volume index (2009=100) by displaying the best performance of the last four years, Turkish economy continued its powerful progress by growing 7.4% as well in the first quarter of the year 2018. The greatest demand - side contribution to the first quarter's growth composition was from the special consumption expenses. The powerful progress in growth also signaled the continuation of the dynamism in internal demand. The indicators signaled that there will be a certain amount of loss in the momentum in economic growth in the second quarter of 2018. The industrial production index, which was strong with an average increase of 10% during the first quarter, decreased its average to 6.3% after the announcement of the data of May and confirmed the loss in the pace. In March, there has been an increase of 5.2% in exports, and 13.7% in imports. The current accounts deficit has been at the level of \$ 55.4 billion in March with an accumulated process of 12 months. Both the rise of the oil prices and the high level of gold imports in the second quarter of the year continued to create pressure over the balance of payments. Yet the steady progress in the internal demand and the increase in the revenues from tourism limit this pressure to a certain extent. The consumer inflation completing the year 2017 at the level of 11.92%, regressed to 10.23% in the first quarter (March) of 2018 despite the high level of the exchange rates, on account of the positive contribution of the clothing and durable goods groups. The consumer inflation that started to rise as a result of the upward trend occurred in the exchange rates and the increasing oil prices closed the second quarter (June) at the level of 15.4%. Meanwhile, the producer inflation increased to the level of 23.7%. Upon the resolution adopted by the Turkish Central Bank in April and June, an increase in the interests occurred in a total of 500 basis points.

At the recent Monetary Policy Council Meeting dated July 24th, the Central Bank decided to peg the interest rates, and maintained the policy interest (one week long repo interest rate) at 17.75%, the lending rate (interest rate corridor's lower bound) and marginal funding rate (interest rate corridor's upper bound) at the levels of 16.25% and 19.25% respectively.

The steps taken towards commercial protectionism in the global economic outlook continue to keep their importance in the agenda. The tightening attempts of the central banks of developed countries have been influential in maintaining the high levels of interests in the global stocks. The Federal Reserve (FED) maintains the policy interest between the bounds of 1.75% - 2.00% with its recent increase of 25 basis points. On the other hand, the European Central Bank declared that there would not be an increase in the interests until the end of 2019 summer (its meeting of September 2019 at the earliest). With the contribution of the strengthening of the US Dollar, the EUR / USD rate lost an approximate value of 6% in the second quarter. With the establishment of the government in June, the political problems that lasted for 3 months (starting in March) came to an end. The tension starting with the US's withdrawal from the nuclear agreement to be signed between the US and Iran continued with the retaliating steps. Oil stood out due to the developments in question in the commercial battles and increased the upward risks over the oil prices. Brent oil started the second quarter at the level of 69.3 USD/barrel and was priced at 79.17% USD/barrel level by the end of June. As of the completion of the second quarter of the year, the US 10-year stock interests closed the second quarter it started over the 2.75% level with 2.86% after witnessing the 3.12% level in May, in global and domestic financial markets.

Nominal Gross Domestic Product by Expenditure

Year	GDP (million TRY)	Income per Capita (TRY)	GDP (million USD)	Income per Capita (TRY)	Growth** (%)	Average rate during the year
2014	2.044.466	26.489	798.987	12.112	5,17	2,19
2015	2.338.647	29.899	861.879	11.019	6,03	2,75
2016	2.608.526	32.904	862.744	10.883	3,20	3,04
2017	3.104.907	38.660	851.046	10.597	7,40	3,64
2018*	792.691	-	207.839	-	7,40	4,11

According to the expenditure method, annual GDP, which is the sum of the four periods, grew by 7.4% in the first quarter of 2018 compared to the same period of the previous year as the chain volume index (2009 = 100).

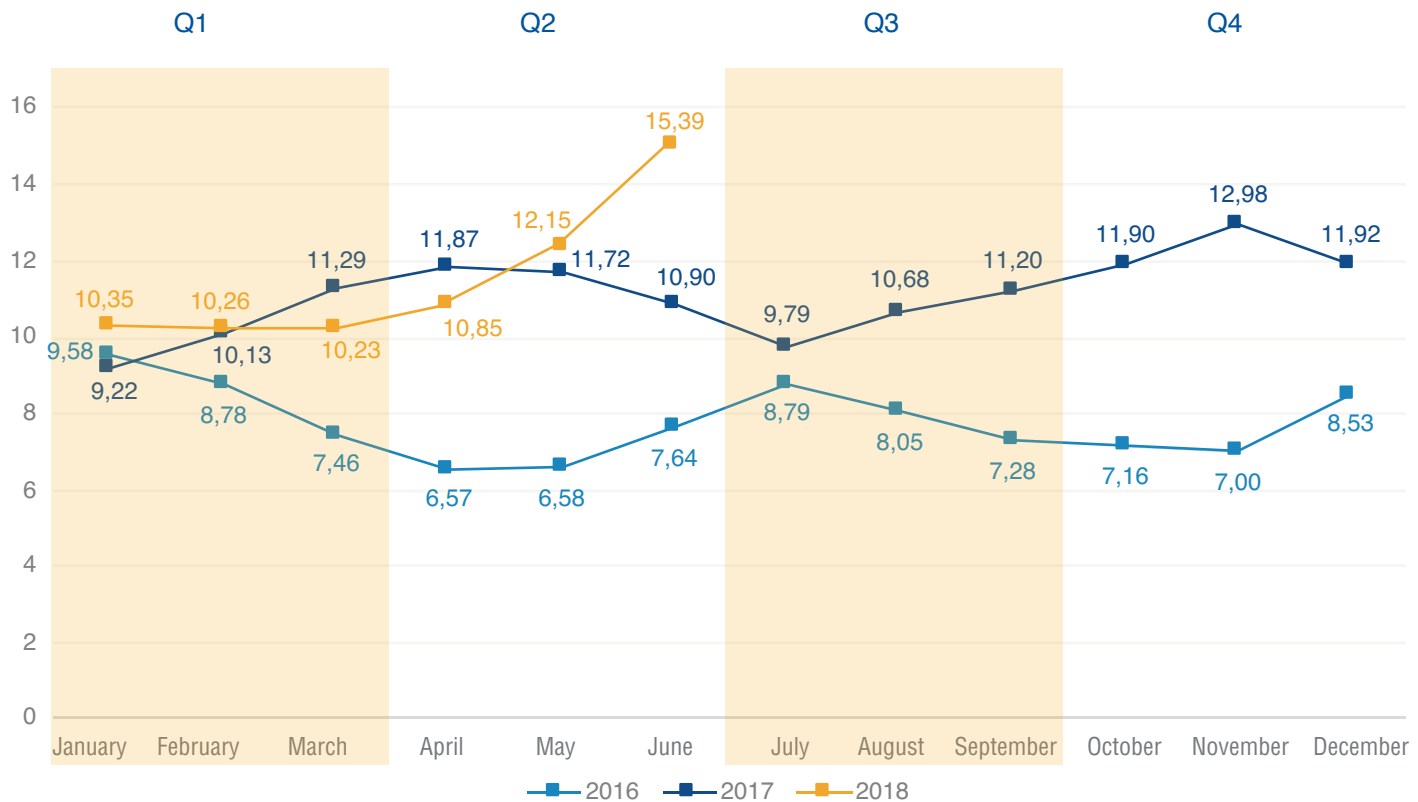
Source: Turkish Statistical Institute

Buying rate for last day of each month was used to establish average USD rate for that year.

*1st Quarter data used.

**Chain Volume Index (2009=100)

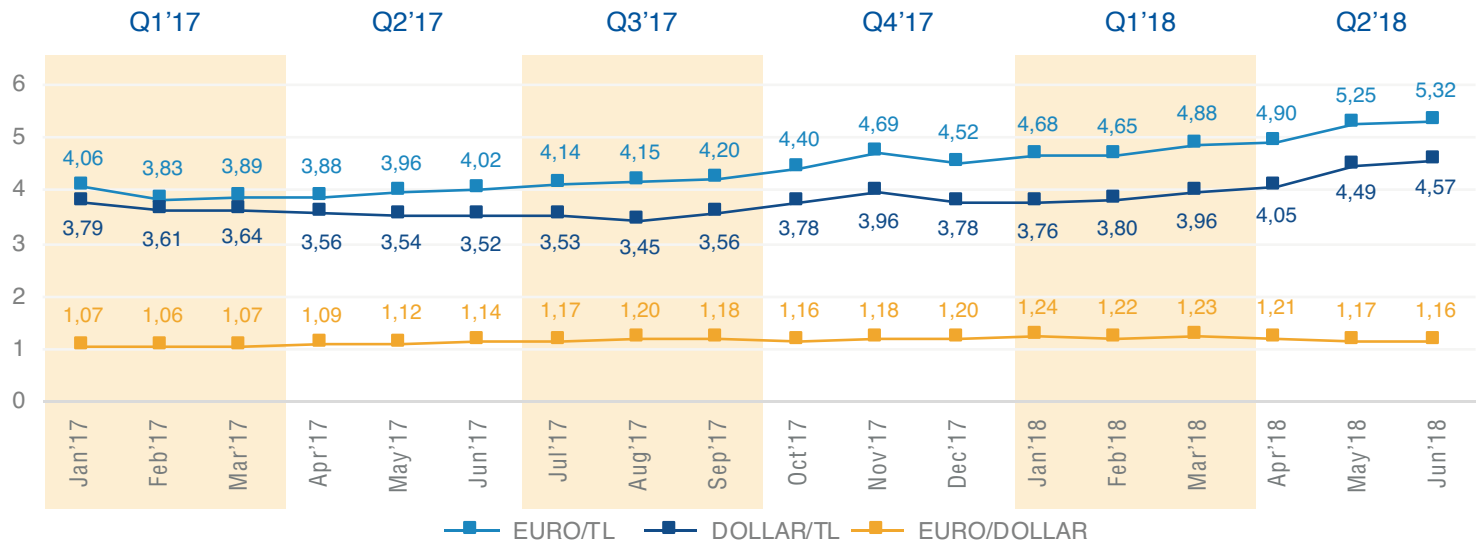
Annual Inflation*



The inflation rate, which has been on a downward trend since December last year, started to rise in April and continues its upward trend in June.

Source: TÜİK
*Change according to the same month of the previous year

Exchange Rate*



The depreciation of the TL against the Dollar and Euro continues. The dollar, which closed the first quarter of the year with 3.96, rose to 4.57 in June 2018 and the euro closed the first quarter with 4.88 and rose to 5.32.

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

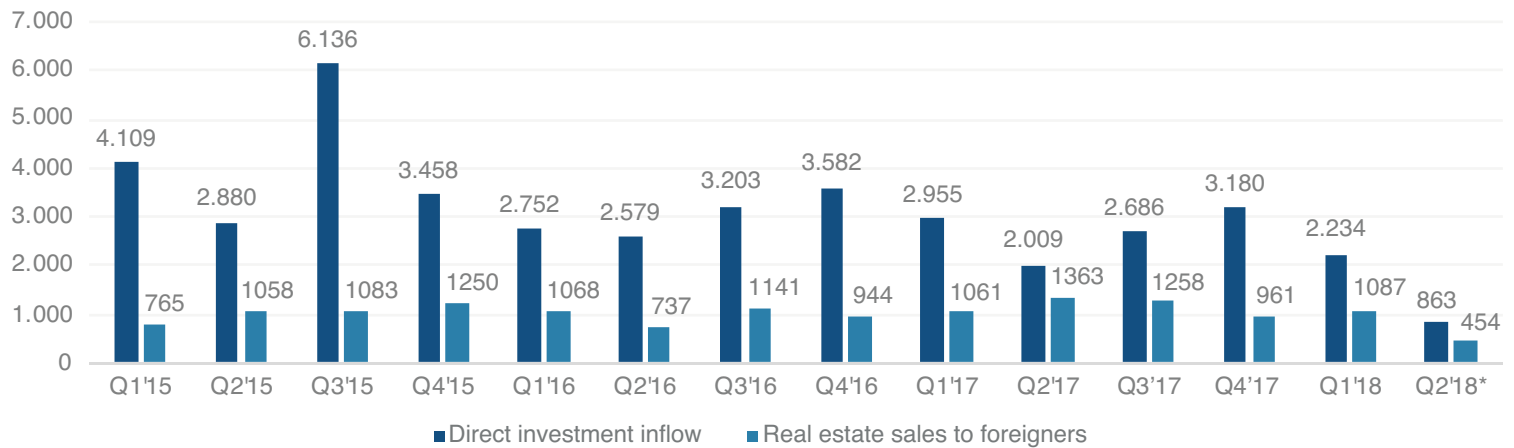
Comparison of Investment Instruments (%)

Period	*TR-81 Reidin	Reidin GYODER New House Price Index	Deposit Rate	BIST 100 Index	USD	Euro	Gold (Bullion)	Government Debt Securities
Q1'15	5,93	2,62	2,35	-3,95	12,85	-0,78	10,94	1,15
Q2'15	3,70	2,24	2,48	-9,9	11,31	11,57	5,8	-1,52
Q3'15	3,92	2,25	2,63	0,11	-3,01	-6,12	-7,5	3,1
Q4'15	4,46	1,96	2,67	-9,4	2,85	-0,76	-2,38	0,47
Q1'16	3,3	1,8	2,75	8,88	-1,09	0,98	14,86	4,45
Q2'16	1,95	0,41	2,63	0,77	1,66	1,42	6,14	2,38
Q3'16	1,08	-0,41	2,59	-1,31	17,92	10,98	2,63	-2,49
Q4'16	2,34	1,12	2,56	3,53	22	17,47	14,4	-2,44
Q1'17	3,14	1,22	2,55	17,5	4,97	6,35	11,77	2,38
Q2'17	3,08	0,86	2,62	10,27	-4,06	0,84	-1,44	4,46
Q3'17	2,33	1,03	3,03	7,16	-1,26	4,78	2,68	1,61
Q4'17	2,76	0,85	3,08	3,11	10,53	9,78	6,55	-1,84
Q1'18	2,55	0,9	3,18	6,58	1,25	5,51	5,93	2,08
Q2'18	1,73	0,78	3,27	-17,83	19,15	12,82	14,76	-6,29

In the second quarter of 2018, there is a 17.83% loss in the BIST-100 Index due to the high risk return expectation. Significant returns have been acquired in US Dollar, Euro and Gold in this quarter. Deposit interest yielding more regular returns to its investors has provided a return below the inflation rate in the related period (CPI is 6.23% in the second quarter of 2018).

Source:Reidin and Turkish Statical Institute
*Reidin Turkey Residential Property Price Index (81 province average)
**REIDIN-GYODER New Home Price Index is calculated on 70 projects and with a monthly average number of 22.500 properties presented by 34 developers.

Foreign Direct Investment (million USD)



The decline in direct investment inflows and foreign real estate sales figures continued throughout the year.

Source: Ministry of Economy
*Data of April 2018

Age 15+ Unemployment (%)

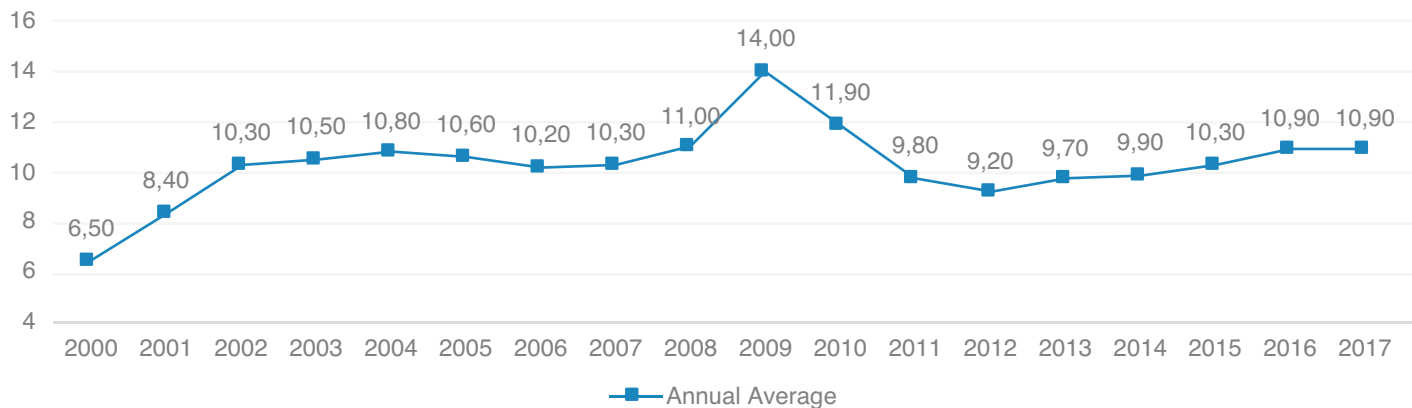
Monthly Average*

Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18
13,00	12,60	11,70	10,50	10,20	10,20	10,70	10,60	10,60	10,30	10,30	10,40	10,80	10,60	10,10	9,60

The unemployment rate, which was 10.40% as of December 2017, has fallen to 9.60% as of April 2018.

