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August 2019

A Close Look to Comparable Markets

with contributions from



**ISTANBUL
CHAMBER OF
COMMERCE**

— 1882 —

RESTATE TURKEY: A Close Look to Comparable Markets

Issue 2

August 2019

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GYODER CHAIRMAN'S MESSAGE



Foreign Investor's interest in Turkey will continue.

With its natural and cultural riches, as well as its coasts of unrivaled beauty, our country amazes foreign investors.

Turkey is an attractive country thanks to its transportation facilities, tourism and entertainment opportunities and convention tourism. In particular, Istanbul, as a renowned city, draws the attention of investors from all around the globe. Colossal projects, which are built to transform Istanbul into a hub of finance, further increase the level of the attention.

Thanks to years of experience, the Turkish real estate industry is thriving, while dynamically adapting to the status quo. The new regulations, which also grow the financing available to the industry, allow the capital to be inclusive, thereby rendering real estate investments even more attractive.

Current regulations pave the way for our sector to rapidly adapt to the developing world. Moreover, the latest regulations have made the procedures required for acquiring Turkish citizenship much easier for foreigners. The projected sum of 1 million US dollars for purchasing a house to become a citizen has been reduced to 250 thousand US dollars.

In 2018, as new regulations were enacted, the most intense recovery was seen in sales to foreign investors in the real estate sector. Real estate sales to foreigners, which have extremely crucial importance for our sector and economy, started to rise in 2018 and reached US\$ 6 billion.

Turkey's socio-economic and political stability as well as its secure environment is highly important. We observe that the foreign investors, who buy real estates in our country, find the comfort and security that they cannot find in their own countries. We believe this situation will continue and the level of real estate sales to foreigners will exceed US\$ 10 billion in 2019.



As the Chairman of GYODER, here is what I would like to tell the foreign investors: The Turkish real estate industry will maintain the momentum it gained thanks to the projects on a global-scale and increase this momentum in the forthcoming period.

After comparing our country to the rest of the world, in terms of demographic structure and the economic developments, it is safe to say that our real estate industry offers a greater potential. I urge investors to consider investing in real estate in Turkey, to take advantage of the promising opportunities.

Assoc. Prof. Feyzullah YETGİN
Chairman of GYODER

ICOC CHAIRMAN'S MESSAGE



Investing in Istanbul: An Attractive Proposition

The challenging times in the global economy continue to persist and the global real estate sector is affected by trade wars, geopolitical uncertainties and rising interest rates. Experts consider growing international political uncertainty as a cause for concern for the real estate sector. At such difficult times, people tend to make safe investments and seek long-term returns. Therefore, the real estate sector offers superior opportunities compared to other sectors at times like this. Especially in Istanbul . . .

Istanbul where Europe and Asia meet emerges as a safe haven for real estate investments, removed from the risks that arise in face of the above mentioned developments. Istanbul is a rising star full of real estate opportunities and stands out as a safe haven for high value-added and profitable real estate.

An official from the European Investment Bank says, "Some investors in Europe still consider real estate as a means to protect their capital and look for security rather than high returns." In this context, let me underline that Istanbul offers both high returns and a safe environment in real estate.

That the Turkish economy has been affected minimally by the negative developments around the world and remains on track in its powerful journey forward has been a key factor in this context. Turkey has achieved a record increase in exports while also growing its tourism revenues significantly. Istanbul is the engine of the Turkish economy and ranks third in Europe and ninth in the world in terms of attracting tourists. Companies in Istanbul make up approximately 27% of Turkey's national income and realize 55% of foreign trade.

17 out of every 100 homes sold in Turkey are sold in Istanbul. Home sales to foreigners in 2018 reached record numbers with an increase of 78% over the previous year. Foreigners bought approximately 40 thousand homes in Turkey last year. 36% of these homes were sold in Istanbul. Recently, foreigners buying real estate at a value of at least 250 thousand dollars were granted the opportunity to become Turkish citizens. I believe that these advantages will bring our foreign friends closer to Istanbul and Turkey and make them a part of the local community in Istanbul.



We participate in Proestate 2019 with world class construction and investment projects from Turkey and Istanbul. Istanbul Chamber of Commerce is proud to present one of the most attractive cities in the world at Proestate 2019.

We are introducing the most recent, attractive, beautiful and profitable home and office projects in Istanbul in the Istanbul Tent. Furthermore, visitors will have an opportunity to hold comprehensive and productive bilateral meetings with project owners in the Tent.

I invite you to discover the real estate investment opportunities in Istanbul and Turkey. Now is the time to buy real estate in Istanbul . . . Now is the time to enjoy the benefits of the future in Istanbul, a city with a history of 8,500 years . . .

Şekib AVDAGIÇ
President of the Istanbul Chamber of Commerce



INTRODUCTION

We have the pleasure of introducing to you our research on the Turkish real estate market.

On this report, we have conducted a comparative analysis of the Istanbul market with the other major cities in terms of investment yields relating to different real estate sub-sectors over the past years.

You may find in-depth market research of the industrial and logistics market in The Greater Istanbul Area as well as the impacts of "Silk Road Project" to the Turkish logistics market on this report. In addition, the recent boom in online shopping has led to an increased need for e-commerce warehousing space. Investments in large warehouse facilities are required, especially for firms with very large numbers of products, products that are large scale in volume, and wholesale firms.

Office and retail market sections include traditional shopping center and office market analysis with yields, prime rents, consumer confidence indexes and general trends in the market.

Istanbul Financial Center project in the Kozyatađı/Ataşehir region together with the major finance institutions it will house is expected to transform the Kozyatađı/Ataşehir region into Istanbul's center of attraction and increase demand in this region. We forecast that it will increasingly be perceived as a prestigious office region, and that rents will rise in line with growing demand.

You may also find occupancy rates, ADR and RevPar in Istanbul hotel market and general residential market statistics of Turkey on this report. In addition, big scale projects which are expected to increase real estate investments in Karaköy region were presented in the hotel section of the report. We may reasonably interpret cheaper assets due to weakened Turkish Lira against US Dollar and the resumption in yield increases as an indication that appropriate investment conditions will begin to be formed with respect to investors with plans to enter the Turkish market but who had up to now been unable to find their targeted yield rates.

We are more than happy to be able to share with you our market knowledge and experience in order to accelerate your success.

Enjoy Reading!

Colliers International Turkey

10,1 billion USD FDI in
2019 April.

Istanbul is the largest city
by population with
15 million **67** thousand
residents.

A population of 82 mln
46.9% under
age 30.

Up to **400** point direct
flights from Istanbul, 22 direct
access to the capital cities within 2 hours.

6.5 mln residential units are
expected to be regenerated
in the next 20 years, an
industry of USD 400 bn.

1.375.398 housing sales annually
in Turkey at 2018. As of the end of June
2019, housing sales reached 505.796 units.
It is estimated that 2019 year-end data will
be similar to 2018 data.

Economical growth
2,6% in 2018.

WHY INVEST IN TURKEY?

Expected to become within the first 15 economy in the world by 2050.

23 cities over **1 million** population.

Secondary potential cities for investment: Ankara, İzmir, Antalya, Bursa, Kocaeli and Mersin.

Turkey is visited by **39,4 mln** tourists in 2018.

Istanbul, as the financial centre of Turkey, has a **growth potential** of additional office development.

Implemented urban transformation projects increases the property market of Istanbul.



CONSTRUCTION SECTOR

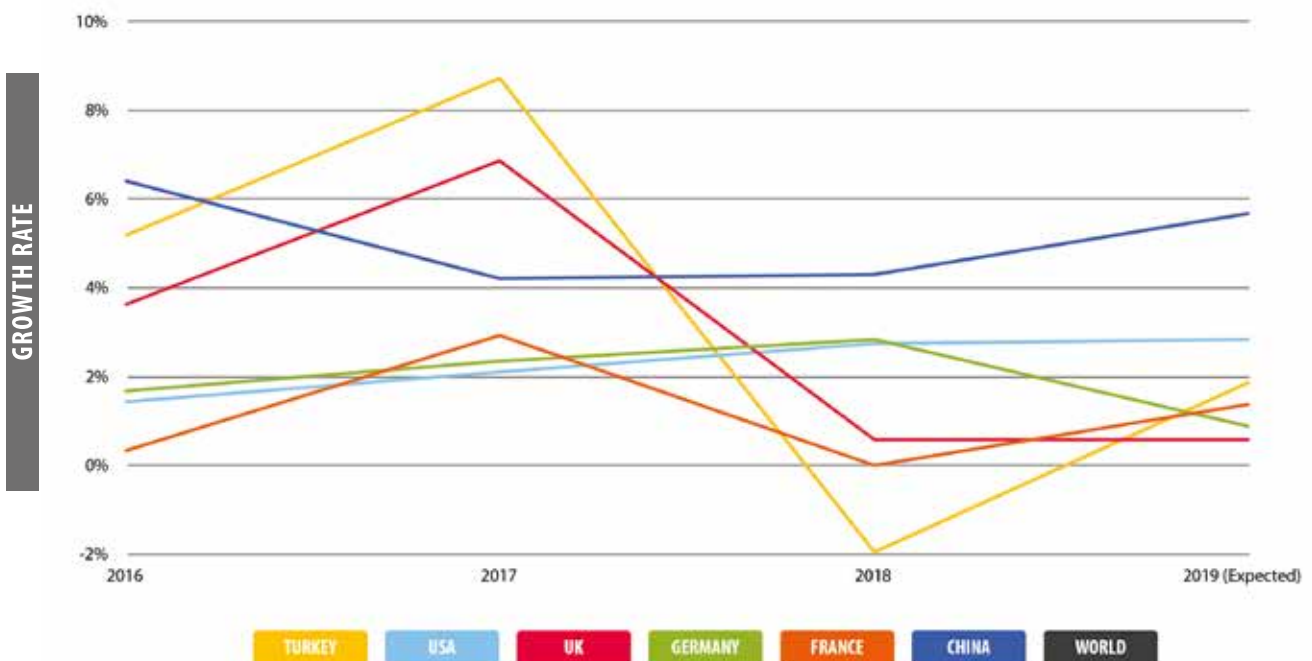
The Turkish construction sector contracted by 1.9% in 2018. Growth rates in the same sector in European countries such as France and the UK in the same period decreased to 0.1% and 0.7% respectively.

While overall world growth in the construction sector is anticipated to come in at 3% for 2019, growth expectations for Turkey are less than this. Forecast growth rates for the construction sector in China and the United States exceed global estimates.

Real annual growth in the Turkish construction sector in 2016, 2017 and 2018 was 5.4% and 9%, -1.9% respectively, exceeding GDP growth.

Parallel to the contraction of the construction sector in 2018, Turkish economic growth also came in below estimates. Growth estimates for the construction sector in 2019 are in the region of 2%.

CONSTRUCTION SECTOR GROWTH



Source: Euler Hermes, TurkStat, data.oecd.org, britishchambers.org, bea.gov

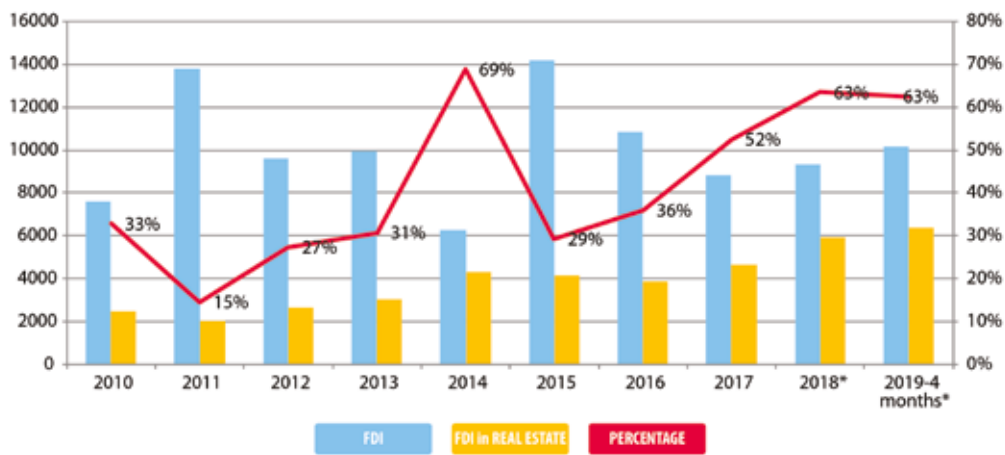
Foreign Direct Investment

According to official balance of payments data, FDI into Turkey stood in the region of \$9.3 billion for 2018, of which \$5.9 billion was from net real estate acquisition investments. The share of real estate acquisitions in total FDI during this period was 63%. This ratio represents the share of net real estate purchases in net revenues. Net income data is obtained by subtracting “net asset acquisition” from “net liability formation” in official balance of payments data.

Legal regulations giving citizenship rights to real estate investors fulfilling certain conditions made a significant contribution to the evident rise in real estate acquisitions.

