

REAL ESTATE RESEARCH REPORT - 10

*THE TURKISH REAL ESTATE MARKET
AFTER THE GLOBAL CRISES AND PROGNOSSES
2015*

GYODER

The Association of Real Estate Investment Companies



THE TURKISH REAL ESTATE MARKET
AFTER THE GLOBAL CRISES AND PROGNOSES
2015

Dr. Can Fuat Gürlelel

Economy and Strategy Consultancy Services



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The Association of Real Estate Investment Companies
Nispetiye Caddesi, Levent İş Merkezi, 6 / 2
34330 Levent - İstanbul
Phone: +90 212 282 53 65
Fax: +90 212 282 53 93

AUTHOR

Dr. Can Fuat Gürlelel

TRANSLATION

Marjinal Porter Novelli

PREPARATION

Sanart Reklamcılık ve Danışmanlık Hiz. Ltd. Şti.
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PRESENTATION

In Turkey, the real estate sector has entered into a significant development period after 2003. Along with the housing sector, the commercial real estate market has also started to form. With participation of the foreigners and adoption of the international standards, the sector has gained speed in development.

The global economic crisis started in 2008 has adversely affected the real estate sector in Turkey as those of the countries throughout the world, suspending the quick development. New economic conditions have emerged with the effect of the crisis. These economic conditions will have determinative for development of the real estate sector in the world and Turkey.

The real estate sector in Turkey enters a new period after the crisis with the developments in Turkish economy and the intrinsic dynamics of the crisis itself. The developments and tendencies in this new period will be different from the pre-crisis ones.

In this context, the study "The Turkish Real Estate Market After The Global Crises And Prognoses 2015" has been prepared. The basic objective of the study is to make projections under new conditions for the real estate sector in Turkey. The projections are made for the housing sector and commercial real estates together.

The study is consisted of six sections. These sections are Projections for Global Real Estate Markets; Projections for Housing Sector for 2015; Projections for Retail Market and Shopping Center for 2015; Projections for Istanbul Office Market; Projections for Istanbul Logistic Market and Projections for Istanbul Hotel Market, respectively.

We hope our study will be useful and guiding for the Turkish Real Estate sector when entering a new period.

Yours truly,

June-10

Dr. Can Fuat GÜRLESEL

Economy and Strategic Consultancy Services



SECTION I

PROJECTIONS FOR GLOBAL REAL ESTATE MARKETS

INTRODUCTION

Started in September 2008 and having deep effects on the major part of 2009, the global crisis has caused contraction in the world economy for the first time. Causes and effects of the crisis have also affected real sector as all sectors. Having showed a quick expansion in the period of 2003-2008 in global scale, the real estate sector has contracted with the crisis, but some indicators have shown growth trend again after the last quarter in 2009.

Within this context, the first section of this study makes evaluations and projections concerning the global real estate markets. It is projected that, under new economic conditions shaping after the global crisis, the real estate market shall switch to a normalization period in 2010 and a gradual and limited growth period under new equilibriums in the years 2011-2012 and, eventually, a steady decline period.

I.1 EFFECTS OF THE ECONOMIC CRISIS ON THE GLOBAL REAL ESTATE SECTOR

Adverse effects of the economic crisis on the real estate sector have appeared in USA, EU-member countries and other developed countries. That one of the primary causes of the crisis is destruction of the US housing finance system led the adverse effects to occur in USA and EU. The deterioration in the housing finance system in the USA and EU started in August 2007. The destruction has, albeit the measures taken, continued in 2008 and the housing finance system collapsed in September 2008. In association with it, contraction occurred in the mortgage housing loans in the USA for the first time after many years. The total mortgage housing loan stock of USD 14.6t in 2008 fell to USD 14.3 trillion in 2009. The total credit stock retreated due to the strong contraction in the credit facilities as a result of non-performing loans and new credit demands.

TABLE.1 DISTRIBUTION OF THE US MORTGAGE REAL ESTATE CREDIT STOCK BY THE REAL ESTATES

YEARS	TOTAL	SINGLE RESIDENCE	MULTI-APARTMENT RESIDENCE	COMMERCIAL BUILDING	AGRICULTURAL BUILDING
2001	7.421	5.571	429	1.218	203
2002	8.244	6.244	466	1.314	220
2003	9.234	7.026	536	1.437	235
2004	10.663	8.273	592	1.575	223
2005	12.064	9.356	688	1.915	105
2006	13.46	10.415	744	2.193	108
2007	14.527	11.111	844	2.459	113
2008	14.607	11.001	905	2.571	130
2009	14.287	10.772	899	2.477	138

SOURCE : FEDERAL RESERVE BOARD, USA

The securitization market incorporated in the housing finance system in the USA has also been adversely affected. New exports and investments came to a halt in the securitization market. However, the security issuance in 2009 was USD1,96 trillion. On the other hand, such issuance was not liquid, but made rather for renewal of the papers which were purchased by the public in the framework of recovery and support program and became devoid of payment capacity. As it is, despite the data indicating quite high issuance, the security stock basing on mortgage housing loans was USD9,2 trillion by the end of 2009.

TABLE.2 SECURITY ISSUANCE AND STOCKS BASING ON THE USA MORTGAGE HOUSING LOANS, MILLION US DOLLAR

YEARS	SECURITY ISSUANCE	SECURITY STOCK
2000	684.4	3.565.8
2001	1.671.3	4.127.4
2002	2.249.2	4.686.4
2003	3.071.1	5.238.6
2004	1907.9	5.862.0
2005	2.222.2	7.212.3
2006	2.132.1	8.635.4
2007	2.146.1	9.142.7
2008	1.344.1	9.099.8
2009	1.957.2	9.187.7

SOURCE : SECURITIES INDUSTRY AND FINANCIAL MARKETS ASSOCIATION, USA

The housing finance system and housing investments have also decreased in European Union overall. It also contracted in 2009 after 2008, retreating to 5,94b. Mortgage-backed and secured security market also reduced across Europe. The issuance volume amounting to EUR504b in 2008 went down to EUR181b in 2009. Mortgage-guaranteed security stock also reduced to USD1.48 trillion. Throughout European Union, the housing investments contracted by 5.5 percent in 2008, a very strong reduction, i.e. 11.6 percent, was witnessed in 2009.

TABLE.3 SECURITY ISSUANCE AND STOCKS BASING ON THE EUROPEAN MORTGAGE HOUSING LOANS AND MORTGAGE-BACKED SECURITIES

YEARS	MORTGAGE HOUSING LOANS AB-27	MORTGAGE-BACKED SECURITY STOCK	MORTGAGE-BACKED SECURITY ISSUANCE	HOUSING INVESTMENTS ANNUAL CHANGE %AB-27
2000	3.292	311	96	2.1
2001	3.548	376	148	0.1
2002	3.946	492	185	1.3
2003	4.226	596	206	2.2
2004	4.671	664	198	2.8
2005	5.123	772	272	2.6
2006	5.721	963	304	3.4
2007	6.147	1.161	352	2.4
2008	6.088	1.515	504	-5.5
2009	5.94	1.48	181	-11.6

SOURCE: EUROPEAN MORTGAGE FEDERATION, EUROPEAN COVERED BOND COUNCIL

The housing market in the USA was also affected by the crisis. The annual housing sale, 7m units in 2006, reduced to 4.9m in 2008 and it realized as 5.97m in 2009. However, the increase in the sales has stemmed from the house sales by the households unable to repay the housing credit and from the sales made by the financial organizations to eliminate the housing stock held by them. Thus, the average sale price of the existing house, i.e. USD170k retreated by USD50k compared to the year 2006. While the housing sales expanded by second-hand sales, the sales of new houses went down to 372 thousands recording the lowest level in its history, and the starts of new houses significantly contracted again with 559 thousands.

TABLE.4 THE EXISTING HOUSE SALES AND NEW HOUSING STARTS IN USA

YEARS	EXISTING HOUSE SALES	AVERAGE SALES PRICE OF THE EXISTING HOUSES US DOLLAR	NEW HOUSE SALES	START OF NEW HOUSING	HOUSING STOCK THOUSAND
2001	5.336.000	153.1	905	1.516.000	118.72
2002	5.631.000	165	990	1.535.000	119.297
2003	6.178.000	178.8	1.097.000	1.774.000	120.834
2004	6.778.000	195.4	1.203.000	2.095.000	122.187
2005	7.076.000	219.6	1.276.000	1.977.000	123.925
2006	6.478.000	221.9	1.035.000	2.135.000	126.012
2007	5.652.000	219	790	1.490.000	127.958
2008	4.913.000	198.1	465	970	130.113
2009	5.970.000	170.8	372	559	130.66

SOURCE: NATIONAL ASSOCIATION OF REALTORS, USA US CENSUS BUREAU

The house prices reduced in 2008 with the effect of the global crisis and the retreat in the house prices continued in 2009 as well. While the reduction in the prices remained quite limited in the USA in 2009, the price reduction across Europe was rather stronger. Australia, Switzerland and Sweden were three developed countries where the housing prices increased in 2009.

TABLE.5 DEVELOPMENT OF HOUSING PRICES IN THE USA DURING 2000- 2008 STANDARD AND POORS CASE SHILLER HOUSE PRICES INDEX 2000 JANUARY=100

YEARS	COMPOSITE 10	COMPOSITE 20
2000	113.56	111.58
2001	123.64	120.43
2002	142.18	135.15
2003	161.27	150.49
2004	191.42	174.83
2005	221.91	201.97
2006	222.39	203.33
2007	200.67	184.97
2008	162.17	150.66
2009	158.20	145.90

SOURCE: STANDARD AND POORS

TABLE.6 ANNUAL CHANGES IN THE REAL HOUSING PRICES BY PERCENTAGE

COUNTRIES	2000-2006	2007	2008	2009
USA	5.4	-0.4	-6.2	
JAPAN	-4.3	-1.1	-2.4	
GERMANY	-2.9	-1.2	-2.7	
FRANCE	9.5	4.9	-1.1	
ITALY	6.1	3.1	-1.1	
UNITED KINGDOM	8.8	8.4	-4.3	
CANADA	6.7	8.5	-3.4	
AUSTRALIA	7.1	8.8	0.4	
DENMARK	7.9	2.9	-6	
FINLAND	4.7	5.6	-2.4	
IRELAND	8.3	-1.8	-9.6	
NETHERLANDS	2.9	2.6	0.7	
SPAIN	11.2	2.6	-3.7	
SWEDEN	6.7	8.6	0	
SWITZERLAND	1.7	1.3	0.2	

SOURCE: OECD ECONOMIC OUTLOOK, INTERIM REPORT 2009 MARCH

Real Housing Prices: Selected and weighted nominal housing prices are made net by the consumer prices index.

The finance flows in the commercial real estate sector were adversely affected in terms of yields, investments and revenues.

Mortgage commercial real estate credits in the USA rose to USD2,47 trillion by the end of 2009. However, this expansion was caused by the renewal of old and restructured credits, rather than new credits. In Europe, on the other hand, the commercial real estate credits went down to EUR1.2 trillion.

TABLE.7 CREDITS GIVEN TO THE COMMERCIAL REAL ESTATE SECTOR

YEARS	US MORTGAGE COMMERCIAL REAL ESTATE CREDITS BILLION US DOLLAR	EUROPEAN COMMERCIAL REAL ESTATE CREDITS BILLION EURO
2001	1.218	641
2002	1.314	688
2003	1.437	748
2004	1.575	795
2005	1.813	949
2006	2.083	1.069
2007	2.356	1.210
2008	2.380	1.241
2009	2.477	1.198

SOURCE : COMMERCIAL MORTGAGE SECURITIES ASSOCIATIONS,
EUROPEAN CENTRAL BANK, BANKING SUPERVISION COMMITTEE

As to the commercial real estate finance, the liquidity completely disappeared in the securitization market and new security issuance nearly stopped. While the security issuance in 2007 amounted to USD315b in 2007, it reduced to USD29b in 2008, followed by USD28b in 2009. In connection with the strong contraction in the security issuance basing on the commercial real estate credits, the security stock retreated to USD1.27 trillion by the end of 2009.

TABLE.8 SECURITIZATION BASED ON COMMERCIAL REAL ESTATE LOANS, BILLION US DOLLAR

YEARS	SECURITY ISSUANCE				SECURITY STOCK			
	USA	EUR	OTHER	TOTAL	USA	EUR	OTHER	TOTAL
2001	67	16	7	90	358	157	49	564
2002	52	18	11	81	402	169	58	629
2003	78	13	8	99	472	179	65	716
2004	93	22	13	128	527	188	76	791
2005	169	56	14	239	643	221	87	951
2006	203	78	17	298	753	279	100	1.132
2007	230	64	21	315	919	326	116	1.361
2008	12	10	7	29	896	327	122	1.345
2009	3	23	2	28	865	305	101	1.271

SOURCE : COMMERCIAL MORTGAGE SECURITIES ASSOCIATIONS

Commercial real estate total yields were also affected by the global crisis. The real estate total yields are consisted of the variations in the real estate and annual investment yields. The commercial real estate total yields in 2008 reduced by 9.2 percent on global scale, followed up further reduction of 4.3 percent in 2009.

A significant part of the real estate subject to the investments calculated on global scale is in the USA and United Kingdom and these two countries are determinants. In 2008, the total investment yields in USA contracted by 6,46 percent. In 2009, the contraction in USA increased to 17,1 percent. In the countries other than the USA, Spain and Ireland, the commercial real estate total yields turned to positive in 2009.

TABLE.9 COMMERCIAL REAL ESTATE ANNUAL YIELDS BY PERCENTAGE

COUNTRIES	2002	2003	2004	2005	2006	2007	2008	2009	
USA	6.7	9.0	14.5	20.0	16.6	15.8	-6.46	-17.1	
UNITED KINGDOM	9.6	10.9	18.3	19.1	18.1	-3.4	-22.4	16.2	
GERMANY	3.9	2.9	1.1	0.6	1.4	4.5	3.2	5.8	
SWITZERLAND	5.6	5.4	5.2	5.2	5.9	7.1	6.9	8.6	
FRANCE	8.6	8.0	10.0	15.4	2	1.9	17.8	-1.0	1.7
CANADA	8.8	8.3	12.9	18.6	18.4	16.1	4.2	17.3	
ITALY	-	10.8	8.3	8.8	8.0	9.2	1.7	4.1	
SPAIN	8.3	8.4	11.3	17.3	16.9	12.9	-3.1	-6.5	
NETHERLANDS	8.8	7.1	7.8	10.2	12.5	11.3	3.0	3.0	
SWEDEN	2.4	0.9	5.8	12.7	16.2	14.3	-2.9	12.3	
NORWAY	7.0	7.6	10.4	15.2	17.6	18.3	-4.1	27.0	
DENMARK	9.4	7.2	6.6	18.1	17.3	10.2	3.4	7.3	
PORTUGAL	13.8	9.8	10.5	10.1	12.0	12.4	2.6	3.3	
IRELAND	2.4	12.4	11.4	24.4	27.2	9.9	-34.1	-20.8	
GLOBAL	7.5	9.3	14.0	18.5	17.1	15.5	-9.2	-4.3	

SOURCE: INVESTMENT PROPERTY DATABANK (IPD)

When the developments in the commercial real estate sector were evaluated by the sub-sectors, it is seen that the total investment yields in all sub-sectors reduced in 2008 and 2009. While the industrial-logistic area yields reduced by 0.9 percent in 2008, it decreased by 9.7 percent in 2009. And while the reduction in the total investment yields of the shopping centers remained very limited by 1.1 percent in 2009, the yields in the office investments reduced by 4.2 percent in 2008, followed by further reduction of 5.6 percent in 2009.

TABLE.10 COMMERCIAL REAL ESTATE TOTAL YIELDS ANNUAL PERCENTAGE BY SUB-SECTORS

YEARS	GLOBAL SHOPPING CENTER INDEX	GLOBAL INDUSTRIAL INDEX	GLOBAL OFFICE INDEX
2001	4.1	3.0	-1.0
2002	8.0	5.4	-1.3
2003	11.9	5.9	0.2
2004	14.7	8.9	11.9
2005	17.4	12.3	25.0
2006	15.9	11.5	28.7
2007	9.4	16.3	18.4
2008	-3.7	-0.9	-4.2
2009	-1.1	-9.7	-5.6

SOURCE: INVESTMENT PROPERTY DATABANK
SOURCE: DELOITTE 2008 REAL ESTATE CAPITAL MARKETS INDUSTRY OUTLOOK

And the commercial real estate direct investments also contracted significantly by the effect of the global economic crisis. Volume of the global commercial real estate market subject to investment reached to USD24.7t in 2009. The volume of the stock actually invested in the market amounted to USD9t and the volume of stock investable was USD16.3t.

TABLE.11 VOLUME OF THE GLOBAL COMMERCIAL REAL ESTATE MARKET TRILLION US DOLLAR

	2002	2007	2009
TOTAL STOCK	14.1	22.4	24.7
STOCK INVESTABLE	8.7	14.5	16.3
STOCK INVESTED	5.0	8.8	9.0

SOURCE: DEUTSCHE BANK RREEF RESEARCH, PRUDENTIAL REAL ESTATE INVESTORS

Global commercial real estate direct investments have started to expand after 2002, reaching to USD759b in 2007. With the effect of the global crisis, the investments contracted quickly and the global commercial real estate direct investments continued to contract in 2008, reducing to USD209b.

Global commercial real estate direct investments have especially contracted in USA and EU to an important extent. Cross-border investments also reduced significantly. While the volume of cross-border direct investment reached to USD357b in 2007, it realized as USD78b in 2009.

TABLE.12 GLOBAL COMMERCIAL REAL ESTATE DIRECT INVESTMENTS BILLION US DOLLAR

REGIONS	2004	2005	2006	2007	2008	2009
TOTAL	457	495	700	759	387	209
AMERICA	203	216	283	304	144	46
USA	195	205	271	282	134	41
EUROPE	206	206	338	359	158	100
UNITED KINGDOM	108	115	96	101	40	33
ASIA-PACIFIC	48	67	95	121	85	63
JAPAN	18	23	52	60	39	31
DEVELOPING COUNTRIES	11	23	40	51	59	21
CROSS-BORDER	99	183	294	357	174	78
WITHIN BORDERS	358	312	406	402	213	131

SOURCE: JONES LANG LASALLE, GLOBAL REAL ESTATE CAPITAL REPORT

In the global commercial real estate direct investments, all sub-sectors experienced contractions. Increased to USD440b in 2007, the office investments reduced to USD111b in 2009. And the shopping center investments also decreased from USD175b to USD59b.