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

Annual Average



Source: Turkish Statistical Institute

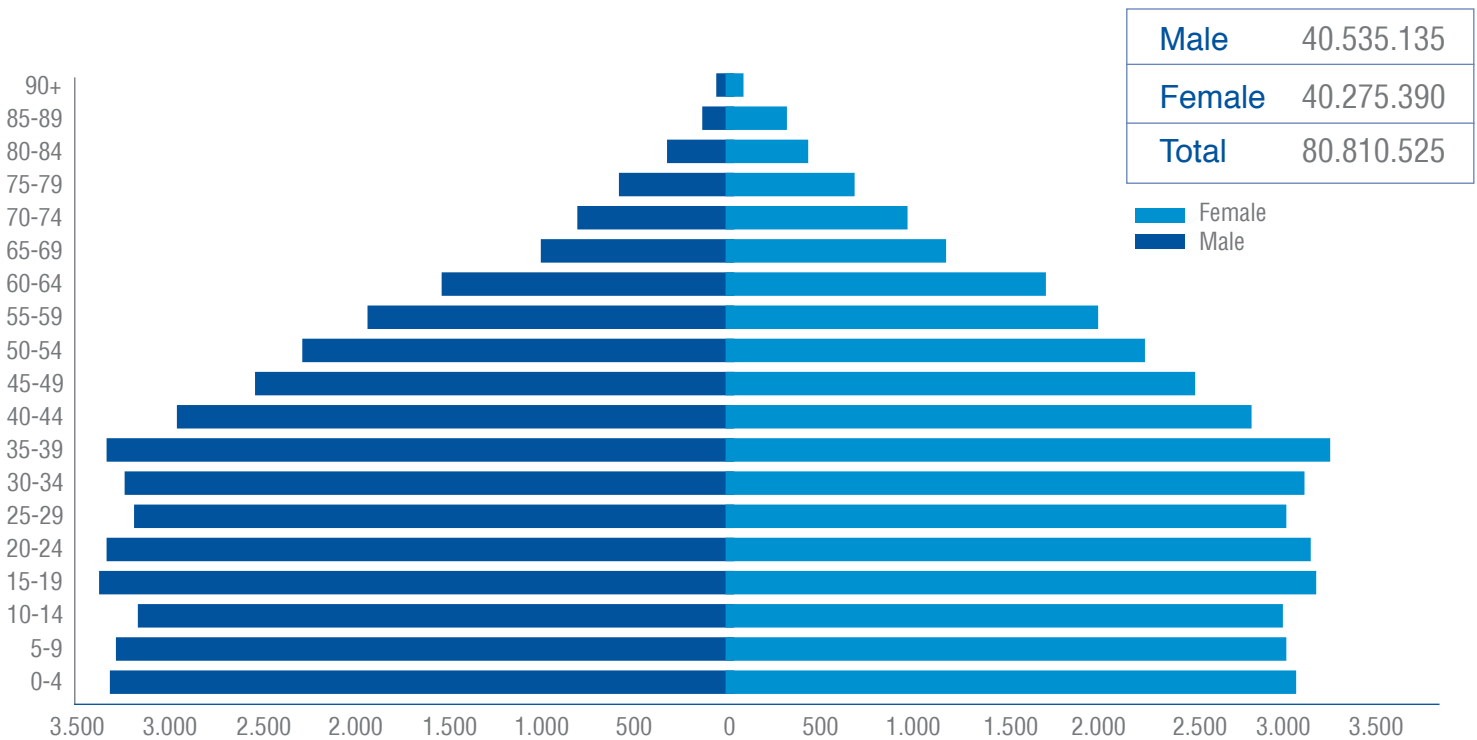
Population Growth in Major Cities (thousand)

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

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

Source: Turkish Statistical Institute

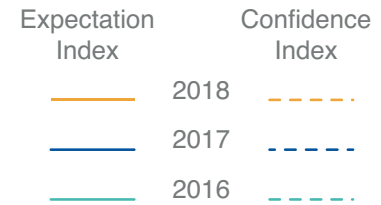
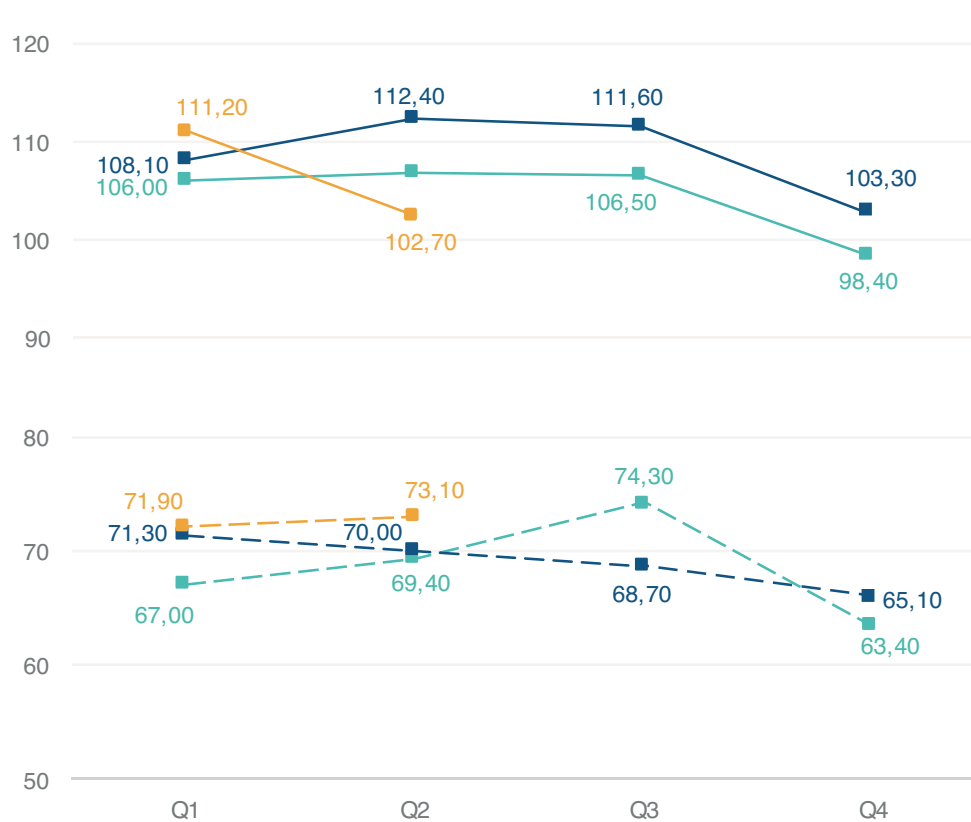
Population by Age Group and Gender, 2017



The active population rate of 15-64 age group in our country is 67.9% of the total population in 2017. The proportion of the population aged 65 and over in the total population is 8.5%.

Source: Turkish Statistical Institute

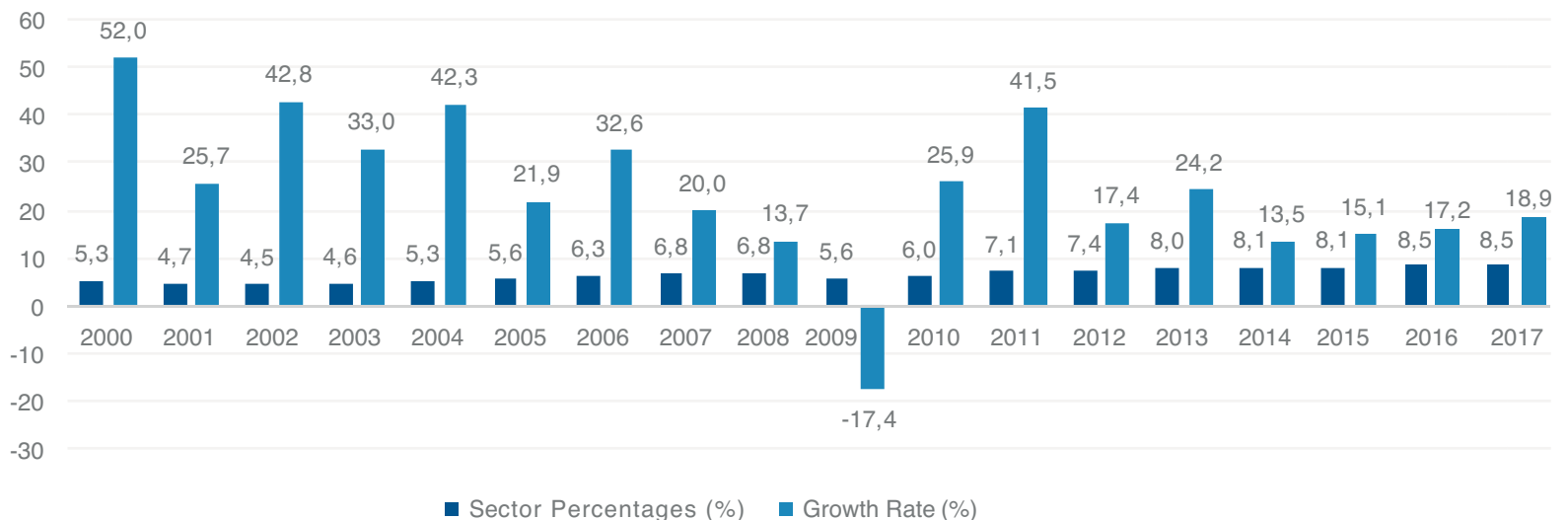
Expectation and Confidence Index



The Expectation Index declined to 102.7 in the second quarter of 2018 and the Confidence Index rose to 73.1 compared to the previous quarter.

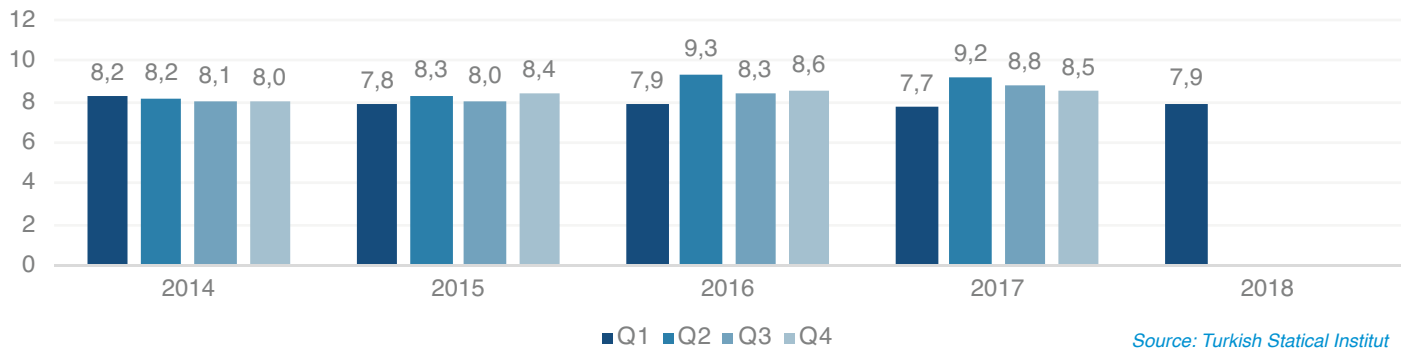
Source: Central Bank of the Republic of Turkey

Share of Construction Received from the GDP by Production Approach at Current Prices

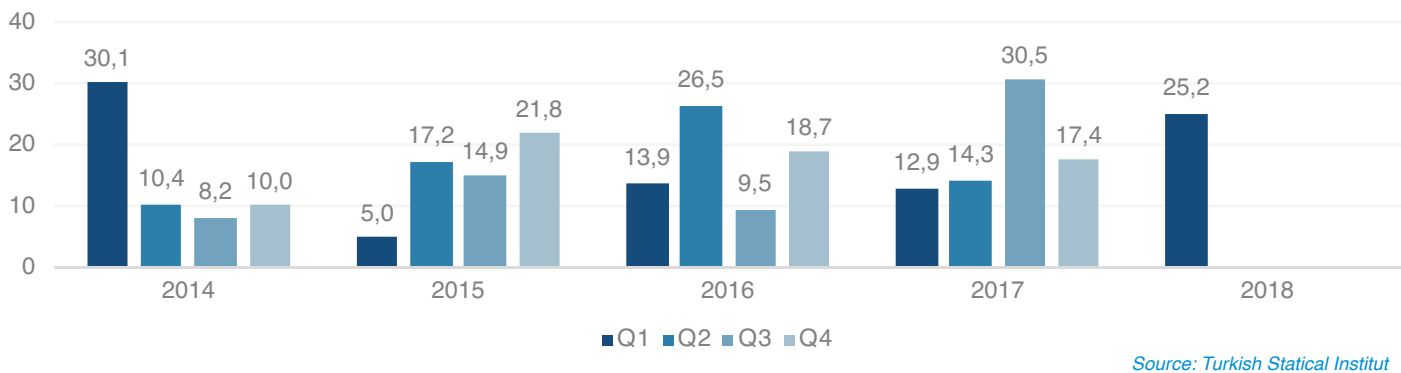


The construction sector's share of GDP with production method at current prices on an annual basis has been 7.9% in the first quarter of 2018. As of the first quarter of 2018, while the construction sector growth rate was 25.2%, the growth rate of real estate activities was 11.0% and GDP was 21.9%.

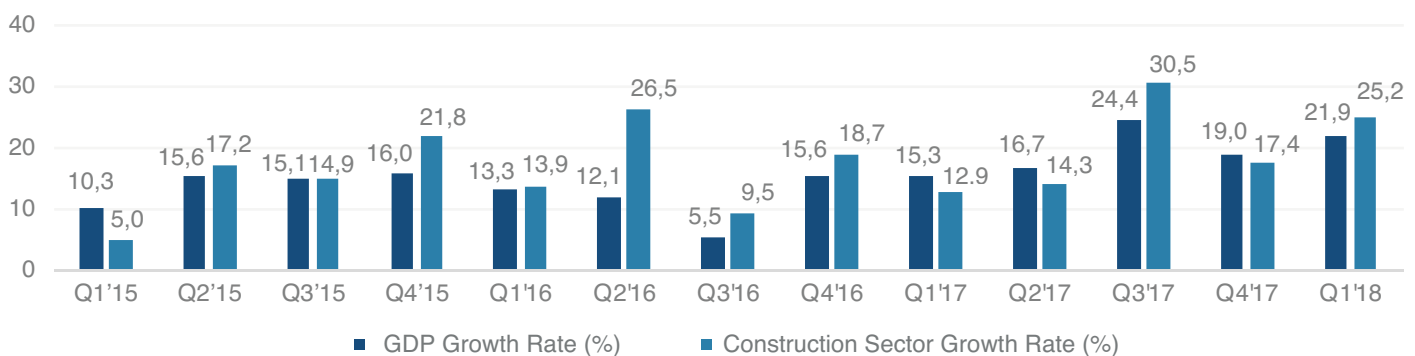
Share in GDP (%)



Growth compared to same month of previous year (%)



Construction Sector - National Income Growth Figures Comparison (%)





HOUSING

As of the end of June 2018, housing sales decreased by 1.27% during the last year

Housing sales in 2018 Q2 closed at 342.155 units, showing an increase of approximately 12.6% compared to the same period of the previous year. The incentives and campaigns started in the midst of May, the downward revision made on the purchase and sale charges and VAT deduction in the residential and work places have brought dynamism to the housing sales temporarily. Although these steps taken in order to give positive momentum to the housing market affected the housing sales in June, the first half of the year decreased by 1.27% compared to the same period of the previous year and closed at 646.032 units.