Growth potential in the domestic market in recent years, coupled with relatively high yields, has led to growing foreign investor interest in the Turkish real estate market. Factors such as legal regulations facilitating the acquisition of property by foreigners in Turkey, large-scale residential projects, and the phenomenon of migration-driven demand have also had a positive impact on investments in the sector.

FDI IN REAL ESTATE IN TURKEY (BILLION USD)**



Source: Central Bank of Turkey

(*)temporary data

(**) Data in the chart are those for Net Foreign Direct Investment and Net Foreign Direct Investment in Real Estate. The 63% ratio represents the share of net real estate purchases in net revenues. Net income data is obtained by subtracting “net asset acquisition” from “net liability formation” in official balance of payments data.

GDP per Capita in Turkey



Source: TurkStat

Istanbul led the rankings in terms of per capita gross domestic product in 2017 with a figure of \$17,827. Ankara came in third with \$14,253, Izmir fifth with \$12,344. Turkey’s per capita GDP stood at \$10,602 in 2017 and at \$9,632 in 2018.

INVESTMENT MARKET

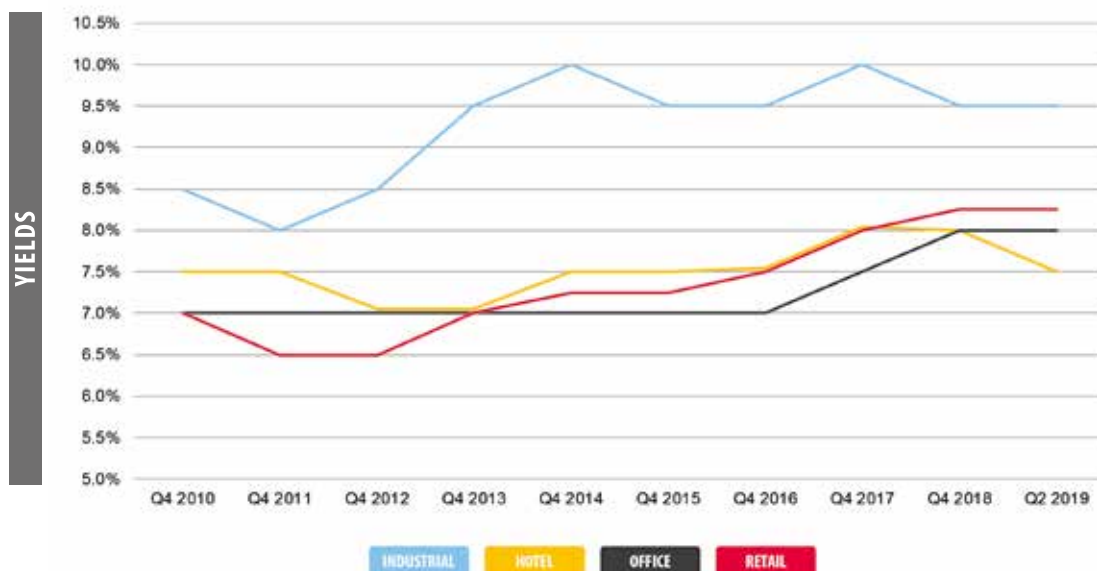
In terms of transaction volume and scale of supply, the Istanbul real estate market constitutes more than one third of the entire Turkish market. So keeping a finger on the pulse of the market effectively means doing the same for the Turkish market as a whole. As Colliers, we have conducted a comparative analysis of investment yields relating to different real estate sub-sectors over past years.

From 2013, the impact of escalating geopolitical risks in Turkey's region combined with an economic slowdown in the country led to flat real estate investment yields in the first few years followed by a progressive upward trend. As of the end of 2018, we have observed an accelerating rate of yield increases, compared to levels at the end of 2016, caused mainly by commercial sale prices in USD to drop by an average of 35% in most areas in Istanbul whereas rents in commercial dropped by 20 to 25%. We also note that during this period, residential investment yields have been more stable than the commercial sector.

We may reasonably interpret the resumption in yield increases as an indication that appropriate investment conditions have begun to be formed with respect to investors with plans to enter the Turkish market but who had up to now been unable to find their targeted yield rates.

In the first half of 2019, the real estate yields in the market stagnated for the retail and office investments. It is noteworthy that yields have started to decline in the hotel and industrial markets during the first half of 2019. We believe that 2019 will be the year of stagnation in investments and yields will remain at the same levels.

REAL ESTATE YIELDS



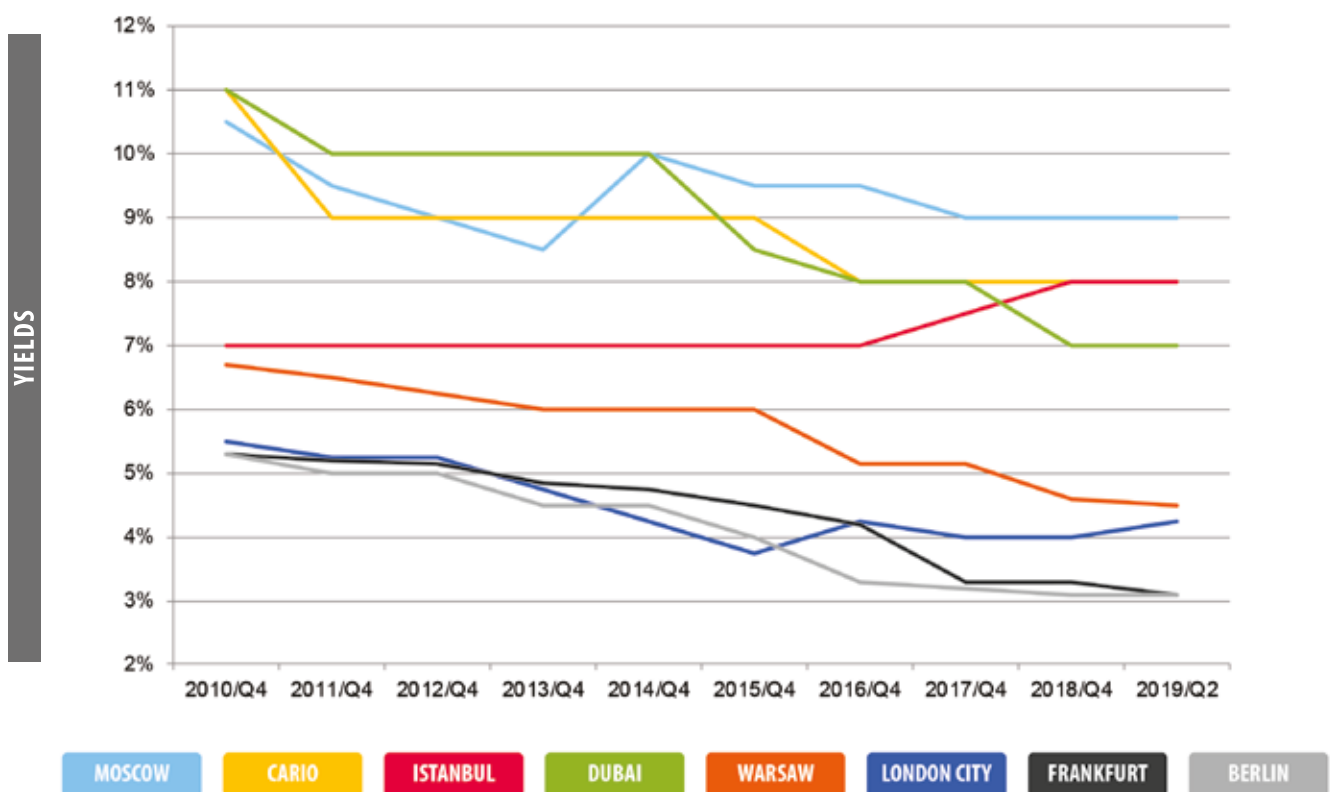
Source: Colliers International



OFFICE MARKET

Of all the selected cities, average yields in the Istanbul and Cairo office market come in second after Moscow. We believe that the upward trend in yields that started in Istanbul office market in 2016 will maintain its current levels in the coming period.

OFFICE YIELDS IN SELECTED CITIES



Source: Colliers International

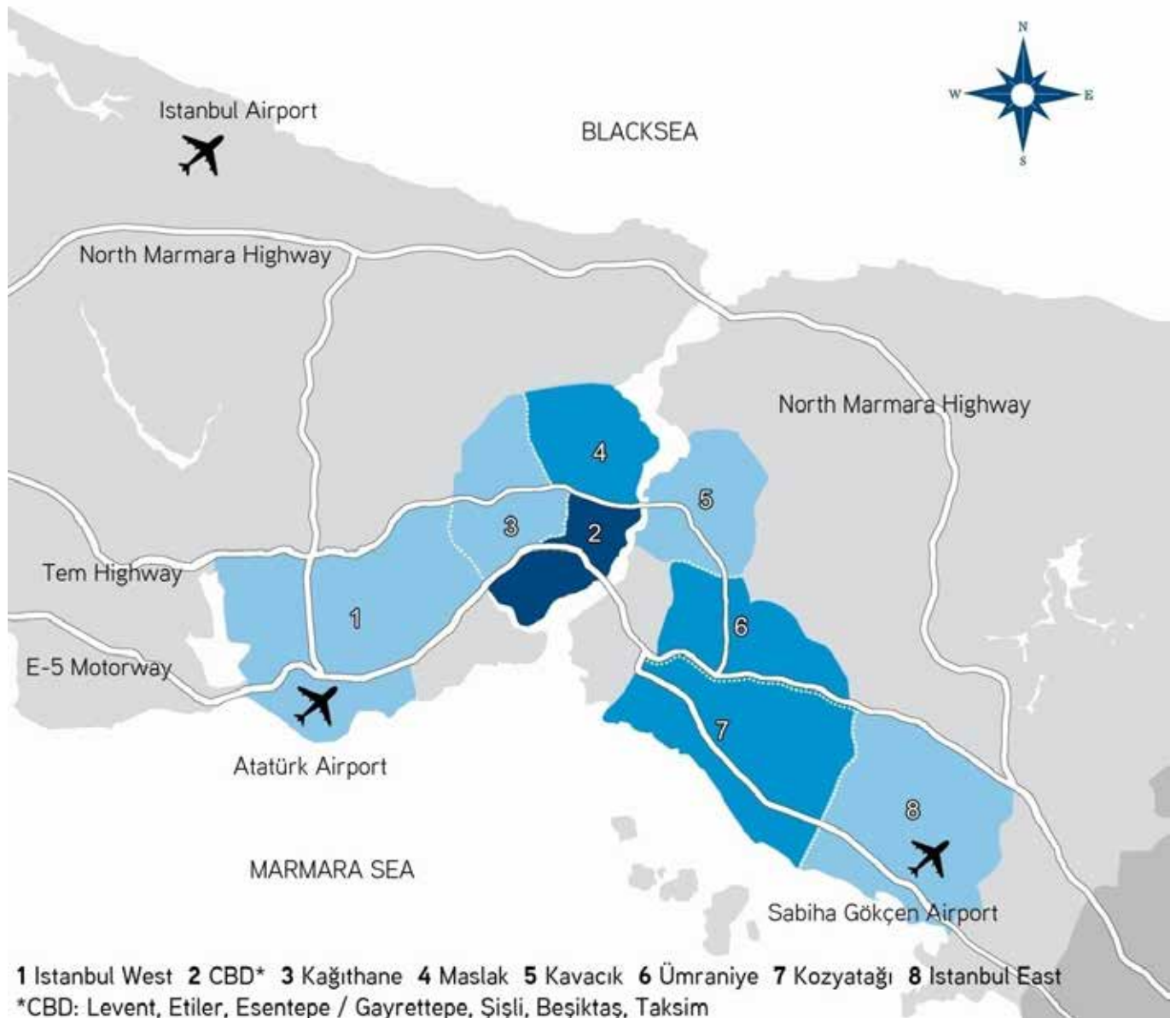
Average Rent and Yields

Office Market Indicators - Q2 2019 (Selected Cities)		
	Prime CBD Office Yield	Average Headline Rent - CBD Office (USD/ m ² / month)
Abu Dhabi	9,00%	31,0
Amsterdam	3,20%	42,6
Athens	7,25%	24,7
Belgrade	8,00%	18,5
Berlin	3,10%	43,3
Bucharest	7,25%	20,2
Budapest	5,50%	23,6
Cairo	8,00%	26,5
Dubai	7,00%	48,0
Frankfurt	3,10%	48,3
Istanbul	8,00%	35,2
Lisbon	4,75%	24,7
London City	4,25%	80,3
Madrid	2,75%	39,9
Moscow	9,00%	75,0
Munich	2,90%	46,1
Paris	3,00%	78,6
Prague	4,50%	25,3
Rome	4,00%	39,3
Sofia	8,00%	18,0
Vienna	3,00%	31,5
Warsaw	4,50%	24,7
Zagreb	7,50%	16,9