TABLE.13 DISTRIBUTION OF GLOBAL COMMERCIAL REAL ESTATE DIRECT INVESTMENTS BY SECTORS, BILLION US DOLLAR

SECTORS	2004	2005	2006	2007	2008	2009
OFFICE	270	277	399	440	232	111
SHOPPING CENTER	114	129	168	175	85	59
INDUSTRY-LOGISTICS	50	64	91	91	39	27
HOTEL	23	25	42	53	31	12
TOTAL	457	495	700	759	387	209

SOURCE: JONES LANG LASALLE, GLOBAL REAL ESTATE CAPITAL REPORT

Another effect of the global economic crisis on the commercial real estate sector is the reduction of the rents. Data on development of the commercial real estate rents are presented for the European countries. The prime-rents in the shopping centers central business area reflect the class A rents of the offices located at the central business area and rents of the logistic buildings at the big business centers larger than 5000 m² (at airport-sea port, etc.)

Although there are differences between the countries throughout Europe, the rents of all subsectors in 2009 reduced compared to those of 2008.

TABLE.14 REDUCTIONS IN THE RENTS ALONG WITH THE ECONOMIC CRISIS

COUNTRIES	SHOPPING MALL MONTH/M ² /US DOLLAR		OFFICE MONTH/M ² /US DOLLAR		LOGISTIC MONTH/M ² /US DOLLAR	
	2008	2009	2008	2009	2008	2009
AUSTRIA	2000-2500	700-1000	32.2	32.0	12.5	12.1
BELGIUM	1000-1300	800-1100	31.5	31.0	5.3	5.7
CZECH REPUBLIC	600-900	600-1000	32.2	29.8	6.30	6.75
DENMARK	450-550	450-550	31.5	30.5	9.0	8.8
FINLAND	900-1100	900-1100	42.0	35.5	12.8	13.0
FRANCE	1500-2000	1400-2000	91.0	82.8	6.1	6.2
GERMANY	1500-1800	1300-1800	30.5	29.0	8.0	7.8
HUNGARY	600-1450	600-1300	30.8	28.4	4.9	5.0
IRELAND	1700-2000	2000-2400	65.3	44.6	13.4	10.65
ITALY	700-800	700-750	59.5	56.8	6.8	7.1
NETHERLANDS	650-875	650-850	43.8	42.6	7.6	7.1
NORWAY	750-1000	700-1000	47.4	45.2	16.0	14.7
POLAND	600-1100	650-950	40.6	31.2	5.15	5.0
PORTUGAL	900-1000	700-1000	23.8	27.0	6.5	6.0
ROMANIA	600-1000	500-750	29.4	27.7	6.3	5.9
RUSSIA	2000-3000	1700-2200	108.3	58.3	15.0	9.0
SLOVAKIA	650-950	650-900	25.2	24.1	5.35	5.75
SPAIN	700-1000	700-1000	56.0	42.6	9.8	9.9
SWEDEN	600-800	500-800	46.1	45.2	8.8	9.2
TURKEY	600-800	600-850	38.3	35.0	9.5	9.0
UNITED KINGDOM	2000-2500	1900-2300	125.5	95.5	24.0	20.0

SOURCE: CUSHMAN&WAKEFIELD, SHOPPING CENTER DEVELOPMENT REPORT EUROPE, 2010, OFFICE SPACE ACROSS THE WORLD, 2010

I.2 PROJECTIONS FOR THE GLOBAL REAL ESTATE SECTOR

With the measures taken against the economic crisis, the projections are for recovery in the economic activities worldwide and a gradual growth in the world economy spurred by the improvement. However, there are still a variety of risks against the economic growth. These include high public deficits and public debts particularly in the European countries, requirement of harmony in the exit strategies and correct timing, effects of the new regulations concerning the finance system and uncertainties regarding the exchange rates.

Gradual growth process restarted in the world economy started to affect all sectors positively despite of the current risks. However, the sectors are affected from this improvement and growth in different ways depending on their own internal dynamics.

At this stage, in the framework of the improvement and gradual growth of the world economy, the projections are made by considering the internal dynamics of the real sector itself, the projections are made for the housing and commercial real sectors individually.

I.2.1 Projections for the Housing Sector

Projections for the housing sector are made in relation to the housing finance system and housing market.

The housing finance system will feel the effects of slowdown-suspense in the non-performing receivables, approach of the banks towards capital adequacy and new international regulations in the banking in 2010. It is projected that from the years 2011-2012 on the additional credit facilities shall start and securitization market shall start to operate together with the operational start of securitization market. In the years 2013-2014, the credit and securitization market shall expand again.

It is expected that the reduction in the housing prices and contraction in the construction works shall cease in 2010. There will be a new search of equilibrium on part of demand and supply. It is projected that the housing prices shall rise again in the years 2011-2012 with new starts in the construction works and gradual expansion in the demand-supply. And by 2013-2014, it is expected that the housing prices shall show stable increases, refreshment in the buyer's market together with rises strengthened by demand and supply and build-up of the construction works.

TABLE.15 PROJECTIONS FOR RECOVERY IN THE HOUSING SECTOR

PERIODS	HOUSING FINANCE SYSTEM	HOUSING SECTOR
2010	2010 SLOWDOWN IN THE NON-PERFORMING RECEIVABLES APPROACH TO CAPITAL ADEQUACY IN THE BANK NEW INTERNATIONAL BANKING REGULATIONS	END OF REDUCTION IN THE HOUSING PRICES LOW SUPPLY/LIMITED DEMAND END OF REDUCTION IN THE CONSTRUCTION WORKS LIMITED PURCHASES IN THE PRIMARY MARKETS (LIQUID INVESTORS)
2011 - 2012	START OF ADDITIONAL CREDIT FACILITIES OPERATIONAL START OF THE SECURITIZATION MARKET	START OF RISE IN THE HOUSING PRICES LIMITED SUPPLY/INCREASING DEMAND START UPS IN THE CONSTRUCTION WORKS EXPANSION OF PURCHASER/ SELLERS IN THE PRIMARY MARKETS
2013 - 2014	EXPANSION IN THE ADDITIONAL CREDIT FACILITIES EXPANSION IN THE SECURITIZATION MARKET	LIMITED AND STABLE INCREASE IN THE HOUSING MARKETS, INCREASE IN BUYERS' MARKET (INVESTORS IN NEED) INCREASE IN THE CONSTRUCTION WORKS

SOURCE: DEUTSCHE BANK RREEF RESEARCH, PRUDENTIAL REAL ESTATE INVESTORS

I.2.2 Projections for the Commercial Real Estate Sector

Projections in the commercial real estate sector are made under the headings of real estate supply, finance, prices, rents, yields and investments.

Commercial Real Estate Supply

While recession continues concerning start of new investment in the commercial real estates, it will continue for completion of the investments in prime markets and developing countries and for need in the developing countries.

Investments shall start again in the developing markets in the years 2011-2012 again. Supply shall start particularly in the reliable markets having less risk and powerful yield structure. New supplies are projected in the developing countries for the same period depending on the expansion and user demand.

In the years of 2013-2014, there will be expansion in the developed markets and new supplies for acceleration and investment purpose in the relatively less risky markets and in the developing countries.

TABLE. 16 COMMERCIAL REAL ESTATE SUPPLY

PERIOD OF 2010	PERIOD OF 2011-2012	PERIOD OF 2013-2014
STAGNATION IN THE NEW INVESTMENTS	LIMITED INVESTMENT IN THE DEVELOPED MARKETS	EXPANSION OF INVESTMENTS IN THE DEVELOPED MARKETS
POSTPONEMENT AND SLOWDOWN IN THE EXISTING INVESTMENTS	SUPPLY OF CORE BUSINESS IN THE PRIME MARKETS	NEW SUPPLIES IN THE PRIME MARKETS AND CORE BUSINESS AND OTHER MARKETS
COMPLETION OF INVESTMENTS IN THE PRIME MARKETS AND DEVELOPING COUNTRIES	EXPANSION OF INVESTMENTS IN THE DEVELOPING COUNTRIES	ACCELERATION IN THE INVESTMENTS IN THE DEVELOPED COUNTRIES
LIMITED SUPPLY FOR NEEDS IN THE DEVELOPING COUNTRIES	NEW SUPPLIES DEPENDING ON THE USER DEMAND	NEW SUPPLIES FOR USER DEMAND AND INVESTMENT PURPOSE

Commercial Real Estate Finance

In 2010, the problem of recession in the financial facilities and non-performing credits will continue. When the restructuring of the existing credits is put on the agenda, the recession in the securitization market and acquisition-investment finance will continue.

Limited increases are projected at the leverage rates in the years 2011-2012 together with the limited expansion in the financial facilities, credit flow to the companies and investments with high credibility and start of the works in the securitization market again.

In the period of 2013-2014, we shall see stable growth in the financial facilities, expansion of the securitization market, limited increases at the leverage rates and normalization at the finance cost and risk premiums.

TABLE.17 COMMERCIAL REAL ESTATE FINANCE

PERIOD OF 2010	PERIOD OF 2011-2012	PERIOD OF 2013-2014
STAGNATION IN THE FINANCIAL FACILITIES	LIMITED EXPANSION OF FINANCIAL FACILITIES	STABLE GROWTH IN THE FINANCIAL FACILITIES
INCREASE IN THE NON-PERFORMING RECEIVABLES	FINANCE OF HIGH QUALITY REAL ESTATE PROJECTS IN THE PRIME MARKETS	INTENSITY OF CONVENTIONAL BANK CREDITS IN THE COMMERCIAL REAL ESTATE FINANCE
RENEWAL, RESTRUCTURING AND ADDITIONAL COLLETARIZATION (NEED OF REFINANCING) OF THE EXISTING CREDITS)	FINANCE FLOW TO THE ORGANIZATIONS WITH HIGH CREDIBILITY	EXPANSION OF SECURITIZATION MARKET
STAGNATION ON THE EQUITY FINANCE FACILITIES	LIMITED WORKS IN THE SECURITIZATION MARKET	INCREASE CREDIT RATINGS OF THE SECURITIES
SECURITIZATION MARKET FROZEN	CLARIFICATION OF THE NEW PERIOD CONDITIONS IN THE CREDIT AND FINANCE MARKET	LIMITED INCREASES IN THE LEVERAGE RATES (50% +)
STAGNATION IN THE PURCHASE-INVESTMENT FINANCE	INCREASE IN THE INTEREST RATES REDUCTION IN THE FINANCE COSTS	EXPANSION IN THE FINANCE OF LARGER-SCALED WORKS
UNCERTAINTY IN THE CREDIT AND FINANCE MARKET (RISK, YIELD, PRICING)	LIMITED EXPANSION IN THE PURCHASE/INVESTMENT FINANCE	NORMALIZATION IN THE FINANCING COST AND RISK PREMIUMS
REDUCTION AT THE LEVERAGE RATES (20-30%)	LIMITED INCREASES IN THE LEVERAGE RATES (40%-50%)	
STRICT CONTRACTUAL CONDITIONS, HIGH COLLETARIZATION, LOW RISKS, HIGH RISK PREMIUMS	SWITCHING TO FINANCING OF LARGER-SCALED WORKS	
STAGNATION IN THE WIDE-HOLUME FINANCIAL WORKS		

Prices, Rents and Yields of the Commercial Real Estates

The year 2010 will see the bottom at the commercial real estate prices followed by upward return, uncertainty in the supply/demand balance and prices, stagnation in the owner/tenant and expectancy deficit between the owner/tenant and buyer-seller. Furthermore, bottoming and stagnation will be seen in the rents and investment yields.

In the period of 2011-2012, there will be healthy and stable prices, stable expansion in the supply-demand, regular increases in the occupancy rates, rents and investment yields.

**TABLE.18 PRICES, RENTS AND YIELDS OF COMMERCIAL REAL ESTATE PRICES**

PERIOD OF 2010	PERIOD OF 2011-2012	PERIOD OF 2013-2014
BOTTOM AND STAGNATION IN THE PRICES	RE-PRICING STABILITY IN THE PRICES	STABLE INCREASE IN THE PRICES
UNCERTAINTY IN THE SUPPLY-DEMAND BALANCE AND PRICING	SUPPLY/DEMAND NEW BALANCE	STABLE EXPANSION IN THE SUPPLY AND DEMAND
STAGNATION IN THE FINANCIAL FACILITIES BEHIND THE SUPPLY AND DEMAND	RE-FINANCING BEHIND THE SUPPLY AND DEMAND	EXPANSION OF THE FINANCING FACILITIES BEHIND THE SUPPLY AND DEMAND
STAGNATION IN THE USER/TENANT DEMANDS	RE-STRUCTURING IN THE USER DEMANDS	STABLE EXPANSION IN THE USER DEMANDS
TENANT/OWNER BUYER/SELLER EXPECTANCY ADEQUACY	TENANT/OWNER BUYER/SELLER EXPECTANCY HARMONIZATION	STABILITY IN THE EXPECTANCY OF TENANT/OWNER BUYER/SELLER
BOTTOM AND STAGNATION IN THE RENTS	LIMITED INCREASE IN THE RENTS	STABLE INCREASE IN THE RENTS
STAGNATION IN THE INVESTMENT YIELDS	LIMITED INCREASE IN THE INVESTMENT YIELDS	INCREASE IN THE INVESTMENT YIELDS
RECESSION IN THE OCCUPANCY RATES	LIMITED INCREASE IN THE OCCUPANCY RATES	STABLE INCREASE IN THE OCCUPANCY RATES

Commercial Real Estate Investments

In 2010, the contraction in the direct investments will continue with lack of quality-reliable-yielding assets-recession in the market liquidity, expansion in the second-hand assets and escape from risky investments-disinvestment.

The projections for the years 2011-2012 show a limited increase in the direct investments again, recovery in the investment finance and investments by the corporate investors again.

And in the period of 2013-2014, the projections are expansion of the direct investments in the market and segments having sound foundations; re-expansion in the cross-border investments, expansion in the market liquidity, increase in the transactions of all scales and expansion in the investments and portfolios of the corporate investors.

TABLE.19 COMMERCIAL REAL ESTATE INVESTMENTS

PERIOD OF 2010	PERIOD OF 2011-2012	PERIOD OF 2013-2014
CONTRACTION IN THE DIRECT INVESTMENTS	LIMITED STABILITY AND INCREASE IN THE DIRECT INVESTMENTS	EXPANSION IN THE DIRECT INVESTMENTS (TO THE MARKETS AND SEGMENTS WITH SOUND FOUNDATIONS)
SWITCHING FROM THE CROSS-BORDER INVESTMENTS TO NATIONAL INVESTMENTS CAPITAL WITHDRAWAL	INVESTMENTS ON THE REAL ESTATES PRESENTING HIGH QUALITY, LONG TERM STABLE YIELDING IN THE PRIME MARKETS AND CENTERS	RE-EXPANSION IN THE CROSS-BORDER INVESTMENTS
LACK OF QUALITY, RELIABLE, YIELDING ASSETS	INVESTMENTS PARTICULARLY IN THE DEVELOPED MARKETS AND DOMESTIC INVESTMENTS	STABLE EXPANSION IN THE INVESTMENT FINANCE
CONTRACTION IN THE INVESTMENT FINANCE	RECOVERY IN THE FINANCING OF INVESTMENTS	INVESTMENT IN THE REAL ESTATES TO BRING MEDIUM-LONG TERM STABLE CAPITAL AND INVESTMENT YIELD
STAGNATION IN THE MARKET LIQUIDITY, NUMBER OF TRANSACTIONS AND TRANSACTION VOLUMES	INVESTMENT IN THE QUALITY, UNDERPRICED REAL ESTATES WITH DEVELOPMENT POTENTIAL	EXPANSION IN THE MARKET LIQUIDITY INCREASE IN THE TRANSACTIONS OF ANY SCALE
EXPANSION IN THE SECOND HAND ASSETS	RECOVERY IN THE MARKET LIQUIDITY, INCREASE IN THE TRANSACTION VOLUMES	EXPANSION IN THE INVESTMENTS OF THE CORPORATE INVESTORS
COOLING PERIOD FOR THE CORPORATE INVESTORS	RE-INVESTMENTS OF THE CORPORATE INVESTORS	NEW RISK-YIELD APPROACH IN THE PORTFOLIOS

I.3 PROJECTIONS FOR THE EUROPEAN COMMERCIAL REAL ESTATE MARKET

For Turkey, the projections for the European real sector are important as much as or presumably more than the projections for the real estate sector in global scale.

Europe encountered new economic problems after the economic crisis. It cannot sufficiently benefit from the recovery in the world economy and shows a much more limited and weak economic growth compared to other regions.

In this context, it is projected that recovery of the European economy shall take time, affecting the real estate sector in Europe adversely.

The projections below made by RREEF Research organization, a subsidiary of German Deutsche Bank concerning the European real estate sector for the period from 2010 through 2014.

In the projections made separately for the retail market, office market and industry-logistics area market, it is projected that the shrinkage and contraction shall continue throughout Europe in 2010. It is projected that the shrinkage-contraction shall cease in the years of 2011-2012 with a fixed and stable market followed by recovery and growth process again. Stable, regular and healthy increase and growth in the markets is projected for the years 2013-2014.

TABLE.20 PROJECTIONS FOR THE EUROPEAN RETAIL MARKET

	2010	2011	2012	2013	2014
WESTERN EUROPE-NORDIC					
RETAIL SALES GROWTH %	-0.4	0.8	1.0	0.9	0.8
INCOME PER CAPITA US DOLLAR	34.775	35.189	35.755	36.444	37.187
RENTS	FALL	FIXED	FIXED	INCREASE	INCREASE
GENERAL MARKET	SHRINKAGE	SHRINKAGE	STAGNANT	GROWTH	GROWTH
CENTRAL-EASTERN EUROPE					
RETAIL SALES GROWTH %	-0.1	1.7	4.9	3.9	3.9
INCOME PER CAPITA US DOLLAR	10.852	11.192	11.720	12.245	12.802
RENTS	FALL	FIXED	INCREASE	INCREASE	INCREASE
GENERAL MARKET	SHRINKAGE	STAGNANT	GROWTH	GROWTH	GROWTH

SOURCE: RREEF RESEARCH, EUROPEAN PROPERTY CYCLE MONITOR, 2010

TABLE.21 PROJECTIONS FOR THE EUROPEAN OFFICE MARKET

	2010	2011	2012	2013	2014
WESTERN EUROPE -NORDIC					
OFFICE EMPLOYMENT GROWTH %	-1.2	1.1	1.8	2.4	2.7
NATIONAL INCOME GROWTH	1.0	1.4	1.8	2.1	2.2
OCCUPANCY RATE %	13.2	12.9	11.9	10.8	9.8
RENTS	FALL	FALL	INCREASE	INCREASE	INCREASE
GENERAL MARKET	SHRINKAGE	SHRINKAGE	RECOVERY	RECOVERY	GROWTH
CENTRAL-EASTERN EUROPE					
OFFICE EMPLOYMENT GROWTH %	-0.9	0.5	1.6	1.8	1.8
NATIONAL INCOME GROWTH	0.9	2.9	4.4	3.9	3.8
OCCUPANCY RATE %	15.7	13.6	10.3	7.5	4.8
RENTS	FALL	FALL	FIXED	INCREASE	INCREASE
GENERAL MARKET	SHRINKAGE	SHRINKAGE	RECOVERY	RECOVERY	GROWTH

SOURCE: RREEF RESEARCH, EUROPEAN PROPERTY CYCLE MONITOR, 2010



TABLE. 22 PROJECTIONS FOR EUROPEAN INDUSTRY-LOGISTIC AREA MARKET

	2010	2011	2012	2013	2014
WESTERN EUROPE -NORDIC					
INDUSTRIAL PRODUCTION GROWTH %	3.7	2.5	2.2	2.1	1.9
GNP GROWTH %	1.0	1.4	1.8	2.1	2.2
RENTS	FALL	FALL	FIXED	INCREASE	INCREASE
GENERAL MARKET	SHRINKAGE	SHRINKAGE	RECOVERY	RECOVERY	GROWTH
CENTRAL-EASTERN EUROPE					
INDUSTRIAL PRODUCTION GROWTH %	1.8	5.0	5.8	5.0	4.8
GNP GROWTH %	1.0	2.9	4.5	3.9	3.8
RENTS	FALL	FIXED	INCREASE	INCREASE	INCREASE
GENERAL MARKET	SHRINKAGE	RECOVERY	RECOVERY	RECOVERY	GROWTH

SOURCE: RREEF RESEARCH, EUROPEAN PROPERTY CYCLE MONITOR, 2010

SECTION II

PROJECTIONS FOR THE HOUSING SECTOR FOR 2015

INTRODUCTION

Projections for the housing sector are made in the framework of new conditions evolved in the world and Turkish economy after the global crisis. This section concerns with the volumes of the housing sector in Turkey, volumes of the housing sector in Europe as well as the projections for the housing sector in Turkey.