In the second quarter, there was a 26% increase in the number of mortgage housing sales on the basis of units compared to the first quarter. With the effect of discounts on interest rates of housing loans, the share of mortgage sales in total sales increased from 29.4% in the first quarter to 32.9% in the second quarter. Although there was an upward trend in mortgage sales along with the second quarter, the share of mortgage sales in total sales was 31.2% when the first half of 2018 was assessed cumulatively. As of the first half of 2017, this ratio was approximately 37.5%.

15% increase was recorded in first hand sales and 10% in second hand sales compared to the first quarter.

When the first half of 2018 is evaluated, there was an increase of 0.9% in first hand sales on unit basis, and a decrease of 3.1% in second hand sales, compared to the first half of 2017. If we do not take into account the last quarter of year-end sales figures at this point (due to the base effect), it can be said that the rate of quarterly second hand sales in total sales in the last 3 years have reached a basic rate of 53-55% band.

According to the CBRT data, the noticeable slowdown in the housing price index increase, especially seen in 2017 Q2 was also seen in 2018 Q1. In the second quarter, it is seen that the housing price index was on the rise, although limited. The annual increase in the housing price index, which was 9.44% as of March, increased to 10.59% nominal in May. Real housing prices decreased by 1.4% compared to last year.

Housing sales made to foreigners seemed to gain momentum by 23% compared to the previous quarter and the same period of the previous year, and its share in total sales was realized as 1.8%. In housing sales to foreigners in the second quarter, Istanbul was in the first place with a share of 35.2%, Antalya ranked second with a share of 24.5%.

Building Permits Statistics and Percentage Changes

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

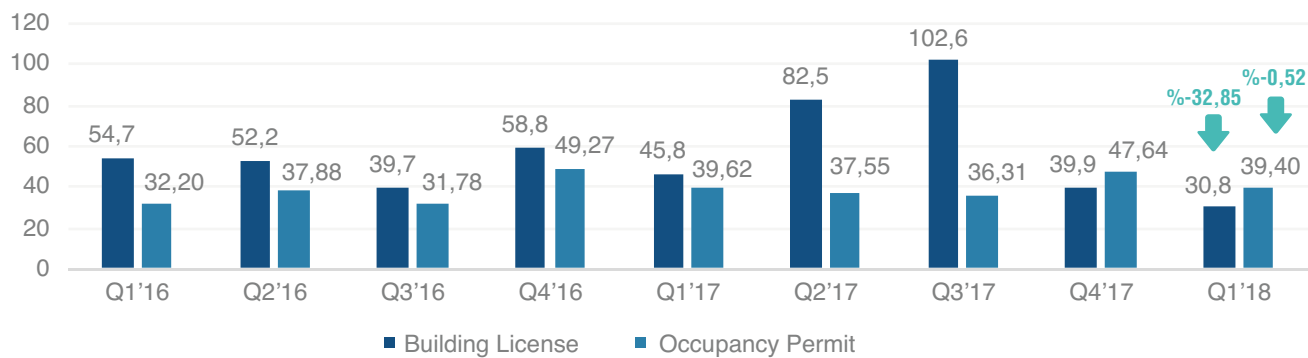
In the first quarter of 2018, on the basis of surface area, the number of building licenses decreased by 32.85% compared to the same period of the previous year, and the occupancy permit decreased by 0.52%. The number of building licenses as per the number of apartments decreased by 41.85% compared to the same period of previous year while the number of building permits increased by 2.44%.

Source: Turkish Statistical Institute

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

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

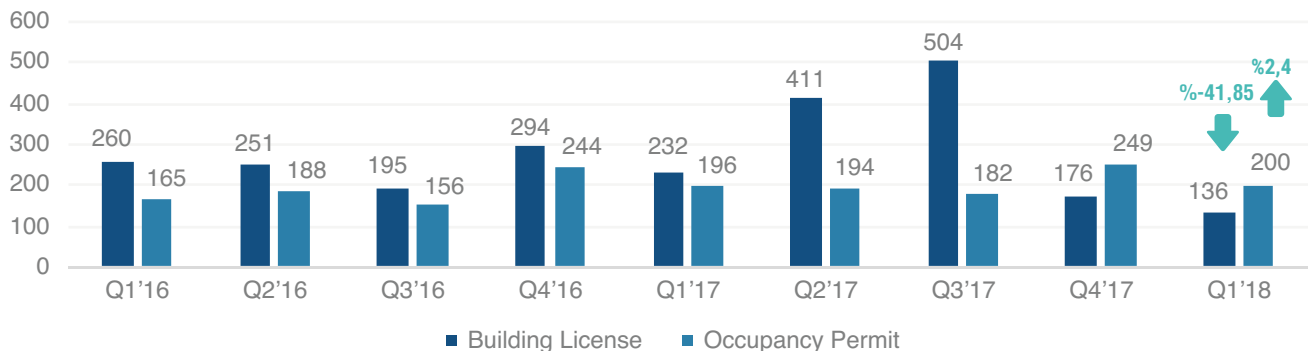
Surface Area (million m²)



Source: Turkish Statistical Institute

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

Number of flats (thousands)



Source: Turkish Statistical Institute

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

Housing Sales on Quarterly Basis (number)

	First Sale	Second Hand Sale	Total Sales	Mortgaged Sales
Q1'15	130.120	167.098	297.218	115.445
Q2'15	152.801	185.061	337.862	126.652
Q3'15	140.174	161.361	301.535	95.459
Q4'15	175.572	177.133	352.705	96.832
2015 Total	598.667	690.653	1.289.320	434.388
Q1'16	139.860	163.604	303.464	95.861
Q2'16	152.305	175.030	327.335	105.223
Q3'16	142.585	162.427	305.012	102.297
Q4'16	196.936	208.706	405.642	146.127
2016 Total	631.686	709.767	1.341.453	449.508
Q1'17	145.826	179.954	325.780	125.093
Q2'17	150.397	178.186	328.583	120.282
Q3'17	180.466	195.899	376.365	117.852
Q4'17	183.009	195.577	378.586	109.872
2017 Total	659.698	749.616	1.409.314	473.099
Q1'18	138.777	165.100	303.877	89.380
Q2'18	160.100	182.055	342.155	112.425

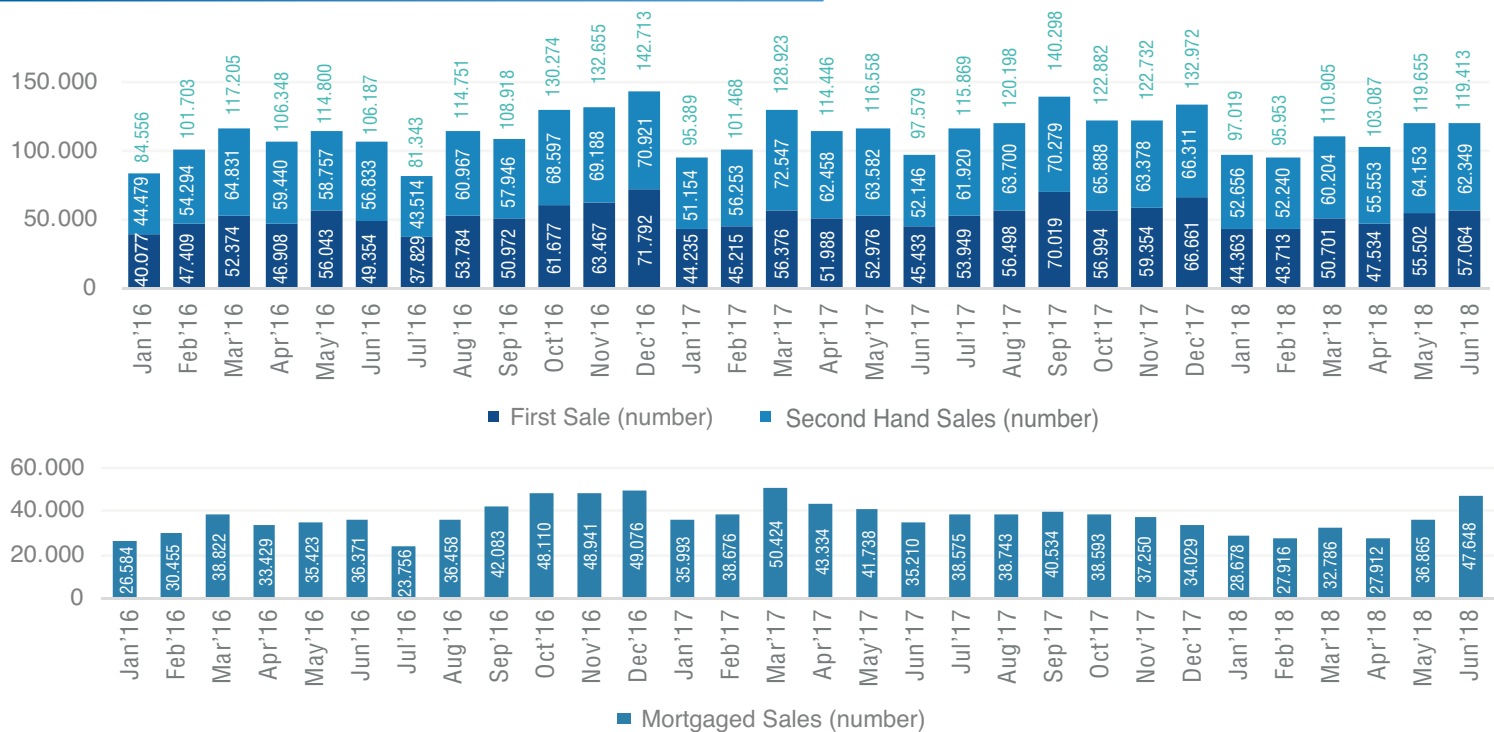
Housing sales decreased nearly by 1.27% as of the end of the second quarter of 2018 compared to the same period of the previous year.

Source: Turkish Statistical Institute

First Sale: The first sale of a housing by producer or by people making an agreement with the producer in return for a flat.
Second hand sale: Resale of the housing by the person obtaining the house from first sale.

As of the end of the second quarter of 2018 there was an increase of 0.9% in the first hand housing sales compared to the same period of the previous year, and a decrease of 3.07% in second hand sales. Mortgaged sales decreased by 17.76%. The share of mortgage sales in total sales was 37.5% as of the end of the second quarter of 2017, but decreased to 31.24% in the same period 2018.

Housing Sales on Annualy Basis (number)

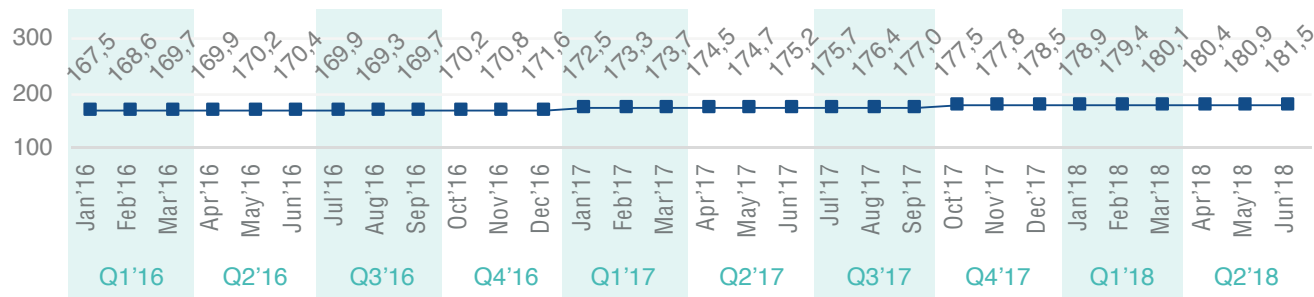


Source: Turkish Statistical Institute

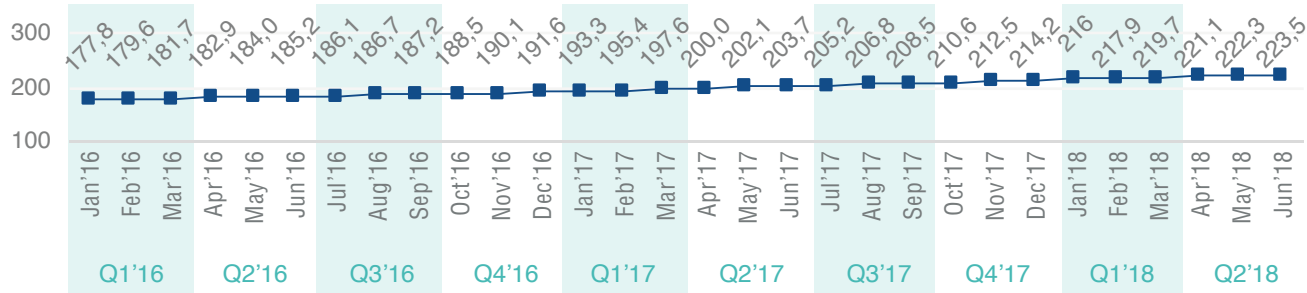
First Sale: The first sale of a housing by producer or by people making an agreement with the producer in return for a flat.
Second hand sale: Resale of the housing by the person obtaining the house from first sale.