Source: Colliers International

Istanbul Office Market

Office areas in Istanbul are analyzed on the basis of classification into a total of 8 sub-regions, 4 on the Asian side of the city and 4 on the European side. The following map shows the office districts in Istanbul:



In the first half of 2019, the total area of speculative Class A office stock stood at 2,667,904m². The distribution and average vacancy rates are as follows:

	Class	Total Office Area (m ²)	Average Vacancy (%)	Average Asking Rates (USD)	Average Asking Rates (TL)
Asia	A	992.827	29%	\$16,35	93,19422949
Europe	A	1.675.077	36%	\$20,10	114,3754591
Total Istanbul	A	2.667.904	33%	\$18,70	106,4931291

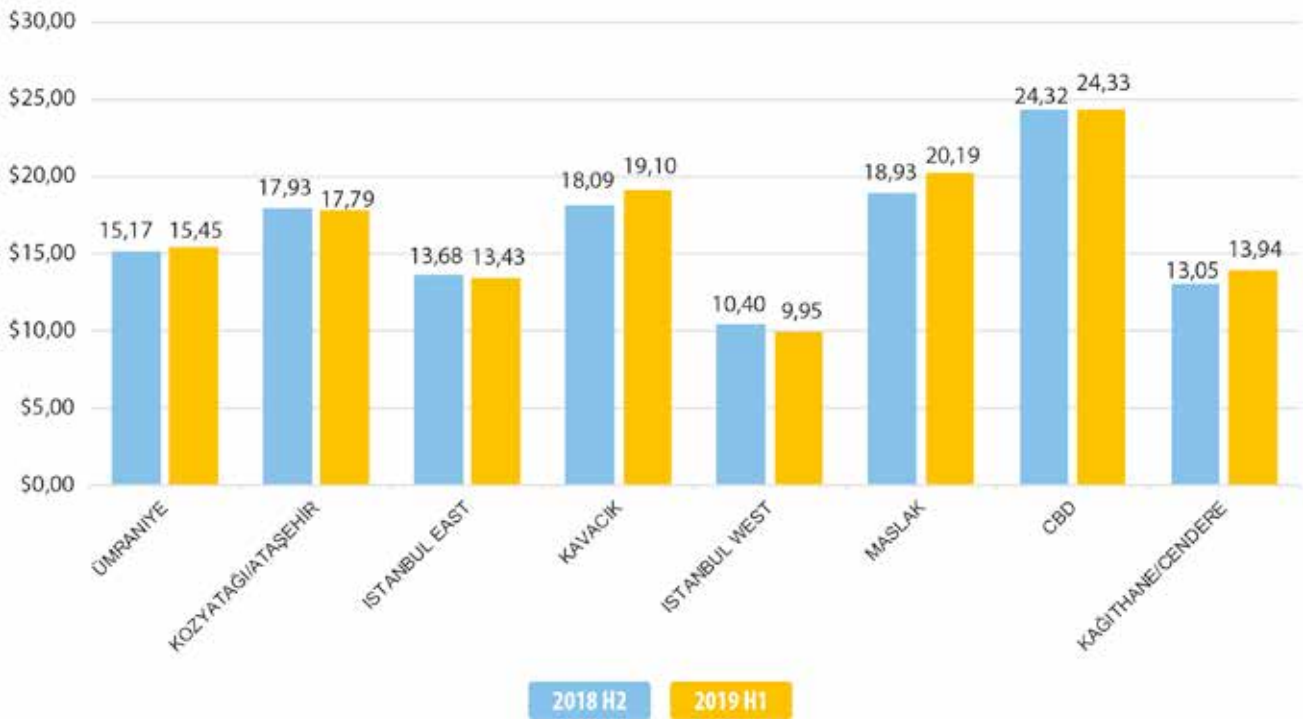
Source: Colliers International

Rents and Vacancy Rates

The rise in TL office rents seen in 2017 was maintained through to the first half of 2019. The average rent for Class A buildings in Istanbul overall came in at \$18.70/m²/month in the first half of 2019. Compared to the second half of 2018, rents in USD increased by 2% and rents in Turkish Liras increased by 6%.

In the first half of 2019, average Class A rents in CBD region did not change in USD terms; the regions with the highest increase in the average rental rate were Maslak and Kağıthane/Cendere with a rate of 7%.

ISTANBUL AVERAGE A CLASS OFFICE RENTAL RATES (\$/M²/MONTH)



Source: Colliers International

The average vacancy rate for Class A offices in Istanbul decreased by 33.42% in the first half of 2019 compared to the second half of 2018.

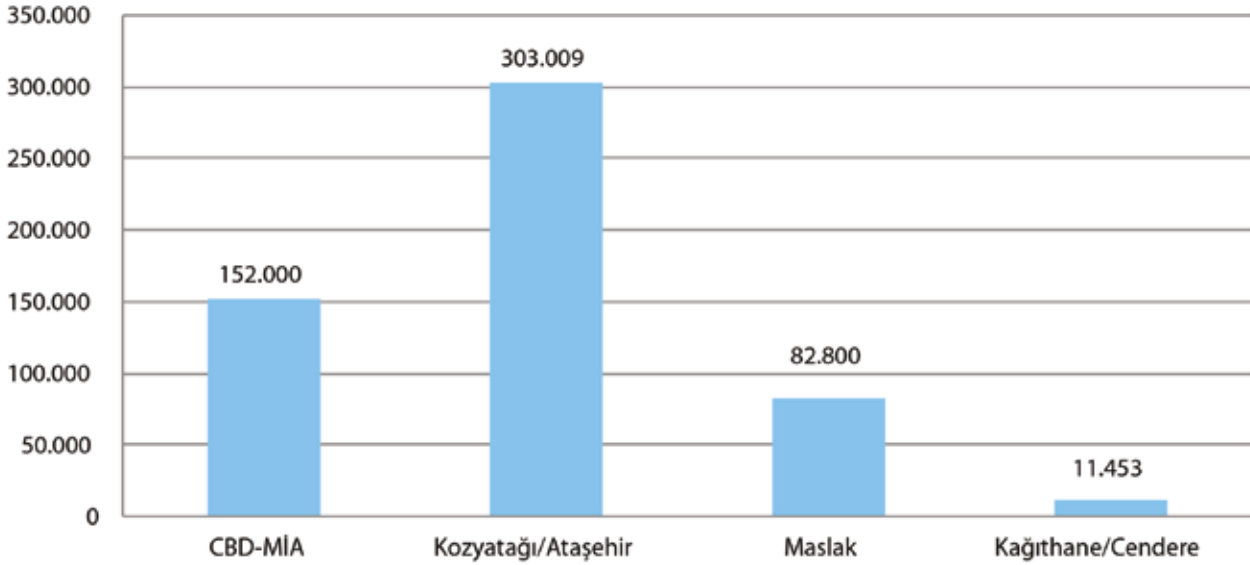
The region that saw the steepest fall in vacancy rates was Kozyatağı/Ataşehir while İstanbul West is the only region where the vacancy remains stable.

Districts	Vacancy Rate(%)		Change	
	Q4 2018	Q2 2019		
1 İstanbul West	24%	24%	↔	0%
2 CBD*	28%	27%	↓	-1%
3 Kağıthane / Cendere	67%	67%	↓	0%
4 Maslak	32%	27%	↓	-5%
5 Kavacık	17%	17%	↓	0%
6 Ümraniye	28%	28%	↓	0%
7 Kozyatağı / Ataşehir	36%	30%	↓	-6%
8 İstanbul East	37%	34%	↓	-3%

Future Stock

549,262m² of leasable office space is set to be added to supply within the next 3 years, 55% in Kozyatağı/Ataşehir, 28% in the CBD, 15% in Maslak and 2% in the Kağıthane/Cendere regions.

ISTANBUL A CLASS OFFICE FUTURE STOCK BY REGIONS - M²



Source: Colliers International

Summary

We believe that average rents in TL terms for Class A offices in Istanbul's office regions will continue to rise, and vacancy rates will continue to decline, through to the end of 2019. We estimate that the yields of Class A offices will remain stable in the short term.

We anticipate that demand for office space from the private education and private healthcare sectors that have undergone a period of rapid growth in recent years will continue moving forward. Demand from these sectors will impact falling office vacancy rates.

Construction of Istanbul Financial Center, which is planned to be an important financial center of Turkey, is under construction. The Istanbul Financial Center project will house the Headquarters of the Banking Regulation and Supervision Agency (BDDK), the Central Bank, the Capital Markets Agency, Ziraat Bank, Halkbank, Vakıfbank and other institutions. The IFM project, which is announced to be revised in the beginning of 2019, is planned to be completed in 2023.

With the draw of the Istanbul Financial Center complementing the region's existing accessibility and advanced infrastructure advantages, Kozyatağı-Ataşehir has begun to gain prominence as one of the Asian side's leading office regions. This is expected to have an imminent positive impact on demand for office and residential space in the region's environs.

Financial center project in the Kozyatağı/Ataşehir region together with the major finance institutions it will house is expected to transform the Kozyatağı/Ataşehir region into Istanbul's center of attraction and increase demand in this region. We forecast that it will increasingly be perceived as a prestigious office region, and that rents will rise in line with growing demand.

With approximately 1 million m² of office stock, the Istanbul Financial Center comes in below other finance centers such as the City of London with 9 million m², Dubai with 7 million m², and Paris La Défense with some 4 million m². Drawing a comparison with office stock in other financial centers, it seems possible to decrease unoccupied office stock in the region with the growing prestige of the Istanbul Finance Center and an interest from international banks and finance institutions.

Istanbul's third airport is being constructed on 76.5 million m² of land between the villages of Tayakadın and Akpınar in the north of the city's European side. The four-phase project includes 6 runways, a 5-star hotel, office buildings and a fair and exhibition area.

Construction of the first phase of the airport is completed. Istanbul Airport officially opened on October 29 2018, with domestic and international flights started from the new airport in April 2019. The completion of the final phase is slated for 2028.

The project is also expected to hike office investments towards the north of the Istanbul city center as the region's transportation facilities increase. The third airport, which will be one of the most important transport and transfer centers in Europe, will initiate an expansion of business zones heading to the north of European side of Istanbul.

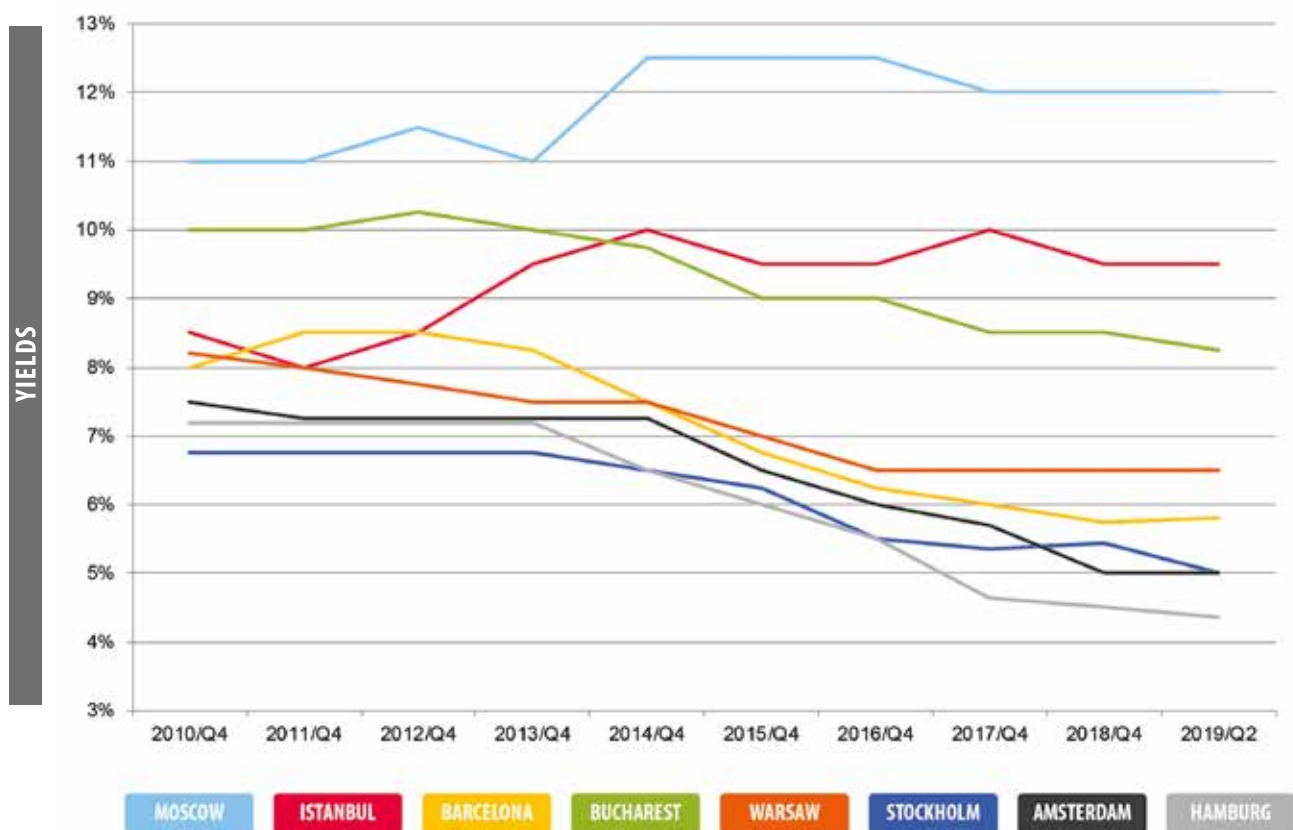


INDUSTRIAL MARKET

It is noteworthy that yields for logistics and industrial facility decreased to 9.5% and we expect it to remain at these levels in the short term.