II.1 VOLUMES OF THE HOUSING SECTOR IN TURKEY

Volumes of the housing sector in Turkey are consisted of the projections to be made for the period till 2015. The volumes of the housing sector are presented under the headings of the housing market indicators and housing finance system indicators.

II.1.1 Indicators of Housing Market in Turkey

Housing production and supply in Turkey has shown a significant expansion in the last five years since 2005. The housing supply, measured by the housing building licenses and housing building permits reached to a higher level that that of the previous periods and remained in this line during the last five years.

The housing building license issued in the last five years realized as number of apartments above 500 thousand. Despite the reduction in the years 2008 and 2009 with the effect of the crisis, the number of the housing building license issued remained above 500 thousand. The number of the housing building permit, that is, number of the apartment whose construction completed and thus offered for sale, has been expanding since 2005. The number 250 thousands in 2005 increased in the years 2008 and 2009 despite of the economic crisis, reaching to 399 thousand in 2009.

Housing production and supply for the last five years in Turkey meets the deficit in fulfilling the housing requirement.

TABLE.23 HOUSING BUILDING LICENSES AND HOUSING BUILDING PERMITS

YEARS	HOUSING BUILDING LICENCE NUMBER OF APARTMENTS	HOUSING BUILDING PERMIT NUMBER OF APARTMENTS
2001	279.616	243.464
2002	161.431	161.376
2003	202.839	162.781
2004	329.777	164.734
2005	545.336	249.336
2006	597.786	294.269
2007	581.029	325.255
2008	501.005	356.358
2009	508.034	398.611

SOURCE: BUILDING PERMIT STATISTICS, TURKISH STATISTICAL INSTITUTE

Housing stock is one of the basic indicators of the housing market. Official housing stock data was not produced in Turkey after the housing count in 2000. However, the housing stock is estimated by using the data from the year 2000 and the housing production-usage data announced in the subsequent years. In this context, it is estimated that there are 16.8 million residences (apartment) in the urban areas in Turkey in 2009. With respect to the housing sales, another important indicator of the housing market, Turkish Statistical Institute started to announce official data from early 2009 on. In Turkey, 427 thousand and 532 thousand of residences (apartments) were sold in 2008 and 2009, respectively, irrespective of the first and second hand housing sales.

TABLE.24 HOUSING STOCK AND SALES 2008 -2009

YEARS	URBAN AREA HOUSING STOCK MILLION APARTMENT (1)	HOUSING SALE APARTMENT
2008	16.4	427.105
2009	16.8	531.746

SOURCE: TURKISH STATISTICAL INSTITUTE
(1) ESTIMATION ON BASIS OF TURKISH STATISTICAL INSTITUTE (TSI)

Another important indicator of the housing market is the housing prices. Comprehensive and healthy indices about the housing prices are very limited and there are no official data announced by the official authorities. In this respect, the real estate index data prepared by the organizations Garanti Mortgage and Reidin are used. The real estate index is based on 2007 = 100, containing the data for the period of 2008 and 2009 when the conditions of the economic crisis occurred. The housing prices index, 100 in the year 2007, closed off the year 2009 at the level of 91.1. The housing prices have decreased by about 9 percent in the last two years.

TABLE. 25 HOUSING PRICES HOUSING PRICES INDEX 2007 = 100

	TURKEY	ISTANBUL	ANKARA	IZMIR
2008 Q1	105.6	108.3	98.9	105.1
2008 Q2	98.0	101.6	88.1	93.7
2008 Q3	94.8	96.2	87.6	94.6
2008Q4	88.0	87.8	82.9	92.5
2009 Q1	85.3	83.4	82.6	89.2
2009 Q2	88.7	85.8	86.8	97.0
2009 Q3	90.8	87.5	88.1	99.9
2009 Q4	91.1	88.4	88.2	100.8
2010 Q1	92.0	90.6	89.2	97.8

SOURCE: GARANTI MORTGAGE REIDIN REAL ESTATE INDEX
DATA BY THE LAST MONTH OF THE QUARTER

II.2.2 Indicators of Housing Finance System in Turkey

In Turkey, the law on the housing finance system was enacted in 2007. With the introduction of the law, the agencies, tools and working manner of the mortgage housing finance system were drawn up. However, the systems have not become operative yet with all its agencies and rules. The housing loans extended by the banks in form of consumer loans in Turkey constitute the system still as the most important single tool.

While the housing loans amounted to TRY3.5b in 2004 with a ratio of 0.63 percent to the national income, it entered into a quick expansionary period in the subsequent years and amounted to TRY30.7b in 2007 with a ratio of 3.59 percent to the national income. Although the legal frame of the housing finance system was formed in the years of 2008 and 2009, the growth of the housing loans slowed down along with the effects of the global crisis and it reached to the amount of TRY42.6b by the end of 2009, corresponding to a share of 4.47 percent in GNP.

TABLE.26 HOUSING LOANS BILLION TRY AND GNP RATE BY PERCENTAGE

YEARS	HOUSING LOANS	GNP	LOAN/GNP %
2002	1.35	350.5	0.38
2003	1.58	454.8	0.35
2004	3.52	559.0	0.63
2005	12.38	648.9	1.91
2006	22.13	758.4	2.92
2007	30.73	856.13	.59
2008	37.54	950.1	3.95
2009	42.60	954.0	4.47

SOURCE: THE CENTRAL BANK OF TURKEY, TURKISH STATISTICAL INSTITUTE

After the conditions evolved following the year 2004 with respect to the grant of housing loans, the bank started to be more enthusiastic. Fall in the interest rates encouraged the banks. While share of the housing loans in the total bank loans was 3.42 percent in 2004, it reached to 8.08 percent in 2005, 10.29 percent in 2006 and 11.6 percent in 2009. Housing loans shall continue to be an attractive financial product as long as the refinancing conditions are maintained for the banks.

TABLE.27 PLACE OF THE HOUSING LOANS IN THE BANKING SYSTEM BILLION TRY

YEARS	BANKS ASSET VOLUME	TOTAL BANK LOANS	HOUSING LOANS TOTAL LOANS	HOUSING LOANS TOTAL LOANS %	HOUSING LOANS/ TOTAL ASSETS %
2002	212.6	56.3	1.35	2.40	0.64
2003	249.7	69.9	1.58	2.26	0.64
2004	306.4	103.2	3.52	3.42	1.15
2005	397.0	153.1	12.38	8.08	3.11
2006	486.0	215.0	22.13	10.29	4.55
2007	561.2	280.4	30.73	10.96	5.47
2008	732.7	367.6	37.54	10.21	5.12
2009	833.9	367.4	42.60	11.60	5.11

SOURCE: THE BANKS ASSOCIATION OF TURKEY, BANKING REGULATION AND SUPERVISION AGENCY

Another indicator important as important as the stock data on the housing loans is the volume of total housing loans extended last year, number of loans extended and average loan volume.

The loan volume, amounting to TRY2.7b in 2004 reached to TRY11.6b in 2005 and it realized above TRY15b in the following three years. And the number of loans extended have realized as 238-268 thousands during these four years. The average loan volume is between TRY47-65k.

The volume of loan extended in 2009 was TRY19b in 2009 and the number of loans is estimated to be 306,500. Average loan volume is projected as TRY62k. This expansion in the volume of loans extended in 2009 mostly stemmed from loan renewal and loan changes, rather than new loans

TABLE.28 HOUSING LOANS EXTENDED IN YEAR

YEARS	LOAN MILLION TRY	NUMBER OF LOANS	AVERAGE LOAN VOLUME TRY
2003	805.0	26.992	29.825
2004	2.712.6	100.449	27.005
2005	11.635.6	242.582	47.965
2006	15.604.1	268.274	58.165
2007	15.534.5	240.799	64.512
2008	15.360.7	237.283	64.739
2009 T	19.000.0	306.500	62.000

SOURCE: THE BANKS ASSOCIATION OF TURKEY
(T) ESTIMATION

Another important indicator of the housing finance system is the monthly interest rate of the housing loan, the basic determinant in the housing demand. The housing loan monthly average interest rates came very close to 1 percent in 2005, triggering the loan demand. In the following three years, the housing loan interest rates showed fluctuations depending on the national and international economic conditions. Dramatic reduction of the indicative interest rates to 6.5 percent by the Central Bank in 2009 in the face of the conditions of the economic crisis led in turn reduction of all other interest rates. Accordingly, the housing loan monthly average interest rates also decreased below 1 percent for the first time.

TABLE.29 HOUSING LOAN MONTHLY INTEREST RATES

PERIODS	HOUSING LOAN MONTHLY INTEREST PERCENT		
	MINIMUM	MAXIMUM	AVERAGE
DECEMBER 2005	1.06	1.10	1.08
DECEMBER 2006	1.58	1.80	1.75
DECEMBER 2007	0.99	1.32	1.24
DECEMBER 2008	1.51	2.10	1.78
DECEMBER 2009	0.85	1.11	0.96

SOURCE: MONTHLY FINANCIAL MARKET INDICATORS, STATE PLANNING ORGANIZATION (SPO)

Housing loans are utilized maximum for maturity of 61-120 months. However, depending on the reduction in the housing interest, the share of loan utilization with a maturity of 37-60 started to show expansion in 2009.

TABLE.30 MATURITY STRUCTURE OF THE HOUSING LOANS (TRY LOANS SHARE BY PERCENTAGE)

PERIODS	1-2 MONTHS	13-36 MONTHS	37-60 MONTHS	61-120 MONTHS	121-180 MONTHS	181-240 MONTHS	241 MONTHS+
2008	0.3	6.2	24.4	49.7	16.7	1.9	0.8
2009	0.4	6.7	28.5	48.9	13.9	1.0	0.6

THE CENTRAL BANK OF TURKEY

In Turkey, 37.9 percent of the housing loans are utilized in Istanbul, 59 percent in the largest three cities and 85 percent in the first 20 cities where the loans are mostly utilized. Concentration rate of the housing loans is quite high. However, the concentration rate, together with the utilization of housing loan in other cities, has decreased, although to a limited extent.

TABLE.31 STOCK VALUE OF THE HOUSING LOANS IN THE CITIES, THOUSAND TRY

CITIES	2007	2008	2009
ADANA	649.079	775.341	955.077
ANKARA	4.399.335	5.196.186	6.084.799
ANTALYA	1.066.024	1.345.844	1.567.618
AYDIN	428.657	531.192	611.133
BALIKESİR	362.282	425.008	496.706
BURSA	853.703	1.021.733	1.248.448
DENİZLİ	312.450	344.544	384.701
DİYARBAKIR	237.530	282.264	323.505
ESKİŞEHİR	315.464	377.319	446.618
GAZİANTEP	348.570	391.513	462.438
HATAY	297.664	357.009	440.539
İSTANBUL	2.503.247	3.004.414	16.999.539
İZMİR	2.503.247	3.004.414	3.405.393
KAYSERİ	283.950	357.581	423.311
KOCAELİ	613.002	783.340	1.031.459
KONYA	408.757	479.179	575.766
MANİSA	443.304	538.883	625.716
MERSİN	647.533	749.447	880.266
MUĞLA	468.951	589.694	637.056
SAKARYA	180.244	271.183	342.909
SAMSUN	319.214	373.860	459.315
TEKİRDAĞ	391.296	493.532	589.351
TURKEY	32.255.657	38.901.344	44.851.450

SOURCE: BANKING REGULATION AND SUPERVISION AGENCY

II.2 VOLUMES OF HOUSING SECTOR IN EUROPE

While projections were made for housing sector in Turkey, particularly the volumes of the housing sector in Europe are shown with comparisons with Turkey and the growth potential of Turkey is assessed.

II.2.1 Indicators of Housing Market in Europe

The basic determinants of the volumes of the housing market in European Union are the population and demographic developments. Slowdown and cessation of the population in Europe, slowdown in the increase of the household number and housing ownership ratios and urban renewal requirements are determinative factors.

Housing ownership rate varies among the European countries. Germany has the lowest rate of 42 percent and Lithuania has the highest rate with the rate of 97 percent. The social state policies of the countries and related housing policies are determinative. Rate of housing ownership is high in the countries of the former eastern block. The reason that the ownership of housing is low in the countries such as Germany, France and United Kingdom is the existence of the social housing programs. Spain, the country where the housing finance system expanded in the fastest way, takes place among the countries enjoying high rate of housing ownership.

In Turkey, the rate of housing ownership was found as 65 percent as a result of housing stock count and census in the year 2000. However, among the houses owned, the number of the houses constructed without housing license (illegal) which are below the minimum standards.

Number of the housing occupancy permit shows new housing supply. Depending on the housing requirements of the countries, the new housing supply varies as well. France with 455 thousand, Spain with 265 thousand, Poland with 223 thousand are the countries with the highest housing supply. In the same year, the new housing supply was 356 thousand of units in Turkey and Turkey is the second country across Europe with the greatest housing supply.

Considering the data on housing sale, the housing sales realized high in the big countries of Europe as well as the countries having comprehensive house stock. With sale of 427 thousand of units, Turkey is the country (except for Romania) where the highest sales occurred when compared to the sale figures in the big countries.

TABLE.32 EU HOUSING SECTOR INDICATORS 2008

COUNTRIES	HOUSING OWNERSHIP RATE (1)	HOUSING STOCK, NUMBER OF APARTMENTS	HOUSING OCCUPANCY PERMIT NUMBER OF APARTMENTS	HOUSING SALES NUMBER OF APARTMENTS
AUSTRIA	57.0	3.865.000	42.281	-
BELGIUM	78.0	4.950.000	52.397	19.923
BULGARIA	96.5	3.767.081	16.249	-
CYPRUS	68.0	358.000	8.896	-
CZECH REP.	58.7	4.596.061	47.389	-
DENMARK	54.0	2.696.452	15.731	53.147
ESTONIA	96.0	650.500	5.468	23.203
FINLAND	59.0	2.731.826	26.300	76.000
FRANCE	57.4	32.515.000	455.700	802.000
GERMANY	43.2	40.100.000	174.595	446.000
GREECE	80.6	6.428.194	64.800	-
HUNGARY	92.0	4.244.000	43.862	101.831
IRELAND	74.5	1.934.000	17.491	53.616
ITALY	80.0	27.817.970	37.140	686.587
LATVIA	87.0	1.013.002	4.507	68.700
LITHUANIA	97.0	1.327.930	8.189	-
LUXEMBURG	75.0	175.327	4.017	3.001
MALTA	75.0	135.000	11.343	-
NETHERLANDS	57.0	7.028.606	87.198	182.392
POLAND	75.0	13.286.247	223.372	243.000
PORTUGAL	76.0	5.624.654	68.615	281.365
ROMANIA	97.0	8.317.848	61.092	484.000
SLOVAKIA	88.0	1.987.153	28.321	-
SLOVENIA	82.0	830.000	8.000	4.900
SPAIN	84.5	26.230.579	264.795	564.464
SWEDEN	52.0	4.470.000	24.100	57.000
UNITED KINGDOM	59.0	26.651.700	213.100	785.000
TURKEY (1)	65.0	16.800.000	356.358	427.105

SOURCE: EUROPEAN MORTGAGE FEDERATION, ANNUAL REPORT, 2009

(1) Housing ownership rate is for the year 2000 and the houses without housing license constitute important portion of the houses owned.

II.2.2 Indicators of Housing Finance System in Europe

Among the indicators of the housing finance system in Europe, the housing loans, secondary finance and securitization and housing loan interest rates are assessed.

Mortgage housing loan utilized throughout Turkey reached to EUR6. It with a share of 49.8 percent in the total gross product in Europe. Although mortgage housing loan reached to a significant volume across Europe, the utilization of mortgage housing loan continues. Volume of the housing loan extended new in the year 2008 has been EUR891.5t across Europe. And the average mortgage housing loan stock utilized per person in Europe has been EUR12,240.

When the housing loan indicators of Turkey are compared, the housing finance system is seen to be at the first development stage. Having significant volumes in the data on stock, new supply and sale in the housing market, the housing finance system in Turkey still have a limited share in the finance of the housing market transactions. In this framework, it is seen that the housing finance system in Turkey has a significant potential of growth

TABLE.33 VOLUMES OF MORTGAGE HOUSING LOAN IN EU-MEMBER COUNTRIES 2008

COUNTRIES	TOTAL MORTGAGE HOUSING LOAN BILLION EURO	MORTGAGE HOUSING LOAN/NATIONAL INCOME %	MORTGAGE HOUSING LOAN EXTENDED DURING THE YEAR BILLION EURO	MORTGAGE HOUSING LOAN STOCK PER CAPITA EURO
AUSTRIA	71.4	25.3	-	8.56
BELGIUM	137.1	39.8	21.5	12.86
BULGARIA	4	11.6	2.6	520
CYPRUS	8.5	50.2	-	10.77
CZECH REP.	16	10.8	4.9	1.54
DENMARK	222.1	95.3	36.9	40.57
ESTONIA	6.2	39.2	1.4	4.64
FINLAND	88.4	47.5	26.7	16.67
FRANCE	700.8	35.9	122	10.99
GERMANY	1147.9	46.1	121.7	13.96
GREECE	77.7	32	15.2	6.93
HUNGARY	15.6	14	2.9	1.46
IRELAND	148.5	80	23	33.75
ITALY	311.8	19.8	85	5.23
LATVIA	7.2	31.2	1.7	3.18
LITHUANIA	5.6	17.3	1.8	1.66
LUXEMBOURG	15.9	43.5	4.4	32.93
MALTA	2.2	38.8	0.2	5.43
NETHERLANDS	589.5	99.1	119	35.94
POLAND	56.5	15.6	-	1.48
PORTUGAL	105.2	63.3	2.8	9.91
ROMANIA	5.5	4	3.6	250
SLOVAKIA	8.5	13.2	-	1.58
SLOVANIA	3.4	9.1	0.7	1.68
SPAIN	674.4	62	83.8	14.89
SWEDEN	199.1	60.6	40.1	21.68
UNITED KINGDOM	1458.9	80.5	316.4	23.84
EU-27	6087.9	49.8	891.5	12.24
TURKEY (1)	17.6	4	7.2	246

SOURCE: EUROPEAN MORTGAGE FEDERATION, ANNUAL REPORT, 2009

(1) HOUSING OWNERSHIP RATE IS FOR THE YEAR 2000 AND THE HOUSES WITHOUT HOUSING LICENSE CONSTITUTE IMPORTANT PORTION OF THE HOUSES OWNED.