Housing Price Indexes (Country-wide)

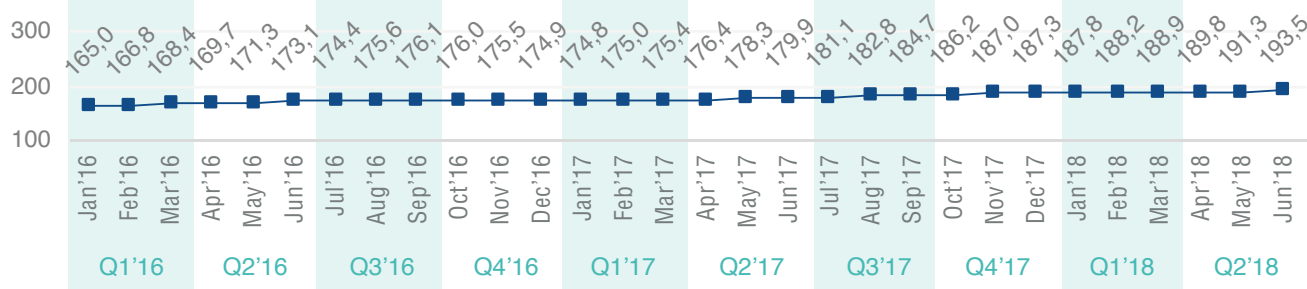
Reidin GYODER New Home Price Index (January 2010=100)



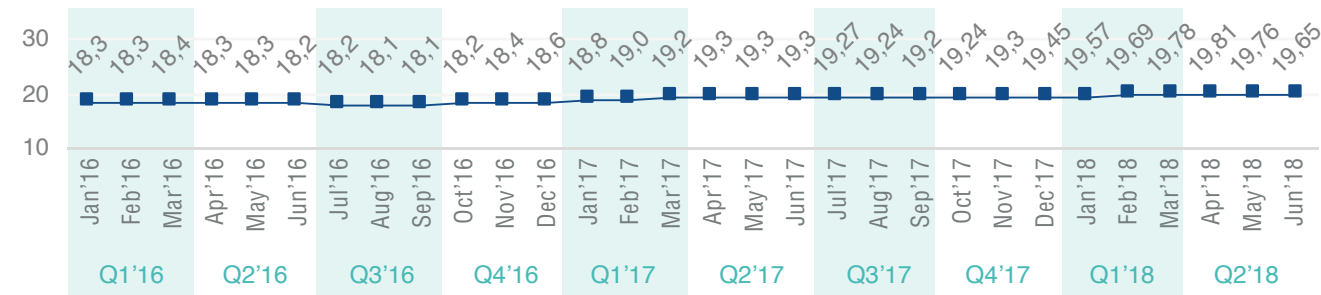
Reidin Turkey Residential Property Price Index



Reidin Residential Rent Value Index (January 2012=100)



Reidin Home Return on Investment Time (Year)



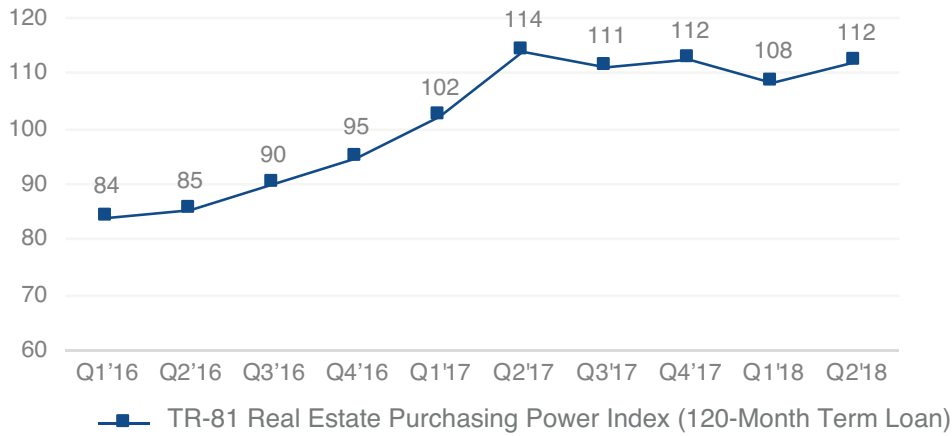
The upward trend in the REIDIN housing indices, which started in the first quarter of the year, has been continuing. According to the REIDIN-GYODER New Housing Price Index, the price increase in June 2018 was 0.33% compared to the previous month and 3.60% compared to the same period of the previous year. If we make a comparison as of the quarter end, it increased by 0.78% as of the end of the Q2 compared to Q1.

Source: Reidin

*REIDIN-GYODER New Home Price Index is calculated on 70 projects and with a monthly average number of 22.500 properties presented by 34 developers.

**Reidin Turkey Residential Property Price Index (81 province average)

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

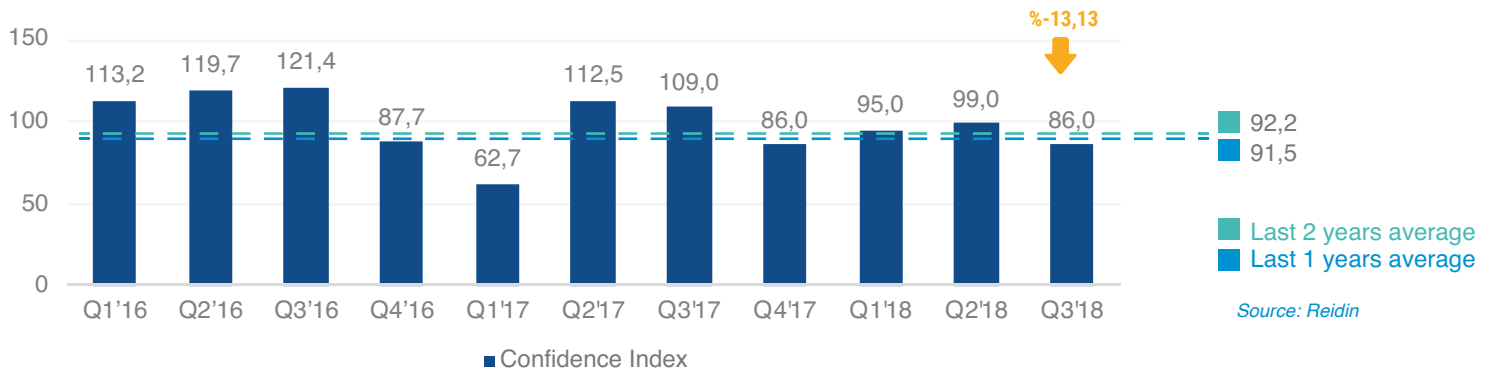


Housing Purchasing Power Index Turkey average increased by 3.31% compared to the previous quarter and recorded as 112 in 2018 Q2 with 1.78% decrease compared to the same quarter of the previous year.

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

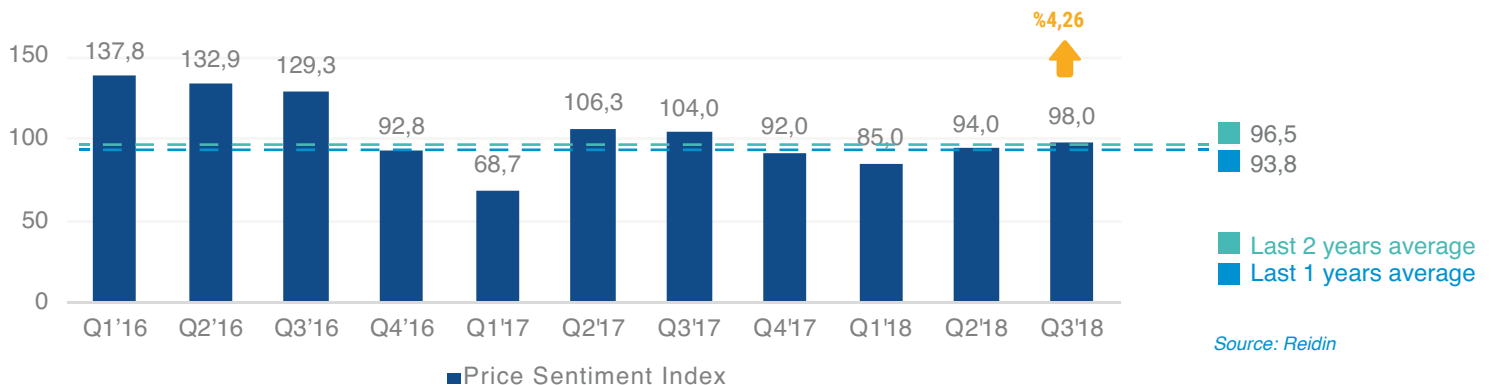
Source: Reidin

Real Estate Confidence Index & Price Sentiment Index



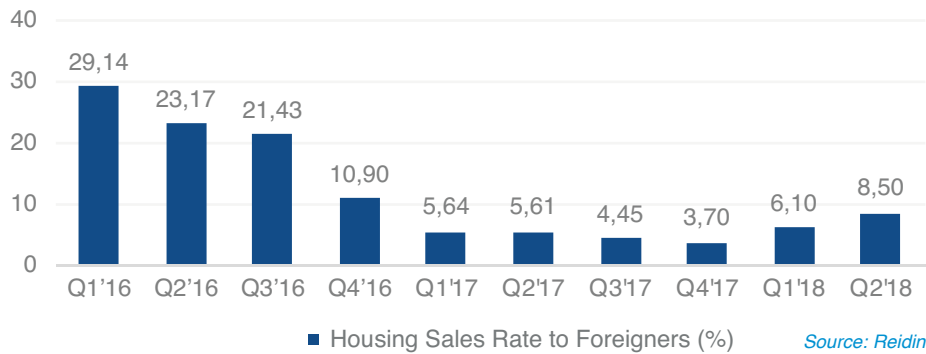
Source: Reidin

In the third quarter of 2018, the Confidence Index, which was measured as 86, was announced as 91.5 as the average of the last year, while the Price Expectation Index measured as 98, was announced as 93.8 as the average of the last year.

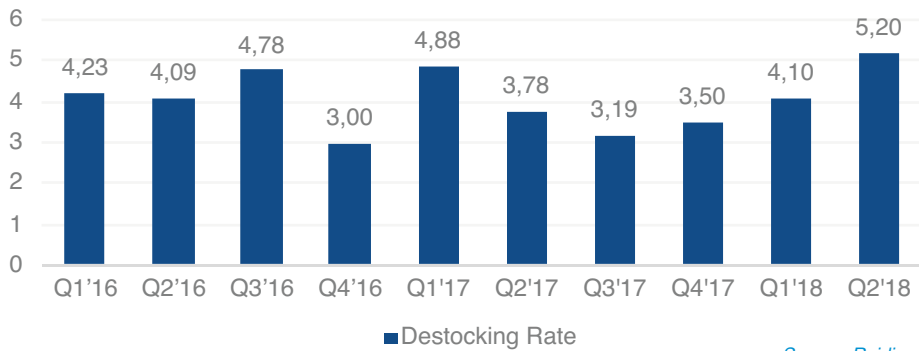
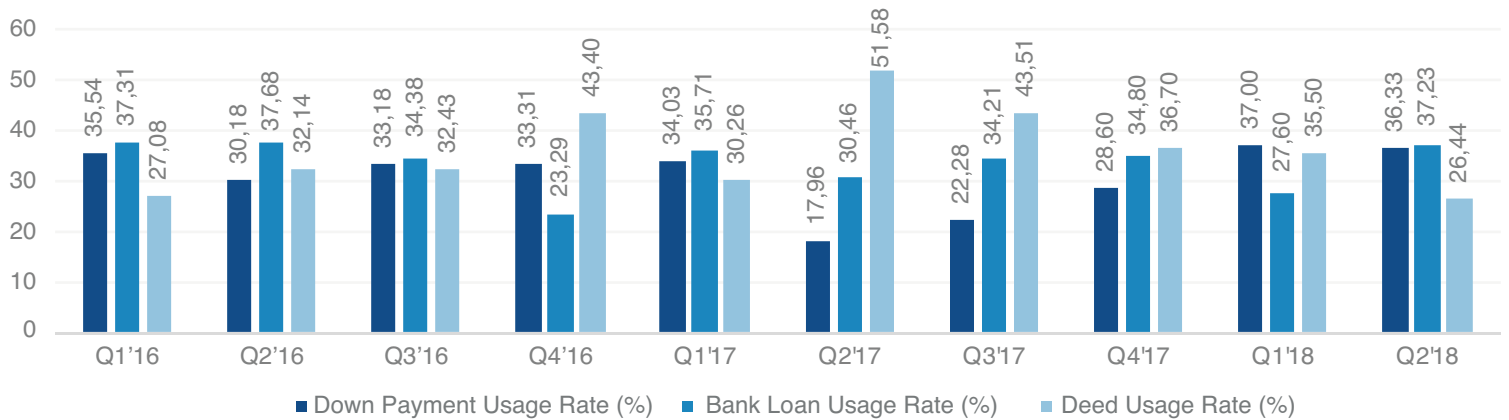


Source: Reidin

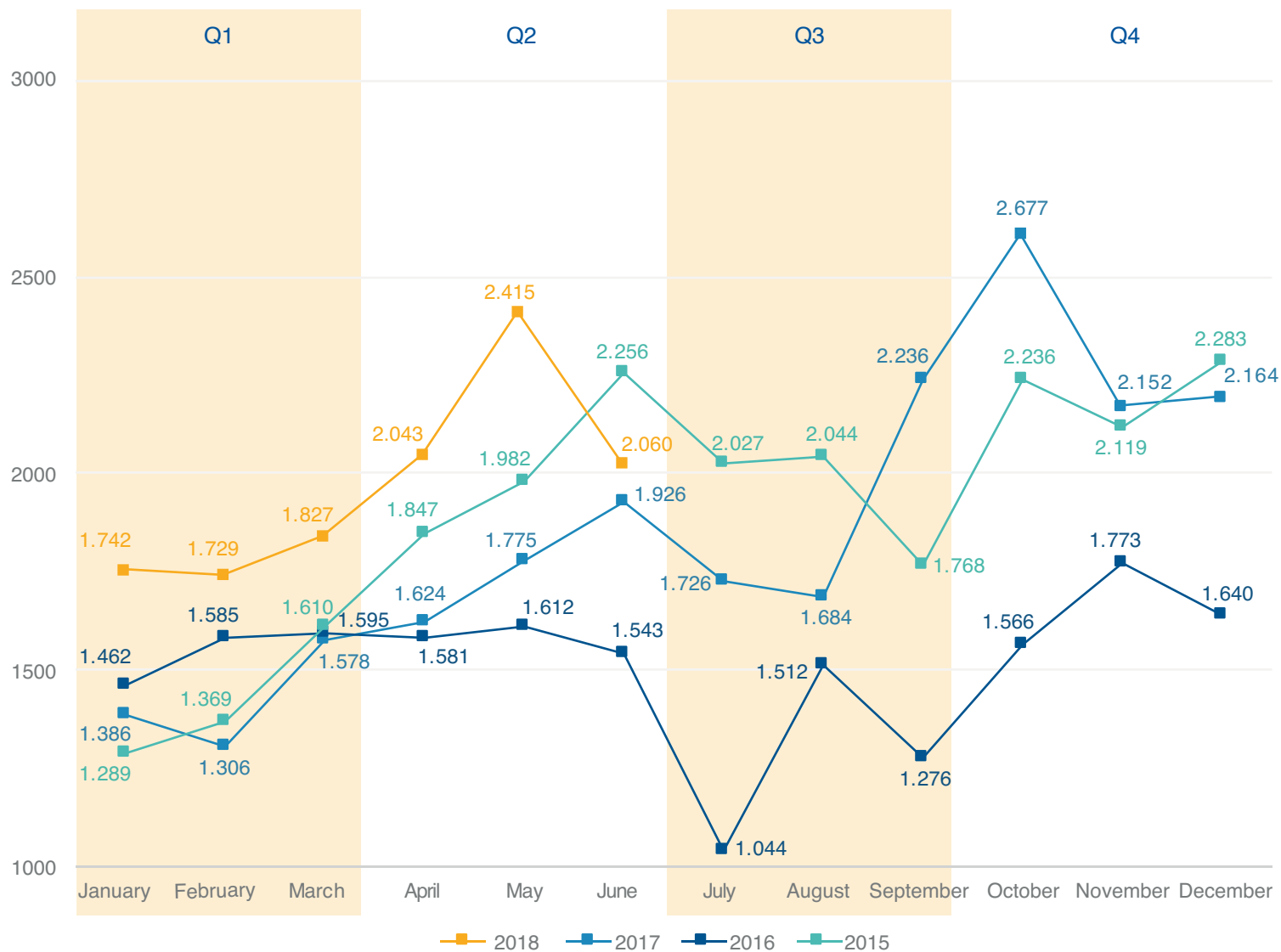
Indicators of Branded Housing Projects



In 2018 Q2, consumers who buy houses from branded housing projects prefer to use bank loans from the options of down payment, promissory note and bank loan. In the second quarter of 2018, the rate destocking was 5.2%, while 8.5% of the sales of branded housing projects was made to foreign investors.