Average yields in the Istanbul industrial market came in 2nd after Moscow in the cities that were surveyed. On a continuous upward trend since 2011, yields in the Istanbul industrial market constitute a significant opportunity for international investors, especially when we consider the industrial business volume expected to be generated by the planned Silk Road project.

INDUSTRIAL YIELDS IN SELECTED CITIES



Source: Colliers International

Average Rent and Yields

Industrial Market Indicators - Q2 2019(Selected Cities)		
	Prime Yield	Prime Headline Rent (USD/ m ² / month)
Amsterdam	5,0%	6,1
Barcelona	5,8%	4,8
Berlin	4,4%	6,4
Bucharest	8,3%	4,7
Budapest	7,3%	5,6
Hamburg	4,4%	6,7
Istanbul	9,5%	5,5
London City	4,0%	14,7
Madrid	5,3%	6,2
Moscow	12,0%	5,3
Paris	4,5%	6,1
Prague	5,5%	5,1
Rome	6,0%	5,2
Rotterdam	4,7%	6,6
Stockholm	5,0%	11,9
Vienna	5,3%	5,9
Warsaw	6,5%	4,5
Zagreb	7,5%	5,6

Source: Colliers International

Industrial Sub-regions

Our industrial market research divides Istanbul and its near vicinity into 8 sub-regions. The sub-regions under analysis consist of Dudullu and Tuzla on the Asian side of the city, and Esenyurt-Kıraç and Silivri on the European side. The industrial sub-regions under examination in neighboring provinces are Gebze and Dilovası in the province of Kocaeli, and Çerkezköy and Çorlu in the province of Tekirdağ.

Current Situation

Industrial Market (m ²)*	
Owner Occupied Space	3.691.235
Total Leasable Stock	3.905.332
Vacant Space	477.622
Subtotal	7.596.567
Under Construction Projects	529.560
Planned Projects	1.165.780
Total	9.291.907

Analysis of the current situation in the industrial market in Istanbul and its environs reveals that 81.8% of total supply consists of existing leasable / sellable stock, 5.7% projects under construction, and 12.5% projects that remain in the planning stage.

(*) The data specifies all industrial stock that is leasable, sellable or usable by the owner.

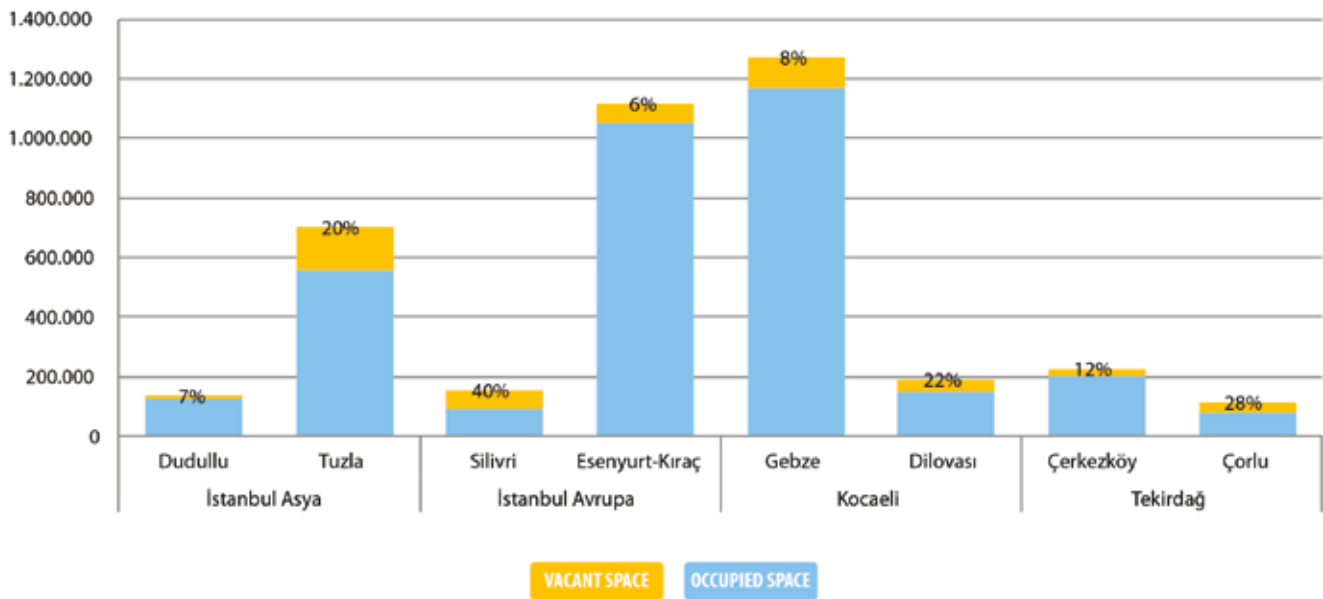
Source: Colliers International

Vacancy Rates

Fifty one percentage of the existing stock in the industrial market in Istanbul and its environs constitutes leasable space. The vacancy rate of the total of 3,905,332m² existing leasable stock stands at 12%.

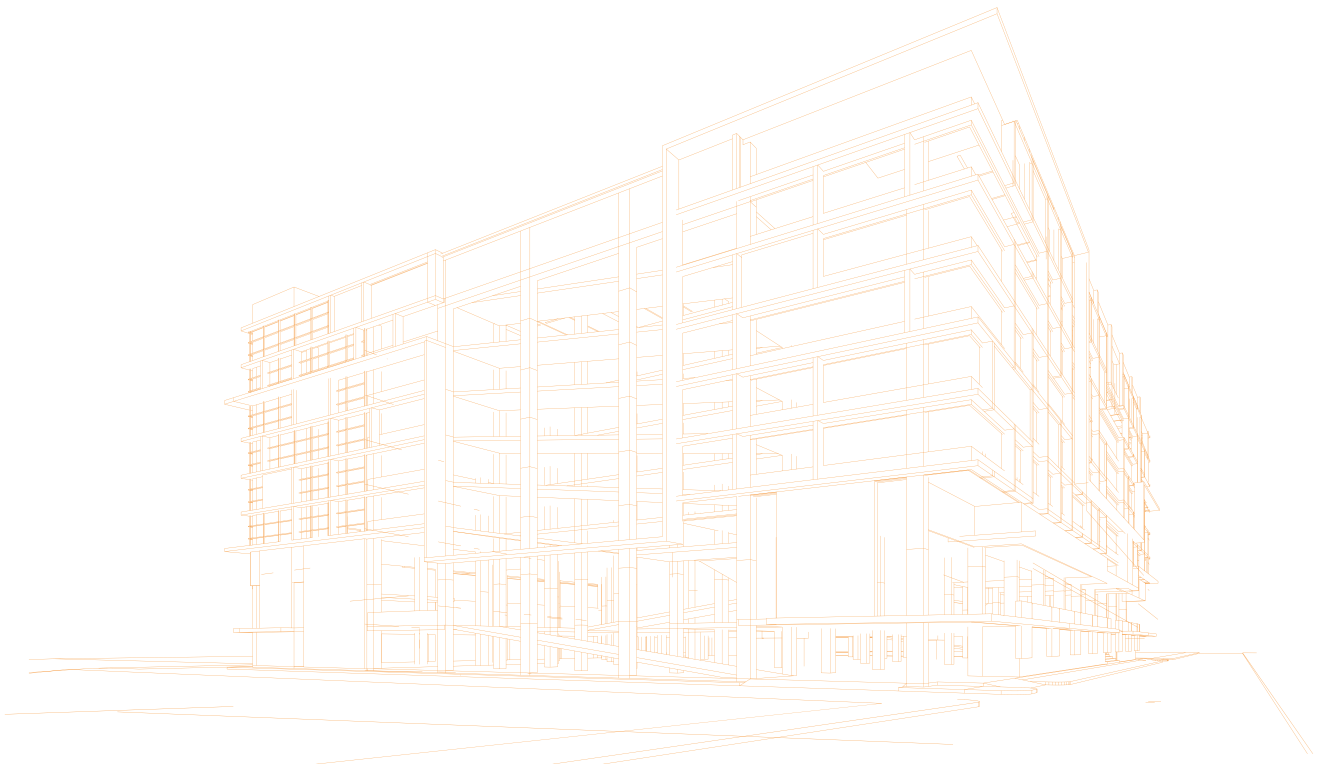
The distribution of total existing and under-construction supply, and average vacancy rates, by region, is shown below:

AVERAGE VACANCY RATES



Source: Colliers International

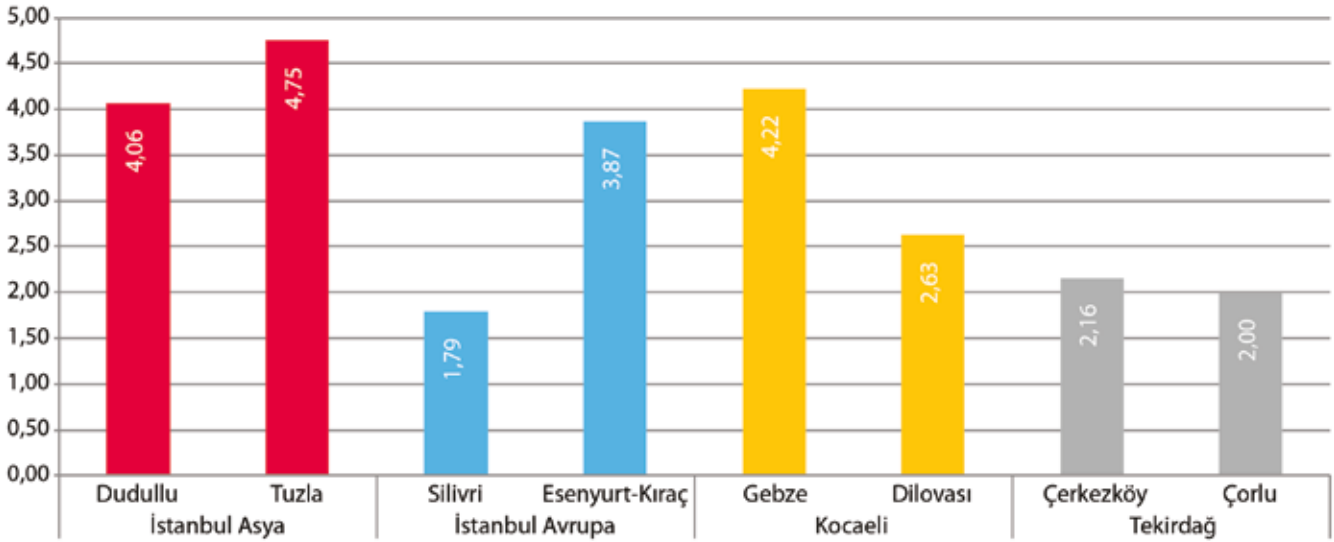
While vacancy rates remained unchanged in the Dudullu, Silivri, Esenyurt-Kıraç, Dilovası and Çorlu regions, there was a small rise in Tuzla and Gebze regions compared to the second half of 2018. The main reason for vacancy rate rises was limited stock depletion in the face of growing supply in these regions due to the coming on stream of new facilities. Compared to the same period of the previous year, the average facility rent figures in Dudullu region increased with the recent leasing transactions, while limited increases and decreases were observed in all other regions.