One of the most important mechanisms of the housing finance system is the secondary markets. The secondary markets provide long-term and additional resources by method of securitization in the system, financing the expansion in the housing loans.

Depending on the housing loan in volume of USD6. It extended across Europe, the issued security stock is EUR1.5t. 25 percent of the mortgage housing has been refinanced through securitization.

However, in Turkey, the securitization market and security issuance have not formed yet. The banks extending housing loan obtain limited resource from the foreign market in form of guarantee of the mortgage loans.

In this framework, one of the most important hindrances against the expansion of the housing finance system in Turkey is that the secondary markets have not been established yet.

TABLE.34 VOLUMES OF BONDS BASING ON MORTGAGE HOUSING LOANS IN EU-MEMBER COUNTRIES, 2008			
COUNTRIES	TOTAL MORTGAGE HOUSING LOAN BILLION EURO	BOND STOCK BASING ON MORTGAGE HOUSING LOANS BILLION EURO	SECURITIZATION RATE
AUSTRIA	71.4	8.5	11.9
CZECH REP.	16	8.2	51.3
DENMARK	222.1	365.8	164.7
FINLAND	88.4	5.8	6.6
FRANCE	700.8	119	17
GERMANY	1147.9	216.7	18.9
HUNGARY	15.6	7.2	46.2
IRELAND	148.5	23	15.5
ITALY	311.8	6.3	2
LATVIA	7.2	0.1	1.4
LUXEMBURG	15.9	0.3	1.9
NETHERLANDS	589.5	20.8	3.5
POLAND	56.5	0.7	1.2
PORTUGAL	105.2	15.3	14.5
SLOVAKIA	8.5	3.6	42.4
SPAIN	674.4	313.5	46.5
SWEDEN	199.1	126.4	63.5
UNITED KINGDOM	1458.9	186.6	12.8
EU-27	6,087.9	1,515.0	24.9
TURKEY	17.6	-	-

SOURCE: EUROPEAN MORTGAGE FEDERATION, ANNUAL REPORT, 2009

Interest rates of the mortgage housing loans extended in the European countries are determinative in the growth of the loan demand and loan supply. In all EU-27 countries, except for Hungary and Bulgaria, the annual loan interest rates are below the level of 10 percent, at about 6 percent in average. The interest rates form at quite low level due to low inflation and, consequently, low market interests, supporting the growth of the system by the loan demand.

When considered with the annual interest rate in 2009 when the monthly interest decreased below 1 percent for the first time, Turkey has still high interest rates that limit loan demand and expansion of the system with the interest rate of 12.15 percent.

TABLE.35 AVERAGE ANNUAL INTEREST RATE (%) OF THE MORTGAGE HOUSING LOAN EXTENDED NEW IN THE EUROPEAN UNION COUNTRIES %

COUNTRIES	2000	2002	2004	2006	2008
AUSTRIA	7.13	5.38	3.9	3.8	5.32
BELGIUM	7.25	6.55	5.15	5.4	4.99
BULGARIA	15.86	13.14	10.58	8.5	10.36
CZECH REP.			4.74	4.36	5.69
DENMARK	7.24	5.66	4.97	5.22	6.58
ESTONIA	13.1	7.4	3.7	4.4	5.7
FINLAND	6.5	4.1	3.14	3.72	5.01
FRANCE	6.4	5.1	4.25	3.9	5.2
GERMANY	6.44	5.52	4.63	4.64	4.83
GREECE	7	6.7	4.5	4.35	5.31
HUNGARY	17.7	14.05	11.83	9.8	11.2
IRELAND	6.17	4.69	3.47	4.57	5.33
ITALY	6.5	5.03	4.5	4.56	6.29
LATVIA	11.4	8.6	5	4.73	6.62
LITHUANIA	9.93	6.05	4.52	4.03	5.45
LUXEMBOURG	5.98	4.4	3.4	3.95	4.75
MALTA			4.34	4.95	3.98
NETHERLANDS	6.4	5.2	4.8	4.37	5.34
POLAND		9.6	8.1	5.7	7.1
PORTUGAL	6.8	5.1	4.1	5	5.9
ROMANIA					7.03
SLOVAKIA	9.98	8.62	6.87	6.3	6.2
SLOVANIA	15.4	13.5	7.58	5.64	6.89
SPAIN	5.9	3.8	3.3	4.03	5.64
SWEDEN	4.9	4.9	3	3.63	3.6
UNITED KINGDOM	5.19	4.58	5.04	5.11	5.82
TURKEY (1)		-	-	23.14	12.15

SOURCE: EUROPEAN MORTGAGE FEDERATION, ANNUAL REPORT, 2009
(1) IN THE COLUMN 2008, THE DATA FOR 2009 WAS USED FOR TURKEY

II.3 PROJECTIONS FOR HOUSING SECTOR IN TURKEY

The projections for the housing sector in Turkey are made for the period till the year 2015, considering the new population data, new GNP data as well as new conditions to evolve in the subsequent period in the world and Turkish economy. This section includes population and demography projections, housing requirement projections, housing loan projections as well as projections for loan utilization potential of the households..

II.3.1 Projections for Population and Demography

In the period till the year 2015, the speed of the population growth in Turkey will continue to slow down, the urbanization rate to increase and household volume to reduce.

In the context of these demographic trends, the population in Turkey, 72.6 million in 2009, will reach to 77.3 million in 2015. The urbanization rate, 75.4 percent in 2009, will continue to increase, reaching to 78 percent in 2015. Depending on the increase in the urbanization rate, the urban population will increase from 54.7 million to 61.6 million. And the household size will continue to diminish with the number of household increasing from 17.16 million to 18.85 million.

TABLE.36 POPULATION AND DEMOGRAPHY PROJECTIONS FOR 2015

YEARS	POPULATION (000)	POPULATION RATE %	URBAN POPULATION (000)	SIZE OF HOUSE HOLD PERSON	NUMBER OF HOUSEHOLD (000)
2010	73.374	76.00	55.764	4.20	17.470
2011	74.180	76.60	56.822	4.18	17.746
2012	74.968	77.20	57.875	4.16	18.021
2013	75.783	77.80	58.960	4.14	18.305
2014	76.542	78.40	60.010	4.12	18.578
2015	77.305	79.00	61.070	4.10	18.855

When making projections for the housing sector, the projections for the urban population and household along with the general population and demography trends bear importance as well.

While the urban population rises from 54.7 million to 61.1 million, the size of the urban household will decrease from 4.12 persons to 4.00 persons in 2015. And the number of household will be 13.6 million in 2010, reaching to 15.27 million in 2015. Thus, the increase of household will be 1.99 million between the years of 2010-2015.

TABLE.37 PROJECTIONS FOR THE NUMBER OF URBAN HOUSEHOLDS IN 2015

YEARS	URBAN POPULATION (000)	SIZE OF URBAN HOUSEHOLD PERSON	NUMBER OF URBAN HOUSEHOLD (000)	INCREASE IN THE NUMBER OF URBAN HOUSEHOLD (000)
2010	55.764	4.10	13.600	318
2011	56.822	4.08	13.926	326
2012	57.875	4.06	14.254	328
2013	58.960	4.04	14.594	340
2014	60.010	4.02	14.928	334
2015	61.070	4.00	15.268	340

II.3.2 Projections for Housing Requirement

The housing requirement in Turkey stems from three distinct factors. These factors are the number of urban household, the restoration requirement as a result of outdated building stock and stock transformation as a result of both earthquake risk and illegal housing.

On Basis of Increase of Households

Basing on the population and demography projection, it is projected that the increase in the number of urban households will be 1.99 million in the period of 2010-2015.

On Basis of Restoration

The housing stock in the urban areas is estimated to be 16.8 million apartments in Turkey by the end of 2009. Calculated again on basis of the data on the number of housing in the urban areas in 2000, there are 760 thousand buildings (3.8 million apartments) which are 50 or more years old. Of the current stock, the share of the houses in need of restoration is 22.6 percent. Assuming 2 percent of the houses in need of restoration will be restored each year (SPO uses the assumption that 0.5 percent of the total stock to be restored each year), we see total requirement of 495 thousand on restoration basis in the period of 2010-2015.

Urban Transformation

In Turkey, 30 percent of the housing stock and 5.2 million apartments in the urban areas are houses that do not have building permit and are below the minimum qualifications. Furthermore, in Istanbul, there are 160 thousand buildings which are face to face with the risk of collapse/damage. (Part of them is also buildings without permits).

Assuming demolition and restoration of 3 percent of the buildings with such qualities in the framework of urban transformation each year, it is projected that 156 thousand buildings are required each year on basis of urban transformation in the period of 2010-2015.

Total Housing Requirement

In the period of 2010-2015, the housing requirement shall be 3,417,000 in number of which 1.986.000 on basis of increase in the household, 495.000 on basis of restoration and 936.000 on basis of urban transformation.

TABLE.38 HOUSING REQUIREMENT IN TURKEY IN THE PERIOD OF 2010-2015 (000)

YEARS	ON BASIS OF INCREASE IN THE HOUSEHOLDS	ON BASIS OF RESTORATION	ON BASIS OF URBAN TRANSFORMATION	TOTAL
2010	318	80	156	554
2011	326	81	156	563
2012	328	82	156	566
2013	340	83	156	579
2014	334	84	156	574
2015	340	85	156	581
TOTAL	1.986	495	936	3.417

II.3.3 Projections for Housing Loans

The housing loans are one of the most important factors determining the housing demand against the housing requirement. For this reason, projections are made for development of the housing loans.

In the projection for the housing loans, the housing loans/GNP ratio is used as the basic determinant criterion. Consequently, projections are made especially for the economic growth and national income. The Turkish economy is projected to grow by 5.5 percent in 2010, 4.5 percent in 2011 and 4 percent in the subsequent years. Depending on GNP deflector assumptions, GNP shall be TRY1.66t in 2015.

TABLE.39 PROJECTIONS FOR GROWTH OF NATIONAL INCOME

YEARS	% GROWTH	GNP DEFLECTOR %	GNP BILLION TRY
2010	5.5	7.5	1.082
2011	4.5	6.0	1.198
2012	4.0	5.0	1.309
2013	4.0	4.0	1.415
2014	4.0	4.0	1.531
2015	4.0	4.0	1.656

Projections for volume of the housing loans are presented in 3 scenarios. Accordingly, the first scenario assuming increase of the housing loans stock/GNP ratio from 4.47 percent in 2009 to 6 percent in 2015; the second scenario assuming the increase of the same to 7.5 percent and the third scenario to 10 percent. According to these scenarios, the total housing loan stock in 2015 is TRY99.4b in the first scenario; TRY124.2b in the second scenario and TRY165.6b in the third scenario.

TABLE.40 HOUSING LOANS PROJECTION SCENARIOS FOR 2015

YEARS	GNP BILLION TRY	HOUSING LOANS /GNP %			HOUSING LOANS BILLION TRY		
		SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO A	SCENARIO B	SCENARIO C
2009	954	4.47	4.47	4.47	42.6	42.6	42.6
2010	1.082	4.70	4.80	5.00	50.9	52.0	54.0
2011	1.198	5.00	5.25	6.00	60.0	63.0	71.9
2012	1.309	5.25	5.75	7.00	68.7	75.3	91.6
2013	1.415	5.50	6.25	8.00	77.8	88.4	113.2
2014	1.531	5.75	6.75	9.00	88.0	103.3	137.8
2015	1.656	6.00	7.50	10.00	99.4	124.2	165.6

The projections made in the three scenarios concerning the volumes of the housing loans are assessed by the shares they will take/reach in the total bank loans. In this regard, projection is made particularly for the total loan volume of the banks.

Assuming that the bank assets will grow by 10 percent each year till 2015 and it is also assumed that the total bank assets will reach to TRY1.48t in 2015 with share of the bank loans in the total bank assets increasing increase 1 point each year and reaching to 50 percent in 2015 and the total loans to TRY740b.

When assessed by considering this total loan volume, the share of the housing loans is 13.4 percent in 2015 according to the first scenario with TRY99.4b, and 16.8 percent and 22.4 percent in the second and third scenarios, respectively.

TABLE.41 PROJECTED SCENARIOS FOR SHARE OF THE HOUSING LOANS IN THE TOTAL BANK LOANS FOR THE YEAR 2015

YEARS	BANK LOANS BILLION TRY	HOUSING LOANS BILLION TRY			HOUSING LOANS/TOTAL LOAN %		
		SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO A	SCENARIO B	SCENARIO C
2009	367	42.6	42.6	42.6	11.6	11.6	11.6
2010	460	50.9	52.0	54.0	11.1	11.4	11.8
2011	505	60.0	63.0	71.9	11.9	12.5	14.2
2012	555	68.7	75.3	91.6	12.4	13.6	16.5
2013	610	77.8	88.4	113.2	12.8	14.5	18.6
2014	672	88.0	103.3	137.8	13.1	15.4	20.5
2015	740	99.4	124.2	165.6	13.4	16.8	22.4

The fundamental determinant in the relation between the housing loans and housing demand is volume of loan and number of loan extended in the year. For this reason, the projection is made for the housing loan to be extended during the year in the framework of 3-scenario projections made for the loan stock.

The housing loan stock increases as much as the difference of the loans extended during the year and closed off by falling due. In the following years, the return of the loans extended in the past periods shall concentrate.

Accordingly, the volume of loan to be extended during the year is TRY16.3b for 2010, TRY24.4b for 2015 under the first scenario; TRY17.4b and TRY36.9b under the second scenario and TRY19.4b and TRY44.8b under the third scenario, respectively.

TABLE.42 PROJECTED SCENARIOS FOR THE HOUSING LOANS TO BE EXTENDED DURING THE YEAR, BILLION TRY

YEARS	SCENARIO A	SCENARIO B	SCENARIO C
2010	16.3	17.4	19.4
2011	18.1	21.0	27.9
2012	18.7	23.3	31.7
2013	20.1	27.1	35.6
2014	22.2	28.9	39.6
2015	24.4	36.9	44.8

Basing on the projections for the loan volumes to be extended during the year, the projections for the number of loans again to be extended during the year are also made. To this end, how many loans to be extended is found in case the total loan volumes reached by each of the three scenarios are extended by the average loan volumes of TRY50,000, TRY75,000 and TRY100,000

Projections that may be extended by years according to each of three scenarios are shown in Table 43. According to the first scenario (A), the number of loans to extended in 2015 is 488 thousand each with an average volume of TRY50,000; 325 thousand each with an average volume of TRY75,000 or 244 thousand each with an average volume of TRY100,000.

TABLE.43 PROJECTIONS FOR NUMBER OF LOANS TO BE EXTENDED IN A VARIETY OF VOLUMES

S C E N A R I O A			
YEARS	TRY50,000/EACH	TRY75,000/ EACH	TRY100,000/EACH
2010	326.000	217.350	163.000
2011	362.000	241.330	181.000
2012	374.000	249.350	187.000
2013	402.000	268.000	201.000
2014	444.000	296.000	222.000
2015	488.000	325.350	244.000
S C E N A R I O B			
YEARS	TRY50,000/EACH	TRY75,000/ EACH	TRY100,000/EACH
2010	348.000	232.000	174.000
2011	420.000	280.000	210.000
2012	466.000	310.665	233.000
2013	542.000	361.330	271.000
2014	578.000	385.330	289.000
2015	738.000	492.000	369.000
S C E N A R I O C			
YEARS	TRY50,000/EACH	TRY75,000/ EACH	TRY100,000/EACH
2010	388.000	258.650	194.000
2011	558.000	372.000	279.000
2012	634.000	422.665	317.000
2013	712.000	474.665	356.000
2014	792.000	528.000	396.000
2015	896.000	597.330	448.000

II.3.4 Projections for Capacity of the Households to Utilize Housing Loans

The most important determinant of the demand for the housing loans is the capacity of the households to utilize housing loan. Capacity of the households to utilize housing loan is consisted of the income and saving power by the income groups and loan repayment power in association with them.

In this context, projections are made for the capacity of the households to utilize housing loan in Turkey. Projections for development of the income and saving powers of the household for the period till 2015 are presented below.

Turkish Statistic Institute publishes data on the income and expenditure volumes of the households in Turkey. However, there is inconsistency between the data in question. There are considerable differences between the private disposable income and household consumption expenditures used by the Turkish Statistic Institute for national income calculations and the volumes of household income and consumption expenditures it measures by way of survey. For example, while the volume of household consumption expenditures appeared in the national income calculations for 2008 was TRY662,0b, the private consumption expenditures found by way of survey way TRY335b.

Considering the significant difference, we use income and consumption data for calculation of national income instead of the data derived from the household surveys conducted face-to-face.

First of all, on the basis of national income data, projections are made for total disposable income and total household consumption expenditures till 2015. The share of the private disposable income and consumption expenditures in the national income projections calculated previously is assumed to remain same by the years. Accordingly, the total disposable private income amounts to TRY1.49t and consumption expenditures amount to TRY1.18t in 2015.

TABLE.44 PROJECTIONS FOR PRIVATE DISPOSABLE INCOME AND VEXPENDITURE FOR 2015

YEARS	GNP BILLION TRY	PRIVATE DISPOSABLE INCOME		HOUSEHOLD EXPENDITURES	
		% GNP	BILLION TRY	% GNP	BILLION TRY
2010	1.082	90	974	71.0	768
2011	1.198	90	1.078	71.0	851
2012	1.309	90	1.178	71.0	929
2013	1.415	90	1.274	71.0	1.005
2014	1.531	90	1.378	71.0	1.087
2015	1.656	90	1.490	71.0	1.176

Households are consisted of five income groups. These income groups take different shares from the total special disposable income and private consumption expenditures. According to the latest announced data far 2008 and basing on the assumption that the limited improvement seen in the income distribution in recent years will continue as it is, the projections are about the shares the income groups will take from the total private disposable income and consumption till 2015.