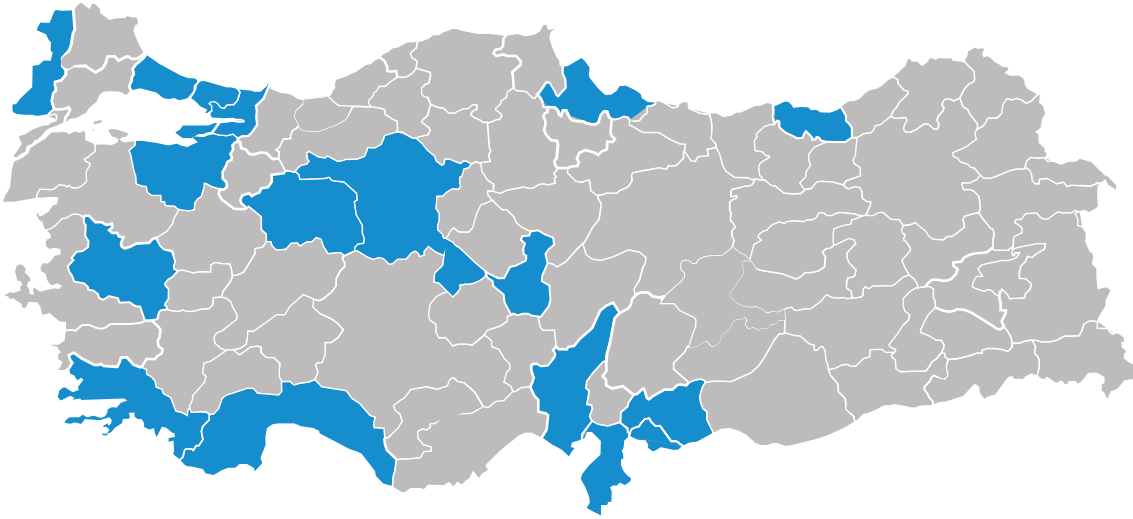
Number of House Sales to Foreigners in Turkey



Housing sales to foreigners rose to 11.816 units in the second quarter of 2018, with growth of 23.15%, compared to the same period last year.

Source: Turkish Statistical Institute

Top 10 Cities Preferred by Foreigners for Housing Purchase



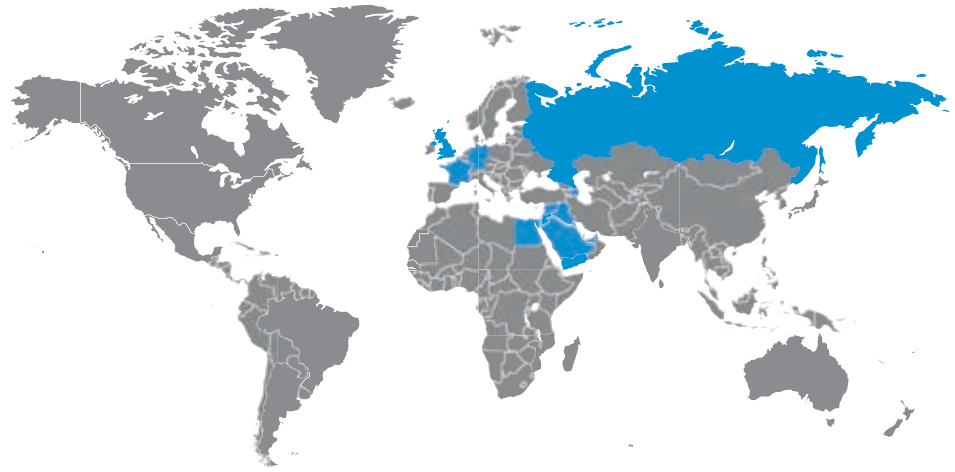
In the first half of 2018, the most preferred province of foreigners in real estate investments was Kocaeli. When we examine all kinds of real estate investments of foreigners made in Turkey in the first half of 2017 and 2018, 18.0% increase was recorded in 2018 compared to 2017 on area basis, while 58.6% in the number of transactions.

Q2'18 Ranking (Q2'17 Ranking)	(End of the Year) First 10 Cities	Q2'18		Q2'17	
		Surface Area per Total Stock (thousand m ²)	Total Number of Transactions	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions
1 (7) ↑	Kocaeli	704.399	214	141.564	162
2 (4) ↑	Antalya	421.779	4.025	282.982	2.400
3 (-)	Manisa	373.423	49	4.858	12
4 (3) ↓	Istanbul	355.549	5.354	329.643	3.501
5 (-)	Eskişehir	306.748	122	1.519	40
6 (5) ↓	Muğla	254.139	595	207.575	440
7 (-)	Ankara	227.746	590	65.962	454
8 (-)	Nevşehir	227.400	17	2.579	5
9 (-)	Edirne	208.319	83	6.626	91
10 (-)	Adana	206.074	61	23.063	21
- (1)	Kilis	-	-	1.985.645	8
- (2)	Gaziantep	64.115	93	343.379	53
- (6)	Bursa	196.342	1.118	158.551	881
- (8)	Samsun	21.869	259	124.776	188
- (9)	Sakarya	164.269	446	84.358	283
- (10)	Hatay	25.780	6	82.150	63
	Other	1.377.087	4.058	501.013	2.197
	Total	5.135.038	17.090	4.346.242	10.799

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

Top Ten Countries Preferring to Purchase Housing from Turkey

When we examine all kinds of real estate investments of foreigners made in Turkey, we observe that France, Jordan, Yemen and Egypt took part in top 10 countries that preferred Turkey in the first half of 2018, different from the same period of 2017.



		Q2'18	Q2'17		
Q2'18 Ranking (Q2'17 Ranking)	(End of the Year) First 10 Countries Citizen	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions	Surface Area per Total Stock (thousand m ²)	Total Number of Transactions
1 (4) ↑	Germany	1.176.773	1.293	188.495	543
2 (-)	France	641.248	113	19.109	54
3 (-)	Jordan	325.910	468	68.461	200
4 (2) ↓	Saudi Arabia	292.458	1.163	244.373	895
5 (9) ↑	Palestine	265.107	261	77.636	181
6 (-)	Yemen	176.821	314	48.633	148
7 (8) ↑	England	176.700	818	90.789	537
8 (5) ↓	Iraq	172.306	2.507	150.897	1.732
9 (-)	Egypt	164.274	415	23.662	275
10 (10)	Azerbaijan	141.939	507	69.452	351
- (1)	Syria	-		2.391.818	66
- (3)	Kuwait	130.322	745	224.928	800
- (6)	United Arab Emirates	48.239	142	100.837	168
- (7)	Russian Federation	100.356	997	91.548	660
	Other	1.322.586	7.297	555.605	4.166
	Total	5.135.038	17.040	4.346.242	10.776
	Gulf Countries	872.959	6.167	803.167	4.099
	Ratio of Gulf Countries in Total Investments	17%	36%	18%	38%

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



HOUSING LOANS

As of May 2018, the housing loan volume reached TL 196 billion

With the interest campaign effect realized by the public banks in May 2018, the housing loan volume increased by TL 4.4 billion compared to 2017 end and reached TL 196 billion. As a result of the interest campaign initiated by the public banks, the uptrend in the housing loan sector average interest rates, which continued from March 2017 to May 2018, has come to an end. In May 2018, the average monthly interest rate on housing loans decreased by 14 BPS compared to April and fell to 1.03%. Similarly, when we look at the annual compound interest rate, the compound annual interest rate of the average housing loan, which was 14.96% in April 2018, declined to 13.02% at the end of May 2018.

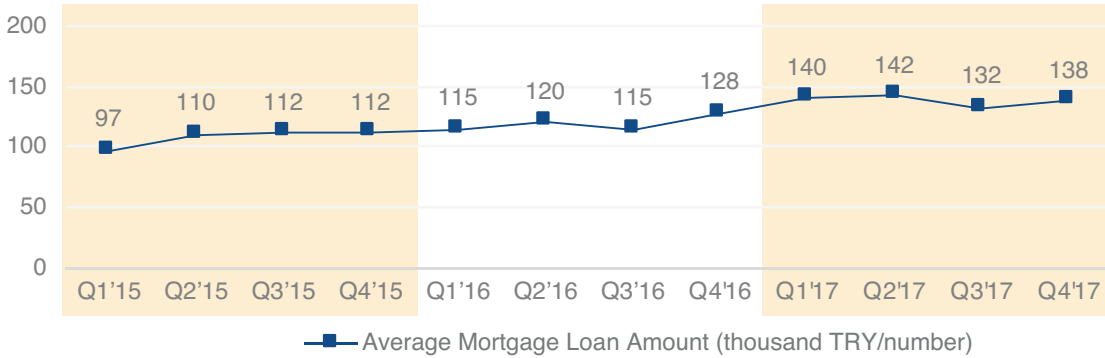
In addition, the competitive pricing policies of public banks also continued in May 2018. The share of public

banks in total housing loans reached 43.53% at the end of 2017 and achieved 45.6% as of May 2018. During the same period, the pressure on private sector banks' mortgage interest rates, which is due to increased resource cost, continues.

The share of housing loans in individual loans fell from 39.9% in May 2017 to 38.5% in May 2018 with 1.4 point decrease. The ratio of nonperforming housing loans to total housing loans was 0.41% as of May 2018 and decreased by 7 BPS compared to the same period of the previous year. The downtrend of the ratio of nonperforming housing loans to total housing loans continues from 2016 Q3 until today.

Mortgage Extension

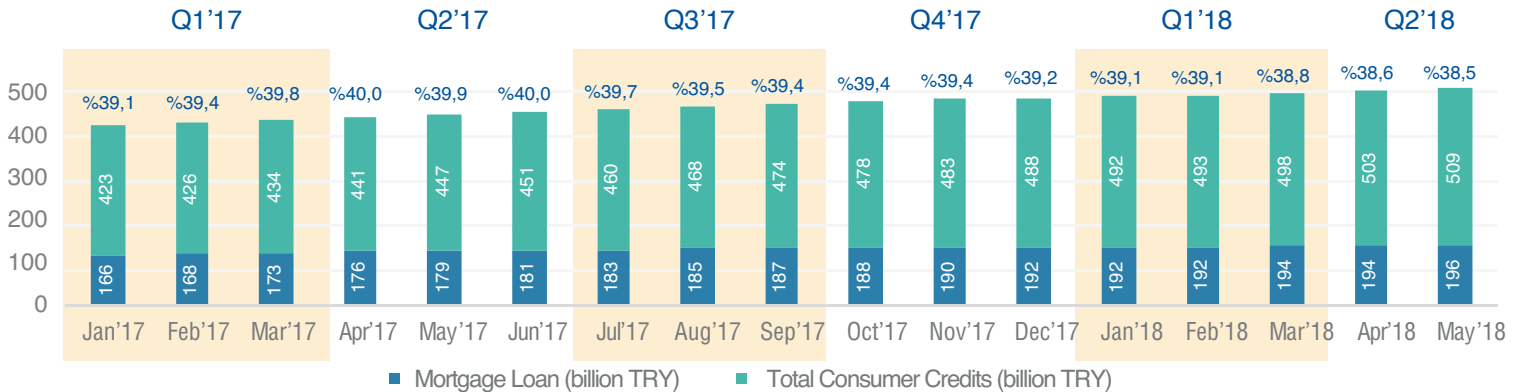
Period	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17
Total Credit Extension (million TRY)	12.483	12.748	11.173	10.382	11.223	13.280	13.215	19.378	18.815	17.790	16.343	15.501
Credit Extension Figure (number)	129.040	116.023	100.141	92.963	98.016	110.918	115.179	151.019	134.212	125.085	123.674	112.592



The amount of housing loans used in the fourth quarter of 2017 decreased by 20% compared to the same period of the previous year and fell to TL 15.501 million. The average loan amount in the fourth quarter of 2017 increased by 7.29% compared to the same period of the previous year and reached TL 138.000.

Source: The Banks Association of Turkey

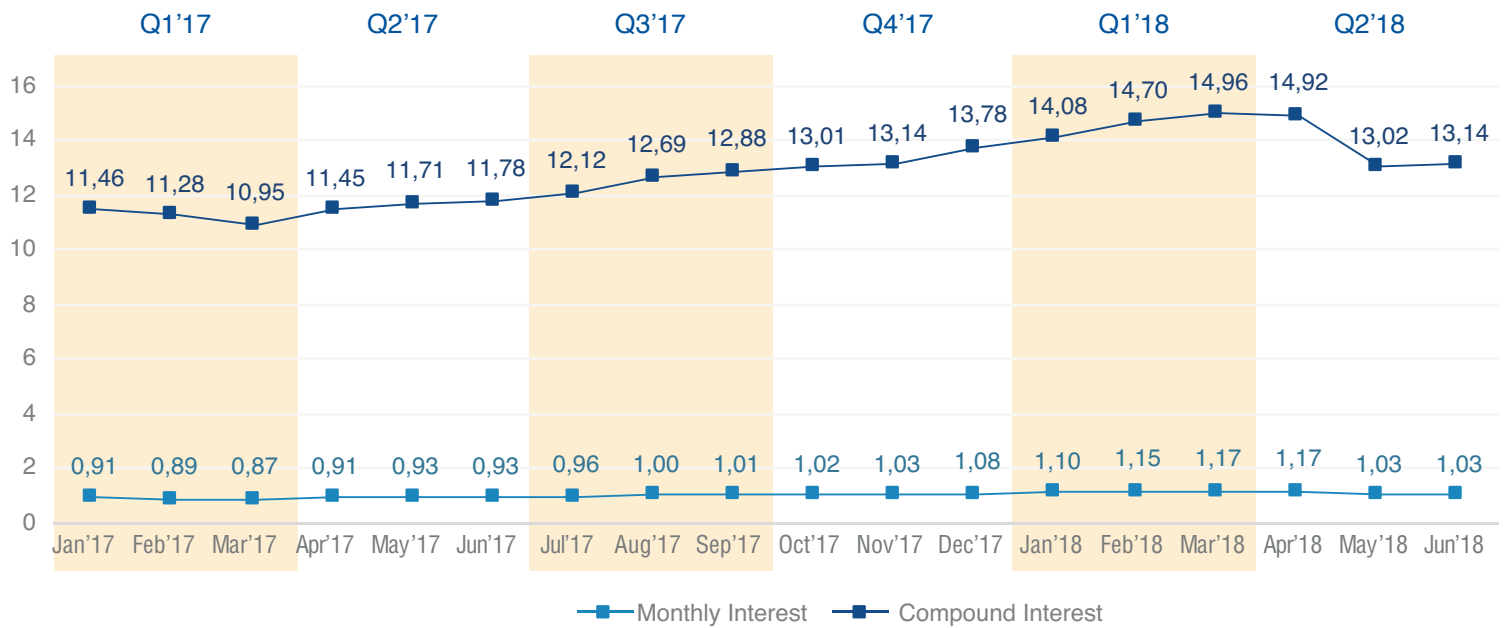
Mortgage Loan - Total Consumer Credits Comparison



The share of housing loans in personal loans decreased in May 2018 compared to the same month of the previous year and recorded as 38.5%.

Source: Central Bank of the Republic of Turkey

Mortgage Loan Interest Rate (%)



Housing loan interest rates have been on the rise since the second quarter of 2017. As of June 2018, monthly interest rate on housing loans was 1.03% and compound annual interest rate was 13.14%.