Rent Rates

Asking rents in the second quarter of 2019 are shown in the chart below:

AVERAGE RENTAL RATES FOR FACILITIES (\$/M²/MONTH)



Source: Colliers International

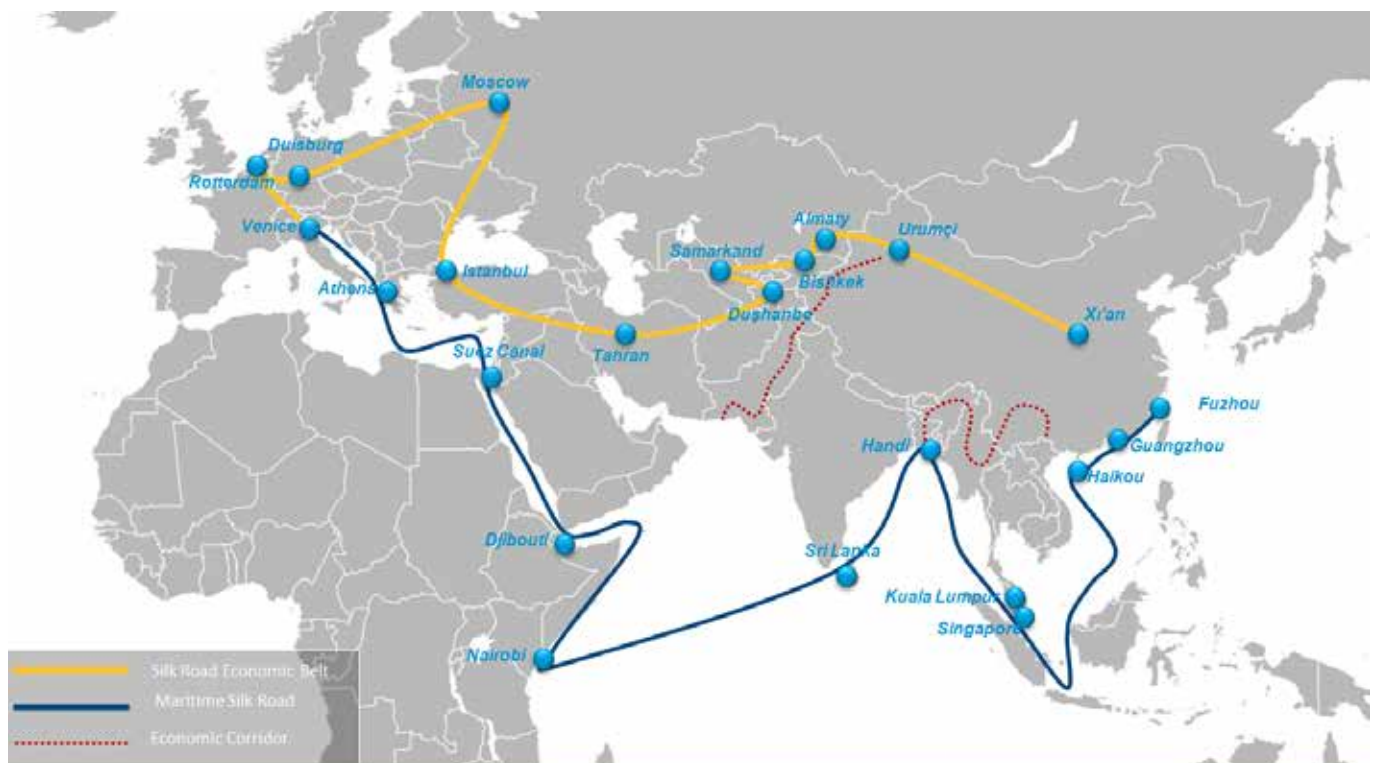
There has been a year-on-year decline in average industrial rents in all the regions under examination. The principle reason for this is the tendency of property owners' to reduce rents in line with the overall upward movement in the value of the US Dollar, or their making Turkish Lira based rental agreements. At the end of 2019, we expect that the average rental figures for logistics and industrial facility rents will increase in TL terms.

The recent boom in online shopping has led to an increased need for e-commerce warehousing space. Investments in large warehouse facilities are required, especially for firms with very large numbers of products, products that are large scale in volume, and wholesale firms. This has led to an increase in demand by firms for warehouse facilities with features such as high ceilings, large space between supporting columns, developed technical infrastructure and easy transportation access. The fact that short delivery times gives additional importance to rapid, easy access to products leads us to believe that the demand for warehousing in close proximity to airports and main transport hubs shall continue to rise.



SILK ROAD PROJECT

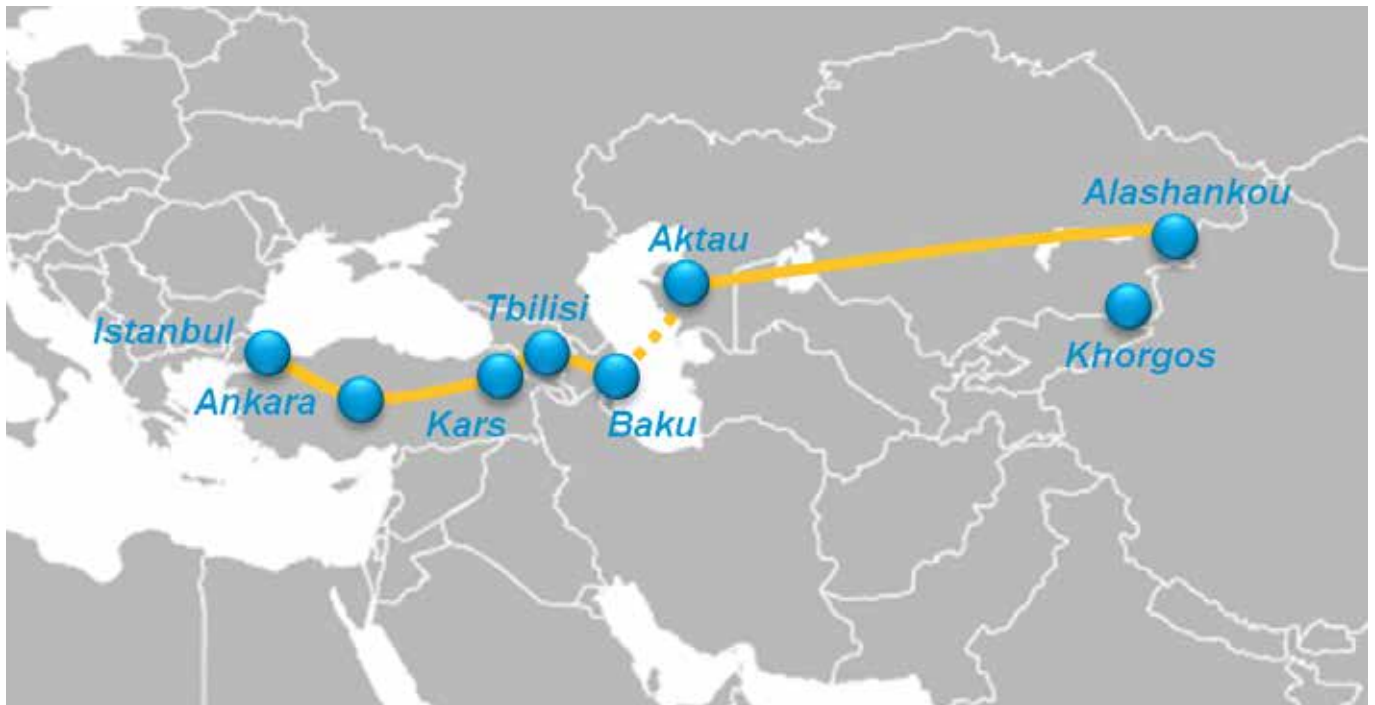
The “New Silk Road Project” unveiled at the New Silk Road Summit held in Beijing in May 2017 aims to connect more than 65 countries by land, sea and railway.



Source: www.weforum.org, Colliers International

Internationally entitled the “One Belt One Road Initiative”, the project envisages development along 6 distinct lines. One of the six lines will pass through Turkey. The “China-Middle Asia and West Asia Economic Corridor”, which crosses Turkey, will link China, Central Asia, Russia and Europe. The One Belt, One Road initiative partly dovetails with other infrastructure development programs undertaken by other regional economies.

With this project, a cargo departing from China will be transported to Europe within 12 to 15 days by train, which takes 40 days by sea. For now, the political significance of the Silk Road seems to outweigh the actual economic/trade benefits, with many projects still in an early phase or yet to be signed off. Also, several projects are energy-related (pipeline construction) rather than focused on the construction of manufacturing capacity. However, as connections/infrastructure improves and trade barriers are removed, it's easy to see how trade between the eastern-western blocks and regional economies could increase. Furthermore, it could open up areas once seen as remote and geographically isolated, to new investment.



Source: FT, Colliers International

Turkey is strategically located between European countries and Asia in the Silk Road's middle corridor. Turkey's crucial logistic positioning within the scope of the planned project has given the country's industrial spaces and warehousing areas additional significance. The completion of some strategic projects will enhance its appeal as a manufacturing and, increasingly, regional distribution hub. These include the Baku-Kars railway route, which connects Turkey's eastern borders to the Caspian Sea coast in Azerbaijan, where freight arrives by ferry from Kazakhstan.

The Baku-Tbilisi-Kars Railway Line which is a part of Silk Road Project has a total length of 838km. 76km of the line, which was opened in October 2017, pass through Turkey, 259km through Georgia, and 503km through Azerbaijan. It is slated to be a significant alternative to the railway links between China and Europe passing over Russia. Its passenger and freight capacities are projected to rise to 3 million passengers and 17 million tons respectively, by 2034.

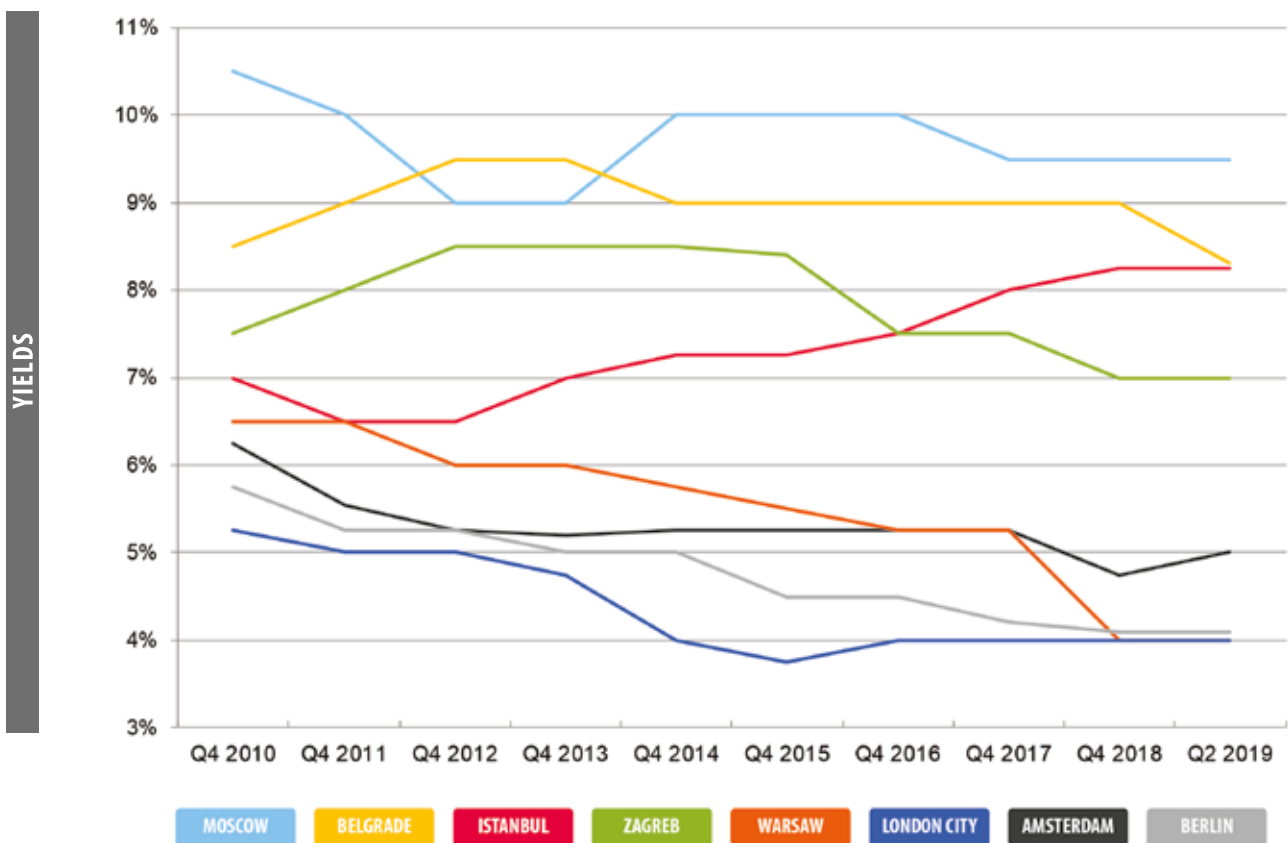
Various Turkish railway upgrading projects are set to increase accessibility to the project's various logistic centers. There are also plans to connect major ports such as Istanbul-Ambarlı and Izmir-Çandarlı to the main railway line. These connections will serve to integrate Turkey's regional and global supply chains and boost the global role of Turkey's logistics sector.

Essentially encompassing trade and commerce in goods, the New Silk Road also represents a major potential for the energy sector. Energy transfer infrastructure work is also planned within this framework.

RETAIL MARKET



RETAIL YIELDS IN SELECTED CITIES



Source: Colliers International

On the rise ever since 2012, average yields in the Istanbul retail market take 2nd place among the cities surveyed after Moscow, and are expected to continue their upward trend.