TABLE.45 DISTRIBUTION OF THE HOUSEHOLD INCOME BY THE INCOME GROUPS

YEARS	LOWEST INCOME %20	LOW INCOME %20	MEDIUM INCOME %20	HIGH INCOME %20	HIGHEST INCOME %20
2010	6.00	10.70	15.00	21.40	46.90
2011	6.20	10.90	15.20	21.10	46.60
2012	6.40	11.20	15.50	20.80	46.10
2013	6.60	11.50	15.80	20.50	45.60
2014	6.80	11.70	16.20	20.20	45.10
2015	7.00	12.00	16.50	20.00	44.50

TABLE.46 DISTRIBUTION OF THE HOUSEHOLD EXPENDITURES BY THE INCOME GROUP

YEARS	LOWEST INCOME %20	LOW INCOME %20	MEDIUM INCOME %20	HIGH INCOME %20	HIGHEST INCOME %20
2010	9.1	13.8	17.7	22.8	36.6
2011	9.2	14.0	17.9	22.5	36.4
2012	9.3	14.2	18.1	22.3	36.1
2013	9.4	14.4	18.3	22.1	35.8
2014	9.5	14.6	18.5	21.8	35.6
2015	9.6	14.8	18.7	21.5	35.4

The saving capacities of the households are calculated by using projections for the shares the household income groups take from the total private disposable income and consumption expenditures.

Accordingly, it is projected that the lowest income group will continue to give saving deficit till the year 2015. And the low income group will start to deliver saving surplus from 2013 on; however, this saving surplus shall remain very limited.

Saving capacity of the medium income group shall be within the increase trend. By 2015, the saving surplus per household will reach to TRY575 monthly.

Monthly saving capacity of the high income group will continue to a limited extent and the saving surplus per household will reach to TRY1000 per month by 2015.

And the highest income group will continue its very high saving capacity by further increase.

TABLE.47 PROJECTIONS FOR HOUSEHOLD SAVINGS TRY MONTHLY

YEARS	LOWEST INCOME %20	LOW INCOME %20	MEDIUM INCOME %20	HIGH INCOME %20	HIGHEST INCOME %20
2010	-275	-45	240	795	4.190
2011	-270	-38	272	845	4.520
2012	-255		335	875	4.800
2013	-237	40	395	890	5.030
2014	-215	55	495	930	5.260
2015	-190	105	575	1.000	5.450

Based on these projections for the saving capacity of the household, the housing loan demand and repayment power of the households are assessed. When making this assessment, different maturity and interest rates of the loans in three different volumes and the related repayment (principal + interest) table data are used.

Accordingly, it is seen that the highest income group has powerful capacity for repayment of the housing loan. However, this group is the one that has the highest rate of housing ownership in turkey, owning more than one house, showing demand for quality-luxury houses and purchasing house for investment purpose in Turkey.

Housing loan repayment capacity of the second highest income group increases. However, the group can reach to the loan repayment capacity only for loans of TRY75,000 by monthly interest payments of 0.60-0.80 with maturity of 120 months and above.

Despite of the increase in the saving capacity of the medium class, this group will utilize a loan of TRY50,000.- by interest rate of 0.80 with maturity of 180 months and above and by interest of 0.60 with maturity of 120 months and above.

Finally, the housing loan utilization demand in the period till the year 2015 will mostly be by the highest income group having sufficient saving capacity an partly from the second highest income group and, to a limited extend, from the medium income group.

TABLE .48 REPAYMENT OF HOUSING LOAN OF TRY100,000, TRY75,000 AND TRY50.000

LOAN MATURITY	LOAN INTEREST RATES AND INSTALLMENT AMOUNTS				TOTAL PAYMENT AMOUNTS			
	1.35	1.310	0.80	0.60	1.35	1.310	0.80	0.60
TRY100,000								
60 MONTHS	2.486	2.320	2.129	2.007	149.148	2.129	139.174	120.399
120 MONTHS	1.739	1.470	1.326	1.190	208.633	1.326	176.353	142.818
180 MONTHS	1.540	1.239	1.080	930	277.148	1.080	223.027	167.477
240 MONTHS	1.540	1.143	970	809	352.215	970	274.367	194.224
TRY75,000								
60 MONTHS	1.865	1.740	1.597	1.505	111.861	104.381	95.789	90.229
120 MONTHS	1.304	1.103	995	893	156.475	132.265	119.335	107.115
180 MONTHS	1.155	929	810	698	207.861	167.270	145.733	125.608
240 MONTHS	1.101	857	727	607	264.161	205.775	174.659	145.668
TRY50,000								
60 MONTHS	1.243	1.160	1.065	1.004	74.574	69.587	63.860	60.200
120 MONTHS	870	735	663	595	104.317	88.177	79.557	71.409
180 MONTHS	770	620	540	465	138.574	111.514	97.156	83.739
240 MONTHS	734	572	485	405	176.108	137.184	116.440	97.112

SECTION III.

PROJECTIONS FOR RETAIL MARKET AND SHOPPING CENTER FOR 2015

INTRODUCTION

Shopping centers constitute an important sub-market of the commercial real estate sector. The basic factors determining development of the shopping centers are the retail expenditures or retail market volume and the share taken by the organized retail market. In this context, the commercial real estate projections, first of all, contain shopping centers together with the retail expenditure and market projections.

III.I VOLUMES OF RETAIL MARKET AND SHOPPING CENTER IN TURKEY

The volumes of the retail market and shopping centers in Turkey serve as basis for the projections to be made for the period till 2015. For this reason, the retail market and shopping center indicators are presented in the first place.

III.I.I Indicators of Retail Market in Turkey

Retail market indicators constitute retail expenditures of the households. And this volume is, in turn, determined by the national income, special disposable income and private consumption expenditures.

In Turkey, the national income has shown a significant expansion in the period after the 2001-crisis, and it contracted in 2009 due to the economic crisis. National income was USD617.6b in 2009 and income per capita is USD8.590.

TABLE.49 NATIONAL INCOME AND ECONOMIC GROWTH

YEARS	GNP BILLION TRY	GNP BILLION US DOLLAR	YEAR-END POPULATION (000)	INCOME PER CAPITA USD DOLLAR
2001	240.2	196.7	64.770	3.037
2002	350.5	230.5	65.806	3.505
2003	454.8	304.9	66.819	4.563
2004	559.0	390.4	67.808	5.757
2005	648.9	481.5	68.771	7.000
2006	758.4	526.4	69.707	7.550
2007	856.4	658.8	70.586	9.333
2008	950.1	742.3	71.517	10.436
2009	954.0	617.6	72.561	8.590

SOURCE: TURKISH STATISTICAL INSTITUTE

Private disposable income and private consumption expenditures are formed by the volume of the national income and the share it takes from the national income. In 2009, the share of the private disposable income in the national income is 90.2 percent and the volume of the total private disposable income is USD557.1. And the private consumption expenditures had a share of 71.6 percent in the national income and, on the other hand, the share of the private consumption expenditures in the private disposable income was 79,4 percent in 2009.

TABLE.50 PRIVATE DISPOSABLE INCOME AND CONSUMPTION EXPENDITURES

	2003	2004	2005	2006	2007	2008	2009
GNP Billion US Dollar	304.9	390.4	481.5	526.4	658.8	742.3	617.6
PRIVATE DISPOSABLE INCOME / GNP %	93.0	89.3	85.6	85.4	87.0	87.4	90.2
PRIVATE DISPOSABLE INCOME Billion US Dollar	283.6	348.6	412.2	449.5	573.2	648.8	557.1
PRIVATE CONSUMPTION EXPENDITURES / GNP %	71.2	71.3	71.7	70.5	70.6	69.7	71.6
PRIVATE CONSUMPTION EXPENDITURES Billion US Dollar	217.1	278.3	345.2	371.1	465.1	517.2	442.4
PRIVATE CONSUMPTION EXPENDITURES / PRIVATE DISPOSABLE INCOME %	76.6	79.8	83.7	82.6	81.1	79.7	79.4

SOURCE: TURKISH STATISTICAL INSTITUTE

Private consumption expenditures of the households are consisted of a variety of expenditure groups. Among them, the retail expenditures constitute the expenditure group related to the shopping centers. In Turkey, the share of the retail expenditures in the private consumption expenditures amounted to 46.9 percent in 2009. On this basis, the volume of retail expenditures was USD207.7b in 2009. Of the retail expenditures, USD113.1b accounts for food expenditures and USD94.6b for off-good expenditures.

TABLE.51 RETAIL EXPENDITURES BILLION US DOLLAR							
RETAIL EXPENDITURES	2003	2004	2005	2006	2007	2008	2009
FOOD BEVERAGE TOBACCO	61.5	74.1	90.5	94.6	117.4	132.3	113.1
OFF-FOOD RETAIL	58.8	76.7	89.7	93.4	110.7	115.8	94.6
CLOTHING AND FOOTWEAR	21.8	26.9	26.6	25.9	30.2	31.4	24.1
HOME APPLIANCES	16.7	21.9	29.8	31.8	37.5	38.5	32.0
LEISURE AND CULTURE	10.4	14.8	17.8	18.4	20.9	21.7	19.0
RESTAURANT AND HOTELS	2.0	2.6	3.3	3.6	4.4	5.0	4.4
VARIOUS GOODS AND SERVICES	7.9	10.5	12.2	13.7	17.7	19.2	15.1
TOTAL	120.3	150.8	180.2	188.0	228.1	248.1	207.7

SOURCE: CALCULATED ON THE DATE BY TURKISH STATISTICAL INSTITUTE

The basic volume determining the retail market is the retail expenditures. And the retail market volume in Turkey is USD207.7b in Turkey. The retail market is categorized as organized retail market and traditional retail market. The shopping centers constitute one of the most important channels of the organized retail market.

In Turkey, the share of the organized retail market in the total retail market is 38 percent in 2009, and the share of the retail market is 62 percent. Basing on this distribution, the volume of the organized retail market is USD79.4b and the volume of the traditional retail market is USD128.3b in 2009.

TABLE.52 RETAIL MARKET AND ITS DEVELOPMENT BILLION US DOLLAR							
MARKETS	2003	2004	2005	2006	2007	2008	2009
RETAIL MARKET	120.3	150.8	180.2	188.0	228.1	248.1	207.7
SHARE OF ORGANIZED RETAIL MARKET %	28	29	30	32	34	37	38
SHARE OF TRADITIONAL MARKET %	72	71	70	68	66	63	62
ORGANIZED RETAIL MARKET	34.2	44.2	54.7	60.5	77.6	91.7	79.4
TRADITIONAL MARKET	86.1	106.6	125.5	127.5	150.5	156.4	128.3
FOOD-BEVERAGE MARKET %	51.1	49.1	50.2	50.3	51.5	53.3	54.4
OFF-FOOD RETAIL MARKET %	48.9	50.9	49.8	49.7	48.5	46.7	45.6
FOOD-BEVERAGE MARKET	61.5	74.1	90.5	94.6	117.4	132.3	113.1
OFF-FOOD RETAIL MARKET	58.8	76.7	89.7	93.4	110.7	115.8	94.6

SOURCE: CALCULATIONS BY THE WORKING TEAM

III.1.2 Indicators of Shopping Centers in Turkey

In Turkey, the shopping centers have shown a quick expansion after 2001 in terms of number and leasable area. While there were 53 SCs in total, 1,374,095 m² total leasable area and leasable area size of 21.2 m² per thousand people in 2001, there were 213 SCs, 5,221,458 m² total leasable area and leasable area size of 72.0 m² in 2009.

TABLE.53 LEASABLE AREA OF SHOPPING CENTERS FOR 53 THOUSAND PERSONS

YEARS	TOTAL SC	TOTAL LEASABLE AREA M ²	LEASABLE AREA PER THOUSANDS PERSONS M ²
2001	53	1.374.095	21.2
2002	62	1.550.599	23.6
2003	80	1.794.832	26.9
2004	95	1.955.878	28.8
2005	114	2.260.839	32.8
2006	133	2.653.346	38.1
2007	154	3.518.074	49.8
2008	190	4.402.558	61.6
2009	213	5.221.458	72.0

When the shopping centers are especially established in the big cities and fast-developing cities, they became widespread in recent years and are opened in the cities having potential. And thus there are SCs in 35 cities throughout Turkey by the end of 2009.

SCs spread according to the retail market potential of the cities. Istanbul is the city having the largest number of SCs with its 80 SCs. In Istanbul, the total leasable area is 2,21 million m² with the leasable area of 171.4 m² per thousand persons.

The foreign investors have share and contribution in the fast development of the shopping centers. Number of SCs owned or contributed by the foreigners by 2009 is 46 and the leasable area of them is 1,76 million m². The share of the foreigners in the total leasable area is 33.7 percent.

TABLE.54 SHOPPING CENTER INDICATORS BY CITIES

CITIES	NUMBER OF SCs 2008	NUMBER OF SCs 2009	TOTAL LEASABLE AREA M ² 2008	TOTAL LEASABLE AREA M ² 2009	LEASABLE AREA PER THOUSAND PERSONS M ² 2008	LEASABLE AREA PER THOUSAND PERSONS M ² 2009
İSTANBUL	72	80	1.831.721	2.214.121	145.0	171.4
ANKARA	25	27	805.005	870.365	177.2	187.2
İZMİR	11	12	263.187	288.187	70.0	74.5
BURSA	6	6	190.841	190.841	76.1	74.8
GAZİANTEP	4	6	84.708	172.108	52.5	104.2
ANTALYA	9	10	118.849	159.049	63.9	82.8
KONYA	4	5	122.054	151.854	61.9	76.2
ADANA(1)	3	3	109.010	123.510	53.8	59.9
DENİZLİ	4	4	115.250	115.250	125.6	124.4
MERSİN	3	4	95.736	101.236	59.7	61.7
TEKİRDAĞ	4	5	67.288	83.288	87.3	106.4
ESKİŞEHİR	2	2	79.890	79.890	107.7	105.8
AYDIN	4	4	65.000	65.000	67.5	66.4
KOCAELİ	5	6	61.857	74.857	41.5	49.2
MUĞLA	8	8	64.315	64.315	81.3	80.2
MALATYA	1	2	11.251	62.191	15.3	84.4
TRABZON	2	2	54.500	54.500	72.8	71.2
KAYSERİ	4	4	48.652	48.652	41.1	40.3
SAKARYA	2	2	44.900	44.900	52.7	52.1
ERZURUM	1			32.000		41.3
ZONGULDAK	1	2	13.000	30.000	21.0	48.4
SAMSUN	2	2	29.452	29.452	23.9	23.6
NEVŞEHİR	1			25.000		88.0
DIYARBAKIR	2	2	28.020	28.020	18.8	18.5
ELAZIĞ	2	2	20.861	20.861	38.1	37.9
BALIKESİR	2	2	18.585	18.585	16.4	16.3
ŞANLIURFA	1			14.800		9.2
ERZİNCAN	1	1	12.600	12.600	59.8	59.2
ÇANAKKALE	1	1	12.000	12.000	25.3	25.1
AKSARAY	1	1	8.500	8.500	22.9	22.5
KARAMAN	1	1	7.912	7.912	34.4	34.1
AFYON	1	1	7.200	7.200	10.3	10.2
UŞAK	1	1	4.500	4.500	13.5	13.4
ORDU	1	1	3.414	3.414	4.8	4.7
VAN	1	1	2.500	2.500	2.5	2.5
TURKEY	190	213	4.402.558	5.221.458	61.6	72.0

Shopping centers spread depending on the volume of potential retail expenditure in the cities. The volume of retail expenditure in the cities determines the SC investments. In this regard, the Table 55 shows the total retail expenditure volume and the volume of potential retail expenditure per leasable area in connection with the volume of total existing leasable area in the cities.

TABLE.55 POTENTIAL RETAIL EXPENDITURE PER M² LEASABLE OF THE SHOPPING CENTER BY CITIES FOR THE PERIOD OF 2008-2009

CITIES	TOTAL LEASABLE AREA M ²		RETAIL EXPENDITURE BILLION US DOLLAR		POTENTIAL RETAIL EXPENDITURE PER LEASABLE AREA US DOLLAR	
	2008	2009	2008	2009	2008	2009
İSTANBUL	1.831.721	2.214.121	51.65	44.15	28.197	19.940
ANKARA	805.005	870.365	16.50	14.10	20.497	16.200
İZMİR	263.187	288.187	13.90	11.89	52.814	41.258
BURSA	190.841	190.841	9.29	7.96	48.679	41.710
GAZİANTEP	84.708	172.108	3.22	2.75	38.013	15.978
ANTALYA	118.849	159.049	5.60	4.80	47.119	30.179
KONYA	122.054	151.854	4.52	3.87	37.033	25.485
ADANA	109.010	123.510	5.40	4.61	49.537	37.325
DENİZLİ	115.250	115.250	2.80	2.38	24.295	20.651
MERSİN	95.736	101.236	4.23	3.60	44.184	35.560
ESKİŞEHİR	79.890	79.890	3.47	2.96	43.435	37.051
AYDIN	65.000	65.000	2.80	2.38	43.077	36.615
TEKİRDAĞ	67.288	83.288	2.24	1.92	33.290	23.053
MUĞLA	64.315	64.315	2.89	2.48	44.935	38.560
KOCAELİ	61.857	74.857	8.06	6.87	130.321	91.775
TRABZON	54.500	54.500	1.70	1.44	31.192	26.422
KAYSERİ 4	8.652	48.652	2.87	2.45	58.990	50.358
SAKARYA	44.900	44.900	1.91	1.64	42.539	36.526
SAMSUN	29.452	29.452	3.29	2.82	111.707	95.749
DIYARBAKIR	28.020	28.020	3.03	2.60	108.137	92.791
ELAZIĞ	20.861	20.861	0.68	0.62	32.597	29.721
BALIKESİR	18.585	18.585	3.39	2.88	182.405	154.964
ZONGULDAK	13.000	30.000	2.85	2.42	219.231	80.667
ERZİNCAN	12.600	12.600	0.71	0.65	56.349	51.587
ÇANAKKALE	12.000	12.000	1.69	1.44	140.833	120.000
MALATYA	11.251	62.191	1.40	1.18	124.433	18.974
AKSARAY	8.500	8.500	0.76	0.67	89.412	78.824
KARAMAN	7.912	7.912	0.62	0.58	78.362	73.306
AFYON	7.200	7.200	1.67	1.42	231.944	197.222
UŞAK	4.500	4.500	0.69	0.63	153.333	140.000
ORDU	3.414	3.414	1.21	1.04	354.423	304.628
VAN	2.500	2.500	1.28 0.82	512.000	328.000	
ŞANLIURFA	-	14.800	2.41	2.06	-	139.189
NEVŞEHİR	-	25.000	0.76	0.69	-	27.600
ERZURUM	-	32.000	0.71	0.65	-	20.313
TOTAL	4.402.558	5.221.458	176.59	145.42	40.110	27.850

III.2 VOLUMES OF RETAIL MARKET AND SHOPPING CENTERS IN EUROPE

When projections are made for the shopping centers in Turkey, samples from Europe are referred. For this reason, the volume of retail market and shopping centers in Europe is presented in comparison with Turkey.