Source: Central Bank of the Republic of Turkey

Distribution of Mortgage Loan According to Banks

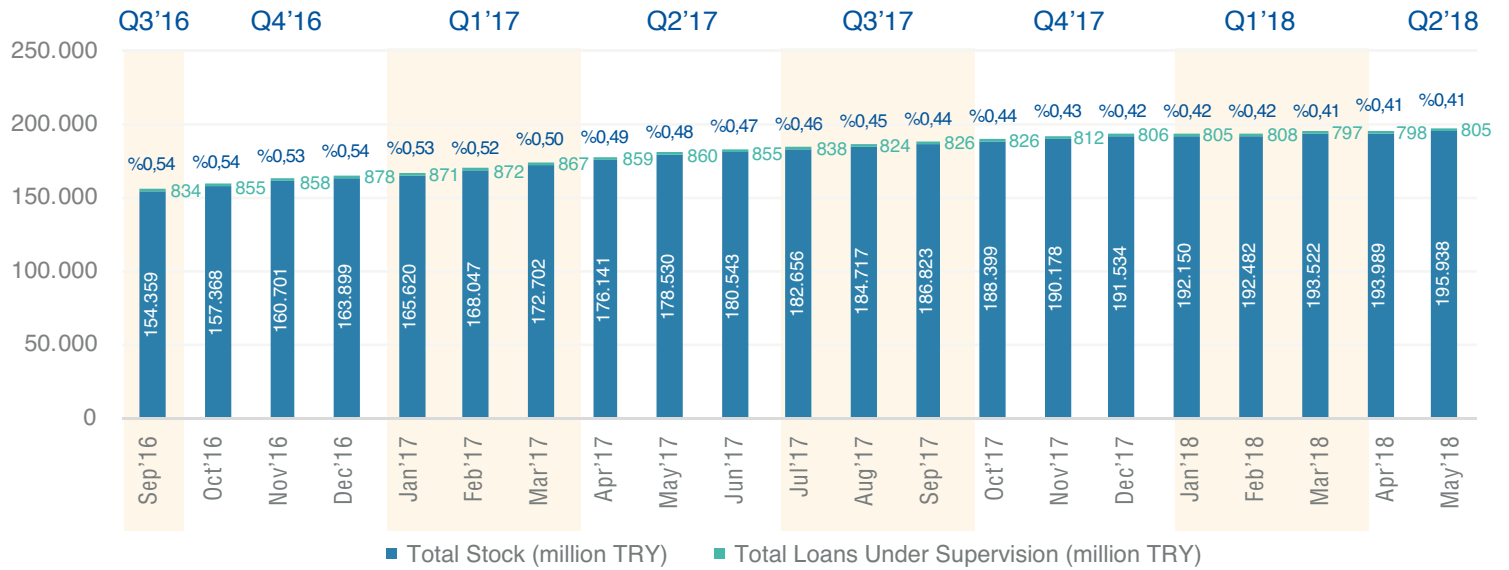
Distribution of Sector in General	Number of Banks	Sector Shares	Distribution of Mortgage Loan Volume (billion TRY)*
Total Banking Sector	50	%100	195.937
Total Deposit Banks	32	%93	182.427
<i>Public Deposit Money Banks</i>	3	%46	89.263
<i>Private Deposit Banks</i>	9	%28	54.981
<i>Deposit Banks with Foreign Partners</i>	20	%19	38.181
Development and Investment Banks	13	%0	1
Participation Banks	5	%7	13.509

Source: BDDK

*The recently announced data are those of the BDDK's data of May 2018

The total housing loan volume has exceeded TL 195.9 billion as of May 2018.

Mortgage Loan Stock and Non-performing Loan*



The share of nonperforming loans in total housing loans has been recorded as 0.41% as of May 2018.

Kaynak: BDDK
*Cumulative total of Mortgage Loan Stock and Non-performing Loan



OFFICE |

Office Supply in İstanbul in 2018 Q2 reaches 5.99 million m2

In June, the real sector confidence index was recorded as 102.50, consumer confidence index as 70.30; both figures decreased compared to the previous month. The seasonally adjusted unemployment rate was 9.9% in March 2018, but the inflation rate of 15.39% recorded in June and exchange rate fluctuations directly affected office investments and leasing activities.

With the market entry of 198.000 m² of new office space in İstanbul, the total supply has reached 5.99 million m². In the second quarter, the new lease reached 61.665 m² with an increase of 40% compared to the same period of the previous year, but decreased by 11.55% compared to the previous quarter.

In the second quarter, 23% of the agreements on a square meter basis were realized at the Anatolian side, nearly half of them at the CBD and the remaining part at the European side, outside the CBD.

Office vacancy rate in the second quarter of 2018 was realized as 24.6%. The biggest property owner

user agreement in this quarter was Pasha Investment Bank (10.000 m², Levent Sanayi Mahallesi) and TAV (12.000 m², Vadistanbul). The major new leases were the international technology company (2.738 m², River Plaza), Multinet (2.000 m², Süzer Plaza), Kowork (1.600 m², Flora Office) and GFK (1.500 m², Nef 09).

Small scaled investment activities have speeded up in this quarter, even if limited. Sales of three floor of Ferko Signature to a foreign investor and the purchase of Antalya 2000 Plaza from Doğuş REIT by Kar Otomotiv.

Due to the recent elections and the rise in rate of exchange, rental activities in the second quarter were limited. It is predicted that the pressure on demand will increase further in the next quarters. The favorable conditions for the lessee are expected to continue at least in the second half of the year.

Istanbul Office Market by Regions

	Q2'17			Q1'18			Q2'18		
European Side	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)
Levent - Etiler	782	17	41	852	19,8	32	852	15,6	32
Maslak	829	20,5	28	838	21,3	25	838	19,8	23
Z.Kuyu - Şişli Line (Z.kuyu - Gayrettepe- Esentepe - Mecidiyeköy - Şişli)	438	23,9	25	451	22,1	22	451	21	21
Taksim and surrounding area (Taksim - Elmadağ - Bomonti - Piyalepaşa)	139	17	20	139	21,8	15	139	26,6	15
Kağıthane	259	36,4	16	259	32	18	259	18,33	17
Beşiktaş (Nişantaşı - Akaretler - Barbaros - Maçka - Teşvikiye)	102	22,1	22	102	22,7	16	102	20,7	16
Western Istanbul (Güneşli - Yenibosna - Bakırköy - İkitelli)	814	5,9	13	814	6,9	11	814	6,2	11
Cendere - Seyrantepe	-	-	-	284	67	15	458	71	15
Anatolian Side	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² / month)
Kavacak	131	14,4	17	131	19,6	15	131	17,9	15
Ümraniye	696	20,5	21	714	14,3	20	714	14,8	20
Altunizade	59	1,0	23	59	1	20	59	1	20
Kozyatağı (İçerenköy - Göztepe - Ataşehir)	564	42,5	25	715	43,7	25	736	41,5	25
Eastern Istanbul (Küçükyalı - Maltepe - Kartal - Pendik)	437	22,6	13	446	17,4	16	446	21,5	12

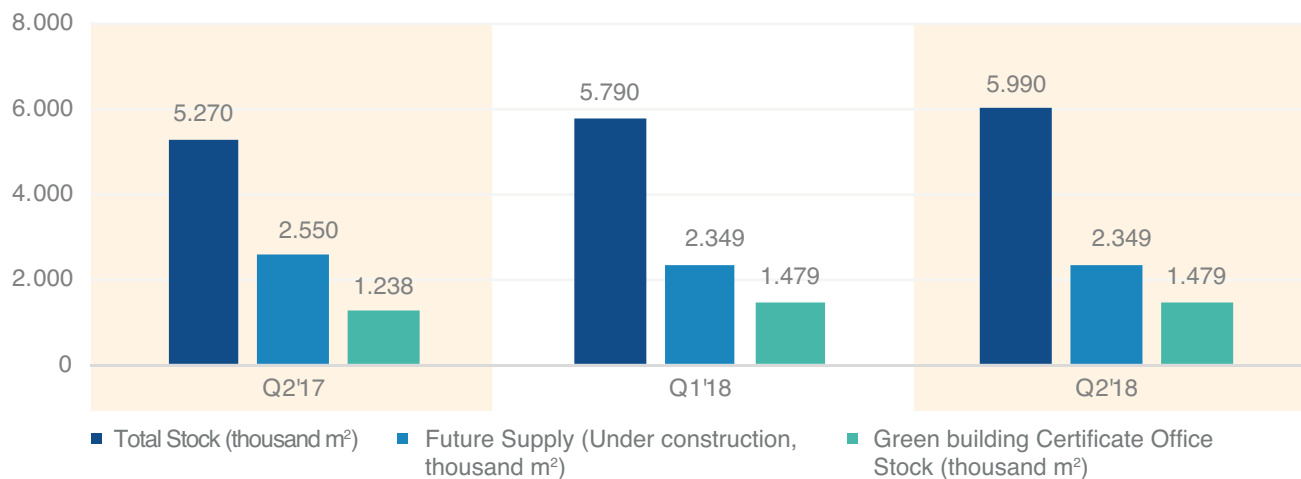
The general supply increased compared to the previous quarter and reached 5.99 million m². In the second quarter, the new lease reached 61.665 m² with an increase of 40% compared to the same period of the previous year, but decreased by 11.55% compared to the previous quarter.

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



Leasing	Q2'17	Q1'18	Q2'18
Total Occurring Take-up Transactions (thousand m ²)	44,05	69,72	61,67
Prime Rent (USD/m ² /month)	41	32	32
Prime Yield (%)	7,15	7,25	7,25
Stock Vacancy Rate (%)	21	23,27	24,60

The total leasing transaction in the second quarter of the year was 61.665 m². The vacancy rate was 24.6% in total.





SHOPPING MALLS

Number of Shopping Malls reached 442 as of 2018 Q2

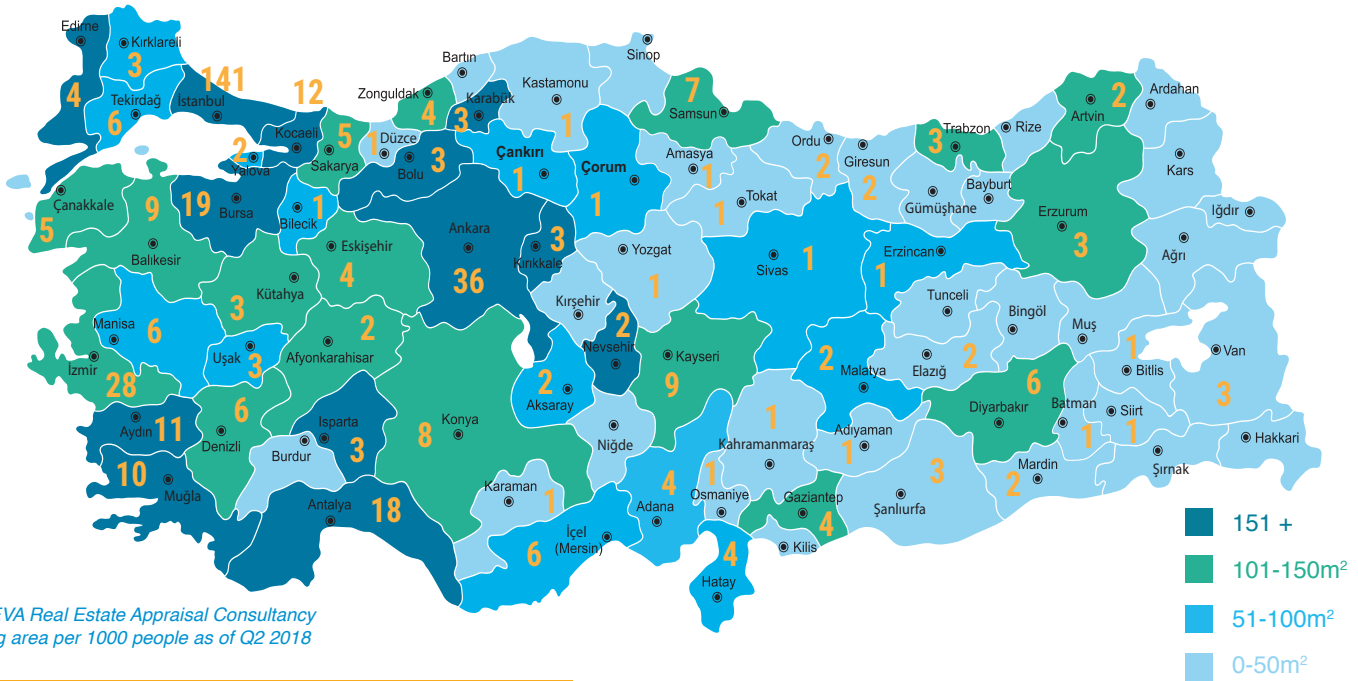
The total number of shopping malls in overall Turkey as of the end of 2017 was 429 and it reached 442 as of the second quarter of 2018. With the new shopping malls to be opened by the end of 2018, it is expected that this number will reach 493 and the total leasable area will exceed 15.000.000 m². However, it can be said with reference to the previous year that the expected leasable area cannot be realized for various reasons such as delays in openings, defects in the construction process or loss of function. For instance, 57 shopping centers were declared to be opened in 2017, but 39 of them were opened.

As of the end of the second quarter of 2018, 63 cities have shopping malls and 18 cities have not got shopping malls yet. However, it is expected that the number of cities that have not met with shopping malls will decrease to 16 in the next two years.

The cities having the most shopping malls are respectively; Istanbul with 141, Ankara with 36 and İzmir with 28. The total leasable stock is 13 million 106 thousand 257 m². When examined in terms of leasable area, Istanbul constitutes approximately 39% of the total leasable area stock. In Turkey, the average leasable area per 1.000 people is 162 m².

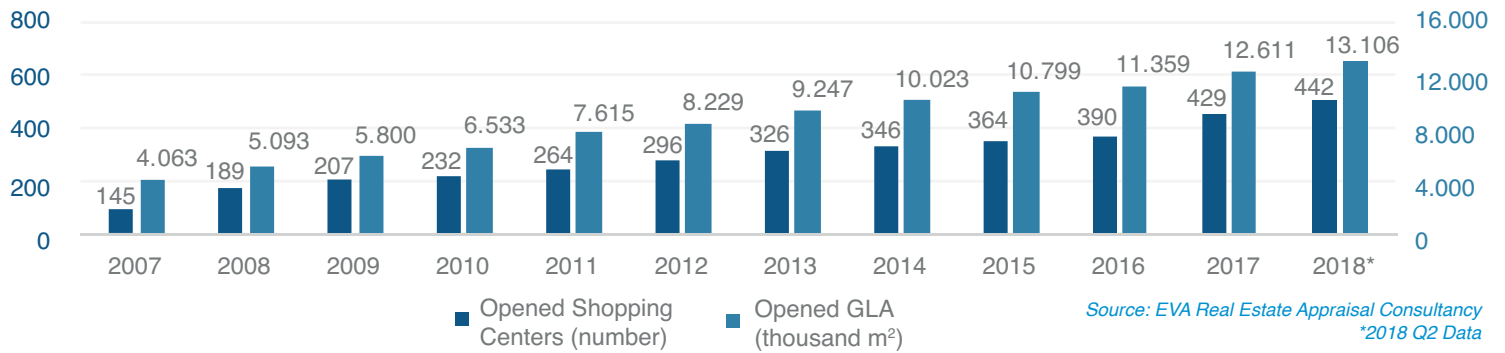
Growth of Shopping Mall in Turkey

GLA* Volume and Number of Shopping Malls according to Cities



Source: EVA Real Estate Appraisal Consultancy
*Shopping area per 1000 people as of Q2 2018

Shopping Malls Opened by Years and GLA



As of the end of 2018 Q2, the total number of shopping malls reached 442 and the total leasable area stock reached 13 million 106.257 m². Istanbul constitutes approximately 38.96% of the total leasable area stock. In overall Turkey, the leasable area per 1.000 people is 162 m².

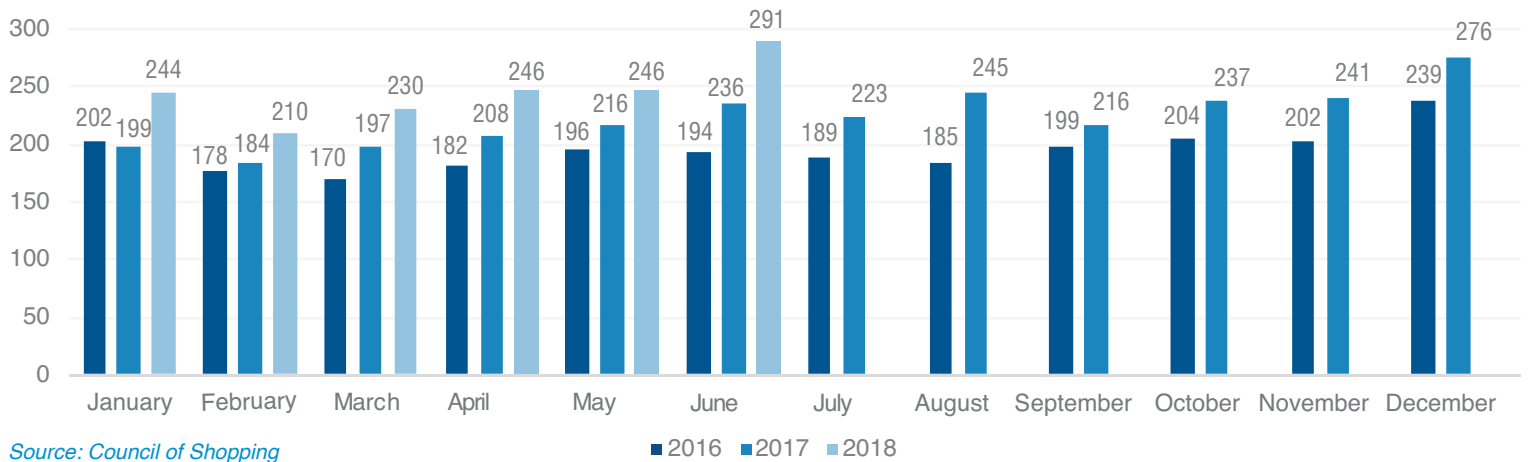
Shopping Centers That Have Lost Their Functions

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

The size of the leasable area losing its function decreased nearly by 6% in 2016 compared to the previous year. The large-scale malls having a leasable area size of 20.000 m² and above constitute 67% of the malls that lost their functions.