Average Rent Rates and Yields

Retail Market Indicators - Q2 2019 (Selected Cities)		
	Prime Traditional SC Yield	Prime Traditional SC Headline Rent - in-line Tenants (USD/ m ² / month)
Amsterdam	5,0%	136
Belgrade	8,3%	78
Berlin	4,1%	202
Bucharest	6,8%	84
Budapest	5,5%	90
Cairo	9,0%	45
Dubai	n.a.	125
Istanbul	8,3%	82
London City	4,0%	292
Madrid	4,0%	67
Moscow	9,5%	134
Prague	4,8%	151
Rome	5,0%	73
Vienna	5,0%	112
Warsaw	4,0%	135
Zagreb	7,0%	21

Source: Colliers International

Retail Market in Turkey

Our analysis of the shopping center market incorporates only centers which have a tenant mix of minimum 25 retailers, and a total leasable area of minimum 5.000m².

As of the first half of 2019, the total leasable area of the 420 shopping centers in operation throughout Turkey stood at 12,821,719m², a 0.4% rise over the figure for the end of 2018.

19 shopping centers were opened in 2018 and 3 shopping centers were opened in the first half of 2019. With 62 new shopping centers set to open in 32 provinces by the end of 2021, the total leasable area will reach 14,633,791m².

As of the first half of 2019, 65 of Turkey's 81 provinces host shopping centers. Forty nine percent of the total leasable shopping center area in Turkey is in the provinces of Istanbul and Ankara, which house 25% of Turkey's population.

Cities Gross Leasable Area/1,000 person									
Cities	Population	Current Stock				Gross Leasable Area (GLA) m ² /1,000 persons	Future Stock		
		No of Shopping Centers	%	Total Leasable Area (m ²)	%		No of Shopping Centers	Total Leasable Area (m ²)	
1	Istanbul	15.067.724	121	28,8%	4.697.160	36,6%	312	11	328.410
2	Ankara	5.503.985	39	9,3%	1.625.212	12,7%	295	3	135.000
3	Bolu	311.810	4	1,0%	89.600	0,7%	287	0	0
4	Muğla	967.487	15	3,6%	231.355	1,8%	239	2	24.700
5	Antalya	2.426.356	16	3,8%	520.261	4,1%	214	3	69.500
6	Edirne	411.528	4	1,0%	75.678	0,6%	184	0	0
7	Nevşehir	298.339	2	0,5%	49.797	0,4%	167	0	0
8	Bursa	2.994.521	14	3,3%	498.044	3,9%	166	2	73.000
9	Eskişehir	871.187	5	1,2%	143.943	1,1%	165	1	15.000
10	İzmir	4.320.519	25	6,0%	705.831	5,5%	163	9	243.600
Top 10 City Total		33.173.456	245	58,3%	8.636.881	67,4%	260	31	889.210
Turkey Total		82.003.882	420	100,0%	12.821.719	100,0%	156	62	1.812.072

Source: Colliers International

In the table above, it is noteworthy that the provinces of Bolu, Edirne, Nevşehir which have populations below 500,000, make the top ten. Geographically located midway between Istanbul and Ankara, Bolu maintains the third place ranking it achieved in the previous period with 287m² of leasable area per 1,000 people. Turkey's third largest province, Izmir, only makes 10th place.

RETAIL MAP OF TURKEY

The total leasable shopping center area per 1,000 people for Turkey as a whole reached 156 m² as of the first half of 2019. Considering the fact that the same average figure for Europe stands at 315m² demonstrates that Turkey maintains its development potential with respect to shopping center investments.

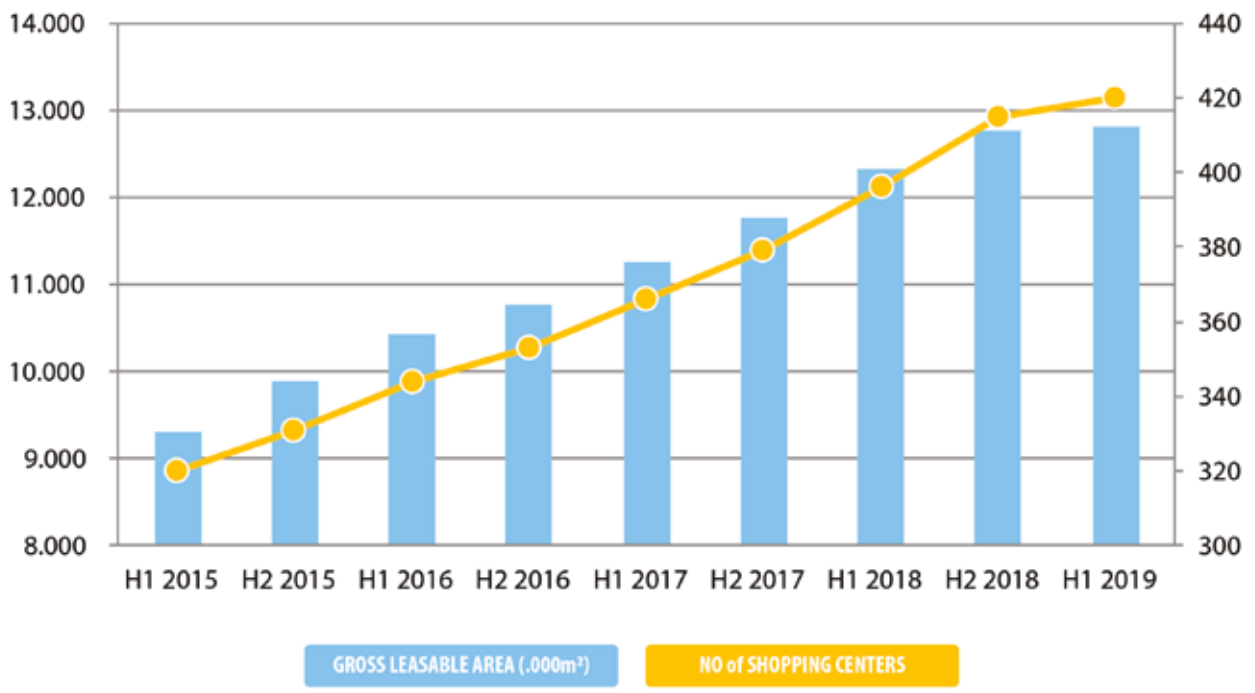


Source: Colliers International



The chart below shows the total leasable area of shopping centers in Turkey and changes recorded over the past three years.

CHANGE OF GROSS LEASABLE AREA AND NUMBER OF SHOPPING CENTERS IN TURKEY



Source: Colliers International

An overview of the past three years demonstrates a slowdown in the growth in the number of shopping centers and their total gross leasable area. Our view is that this situation, the result of saturation in shopping center space in certain regions and provinces, is set to continue in the coming period. Potential tenants are unwilling to lease space in newly developed shopping centers, in particular on account of hikes in foreign currency-based rents during this period. 2018 is set to witness a recovery in gross leasable area with the delayed opening of previously slated shopping centers. However, in general terms we expect a continued slowdown in the growth in total gross leasable area in subsequent periods.

In line with the harsher competitive conditions associated with the current growth of the share of e-commerce and s-commerce platforms in total retail volume, traditional retailers are focusing more on the more effective use of technology and consumer data analysis directly to reach their target customer groups.

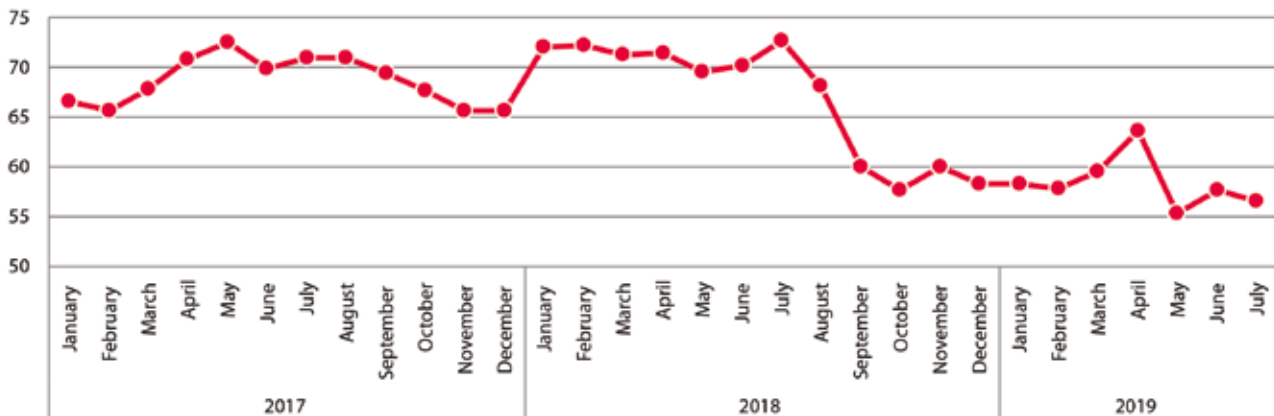
Shopping centers, whose visitor numbers have declined in line with the growth in e-commerce's and s-commerce's share in retail channels, have begun to turn into lifestyle centers in a bid to boost demand. Efforts to maintain and grow turnover and visitor numbers in the coming period promise to boost the importance of shopping centers able to amalgamate with thematic and social media as well as high-street shopping centers more closely integrated with the urban centers in which they are located.

Examining the distribution of domestic and foreign capital in shopping center investments in Turkey as whole, approximately 78% of total shopping center leasable area is made up of domestic investors; 15% foreign investors; and 7% domestic/foreign joint ventures.

Consumer Confidence Index

According to results from the Consumer Confidence Index carried out in cooperation between the Turkish Statistics Board and the country's Central Bank, while the figures for January and July of 2019 were lower than those for the same period in 2018, the index picked up in April. The decline beginning in the month of May still continues.

CONSUMER CONFIDENCE INDEX



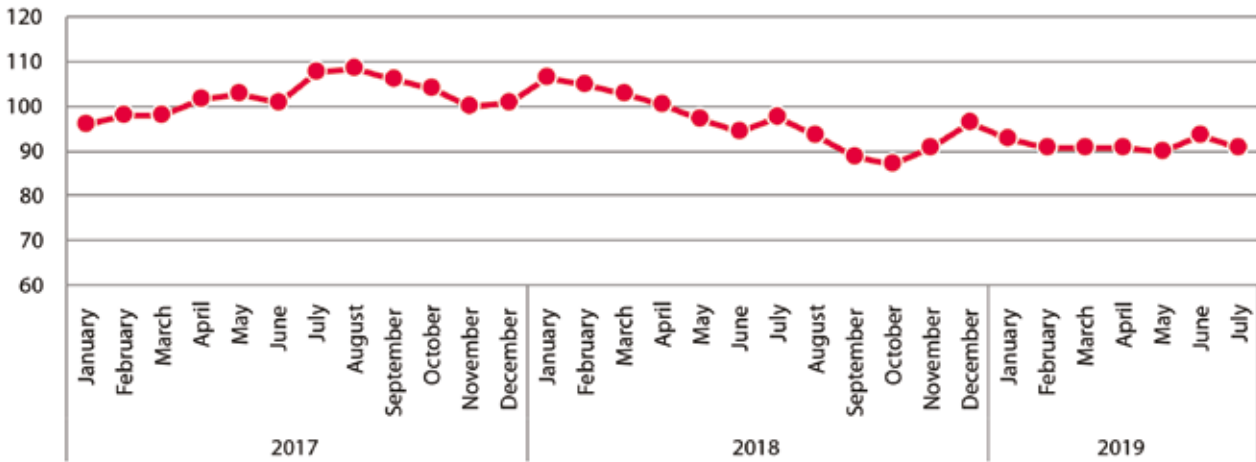
Source: TurkStat

Seasonally adjusted consumer confidence index decreased by 2% compared to June 2019. The index became 56.5 in July while it was 57.6 in June.

Retail Trade Confidence Index

The seasonally adjusted retail trade confidence index increased by 2% in June 2019 to 93.2 and decreased by 3% in July to 90.4. The downtrend in the index since the August 2018 ended with the increase in November 2018 and balanced trend in the index continues.