III.2.1 Indicators of European Retail Market

Among the indicators of retail market in Europe, the national income and income per capita, total retail expenditures and growth projections as well as projections for retail expenditures and growth per person are presented.

National Income and Income Per Capita

Total income of EU-27 countries by 2008 is EUR 12.2t, total population 497.5b and income per capita EUR24.6k. The national income of Turkey is EUR 500.5b and income per capita is EUR 7,000.

TABLE.56 NATIONAL INCOME AND INCOME PER CAPITA IN THE EU-MEMBER COUNTRIES IN 2008

COUNTRIES	NATIONAL INCOME BILLION EURO	POPULATION MILLION	INCOME PER CAPITA EURO
AUSTRIA	282.2	8.3	33.869
BELGIUM	344.2	10.7	32.268
BULGARIA	34.1	7.6	4.465
GÜNEY CYPRUS	16.9	0.8	21.48
CZECH REPUBLIC	148.5	10.4	14.31
DENMARK	233.3	5.5	42.617
ESTONIA	15.8	1.3	11.835
FINLAND	186.1	5.3	35.125
FRANCE	1950.1	63.8	30.588
GERMANY	2491.4	82.2	30.302
GREECE	242.9	11.2	21.666
HUNGARY	105.2	10	10.477
IRELAND	185.7	4.4	42.199
ITALY	1572.2	59.6	26.371
LATVIA	23.1	2.3	10.178
LITVANIA	32.3	3.4	9.59
LUXEMBOURG	36.6	0.5	75.747
MALTA	5.7	0.4	14.021
NETHERLANDS	594.6	16.4	36.245
POLAND	362.1	38.1	9.5
PORTUGAL	166.2	10.6	15.652
ROMANIA	137	21.5	6.365
SLOVAKIA	64.9	5.4	12.013
SLOVANIA	37.1	2	18.324
SPAIN	1088.5	45.3	24.037
SWEDEN	328.4	9.2	35.763
UNITED KINGDOM	1812.1	61.2	29.615
EU-27	12215.6	497.5	24.556
TURKEY	500.5	71.5	7,000

SOURCE: EUROSTAT

Total Retail Expenditures

For the chosen European countries, the volumes of retail expenditures, growth of retail expenditures in the period of 1999-2008 and growth projections for the period of 2010-2020 are presented below. United Kingdom is the country with the highest retail expenditure, i.e., EUR 450.6b. Turkey ranks the 5th with the retail expenditures amounting to EUR 167.1b. Turkey shows great potential with the volume of retail expenditure. While average 80 percent of the retail expenditures in Europe are made in the organized market, this rate is 38 percent in Turkey.

TABLE.57 INDICATORS AND PROJECTIONS FOR TOTAL RETAIL EXPENDITURES IN THE EUROPEAN COUNTRIES

COUNTRIES	TOTAL RETAIL EXPENDITURES BILLION EURO 2008	GROWTH OF RETAIL EXPENDITURES 1999-2008 %	GROWTH PROJECTION OF RETAIL EXPENDITURES 2010-2020
UNITED KINGDOM	450.6	50	33
FRANCE	405.2	36	22
GERMANY	308.9	4	20
ITALY	194.4	-5	12
SPAIN	165.7	40	24
NETHERLANDS	83.9	19	25
POLAND	62.2	38	80
SWITZERLAND	61	11	15
SWEDEN	58.5	65	30
BELGIUM	51.8	16	22
GREECE	43.2	65	39
NORWAY	37.7	50	25
AUSTRIA	36.9	2	15
DENMARK	36.2	31	24
FINLAND	32.9	55	40
PORTUGAL	30.3	38	30
CZECH REPUBLIC	27.7	38	52
IRELAND	22.5	72	32
ROMANIA	20.7	102	58
HUNGARY	10.5	51	51
TURKEY (1)	167.1	-	-

SOURCE: KING STURGE, EUROPEAN RETAIL PROPERTY 2010, (1)WORKING TEAM FOR TURKEY

Retail Expenditures Per Person

Projections are presented for the retail expenditures per person and growth of retail expenditures per person in Europe. Despite of its size in the in the total market, Turkey is at the lowers ranks with respect to retail expenditures per person. While the retail expenditure per thousand persons in Europe is EUR7,905, it is EUR2,337 in Turkey.

TABLE.58 INDICATORS AND PROJECTIONS FOR RETAIL EXPENDITURE PER PERSON IN THE EUROPEAN COUNTRIES

COUNTRIES	POPULATION MILLON 2008	RETAIL EXPENDITURE PER PERSON EURO 2008	PROJECTION FOR RETAIL EXPENDITURE PER PERSON EURO 2020	PROJECTION FOR RETAIL EXPENDITURE GROWTH PER PERSON % 2008-2020
LUXEMBOURG	0.5	10.455	13.083	25
NORWAY	4.7	7.905	9.003	14
UNITED KINGDOM	61.2	7.339	9.06	23
DENMARK	5.5	6.616	7.857	19
FRANCE	63.7	6.522	7.569	16
SWEDEN	9.2	6.354	7.681	21
FINLAND	5.3	6.199	8.216	33
NETHERLANDS	16.4	5.096	5.816	14
IRELAND	4.4	5.051	5.266	4
BELGIUM	10.7	4.858	5.649	16
AUSTRIA	8.3	4.422	4.887	11
GREECE	11.2	3.841	5.199	35
GERMANY	82.2	3.755	4.436	18
SPAIN	45.3	3.673	4.209	15
SLOVANIA	2	3.402	5.277	55
ITALY	59.6	3.269	3.52	8
PORTUGAL	10.6	2.843	3.595	26
CZECH REP.	10.4	2.688	4.162	55
ESTONIA	1.3	2.561	4.107	60
TURKEY (1)	71.5	2.337	-	-

SOURCE: KING STURGE, EUROPEAN RETAIL PROPERTY, 2010
(1) CALCULATION BY WORKING TEAM DEPENDING ON TSI DATA ON TURKEY

III.2.2 Indicators of European Shopping Centers

Among the indicators of shopping centers in Europe are indicators such as shopping center stock and additional stock investments, expenditures made in SC, expenditures made per thousand persons, rents and yields.

Shopping center Stock and Additional Stock

Throughout EU-27 countries, total leasable area stock reached to 111,66 million m² by the end of 2009. In 2009, the newly added leasable area stock became 4,66 millions m². The leasable area under construction is 6,36 millions m². Turkey has a leasable area of 5,22 millions m² having the 8th largest stock in Europe. In 2009, Turkey has been the country with the highest new leasable area in Europe, except for Russia. It is also the country with the highest leasable area under construction, again except for Russia.

TABLE - 59 SHOPPING CENTER STOCK AND ADDITION IN THE EUROPEAN COUNTRIES

COUNTRIES	SC LEASABLE AREA M ²	LEASABLE AREA OPENED IN THE YEAR 2009 AREA M ²	LEASABLE AREA UNDER CONSTRUCTION AREA M ²
AUSTRIA	2.582.920	40	200
BELGIUM	1.173.370	95	100
BULGARIA	191	60	600
CZECH REPUBLIC	2.024.295	120	110
DENMARK	1.587.750	50000	55
ESTONIA	381.99		5
FINLAND	1.563.500	87	8
FRANCE	16.257.015	540	825
GERMANY	12.743.635	390	495
GREECE	560.65	20	80
HUNGARY	1.205.400	85	55
IRELAND	1.628.370	85	77
ITALY	12.519.990	620	1.000.000
LATVIA	579.105	90	25
LITHUANIA	808.08	105	30
LUXEMBOURG	178.11	-	5
NETHERLANDS	5.987.825	395	280
POLAND	6.479.550	615	520
PORTUGAL	2.919.950	300	200
ROMANIA	2.109.840	320	420
SLOVAKIA	810.15	100	210
SLOVANIA	516.63	-	75
SPAIN	9.735.845	200	600
SWEDEN	3.627.285	105	55
UNITED KINGDOM	15.908.360	240	505
EU-27	111.656.475	4.662.000	6.355.000
TURKEY (1)	5.221.450	819.14	1.300.000
NORWAY	3.292.215	92	10
RUSSIA	10.224.000	1.595.000	2.250.000

SOURCE: CUSHMAN WAKEFIELD, SHOPPING CENTRE DEVELOPMENT REPORT EUROPE MARCH 2010
 (1) DATA BY THE WORKING TEAM ON STOCK AND NEWLY OPENED SHOPPING CENTERS IN TURKEY

Shopping Center Investments and Share of the Foreigners

For the chose countries, the total SC investments and share of the foreigners throughout Europe are presented below for the period of 1999-2008. Cross-border investments and contribution of the foreigners are high throughout Europe. In Europe, the share of the foreigners is at high levels, i.e. 100 percent in Romania, 96 percent in Poland, 86 percent in Italy, 85 percent in Spain and 84 percent in Russia. SC investments throughout Europe are mostly made by cross-border investors.

TABLE - 60 SHOPPING CENTER INVESTMENTS IN EUROPE IN THE PERIOD OF 1999-2008

COUNTRIES	TOTAL SHOPPING CENTER INVESTMENTS MILLION EURO	SHOPPING CENTER INVESTMENTS BY THE FOREIGNERS MILLION EURO	SHARE OF THE FOREIGNERS IN THE INVESTMENT OF SHOPPING CENTER %
UNITED KINGDOM	65.58	17.49	27
GERMANY	14.1	8.248	58
SPAIN	10.61	9.05	85
ITALY	8.913	7.689	86
POLAND	7.634	7.345	96
FRANCE	6.51	2.731	42
SWEDEN	5.39	4.788	89
NETHERLANDS	4.611	873	19
RUSSIA	3.264	2.756	84
DENMARK	2.998	1.393	46
PORTUGAL	2.941	2.518	86
FINLAND	2.873	2.13	74
CZECH REPUBLIC	2.602	2.497	96
IRELAND	2.213	136	6
AUSTRIA	1.701	1.334	78
HUNGARY	1.764	1.564	89
ROMANIA	1.624	1.624	100
BELGIUM	1.55	1.258	81
BULGARIA	880	880	100
GREECE	390	390	100
SERBIAN	360	360	100

SOURCE: KING STURGE, EUROPEAN RETAIL PROPERTY, 2010

Shopping Center Expenditures and Its Share in the Retail Expenditures

The volume of the total retail expenditure across Europe is EUR2,08t in 2008. Total expenditures made in SCs of the European countries is EUR483.6b. The share of SC expenditures in the total retail expenditures is 23.3 percent. In Turkey, total SC expenditures is EUR8.0b in 2008 and its share in the total retail expenditures is 4.8 percent.

TABLE.61 SHARE OF THE SHOPPING CENTER EXPENDITURES IN THE TOTAL RETAIL EXPENDITURES IN THE EU-MEMBER COUNTRIES (%) 2008

COUNTRIES	TOTAL SC EXPENDITURE BILLION EURO	TOTAL RETAIL EXPENDITURES BILLION EURO	SHARE OF SC EXPENDITURE %
AUSTRIA	36.9	5.5	15
BELGIUM	51.8	7.9	15.3
BULGARIA	4.6	0.2	4.4
CZECH REPUBLIC	27.7	5.6	20.2
DENMARK	36.2	7.3	20.2
ESTONIA	3.4	0.4	11.8
FINLAND	32.9	9.5	28.9
FRANCE	405.2	116.5	28.8
GERMANY	308.9	49.3	16
GREECE	43.2	2.2	5.1
HUNGARY	10.5	1.9	18.1
IRELAND	22.5	7.1	31.6
ITALY	194.4	39	20.1
LATVIA	4.9	0.6	12.3
LITVANIA	5.3	0.7	13.2
LUXEMBOURG	5.1	0.8	15.7
NETHERLANDS	83.9	17.6	21
POLAND	62.2	13.7	22
PORTUGAL	30.3	7.6	25.1
ROMANIA	20.7	1.4	6.8
SLOVAKIA	4.9	1	20.4
SLOVANIA	6.9	0.9	13.1
SPAIN	165.7	48.2	29.1
SWEDEN	58.5	17.5	29.9
UNITED KINGDOM	450.6	121.3	26.9
EU-27	2.077.2	483.6	23.3
TURKEY (1)	167.1	8	4.8
NORWAY	37.7	12.3	32.6

SOURCE: EUROPEAN RETAIL HANDBOOK 2008/2009 , MINTEL

(1) TURKEY SC EXPENDITURE, DATA BY ASSOCIATION OF SHOPPING CENTER INVESTORS

(1) TURKEY SHARE STUDY TEAM CALCULATIONS

Development of the Share of Shopping Centers in the Retail Expenditures

Development of the share of the shopping centers in the retail expenditures in Europe also serves as example for Turkey. Data on the development in the period of 1986-2006 is presented below. Accordingly, increases, the shares of most countries nearly doubled. It tripled or increased more in Ireland, Spain and Portugal.

TABLE.62 DEVELOPMENT OF THE SHOPPING CENTERS IN THE RETAIL SLASE IN THE CHOSEN EUROPEAN COUNTRIES

COUNTRIES	SC SALE SHARE % 1986	SC SALE SHARE % 2006
NORWAY	16	31
IRELAND	7	30
SWEDEN	15	29
SPAIN	9	28
FINLAND	15	28
FRANCE	17	28
UNITED KINGDOM	17	26
PORTUGAL	6	24
NETHERLANDS	12	20
ITALY	11	19
DENMARK	10	19
SWITZERLAND	9	16
GERMANY	9	16
AUSTRIA	10	15
BELGIUM	9	15
GREECE	2	5

SOURCE: INTERNATIONAL COUNCIL OF SHOPPING CENTRES RESEARCH

Expenditure per M² In the Shopping Centers

Basing on the total expenditures made in SC. And leasable area volume throughout European Union in 2008, the annual expenditure actually made per m² has been EUR4,330. The highest expenditure of EUR6,710 by m² is in Belgium and the lowest expenditure of EUR685 is in Romania. In 2008, the annual expenditure per leasable m² in the shopping centers was EUR1,532 in Turkey. The Turkey remains 2.8 times below the European average.

TABLE.63 INDICATORS OF EXPENDITURE IN THE SHOPPING CENTERS IN THE EUROPEAN UNION COUNTRIES IN 2008

COUNTRIES	SC TOTAL EXPENDITURE MILLION EURO	SC LEASABLE MILLION M ²	ACTUAL EXPENDITURE PER M ² LEASABLE AREA EURO
AUSTRIA	5.524	2.582.920	2.14
BELGIUM	7.87	1.173.370	6.71
BULGARIA	191	191	1
CZECH REPUBLIC	5.585	2.024.295	2.76
DENMARK	7.254	1.587.750	4.57
ESTONIA	413	381.99	1.08
FINLAND	9.529	1.563.500	6.095
FRANCE	116.476	16.257.015	7.165
GERMANY	49.33	12.743.635	3.87
GREECE	2.153	560.65	3.84
HUNGARY	1.888	1.205.400	1.565
IRELAND	7.112	1.628.370	4.37
ITALY	38.99	12.519.990	3.115
LATVIA	638	579.105	1.1
LITVANIA	687	808.08	850
LUXEMBOURG	759	178.11	4.255
NETHERLANDS	17.57	5.987.825	2.935
POLAND	13.721	6.479.550	2.12
PORTUGAL	7.55	2.919.950	2.585
ROMANIA	1.442	2.109.840	685
SLOVAKIA	994	810.15	1.225
SLOVANIA	895	516.63	1.73
SPAIN	48.226	9.735.845	4.95
SWEDEN	17.512	3.627.285	4.83
UNITED KINGDOM	121.271	15.908.360	7.625
EU-27	483.58	111.656.475	4.33
TURKEY	8	5.221.450	1.532
NORWAY	12.34	3.292.215	3.75

NOTE: SC EXPENDITURE IS FOR THE YEAR 2008 AND SC LEASABLE AREA VOLUME IS FOR THE YEAR 2009. TO AVOID CONFUSION, STOCK DATA FOR SC VOLUME FOR THE YEAR 2008 WAS NOT USED. FURTHERMORE, RELATION BETWEEN THE DATA ON SC EXPENDITURE BEFORE THE CRISIS AND STOCK DATA REACHED IN THE YEAR 2009 IS A MORE REALISTIC ASSESSMENT.

Expenditure Per Person in The Shopping Centers

And expenditure in the shopping centers per person across Europe is also an important indicator. For calculation of expenditure per person, the total population of the countries, rather than number of persons doing the shopping in SCs, is used.

Accordingly, the income per capita is EUR24,556, retail expenditure per person EUR4,189, expenditure per person in SC by population EUR975 and leasable area per thousand persons 225 m² in Europe. In Turkey, on the other hand, the income per capita is EUR7,000, retail expenditure per person EUR2,337, expenditure per person in SC by population 2112 and leasable area per thousand persons 72 m².

TABLE.64 EXPENDITURE PER PERSON IN THE SHOPPING CENTERS IN THE EU-MEMBER COUNTRIES BY 2008

COUNTRIES	INCOME PER CAPITA EURO	EXPENDITURE PER PERSON EURO	IN SC PER PERSON EURO	AREA PER THOUSAND PERSONS M ² 2009
AUSTRIA	33.869	4.422	663	310
BELGIUM	32.268	4.858	730	110
BULGARIA	4.465	606	25	25
CZECH REPUBLIC	14.31	2.688	538	195
DENMARK	42.617	6.616	1.325	290
ESTONIA	11.835	2.561	308	285
FINLAND	35.125	6.199	1.798	295
FRANCE	30.588	6.522	1.827	255
GERMANY	30.302	3.755	600	155
GREECE	21.666	3.841	192	50
HUNGARY	10.477	1.046	188	120
IRELAND	42.199	5.051	1.616	370
ITALY	26.371	3.269	654	210
LATVIA	10.178	2.155	281	255
LITVANIA	9.59	1.569	204	240
LUXEMBOURG	75.747	10.455	1.568	368
NETHERLANDS	36.245	5.096	1.071	365
POLAND	9.5	1.636	360	170
PORTUGAL	15.652	2.843	711	275
ROMANIA	6.365	966	67	98
SLOVAKIA	12.013	918	184	150
SLOVANIA	18.324	3.402	442	255
SPAIN	24.037	3.673	1.065	215
SWEDEN	35.763	6.354	1.907	395
UNITED KINGDOM	29.615	7.339	1.982	260
EU-27	24.556	4.189	975	225
TURKEY (I)	7	2.337	112	72
NORWAY	65.147	7.905	2.605	695

SOURCE: KING STURGE EUROPEAN RETAIL PROPERTY, 2010
EUROPEAN RETAIL HANDBOOK 2008/2009 MINTEL
(I) CALCULATIONS BY TURKISH WORKING TEAM

Shares of the Foreigners in the Retail Market

While the shopping centers account for a major part of the real estate sector, it is also the most important sale channel of the organized retail market, constituting sale channel for the retailers. In this framework, another determinant factor for expansion of SCs is the presence of the retailers to take place in SCs. National and foreign retailers constitute demand by renting in SCs. The shares of the foreign retailers in the retail markets of the chosen countries in Turkey are given below. Throughout Europe, the share of the foreign retailers in the total retail market was 12.1 percent in average in 2007. In the emerging markets, the share of the foreigners is higher. In these countries, the foreign retailers push on and drive the development of the retail market.