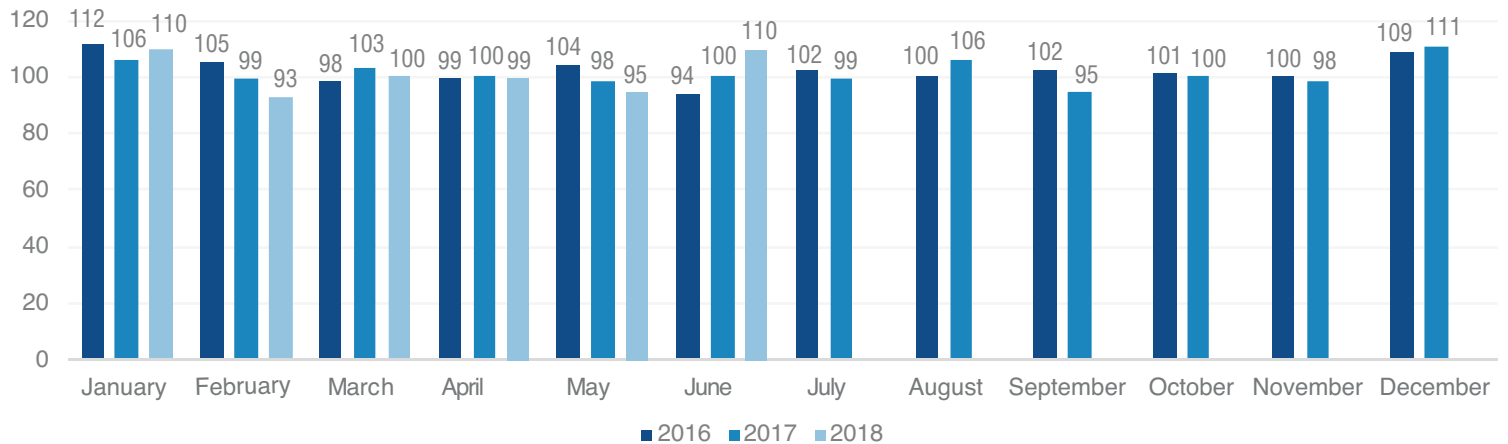
Source: EVA Real Estate Appraisal Consultancy
Shopping Mall Definition: leasable area above 5,000 m², at least 15 independent sections, organized shopping areas creating synergy by centralized or joint management mentality.

Revenue Index Turkey in General



Turnover Index reached 261 points in the second quarter of 2018 with an increase of 18.6% compared to the same period of the previous year.

Number of Visitors Index



Visitor Index reached 101 points in the second quarter of 2018 with an increase of 2% compared to the same period of the previous year.



TOURISM AND HOTEL



15.9 million Tourists visited our country in the first half of 2018

Spending made by 4.9 million foreign tourists coming to Turkey in the first quarter of 2018 per person is stated as 682 USD. Given that this figure was 637 USD at the end of Q1 in 2017, it is seen that there was an increase in per capita spending in 2018.

According to the 2017 year-end data obtained from the Ministry of Culture and Tourism, the number of tourists visiting Turkey in 2017 totaled approximately 32.4 million in 2017, while the number of tourists visiting Turkey in the first half of 2018 was 15.9 million.

In 2017, 33.4% of 32.4 million foreign tourists coming to Turkey came to Istanbul, 30% to Antalya and 6.4% to Muğla. These three cities were followed by Ankara with 1.7% and İzmir with 2.4%. When the number of tourists is compared with the year 2016, it is seen that the number of tourists visiting Turkey increased by 28%. The reason of this increase can be due to the recovery of external relations with Russia in 2017 that were ruined in 2016 and the decrease in terrorist actions. If a general evaluation is made, it can be said that the number of tourists in 2017 is higher compared to 2016, 2018 started with a positive momentum and that Turkey is recovering in terms of tourism.

When the number of facilities with operation certificates and investment certificates is examined, it is seen that there are 3.847 facilities having operational certificates with a total capacity of 457.000 rooms and 987 facilities having investment certificates with 107.000 room capacity in overall Turkey. When we look at the city breakdowns of the facilities with operation certificates, Antalya takes place on the top with 786 facilities and

207.000 room capacity. İstanbul follows Antalya with 565 facilities and 56.000 room capacity. Muğla ranks number three with 399 facilities having operation certificates and 52.000 room capacity.

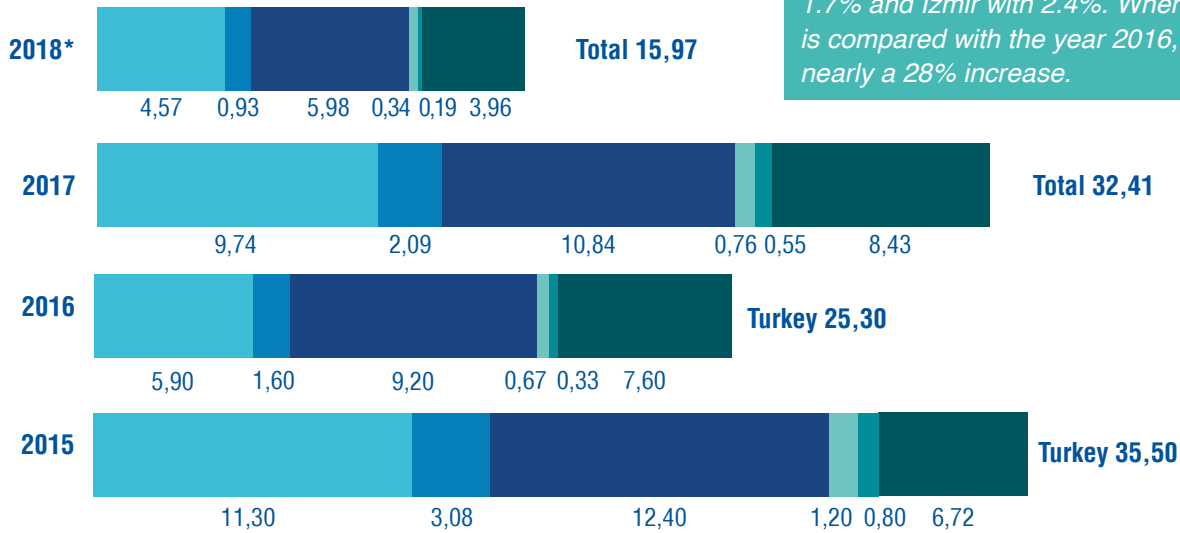
Considering the facilities with investment certificates, the biggest share amongst 987 facilities that will be included in the hotel supply in the near future is İstanbul with 169 facilities and 15.000 room capacity, Antalya with 105 facilities and 23.000 room capacity and Muğla with 97 facilities and 11.000 room capacity.

In 2017 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 51%. The city with the highest occupancy rate was Antalya with 61.64% followed by Muğla and İstanbul with 52.34% and 51.12%. Bed occupancy rates of İzmir and Ankara were nearly 45% and 38% respectively.

In 2016, the occupancy rates and prices of hotels in Turkey and İstanbul dropped sharply due to the slowdown in overall tourism sector. Although there was no increase in falling prices in 2017, there was an upswing in occupancy rates. This indicates that tourism, which is adversely affected by factors such as agenda, terrorist incidents and external relations, started to recover in 2017. In the first two quarters of 2018, the occupancy rates of the hotels in Turkey exceeded 63.1% and continued its upward trend in 2017. For İstanbul, the occupancy rate was 67.1%. During the same period, the average room price in Turkey was 65.21 EUR, while in İstanbul it was 77.74 EUR.

Tourism and Hotel Performance

Total Number of Foreign Visitors (million people)



In 2017, 33.4% of 32.4 million foreign tourists coming to Turkey came to Istanbul, 30% to Antalya and 6.4% to Muğla. These three cities were followed by Ankara with 1.7% and İzmir with 2.4%. When the number of tourists is compared with the year 2016, it is seen that there is nearly a 28% increase.



Source: STR Global
*2018 2nd quarter data used.
** For Ankara 2018 2nd quarter January - May data used.

Number of Facilities with Investment and Operating Permits 2016

	With Operating Permit		With Investment Permit	
	Facility	Room	Facility	Room
Antalya	786	206.743	105	23.031
Muğla	399	51.990	97	10.774
İstanbul	565	56.244	169	14.650
İzmir	202	18.761	74	6.043
Ankara	182	14.086	29	2.074
Turkey	3.847	457.151	987	106.957

There are 3.847 facilities having operational certificates with a total capacity of 457.151 rooms and 987 facilities having investment certificates with 106.957 room capacity in overall Turkey.

Source: Republic of Turkey Ministry of Culture and Tourism

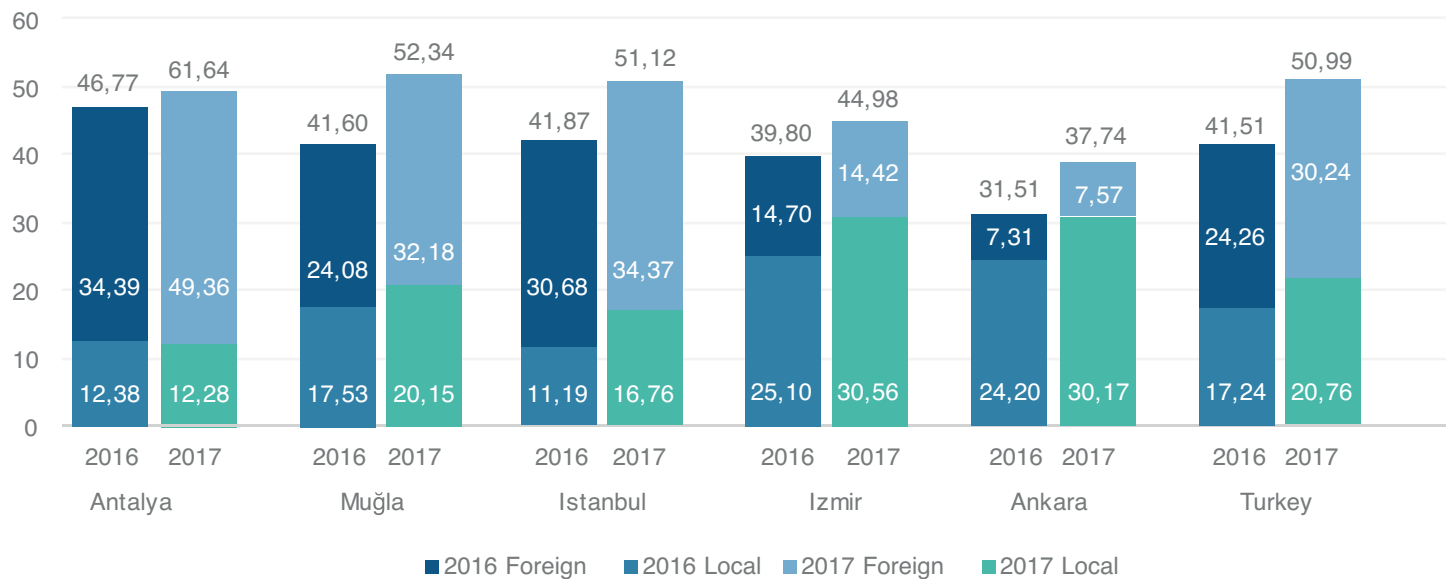
Total Tourists & Expenditures (2016)

	Total Foreign Tourist	Per Capita Expenditure (\$)	Total Foreign Tourist	Per Capita Expenditure (\$)	Total Foreign Tourist	Per Capita Expenditure (\$)	Total Foreign Tourist	Per Capita Expenditure (\$)
Q1'15	4.314.332	884	Q1'16	4.014.546	717	Q1'17	3.772.293	637
Q2'15	9.637.458	691	Q2'16	6.330.571	602	Q2'17	7.675.032	570
Q3'15	14.761.540	670	Q3'16	9.466.509	622	Q3'17	13.770.308	634
Q4'15	6.878.830	737	Q4'16	5.453.780	626	Q4'17	6.861.894	687
2015	35.592.160	715	2016	25.265.406	633	2017	32.079.527	630

In the second quarter of 2018, the occupancy rate of the hotels in Turkey was 63.1% (January-June data), while the occupancy rate was 67.1% for İstanbul. During the same period, the average room price in Turkey was 65.21 EUR, while in İstanbul it was 77.74 EUR.

Source: Turkish Statistical Institute

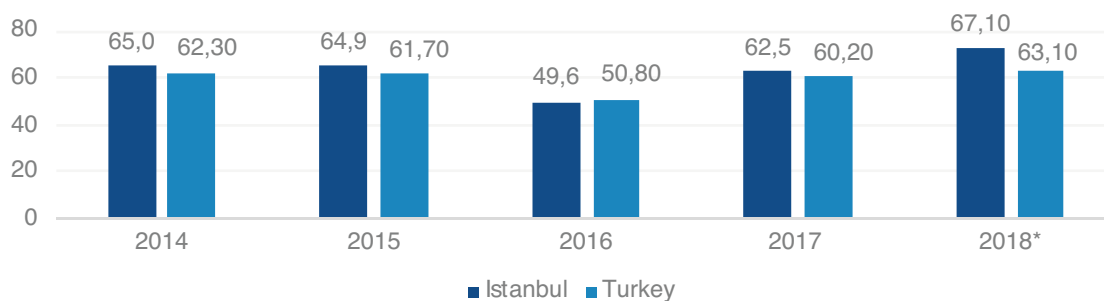
Hotel Occupancy Rate (%)* and Average Daily Rate (ADR)



In 2017 in overall Turkey, bed occupancy rates of facilities with operation certificates were determined as 50.99%. The city with the highest occupancy rate was Antalya with 61.64% followed by Muğla and İstanbul with 52.34% and 51.12%. Bed occupancy rates of İzmir and Ankara were nearly 44.98% and 37.74% respectively.

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

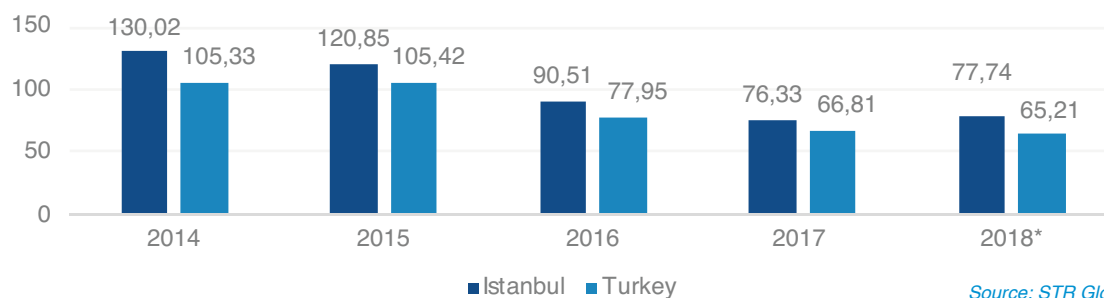
Turkey - İstanbul Yearly Room Occupancy (%)



Source: STR Global
*2018 January-June data used.