RETAIL TRADE CONFIDENCE INDEX

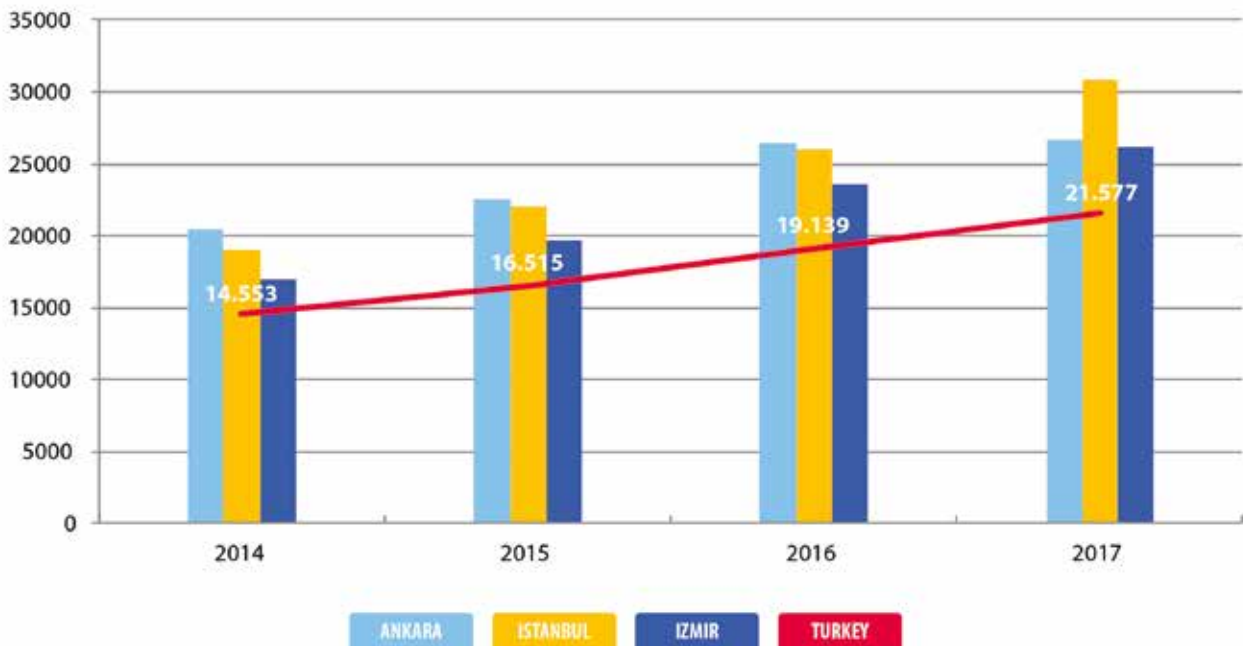


Source: TurkStat

Household Disposable Income

Turkey's average annual household disposable income was 21,577TL in 2017. Istanbul topped the region-by-region rankings with a figure of 30,895TL, followed by the Ankara Region with 26,679TL and Izmir with 26,170TL.

HOUSEHOLD DISPOSABLE INCOME (TL)(2014-2017)



Source: TurkStat



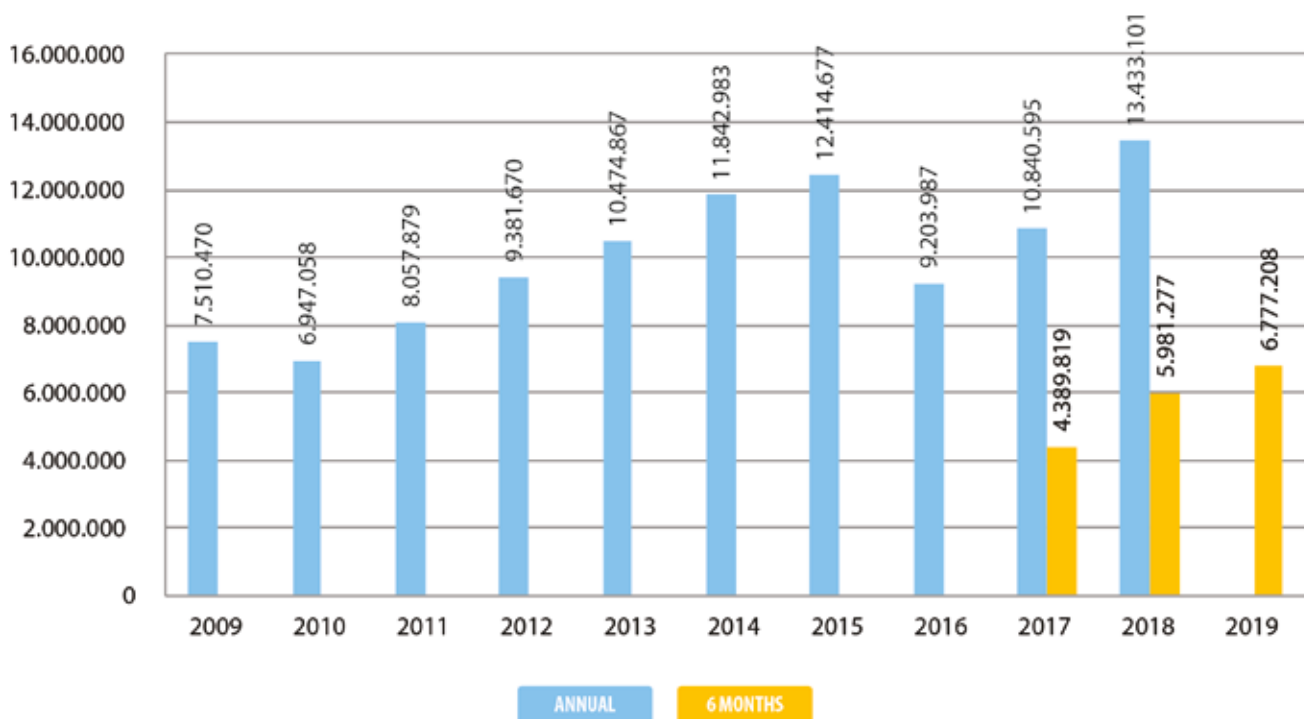
HOTEL MARKET



Tourist Visitor Numbers

2018 was a year of hectic activity in the tourism sector in Turkey. During this period, both visitor numbers and hotel occupancy rates grew rapidly. Looking at the first 6 months of 2019, we observe that positive activity in the tourism sector continues, albeit at a slower pace. Visitors to Istanbul rose by 13% in the first six months of 2019 compared to the same period in 2018.

TOURIST ARRIVALS TO ISTANBUL

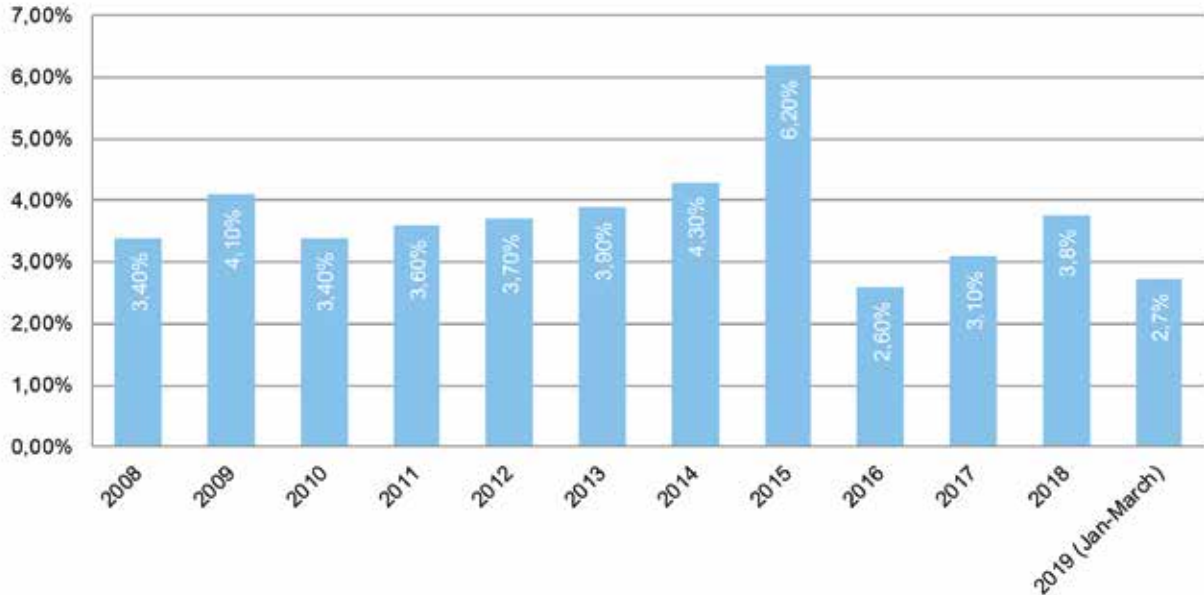


Source: Istanbul Office of Ministry of Culture and Tourism

Tourism Revenues

The share of tourism revenue in overall GDP in Turkey rose until 2015 but dropped sharply in 2016. The recovery in the tourism sector in 2017 and 2018 led to a concomitant 3.8% rise in the share of tourism revenues in GDP.

SHARE OF TOURISM INDUSTRY IN GDP-TURKEY



Source: www.tursab.org.tr

Prices and Occupancy Rates-Istanbul

This higher than expected growth in visitor numbers in 2018 has also boosted hotel occupancy rates and revenue per available room (RevPAR). Occupancy rates in 5-star, upscale and upper-midscale hotels in Istanbul increased by 250 basis points in the first six months of 2019 compared to the same period in 2018 and RevPAR increased by 12.4% on a Euro basis in the same period.

According to data in STR's Country Performance Report, of all countries, Turkey enjoyed the highest increase in occupancy rates and revenue per available room (RevPAR) in 2018.

It is notable that hotel occupancy rates, which enjoyed rapid growth in 2018, began to steady in the first 6 months of 2019. On the other hand, we can state that the ongoing upward trend in RevPAR indicates continued recovery in the tourism sector.

Istanbul Hotels Average Occupancy Rates and Room Rates*			
Year	Occupancy Rate (%)	Average Daily Room Rate (€)	Revpar
2008	76,00%	€ 160	€ 122
2009	70,00%	€ 155	€ 109
2010	72,00%	€ 155	€ 112
2011	71,00%	€ 161	€ 114
2012	73,00%	€ 163	€ 119
2013	69,00%	€ 167	€ 115
2014	69,00%	€ 140	€ 97
2015	64,80%	€ 121	€ 78
2016	49,60%	€ 89	€ 44
2017	62,50%	€ 76	€ 48
2018	71,10%	€ 83	€ 59
2018 (January-June)	67,20%	€ 77	€ 52
2019 (January-June)	69,70%	€ 84	€ 58

(*) 5-Star Hotels, Upscale & Upper Midscale Hotels in Istanbul.

Source: STR Global, www.turob.org.tr

Forecast

As Colliers International, we take the view that this positive trend in the tourism sector will continue in the short term, with a continued rise in visitor numbers and hotel occupancy rates. We anticipate that average hotel daily rates (ADR) and revenue per available room (RevPAR) will rise on a Euro basis, but that ongoing Turkish Lira exchange rate devaluation will prevent ADR exceeding the levels it reached in 2012-2013.

The declaration of 2019 as the “Turkey-Russia Cross-Culture and Tourism Year” constitutes a significant development for the tourism sector. This state of affairs is set to herald a further increase in visitor numbers, especially in the summer months.

The recovery witnessed in the tourism sector over the past two years has accelerated the projects of luxury international hotel brands in Istanbul. The luxury hotel brands The Peninsula, Six Senses and Mandarin brands in Istanbul have announced that their already-begun projects in Istanbul are set for completion in 2020.

As Colliers International, we take the view that although demand in the tourism sector in Turkey will continue to grow, the pace of growth in supply observed in preceding years will slow down over the coming two years. Nonetheless, existing hotels will continue to raise their average daily rates (ADR) and their RevPAR will continue to grow.

Due to its location and historical buildings, Karaköy is one of the most important regions of Istanbul. There are 2 projects that will contribute positively to tourism and commercial identity of Karaköy and near surrounding: Galataport and Tersane Istanbul. Covering Karaköy and Haliç in Istanbul, these projects are expected to change the face of these neighborhoods, while offering a new entryway to Istanbul’s unique culture. With the completion of these two projects, we think that commercial and tourism activities will increase in the historical peninsula and its surrounding area. This region will also enable the integration of the historical peninsula with business and commercial areas in Taksim, Beşiktaş and Şişli regions.





RESIDENTIAL MARKET

The Istanbul residential housing market has remained stagnant, while growth in house prices throughout Turkey and in Istanbul was below inflation. Excess supply created through urban transformation projects especially in Fikirtepe and Kadıköy have influenced the restricted growth in residential property prices in Istanbul overall.

The surplus of supply over limited demand for housing aimed at upper-middle and upper income groups continues to exert pressure on prices. Most demand for housing in Istanbul is concentrated on the middle income group for which segment there is an insufficient supply of housing.

We take the view that the downturn in the residential market may be overcome with the assistance of public sector institutions constructing housing aimed at the middle and lower middle income groups where demand is concentrated.

The opening of Istanbul's third airport, projected to be the busiest in Europe, is expected to be accompanied by significant demand for housing in the surrounding region. While there has so far been little development in the immediate vicinity of the airport along the Black Sea coast, the residential market in areas accessible by connection roads has begun to pick up, especially in the districts of Kemerburgaz, Arnavutköy, Hadımköy and Başakşehir.