TABLE.65 SHARE OF THE FOREIGNERS IN THE RETAIL MARKET IN THE EUROPEAN UNION BY 2007

COUNTRIES	SHARE %
ESTONIA	50,1
HUNGARY	47,5
AUSTRIA	37,9
CZECH REPUBLIC	33,3
PORTUGAL	31,2
NORWAY	23,6
IRELAND	23,0
BELGIUM	21,7
SPAIN	17,7
UNITED KINGDOM	16,8
DENMARK	16,4
SLOVANIA	16,1
SLOVAKIA	15,6
POLAND	15,3
NETHERLANDS	15,1
ROMANIA	12,8
TOTAL	12,1
ITALY	12,1
FINLAND	10,7
SWEDEN	9,1
SWITZERLAND	8,5
GREECE	8,4
FRANCE	6,7
BULGARIA	6,4
GERMANY	4,0
RUSSIA	2,0

SOURCE: KING STURGE, EUROPEAN RETAIL PROPEY 2010

Shopping Center Rents

Shopping center rents in Europe are presented in comparison with the chosen countries. The rents are given as first class m²/year in Euro. Furthermore, the rents for the four periods in the last 2 years are also given with the effects of the economic crisis on the rents.

In the European Union, Ireland, United Kingdom, France and Germany are four countries with the highest rent levels. In addition to EU, Russia is the country with the highest rents. In the new members of Center European countries, the rents are lower, ranging EUR650-1100. In Spain and Portugal, the rents are in the range of 700-1000 Euro. In Romania, the newest member country, the rent is in the range of EUR500-750. The rents considerably vary across Europe. In Turkey, the rents are in the range of EUR 600-900.

TABLE.66 RENTS IN THE SHOPPING CENTERS IN EUROPE, FIRST CLASS RENT/M²/YEAR/EURO

COUNTRIES	2008 MAY	2009 APRIL	2009 SEPTEMBER	2010 MARCH
AUSTRIA	2000-2500	2000-2500	700-1000	700-1000
BELGIUM	1000-1300	1000-1400	800-1100	800-1400
CZECH REPUBLIC	600-900	600-1000	600-1000	700-1100
DENMARK	450-550	450-550	450-550	450-600
FINLAND	900-1100	900-1100	900-1100	800-1100
FRANCE	1500-2000	1500-2000	1400-2000	1400-2000
GERMANY	1500-1800	1500-1800	1300-1800	1300-1800
HUNGARY	600-1450	600-1350	600-1300	600-1200
IRELAND	1700-2000	2000-2500	2000-2400	1700-2100
ITALY	700-800	700-750	700-750	600-750
NETHERLANDS	650-875	650-875	650-850	650-850
NORWAY	750-1000	750-1000	7000-1000	700-1000
POLAND	600-1100	700-1100	650-950	650-950
PORTUGAL	900-1000	750-1000	700-1000	700-1000
ROMANIA	600-1000	600-1000	500-750	500-750
RUSSIA	2000-3000	2000-3000	1700-2200	1200-1800
SLOVAKIA	650-950	650-950	650-900	650-950
SPAIN	700-1000	700-1000	700-1000	700-1000
SWEDEN	600-800	600-800	500-800	500-700
TURKEY	600-800	600-900	600-850	600-900
UNITED KINGDOM	2000-2500	2000-2500	1900-2300	1600-2000

SOURCE: CUSHMAN&WAKEFIELD, SHOPPING CENTER DEVELOPMENT REPORT EUROPE, MARCH 2010, SEPTEMBER 2009, APRIL 2009, MAY 2008

Shopping Center Investment (Purchasing) Yields

Shopping centers are an important investment area among the commercial real estates. In this respect, the yield rates of the retail investments in the European countries are presented comparatively for the period of 2005-2009 and the projections are made for the yields under the prevailing conditions after the crisis.

Investment yields used are those in terms of cash/income flows to be derived on the asset value. In other words, they are the yield rates of the investments in form of purchase of SC actually operating. Return on investment in consideration of investment expenditures of new investments is not used.

Depending on the maturity of the markets, the investment yields differ across Europe. In the countries at the highest maturity level, the annual yields are in the range of 5-6 percent. In the Central European countries, the annual yields range 6.25-7.50. In the Baltic and Central European countries, the annual yield rates are in the range of 9.00 – 10.50. Romania and Russia are two countries having the highest yield, i.e., 11 percent and 14 percent, respectively. In Turkey, the annual yield rate is calculated as 8.75 percent for 2009. The projection for investment yield is static in Turkey.

TABLE.67 YIELD RATES IN THE RETAIL INVESTMENTS IN THE EUROPEAN COUNTRIES, 2005-2009

COUNTRIES-CITIES	2005 %	2006 %	2007 %	2008 %	2009 %	FUTURE TREND
UNITED KINGDOM-LONDON	4.25	4	4	5.5	6.5	STAGNANT
FRANCE-PARIS	5	4.5	4	4.25	5	INCREASE
GERMANY-FRANKFURT	5	4.5	4.5	4.5	5	STAGNANT
ITALY-MILAN	4.75	4.5	4.25	4.25	5	STAGNANT/INCREASE
NETHERLANDS-AMSTERDAM	5.25	5	4.5	4	5.25	STAGNANT
SPAIN-MADRID	5	4.5	4.5	4.75	5.5	INCREASE
BELGIUM-BRUSSELS	5	4.5	4.25	4.25	5.25	INCREASE
AUSTRIA-VIENNA	5	5	5	4.5	4.75	INCREASE
SWEDEN-STOCKHOLM	5	4.5	4	4.25	5.25	INCREASE
NORWAY-OSLO	7	5.5	4.5	5.5	6.25	STAGNANT
FINLAND-HELSINKI	6	5.75	4.75	5	5.8	STAGNANT/INCREASE
DENMARK-COPENHAGEN	4.5	4.25	3.75	4.25	5	STAGNANT
PORTUGAL-LIZBON	7	6.5	6.25	6	6.75	STAGNANT
GREECE-ATHENS	6.5	6	5	5	5.75	STAGNANT
POLAND-WARSAW	7	6	5.25	5.5	7.25	STAGNANT/INCREASE
HUNGARY-BUDAPEST	6.75	6	5.75	6.25	7.5	INCREASE
CZECH REPUBLIC-PRAGUE	7	6.5	5	5.75	6.25	STAGNANT
ESTONIA-TALIN	10	9	7.5	6.5	9.5	STAGNANT/INCREASE
LATVIA-RIGA	11	9.5	7.5	6	10.5	INCREASE
LITVANIA-VILNUS	9	8	6.25	6.75	9	STAGNANT/INCREASE
SLOVANIA-LJUBLJANA	10	8.5	8	8	9	INCREASE
SLOVAKIA-BRATISLAVA	8.5	8.25	6.5	6.5	7.75	INCREASE
BULGARIA-SOFIA	-	-	-	6	8	INCREASE
ROMANIA-BUCHAREST	12	8	6.5	6.5	11	INCREASE
CROATIA-ZAGREB	-	-	6.5	6.5	8	STAGNANT/INCREASE
RUSSIA-MOSCOW	12	10.5	10	10	14	INCREASE
TURKEY-ISTANBUL	10	10	6.5	7	8.75	STAGNANT

SOURCE: KING STURGE, EUROPEAN RETAIL PROPERTY, 2010

III.3 PROJECTIONS FOR SHOPPING CENTERS IN TURKEY

Projections for shopping centers in Turkey are made for the period till 2015. First of all, basing on the national income projections, the projections for retail market and organized retail market are made. And then, in line with these volumes, the projections and assessments are made for the shopping centers.

III.3.1 Projections for Retail Expenditures

The basic determinant factor for the retail expenditure volumes is the projections for economic growth and national income. In Turkish economy, the projections for growth and national income are presented in the second section of the study (Table 39).

Accordingly, the projections for special consumption expenditures and retail expenditures are given below.

It is projected that the national income, USD698b in 2010, will be USD915b in 2015. Growth rates and deflator assumptions are presented in the previous section.

It is assumed that the ratio of the private consumption expenditures to the national income will remain same, i.e. 71 percent, throughout the projection period. Accordingly, the special consumption expenditures are projected as USD646b in 2015.

And it is also assumed that the share of the retail expenditures in the special consumption expenditures will continue as 47 percent. Accordingly, it is projected that the retail expenditures, USD207.7b in 2009, will reach to USD304b in 2015.

TABLE.68 PROJECTIONS FOR NATIONAL INCOME PRIVATE CONSUMPTION AND RETAIL EXPENDITURES

YEARS	NATIONAL INCOME BILLION	SPECIAL CONSUMPTION EXPENDITURES US DOLLAR	RETAIL EXPENDITURES BILLION US DOLLAR	INCOME PER CAPITA US DOLLAR
2010	698	496	233	9.512
2011	740	525	247	9.976
2012	784	557	264	10.458
2013	823	584	274	10.860
2014	865	614	289	11.300
2015	910	646	304	11.770

Expenditure volume, the fundamental determinant for the shopping centers, is the organized retail expenditures. With the increase in the shopping centers leasable area and shopping in SCs, the organized retail expenditures expand as well.

In this framework, projections for the organized retail expenditures are presented below. The projections are presented in two scenarios with respect to development of the share of the organized retail market in the total retail expenditures of the total retail market.

In the first scenario, it is assumed that the share of the organized retail market will increase in a limited way by 1 point. In this scenario, the share of the organized retail market, 38 percent in 2009, increases to 45 percent in 2015 with its volume from USD79.4b to USD136.8bB. In the second scenario, it is assumed that the share of the organized retail market increases by 2 points each year. In this scenario, the share of the organized retail market reaches to 50 percent in 2015 with the volume to USD152B.

TABLE.69 ORGANIZED RETAIL EXPENDITURE PROJECTIONS

YEARS	TOTAL RETAIL EXPENDITURE BILLION US DOLLAR	ORGANIZED RETAIL EXPENDITURE			
		SCENARIO 1		SCENARIO 2	
		% PAY	BILLION US DOLLAR	% SHARE	BILLION US DOLLAR
2010	233	40	93.2	40	93.2
2011	247	42	103.7	42	103.7
2012	262	42.5	111.3	44	115.3
2013	274	43	117.8	46	126.0
2014	289	44	127.2	48	138.7
2015	304	45	136.8	50	152.0

III.3.2 Projections for Shopping Centers

Projections for shopping centers in Turkey are made again in two scenarios in line with the scenarios concerning the growth of the organized retail market.

Projections for the shopping centers cover the period till 2015. However, in this projected period, the shopping centers under construction in the years 2010 and 2011 and those to be actually opened (actual start-up for the first 5 months in 2010) are taken into consideration.

Total leasable area of the SCs which are still under construction and assumed to open between the years of 2010 and 2011 (SCs opened in the first 5 months of 2010 included) is 2.5 million m². It is assumed that 1,081,000 m² of which to be opened in 2010 and 1,419,000m² in 2011.

Accordingly, assuming that the SCs still under construction actually will be opened, the total leasable area reaches to 6,6 millions m² by the end of 2010 and to 8.0 million m² by the end of 2011. Depending on these volumes, the leasable area per thousand persons is 90 m² by the end of 2010 and 108.1 m² in 2011.

The scenarios are formed depending on the leasable areas under two assumptions for the following years. In the first scenario, with a limited growth after the year 2011, it is assumed that the leasable area per thousands person will reach to 125 m² in 2015 and the total leasable area is projected as 9.66 m². In the scenario, it is assumed that the leasable area per thousand persons will reach to 150 m² and the total leasable area is projected as 11.6 millions m².

TABLE.70 PROJECTIONS FOR SHOPPING CENTER INVESTMENTS LEASABLE AREA M²				
YEARS	SCENARIO 1		SCENARIO 2	
	M ² PER THOUSAND PERSON	TOTAL M ²	M ² PER THOUSAND PERSON	TOTAL M ²
2010	90.0	6.603.660	90.0	6.603.660
2011	108.1	8.022.500	108.1	8.022.500
2012	113.0	8.471.384	120.0	8.996.160
2013	117.0	8.866.611	130.0	9.851.790
2014	121.0	9.261.582	140.0	10.715.880
2015	125.0	9.663.125	150.0	11.595.750

The projections about the shopping centers above are subject to the assumptions of leasable areas and are not sufficient by themselves. The leasable areas presented in the projections are also compared with assumptions of the potential organized retail expenditures.

Accordingly, in the first scenario, the organized retail expenditure potential which is USD15,210 per m² of the leasable area in 2009 decrease to USD14,160 in 2015.

In the second scenario, faster growth scenario, the organized retail expenditure potential per m² of leasable area decreases to USD13,110 in 2015.

In the framework of all these assessments, the slowdown in the speed of growth after opening of SCs in the years 2010 and 2100 seems to be a reasonable scenario. The most important factor to support growth of SC in the subsequent period of Turkey is that the expansion in the organized retail market share will continue. However, growth of the leasable area becomes, after a while, face to face with a challenging situation of the reduction in the expenditure capacity. For this reason, the reasonable growth scenario is considered as more realistic and reference scenario.

TABLE.71 PROJECTIONS FOR SHOPPING CENTERS; ORGANIZED RETAIL EXPENDITURE POTENTIAL PER M²		
YEARS	SCENARIO 1	SCENARIO 2
	ORGANIZED RETAIL EXPENDITURE PER LEASABLE M ² US DOLLAR	ORGANIZED RETAIL EXPENDITURE PER LEASABLE M ² US DOLLAR
2009	15.210	15.210
2010	14.115	14.115
2011	12.926	12.926
2012	13.138	12.815
2013	13.285	12.790
2014	13.410	12.945
2015	14.160	13.110

The growth of the shopping centers leads to growth in direction of supply in the retail sector. The retailers take place on the demand part, that is, tenants. In this matter, the preference of the foreign retailers for Turkey supports the demand side. By the same token, Turkey is among the top ranks of the countries mostly preferred by the foreign retailers.

TABLE.72 COUNTRIES PREFERRED BY THE RETAILERS IN EUROPE AS NEW MARKET (RANKING)

COUNTRIES	2004-2005	2006	2007	2008
ROMANIA	-	6	10	1
RUSSIA	6	3	2	2
UNITED KINGDOM	2	10	12	3
TURKEY	-	7	1	4
POLAND	7	11	3	5
GREECE	-	15	16	6
CZECH REPUBLIC	13	17	6	7
PORTUGAL	11	9	5	8
GERMANY	5	4	13	9
ITALY	12	16	18	10
IRELAND	3	5	8	11
UKRAYNA	-	2	9	12
BELGIUM	-	12	7	13
HUNGARY	8	18	4	14
SPAIN	1	1	15	15
FRANCE	4	13	17	16
NETHERLANDS	-	8	14	17
SWEDEN	9	14	11	18

SOURCE: JONES LANG LASALLE, CROSS BORDER RETAILING IN EUROPE, 2009

IV. SECTION

PROJECTIONS FOR ISTANBUL OFFICE MARKET

INTRODUCTION

Projections for the office market are Istanbul-focused and with an approach of expectations-weighted. The evaluations and projections are presented under the headings of office indicators in Istanbul, office indicators in the regional cities and expectations for the Istanbul office market.

IV.1 INDICATORS OF ISTANBUL OFFICE MARKET

While types A and B office stock in Istanbul office market was 1.44 m² in 2002, it increased to 1.66 m². In the following 4 years, a significant expansion occurred in the office stock. By the end of 2009, volume of types A and B office stock reached to 2.88 m² in Istanbul office market.

Office stock in Istanbul is distributed in three regions. In the area called Central Business Area (CBA), there is office stock of 1.2 million m² for office types of A and B. The office stock is 751 thousand m² of the off-CBA on the European side and it is 924 thousand m² in the off-CBA on the Anatolian side. The fastest expansion in recent years is in the off-CBA on the Anatolian side.

TABLE.73 OFFICE STOCK IN ISTANBUL

YEARS	OFFICE STOCK M ²
2002	1.441.805
2003	1.496.565
2004	1.578.820
2005	1.657.688
2006	1.839.767
2007	2.086.385
2008	2.657.524
2009	2.877.024

SOURCE: PEGA JONES LANG LASALLE FOR 2002-2007, NORTHWESTERN SAVILLS FOR 2008, WORKING TEAM FOR 2009

TABLE.74 DISTRIBUTION OF ISTANBUL OFFICE STOCK, 2009

GROUPS	REGIONS	OFFICE STOCK M ²	OFFICE STOCK M ²
CBA	LEVENT	460.060	1.201.981
	ETİLER	68.271	
	BEŞİKTAŞ-BALMUMCU	108.742	
	MASLAK	419.355	
	ZİNCİRLİKUYU-ESENTEPE-GAYRETTEPE	145.553	
OFF - CBA EUROPE	TAKSİM-NİŞANTAŞI-BEYOĞLU	93.574	751.014
	ŞİŞLİ-FULYA-OTİM-OKMEYDANI	129.946	
	AIRPORT : GÜNEŞLİ-MERTER-ŞİRİNEVLER- TOPKAPI - YENİBOSNA - YEŞİLKÖY ATIŞALANI	527.494	
OFF - CBA ASIA	KOZYATAĞI-ATAŞEHİR-KÜÇÜKYALI-BOSTANCI-ACIBADEM	282.604	924.029
	ALTUNİZADE-ÇAMLICA	173.422	
	ÜMRANİYE	291.217	
	KAVACIK	176.786	
TOTAL			2.877.024

SOURCE: NORTHWESTERN-SAVILLS ISTANBULOFFICE MARKET 2009 AND WORKING TEAM

Despite of new office supply in Istanbul office market, the occupancy rate prior to the economic crisis decreased to 4.8 percent for class A offices in CBA and to 5.2 percent for the class B offices. And the office rents were in rising trend and, as it is, the average monthly office rents per m² for class A in CBA increased to USD31.6 and the class B office rents to USD15.3 in the first half of 2008. The occupancy rate rose along with the economic crisis and the rents fell. An important trend in this period was tendency towards Class B offices. For this reason, in CBA and off-CBA on the Asian side, the occupancy rates in the second half of 2009 entered into a fall trend. Again, class B office rents are above the levels prior to the crisis.