In the second quarter of 2018, the occupancy rate of the hotels in Turkey was 63.1% (January-June data), while the occupancy rate was 67.1% for İstanbul. During the same period, the average room price in Turkey was 65.21 EUR, while in İstanbul it was 77.74 EUR.

Turkey - İstanbul Yearly ADR (EUR)



Source: STR Global
*2018 January-June data used.



LOGISTICS |

In the first half of 2018, leasing demands for industry and logistics facilities decreased

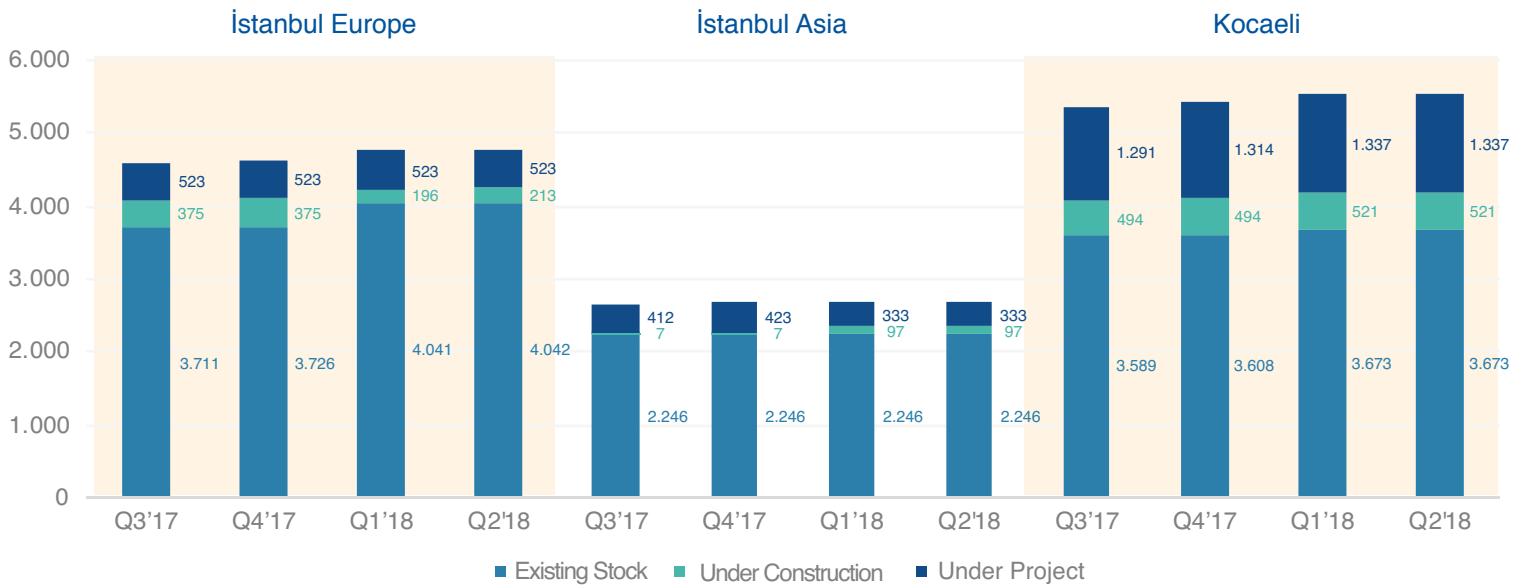
In the first half of 2018, when political uncertainty and economic volatility were encountered, there was a notable decrease in leasing demands for industry and logistics facilities. The leasing transaction volume in İstanbul-Kocaeli region, which is the primary logistics market of Turkey, decreased by 66.2% as of the Q2 end compared to the same period of the previous year. According to current data, there is a vacancy of 13.2% in warehouse stock of approximately 10 million m² and an increase of 1.1% in vacancy rate compared to 2017 Q2. A slight increase is seen in the volume of projects under construction compared to the first half and year-end of 2017 and there is a warehouse project of approximately 2.2 million m² being planned.

It is seen that the leasing transactions realized over TL, which started to be seen in the second half of 2017, continued to increase in the first quarter of 2018. In this context, even though the rent level had a stable

progress on TL basis, it regressed significantly due to the increase in the US dollar. Many companies have completed the consolidation process which has been emphasized over the last years. The consolidation trend is currently stable. It is foreseen to continue in this direction in the second half of the year.

With the increase of housing density, the perception of the regions such as Beylikdüzü, İkitelli, Dudullu, Samandıra, which are called as the city walls in the past years, gradually change as urban areas. Sakarya, and Düzce in the eastward, Çatalca, Silivri and Çerkezköy in the westward are developing in terms of industry and logistics. In the first half of 2018, warehouse demands seem to have concentrated on warehouses between 5.500-15.000 m² and 20.000-30.000 m².

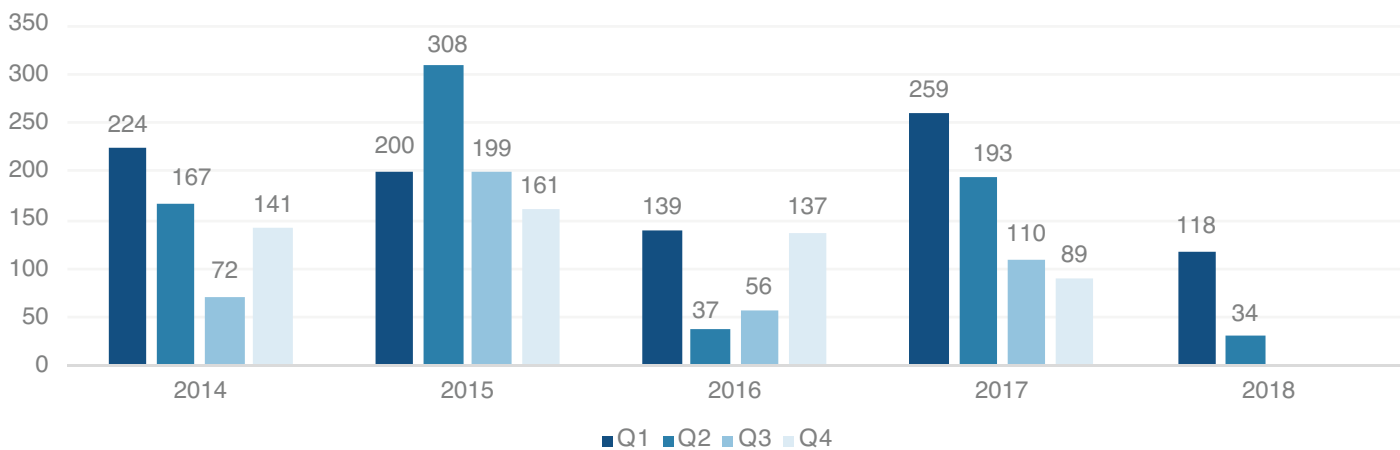
Logistics Total Area (A, B, C Class (thousand m²))



As of the second quarter of 2018, the current stock has reached 9.96 million m². While the project stock has risen to 2.1 million m² compared to the same period last year, the stock under construction has increased to 832.198 m².

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

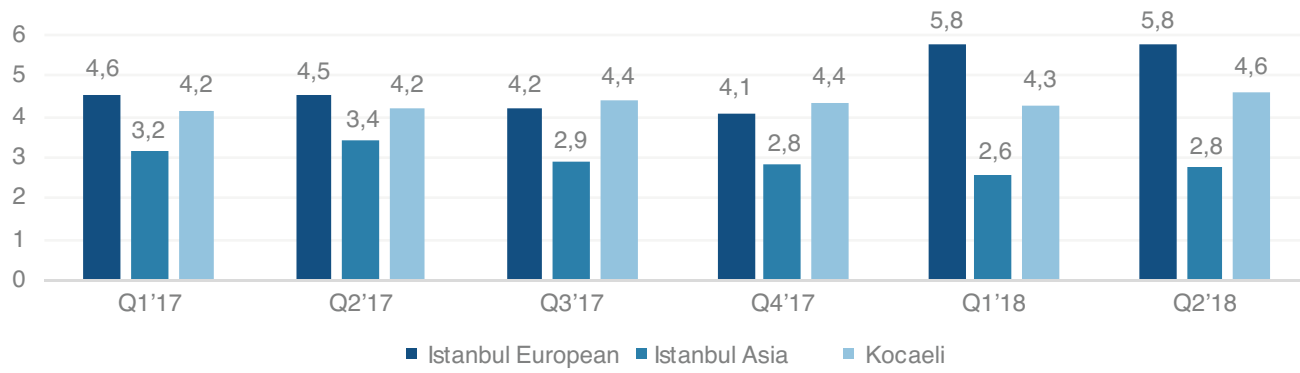
Total Leasing Transactions (thousand m²)



The leasing transaction volume as of the end of 2017 increased by 76% compared to the end of the previous year and exceeded 653.000 m². When we look at the total figures of 2018 Q2, it is seen that the leasing transaction volume is 152.919 m². When we compare the leasing transactions of 2018 Q2 with the same period of the previous year, 66.2% decrease is observed.

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

Free Space Ratio (%)



As of the second quarter of 2018, 86.8% of the total stock is used.
In the same period of the previous year, this rate was 87.9%.

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



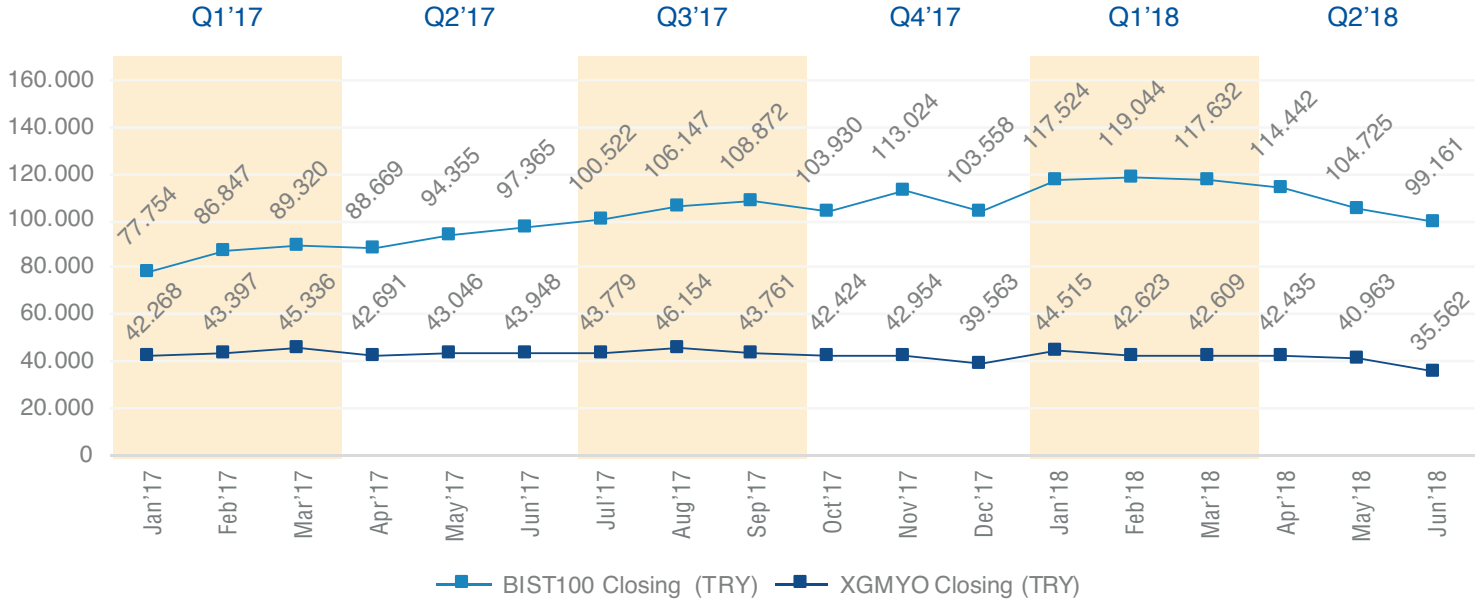
REIT's |

2018 Q2 BIST- REIT Market Value - Consumer Expectation and Confidence Indices

When the performance of the Stock Exchange Istanbul is examined, it is seen that it started 2018 Q2 with 114.442 points. REIT index also started from 42.435 in the second quarter and closed at 35.562 at the end of the quarter. REIT Market value data was announced on 2018 Q1 basis. The number of REIT is 33, Turkish Lira

based value is 26.5 billion TL, Dollar based value is 6.7 billion. When we look at the Expectation and Confidence indices, the Expectation Index declined to 102.7 with a slight fall at the end of the second quarter and the Confidence Index continued its rise and reached 73.1.

BIST REIT Index Performance*



The REIT index closed its course starting at 42.435 in the second quarter at 35.562 at the end of the quarter. The BIST REIT Index was 114.442 points at the end of the second quarter of 2018.

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

REIT Market Value

	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
REIT Number	31	31	31	31	31	31	31	31	31	31	31	31	33
Million Try	23.073	22.326	20.515	21.279	23.531	23.704	24.446	24.962	25.096	26.077	25.818	26.924	26.512
Million USD	8.813	8.393	7.025	7.279	8.315	8.202	8.133	7.080	6.889	7.402	7.255	7.125	6.702

As of the first quarter of 2018, REIT Market Value has risen to TL 26.5 billion. The dollar-based value of \$ 6.7 billion has declined in dollar terms compared to the same quarter of the last year.

Source: Capital Markets Board of Turkey
Exchange rate of dollar, was taken as the first trading day of next quarter period.

SPK'nın açıkladığı raporda Q2 verisi 30 Temmuz 2018 itibari ile yayınlanmamıştır. Sadece Q1 2018 yayınlanmıştır.

General Informations of REITs in Company Basis

	Name of Company	Total Assets (TL)	Market Value (TL)
1	AKFEN REIT	1.338.263.952	406.640.000
2	AKİŞ REIT	4.263.246.421	1.427.904.942
3	AKMERKEZ REIT	262.224.080	734.100.800
4	ALARKO REIT	951.077.652	506.125.731
5	ATA REIT	95.561.301	95.000.000
6	ATAKULE REIT	389.470.204	311.080.000
7	AVRASYA REIT	159.462.412	113.040.000
8	DENİZ REIT	439.888.690	159.500.000
9	DOĞUŞ REIT	1.158.957.471	1.035.864.292
10	EMLAK KONUT REIT	21.901.718.000	9.614.000.000
11	HALK REIT	2.425.042.804	738.000.000
12	İDEALİST REIT	8.706.416	21.600.000
13	İŞ REIT	5.480.537.118	1.227.200.000
14	KİLER REIT	1.884.646.664	436.480.000
15	KÖRFEZ REIT	110.784.083	102.960.000
16	MARTI REIT	507.879.764	119.900.000
17	MİSTRAL REIT	245.030.232	251.550.000
18	NUROL REIT	1.825.247.104	408.800.000
19	ÖZAK REIT	2.596.866.397	625.000.000
20	ÖZDERİCİ REIT	551.239.908	999.000.000
21	PANORA REIT	907.080.365	396.720.000
22	PEKER REIT	657.922.192	166.800.000
23	PERA REIT	164.989.165	80.190.000
24	REYSAŞ REIT	1.883.021.371	359.160.001
25	SERVET REIT	452.872.356	203.840.000
26	SİNPAŞ REIT	5.042.398.925	637.431.205
27	TORUNLAR REIT	10.876.190.000	2.900.000.000
28	TREND REIT	95.114.551	44.943.750
29	TSKB REIT	458.938.173	114.000.000
30	VAKIF REIT	1.244.999.875	574.200.000
31	YAPI KREDİ KORAY REIT	83.277.486	94.400.000
32	YENİ GİMAT REIT	1.999.473.841	1.445.068.800
33	YEŞİL REIT	2.082.420.792	162.229.837
	TOTAL	72.544.549.765	26.512.729.359

Source: CMB
*Q1'18 data

With the Contributions of



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