The table below presents changes in inflation and the USD / TL exchange rate, together with the weighted average interest rates on TL deposits (up to 1 year), with real and nominal changes in the Central Bank's House Price Index (KFE), and construction costs, over the past eight years:

Years	CPI- Annual	USD/TL Annual Change	Weighted Average Interest Rates For Deposits In TL (up to 1 year)	THPI-Turkey	THPI- Istanbul	Construction Cost Index Change
2011	10,5%	22,8%	10,1%	6,5%	12,1%	12,4%
2012	6,2%	-4,3%	8,8%	10,1%	13,5%	5,4%
2013	7,4%	15,8%	9,2%	12,7%	20,2%	5,1%
2014	8,2%	10,7%	9,3%	15,0%	22,9%	10,7%
2015	8,8%	27,5%	10,7%	15,5%	23,1%	5,9%
2016	8,5%	19,6%	10,3%	12,2%	12,8%	18,2%
2017	11,9%	10,2%	13,5%	9,1%	4,4%	16,2%
2018	20,3%	37,9%	21,3%	4,5%	0,9%	18,4%
2019 (April)	19,5%	41,5%	23,0%	2,7%	-2,0%	26,4%
Nominal Change 2011-2019 (1st Half)	158,8%	394,2%	195,7%	130,6%	169,6%	200,0%
Real Change 2011-2019 (1st Half)	-	-	-	-	10,7%	41,1%

Source: Central Bank of Turkey, TurkStat

The 26.4% hike in construction costs in April since the beginning of the year is noteworthy. The leading element is this increase has been material costs.

Residential Sales

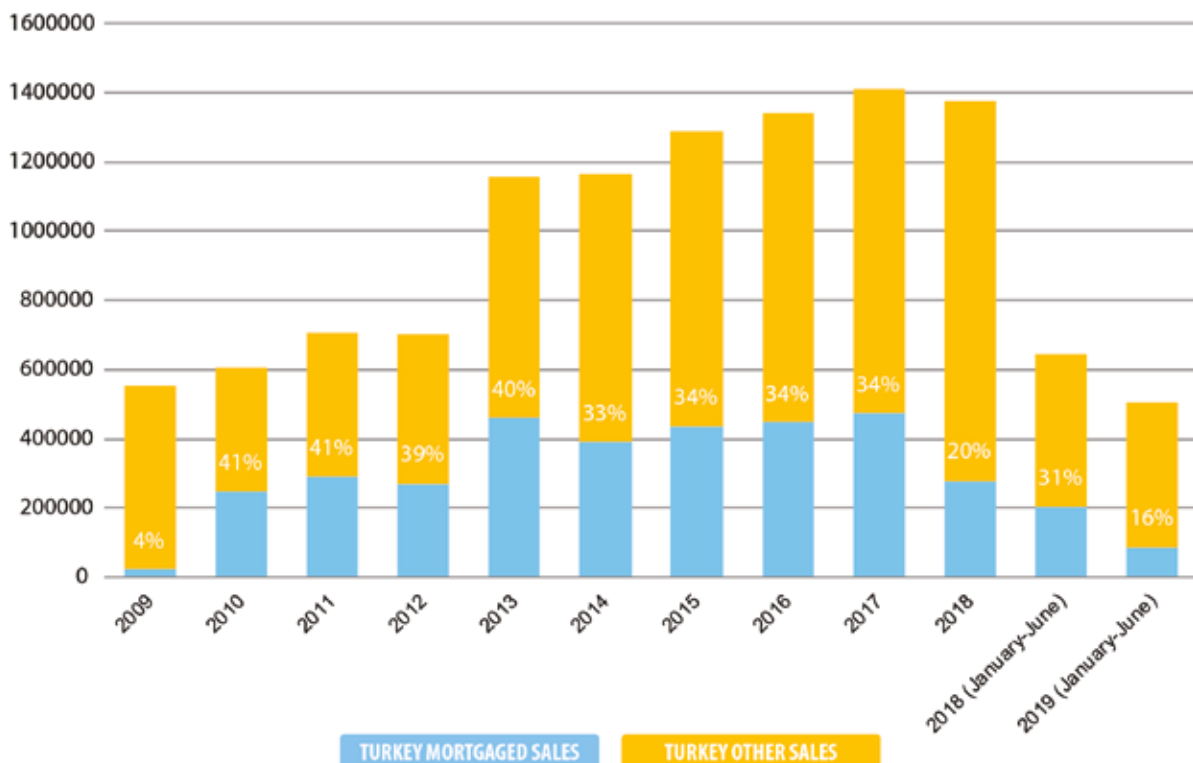
Both mortgaged housing sales and total sales throughout Turkey decreased by approximately 22% between January and June 2019 over the same period of previous year. In the same period, total residential sales in Istanbul decreased by 16.2%.

Years	Turkey				Istanbul			
	Total Sales	Change	Mortgaged Sales	Share of Mortgage Sales	Total Sales	Change	Mortgaged Sales	Share of Mortgage Sales
2009	555.184		22.726	4%	140.573		9.423	7%
2010	607.098	9,4%	246.741	41%	153.897	9,5%	76.176	49%
2011	708.275	16,7%	289.275	41%	169.015	9,8%	85.161	50%
2012	701.621	-0,9%	270.136	39%	167.110	-1,1%	79.626	48%
2013	1.157.190	64,9%	460.112	40%	234.789	40,5%	106.977	46%
2014	1.165.381	0,7%	389.689	33%	225.454	-4,0%	87.757	39%
2015	1.289.320	10,6%	434.388	34%	239.767	6,3%	93.564	39%
2016	1.341.453	4,0%	449.508	34%	232.428	-3,1%	87.350	38%
2017	1.409.314	5,1%	473.099	34%	238.383	2,6%	87.001	36%
2018	1.375.398	-2,4%	276.820	20%	234.055	-1,8%	49.206	21%
2018 (January-June)	646.032	-	201.805	31%	109.319	-	35.645	33%
2019 (January-June)	505.796	-21,7%	82.885	16%	91.561	-16,2%	13.847	15%

Source: Central Bank of Turkey, TurkStat

In 2018, there was a significant decrease in mortgaged sales. It is observed that this decline continued in the first 6 months of 2019 as well. The table below shows the change in mortgaged and other residential property sales in Turkey.

RESIDENTIAL SALES (2009-2019)



Source: TurkStat

The table below shows first and second hand residential sales, by year:

HOUSE SALES IN DETAIL OF FIRST SALE AND SECOND HAND SALE BY YEARS, 2013-2018



Source: TurkStat

The proportion of first-hand sales in overall sales between 2013 and 2018 stands at 46%-47%. Looking at the data for the first 6 months of 2019, the ratio of first-hand sales in overall sales decreased to 41% during the first 6 months of 2019.



WHO IS GYODER?

GYODER (The Association of Real Estate and Real Estate Investment Companies)

GYODER, the Association of Real Estate and Real Estate Investment Companies, was established in 1999 for the purpose of encouraging the development of the newly booming real estate industry in Turkey. Today, GYODER has more than 270 corporate members ranging from project developers, consulting companies, REITs to appraisers, constructing companies. GYODER works to foster real estate standards and generating cooperation between all local authorities, relevant state bodies, private institutions, academics and NGOs, in shaping quality environments and exchange of information among them. As a common voice of the real estate industry, it contributes to the improvement of the legislation regulating the real estate sector such as Law on the protection of the consumer, zoning plans, communique on REICs, VAT Law, Reciprocity Law, Corporate Tax Law and Regulation on Energy Savings in Buildings.

GYODER aims to make real estate more institutional by creating reliable data and knowhow. It releases annually and quarterly reports on Turkish Real Estate Sector. GYODER organizes along with Capital Markets Board of Turkey and Istanbul Stock Exchange workshops on IPO's of REICs and analyst meetings with the Association of Capital Market Intermediary Institutions of Turkey. It publishes monthly new home price indices along with REIDIN.

GYODER also publishes GYODER Indicator every quarter of year. In this report containing a wide variety of information and statistics ranging from fundamental macroeconomic indicators to in-sector production figures, there are statistical data about sectors growth speed's reflections on GDP, annual inflation rates, Euro/Dollar parity parallel to trends in international market, BIST REIT stock performances, mortgage loan interest and usage rates, housing and office sales data and, statistical data on s/c and tourism and hotel management together.

Turkish Real Estate Summits, organized annually by GYODER since 2000, have become sector's traditional meeting and idea sharing events with their international participants. Since 2009, GYODER had been organizing Turkey's primary regional real estate and investment fair.

GYODER organizes "Developing Cities Summit" in order to present investment opportunities in developing cities in Turkey to sector representatives and national and international real estate investors. Developing Cities Summit organized by GYODER in 9 different cities.

To spread the awareness on Turkey, an international road show starting in the UK has been planned by GYODER in cooperation with the Investment Support and Promotion Agency of Turkey (ISPAT). First Road Show was held on November 2012 in London.

GYODER is also representing the Turkish Real Estate Sector in foreign associations, institutions, exhibitions, fairs and conferences with globally known MIPIM, Cityscape Global, Expo Qatar by Turkey. Also GYODER has been participating the Cityscape Global, Dubai UAE, since 2012.

GYODER
The Association of Real Estate and Real Estate Investment Companies

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- International Relations Committee
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Members' profile

more than 250 members

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- Contractors,
- Consultancy,
- Appraisers,
- Banking,
- Finance,
- Insurance,
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- Service,
- Law,
- Media,
- Investors

WHO IS COLLIERS?

Colliers International Group Inc. (NASDAQ and TSX: CIGI) is an industry-leading real estate services company with a global brand operating in 68 countries and a workforce of more than 17,000 skilled professionals serving clients in the world's most important markets. Colliers is the fastest-growing publicly listed global real estate services company, with 2018 corporate revenues of \$3.3 billion. With an enterprising culture and significant employee ownership and control, Colliers professionals provide a full range of services to real estate occupiers, owners and investors worldwide. Services include strategic advice and execution for property sales, leasing and finance; global corporate solutions; property, facility and project management; workplace solutions; appraisal, valuation and tax consulting; customized research; and thought leadership consulting.

Colliers International has been operating in Turkey since 1998 and is a recognized knowledge leader in the Turkish commercial real estate sector. Colliers International provides a full range of professional services to both multinational, national and local companies and institutions in Turkey, across all market sectors.

Agency Services are targeted primarily towards corporate occupiers and real estate investors and include tenant representation, landlord representation, lease renegotiation, built-to-suit development, development consultancy, as well as sale & lease back transactions.

Valuation and Advisory Services are targeted towards corporate clients and are designed to increase efficiency, reduce costs and allow clients to focus on their core business activities. Valuation and Advisory Services include market research, feasibility analysis, valuations; highest and best use analysis and concept generation studies.

Colliers International Turkey is a member of GYODER (Real Estate Investment Trusts Foundation) in Turkey.



WHO IS ICOC?

ISTANBUL CHAMBER OF COMMERCE (ICOC) WORKS FOR ISTANBUL, FOR TURKEY, FOR THE WORLD!

- *Since its foundation in 1882, currently serving to more than 426.000 members, ICOC is one of the biggest Chambers in the world in the diversity of services.
- *ICOC established Turkey's most modern Chamber archive spread on a surface area of 1300 sqm.
- *The members of 81 Professional Committees which represent different sectors in ICOC assign new projects for the development of sectors and compose efficient solutions.
- *ICOC serves as a road map for the sectors' future plans.
- *ICOC organizes informative meetings, seminars and panels.
- *ICOC provides access to databases of Turkish and world economies, provincial, national and international statistics.
- *ICOC prepares monthly Istanbul consumer price index (CPI) and wholesale price index (WPI), which are extensively used as reference by relevant parties at home and abroad.
- *ICOC solves commercial conflicts through its Arbitration and Mediation Centre
- *ICOC participates annually in more than 40 international fairs all around the world.
- *ICOC brings together Turkey's and the world's leading companies round the same table.
- *ICOC organizes B2B meetings between Turkish companies and their counterparts all over the world.
- *ICOC is the meeting point for the sub-industry manufacturers where international partners, supporting programs, vocational training and skills can be found.
- *ICOC tracks changes in laws and advises its members and foreign firms that intend to invest in Turkey.
- *ICOC certifies foreign trade certificates such as A.TR Movement Certificate, Certificate of Origin, EUR1 and EUR-MED Movement Certificates.
- *With a weekly 65 thousand circulation, Istanbul Trade Newspaper as the voice of trade and economy, has been published in Turkish and English.
- *ICOC Portal is available for Certificate of Activity applications in different languages and for supplying new opportunities with new partners.
- *With 8.874 students and 243 academics, Istanbul Commerce University is the first foundation and commerce university of Turkey established by a chamber.
- *ICOC awards scholarships to undergraduate, masters and doctoral students every year.
- *The Commercialisation Centre (CC) of the Chamber brings together the brilliant start-up ideas and projects of young minds with over 400.000 ICOC members.
- *Located at the Asian side of Istanbul as an ICOC Social Establishment, "Cemile Sultan Korusu" offers excellent services to worldwide guests with its sports fields, restaurants and meeting halls since 1994.



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