TABLE.75 OCCUPANCY RATE IN ISTANBUL OFFICE MARKET BY PERCENTAGE

PERIODS	CLASS A OFFICES			CLASS B OFFICES		
	CBA	OFF-CBA EUROPE	OFF-CBA ASIA	CBA	OFF-CBA EUROPE	OFF-CBA ASIA
2006 1ST HALF	16.6	32.8	20	16.6	32.8	20.0
2006 2nd HALF	14.9	31	17.8	9.4	31	17.8
2007 1ST HALF	5.4	30.9	16.2	9.5	30.9	16.2
2007 2nd HALF	5.2	32	15.9	6.8	32.4	15.9
2008 1ST HALF	4.8	28.2	17.9	5.2	32.2	19.3
2008 2nd HALF	9.7	23.7	14.6	6.9	29.2	17.1
2009 1ST HALF	11.7	21.3	15.9	16.7	29.2	17.7
2009 2nd HALF	12.3	19.5	13.9	14.7	31.2	15.6

SOURCE: PROPIN INVESTMENT CONSULTANCY, ISTANBULOFFICE MARKET 2009

TABLE .76 ISTANBUL OFFICE MARKET, AVERAGE RENTS, US DOLLAR/M²/MONTH

PERIODS	C L A S S A O F F I C E S			C L A S S B O F F I C E S		
	CBA	OFF-CBA EUROPE	OFF-CBA ASIA	CBA	OFF-CBA EUROPE	OFF-CBA ASIA
2006 1ST HALF	14.8	9.5	12.2	9.6	6.3	8.6
2006 2nd HALF	15	9.4	12.3	10.7	6.5	8.9
2007 1ST HALF	16.2	9.5	13.3	10.8	6.5	9.4
2007 2nd HALF	19.6	9.7	14	11.4	6.5	9.2
2008 1ST HALF	29.1	14.1	19	15.3	8.9	11
2008 2nd HALF	31.6	17.4	20.1	15.5	9.2	12.5
2009 1ST HALF	26.6	17.6	18.5	15.7	9.8	12.3
2009 2nd HALF	26.6	17.6	18.8	15.7	10	12

SOURCE: PROPIN INVESTMENT CONSULTANCY, ISTANBUL OFFICE MARKET 2009

IV.2 INDICATORS OF OFFICE MARKET IN THE REGIONAL CITIES

While the expectations concerning Istanbul office market are put forward, the indicators of the office markets in the regional cities are also evaluated and compared. The regional cities assessed are cities which, like Istanbul, have market in development phase and potential to become rivals for Istanbul. The indicators and evaluations in the regional cities cover class A offices.

Among the cities compared, Moscow is the city having the highest office stock by 2009. Moscow, having an office stock of 11.2 million m², is followed by Dubai with a stock of 3.8 million m². The stock is 2.3 million m² in Istanbul. (According to Colliers International standards, the stock in Istanbul is 2.3 million m²). The office stock under construction by the end of 2009 is 4 million m² in Moscow, 2.2 million m² in Dubai. The office construction in Istanbul is measured as 241.700 m². Office markets of Moscow and Dubai are serious rivals for Istanbul.

TABLE.77 OFFICE STOCK AND OCCUPANCY RATE IN THE REGIONAL CITIES, 2009

CITIES	OFFICE STOCK M ²	OFFICE CONSTRUCTION M ²	OCCUPANCY RATE 2008 %	OCCUPANCY RATE 2009 %
LONDON	7.921.553	736.204	7	10.7
FRANKFURT	3.869.296	359.6	14.7	16.5
WARSAW	3.248.000	198	2.9	7.3
BUDAPEST	2.400.000	371.8	16.8	21.9
BUCHAREST	1.240.000	297.4	12	18.2
MOSCOW	11.210.000	4.042.800	9.5	16.5
BRATISLAVA	1.320.000	123	8.8	12.5
PRAGUE	2.730.000	83	9	11.8
BELGRADE	620	251	12	17
KIEV	1.090.000	150	11.5	20
İSTANBUL	2.316.514	241.7	4.8	10.3
TEL AVIV	2.500.000	50	5.5	9.8
DUBAI	3.813.370	2.230.500	3	30

SOURCE: COLLIERS, GLOBAL OFFICE REAL ESTATE REVIEW, 2009

When considered by office rents (CBA class A offices), Moscow and Dubai are two cities with the highest rents. The office rents have been affected by the economic crisis significantly and the highest rent falls were seen in Moscow, Dubai and Kiev. Following Moscow and Dubai, Istanbul is the city having the highest rents in 2009 and the office rents in Istanbul were affected by the crisis to a limited extent. In the expectations concerning the office rents for 2010, it is projected that the fall in the rents will continue in Moscow and Dubai. In Istanbul, the rents are expected to be stable.

TABLE.78 CLASS A OFFICE AND 2010 EXPECTATIONS IN THE REGIONAL CITIES

CITIES	OFFICE RENT 2008 M ² /MONTH/US DOLLAR	OFFICE RENT 2009 M ² /MONTH/US DOLLAR	2010 EXPECTATION
LONDON	67.2	62.9	↑
FRANKFURT	53.2	48.6	→
WARSAW	40.6	31.2	→
BUDAPEST	30.8	28.4	→
PRAGUE	32.2	29.8	→
BUCHAREST	29.4	27.7	↓
MOSCOW	108.3	58.3	↓
BRATISLAVA	25.2	24.1	↘
BELGRADE	25.2	22	↘
KIEV	80	33.3	↘
İSTANBUL	38.3	35	→
TEL AVIV	22	19.9	→
DUBAI	95	52.8	↓

SOURCE: CUSHMAN&WAKEFIELD, OFFICE SPACE AROUND THE WORLD, 2010

Office investment yields, as an important indicator, are presented below for the last three years. Investment yields are compared as the yields of the investments in the form of asset purchase. As a result of asset prices fallen with the effect of the economic crisis in 2009, the investment yields in all cities have increased.

Kiev, Moscow and Dubai are three cities providing the highest yield. With annual yield of 8.5 percent, Bucharest follows these three cities. In Istanbul, the investment yield realizes as 8.25 percent in 2009.

TABLE - 79 OFFICE INVESTMENT (PURCHASING) YIELDS IN THE REGIONAL CITIES

CITIES	2007	2008	2009
LONDON	6	6	6.75
FRANKFURT	5.5	5.4	5.4
WARSAW	5.25	5.5	6.75
BUDAPEST	5.75	7	7.75
PRAGUE	5.5	6.75	7.5
BUCHAREST	5.75	7.75	8.5
MOSCOW	10	8.5	12
BRATISLAVA	7.5	7	7.75
KIEV	14	15	16
İSTANBUL	7	7.75	8.25
TEL AVIV	9	9.5	8
DUBAI	8.5	9	11

SOURCE: SAVILLS EUROPEAN OFFICE MARKETS, SPRING 2010
COLLIERS INTERNATIONAL, GLOBAL OFFICE REAL ESTATE REVIEW 2009

IV.3 EXPECTATIONS FOR ISTANBUL OFFICE MARKET

Expectations in Istanbul office market will be formed by short and medium term economic developments. The economic developments determine supply and demand in the office market and, consequently, rents-occupancy rates and yields.

Short Term Economic Developments

Level of the economic activities affects the office need and demand. Fiercely contracted with the economic crisis, the economic activities started to vitalize from the last quarter of 2009. In the rest of the year, the economic activities entered into a growth process above the expectations. And, an economic growth of 5.5 percent is projected for the year 2010. And the growth expectation for 2011 is 4.5 percent. This growth level in the economic activities will also affect the office demand positively.



However, the present economic risks limit the office demand that may stem from the growth. These risks are problems and uncertainties based on European economies. Despite of the economic recovery, the existing uncertainties discourage enthusiasm of the private sector for investment. Additionally the export sectors are adversely affected by the reduction in the value of Euro. And the foreign capital investments, particularly Europe-based investments have been limited as well. These developments will, albeit the economic growth, continue to restrict the office demand in the short run.

Medium Term Economic Developments

Medium term economic developments show trends to affect the office demand in Istanbul in positive way.

Turkish economy enjoys a status to grow fastest relatively in Europe and its region in medium term.

The business potential of Turkey expands as a result of the economic activities switching from the west to the east in medium term. Accordingly, the foreign capital investments will enter into a regular increase process again.

The target of Istanbul regional finance center, together with the participation of the foreigners in medium term, will also positively affect the office demand.

That the industry shall be moved away from the downtown in medium term according to the new city plan of Istanbul and the current industrial zones are planned to be transformed to business area shall positively affect the demand for office.

In this framework, it is considered that the conditions have matured for a steady increase in the office demand and supply in medium term for Istanbul.

Projections for Office Stock in Istanbul

The office stock still under construction in Istanbul by the end of 2009 is 241.700 m². It is projected that a significant part of this office stock shall be presented to use in 2010 and 2011. With the office investments planned, it is expected that the total office supply in Istanbul shall develop till 2013 as follows:

TABLE.80 ISTANBUL OFFICE STOCK PROJECTIONS

YEARS	ADDITIONAL STOCK M ²	TOTAL STOCK M ²
2010	183.000	3.060.000
2011	140.000	3.200.000
2012	150.000	3.350.000
2013	100.000	3.450.000

New office supply in Istanbul will comply faster in off-CBA on European and Anatolian sides. Because of limited land supply and high land costs in CBA for new investment, the investments will concentrate in the districts of Ümraniye, Kozyatağı-Ataşehir, K.Çamlıca-Çamlıca-Kısıklı on the Anatolian side and in the districts of Kağıthane-Eyüp ve Basın Yolu on the European side of the city.

Status of Istanbul As a City of Business

A determinant factor for supply in the office market of Istanbul is the demand of the foreigners. In this context, Istanbul is required to improve its attraction for the foreign capital as a city of business.

Istanbul ranks 27th among the best cities across Europe by 2009, jumping 2 ranks compared to 2008. The cities are assessed in terms of accessibility to the market/customer/consumer; availability of quality labor; communication infrastructure and quality; international-regional transportation connections; transportation facilities in the city; foreign language, rents, wages, life quality and availability of office to international standard. Istanbul should be in process of improvement for all criteria.

**TABLE.8I BEST BUSINESS CITIES IN EUROPE**

ITEM	CITY	SCORE 2009	SCORE 2008	ITEM 2008	ITEM 1990
1	LONDON	0.85	0.8	1	1
2	PARIS	0.56	0.57	2	2
3	FRANKFURT	0.33	0.32	3	3
4	BARCELONA	0.28	0.26	5	11
5	BRUSSELS	0.28	0.28	4	4
6	MADRID	0.23	0.22	7	17
7	MUNICH	0.21	0.2	9	12
8	AMSTERDAM	0.2	0.24	6	5
9	BERLİN	0.18	0.2	8	15
10	MILAN	0.15	0.11	13	9
11	GENEVA	0.14	0.12	11	8
12	HAMBURG	0.11	0.1	17	14
13	ZURICH	0.11	0.13	10	7
14	BIRMINGHAM	0.1	0.08	21	-
15	DUSSELDORF	0.1	0.12	12	6
16	MANCHESTER	0.1	0.11	14	13
17	LISBON	0.09	0.1	16	16
18	DUBLIN	0.09	0.1	15	-
19	LYON	0.09	0.09	18	18
20	STOCKHOLM	0.08	0.08	20	19
21	PRAGUE	0.07	0.08	19	23
22	ROMA	0.07	0.06	25	-
23	WARSAW	0.06	0.07	24	25
24	LEEDS	0.06	0.05	28	-
25	COPENHAGEN	0.06	0.07	23	-
26	BUDAPEST	0.06	0.08	22	21
27	ISTANBUL	0.05	0.04	29	-
28	VIENNA	0.05	0.05	26	20
29	GLASGOW	0.04	0.05	27	10
30	BUCHAREST	0.04	0.03	31	-
31	HELSINKI	0.03	0.03	30	-
32	MOSCOW	0.03	0.03	32	24
33	OSLO	0.03	0.03	33	-
34	ATHENS	0.02	0.03	34	22

SOURCE: CUSHMAN WAKEFIELD, EUROPEAN CITIES MONITOR, 2010

SECTION V

PROJECTIONS FOR ISTANBUL LOGISTIC MARKET

INTRODUCTION

Projections for logistic markets are specific to Istanbul and the expectations approach is used for this purpose. Assessments are made under the headings of Istanbul logistic market indicators, logistic indicators of the chosen regional cities and expectations.

V.I INDICATORS OF ISTANBUL LOGISTIC MARKET

The basic economic activities determining the logistic demand are foreign trade, retail market, industrial production and transit trade. In this framework, some data are presented on the economic activities in Istanbul.

Istanbul metropolitan area is center of the industrial production and foreign trade in Turkey. Istanbul logistic market largely shows developments for the economic activities in this metropolitan area

For foreign trade, the data on trade performed through the custom gates are used. The customs gates of Western and Eastern Marmara constitute the demand areas of Istanbul logistic market. Share of Western Marmara customs in the foreign trade by 2009 is 43.6 percent with volume amounting to USD105.9b. And the share of Eastern Marmara customs gates is 25.4 percent with volume of USD61.7b.

TABLE.82 DISTRIBUTION OF THE EXPORT AND IMPORT MADE THROUGH THE CUSTOMS GATES ACCORDING TO THE REGIONS THE CUSTOMS GATES ARE LOCATED, 2009

REGIONS	IMPORT % SHARE	EXPORT % SHARE	TOTAL % SHARE	BILLION US DOLLAR % SHARE
WESTERN MARMARA CUSTOMS GATES	50.5	38.6	43.6	105.9
EASTERN MARMARA CUSTOMS GATES	20	29.3	25.4	61.7
AEGEAN CUSTOMS GATES	17.6	13.8	15.4	37.4
BLACK SEA CUSTOMS GATES	2	2.8	2.4	5.8
MEDITERRANIAN CUSTOMS GATES	5.6	8.2	7.1	17.2
SOUTHEAST CUSTOMS GATES	2.2	0.4	1.2	2.9
EAST ANATOLIAN CUSTOMS GATES	2.2	7	5	12
TOTAL	100	100	100	242.9

SOURCE: UNDERSECRETARIAT OF CUSTOMS, TR

Wholesale and retail trade is another economic activity affecting the logistic demand. The retail expenditures are an important indicator for wholesale and retail trade. While the retail expenditures form in parallel with net product growth in Istanbul increased to USD54.1b in 2008 while it was USD44.2b in 2009. It is estimated that most of the retail expenditures in Istanbul was made in the organized retail market. For this reason, a significant part of the retail expenditures create logistic demand.

TABLE.83 ISTANBUL RETAIL EXPENDITURE VOLUMES RETAIL EXPENDITURE

YEARS	NET PRODUCT BILLION US DOLLAR	RETAIL EXPENDITURE BILLION US DOLLAR
2005	132.4	35.7
2006	144.8	39.1
2007	181.8	49.3
2008	204.1	54.1
2009	169.8	44.2

In connection with these developments in the economic activities of Istanbul, a fast expansion has occurred in the logistic market. The expanding demand and the corresponding investments in new and modern logistic buildings have continued till 2008. While major foreign logistic firms have made investments during this period, the transformation of some Turkish transportation firms to logistic companies has accelerated.

No healthy data is available on the logistic warehouse stock in Istanbul. However, the some measurements are made rent and occupancy rate of the logistic warehouses of international standards that are increasing in number.

Data on average rent and occupancy rate of the logistic areas in Istanbul are given below:

TABLE.84 AVERAGE RENT AND OCCUPANCY RATE OF LOGISTIC WAREHOUSES IN ISTANBUL

YEARS	AVERAGE RENT MONTH/M ² /US DOLLAR	AVERAGE OCCUPANCY RATE %
2004	4.0	16.5
2005	4.5	19.0
2006	5.0	21.0
2007	5.5	23.5
2008	6.0	25.0
2009	5.0	A TYPE EUROPE 10.0 A TYPE ASIA 20.0

SOURCE: COLLIERS INTERNATIONAL TURKEY, COMMERCIAL REAL ESTATE MARKET 2009-2010

TABLE.85 WAREHOUSE RENTS AT THE LOGISTIC AREAS OF ISTANBUL M²/MONTH/US DOLLAR

DISTRICTS	2002/2003	2007	2008	2009
HADIMKÖY-BEYLİKDÜZÜ	2.5-3.0	4.0-5.0	4.5-5.5	4.0-5.0
GÜNEŞLİ-YENİBOSNA-IKİTELLİ	3.0-4.0	4.0-5.0	5.0-5.5	4.5-5.5
MALTEPE-KARTAL-ÜMRANİYE-SARIGAZI	2.5-3.0	4.0-5.0	5.0-5.5	7.0-8.0
DUDULLU-SAMANDRA				
TUZLA-GEBZE	3.0-4.0	5.0-6.0	6.0	5.0-5.5

SOURCE: WORKING TEAM, FOR 2008-2009 COLLIERS INTERNATIONAL TURKEY, TURKEY REAL ESTATE MARKET 2008-2009-2010

V.2 INDICATORS OF LOGISTIC MARKET IN THE REGIONAL CITIES

While expectations of logistic market in Istanbul are established, the indicators of logistic markets in the regional cities are also presented and assessed.

The logistic area rents in the regional cities are presented comparatively for the years 2008 and 2009. Although the effects of the economic crisis on the rents are different, the highest fall in the rents occurred in Moscow.

TABLE.86 LOGISTIC AREA RENTS IN THE REGIONAL CITIES

CITIES	2008 US DOLLAR/MONTH/M ²		2009 US DOLLAR/MONTH/M ²	
	STANDARD <5000 M ²	LARGE >5000 M ²	STANDARD <5000 M ²	LARGE >5000 M ²
PRAGUE	7.35	6.3	7.45	6.75
BUDAPEST	5.6	4.9	4.25	5
WARSAW	8.4	5.15	8.25	5
BRATISLAVA	6.4	5.35	6.25	5.75
ZAGREB	7.25	8.75	8.5	8.75
BUCHAREST	7.7	6.3	5.9	5.9
MOSCOW	14	15	10.5	9
BELGRADE	10	10	10	10
ISTANBUL	9.5	9.5	9	9

SOURCE: KING STURGE, EUROPEAN INDUSTRIAL PROPERTY MARKETS, 2010

Among the regional cities, the city with the highest investment yield, i.e. 14 percent, is Moscow. It is followed by Bucharest by 10.5 percent and Budapest by 9.25 percent. Istanbul is one of two cities with the lowest investment yield. Despite of the relatively high rent level, Istanbul comes closer to the yield rates of the mature market due to its higher asset values (purchasing value).

TABLE.87 LOGISTIC AREA INVESTMENT YIELDS IN THE REGIONAL CITIES

CITIES	2 0 0 8 %		2 0 0 9 %	
	STANDARD <5000 M ²	LARGE >5000 M ²	STANDARD <5000 M ²	LARGE >5000 M ²
PRAGUE	8	8	9	8.25
BUDAPEST	10	8.5	11	9.25
WARSAW	8	7.75	8	8
BRATISLAVA	8.5	8	8.5	9
ZAGREB	9.5	9	9.5	9
BUCHAREST	9.75	9.5	10.5	10.5
MOSCOW	13	13	14	14
BELGRADE	8.4	7	7	5.6
ISTANBUL	5	6.5	5.75	7

SOURCE: KING STURGE, EUROPEAN INDUSTRIAL PROPERTY MARKETS, 2010

V.3 EXPECTATIONS FOR ISTANBUL LOGISTIC MARKET

Economic activities, the determinant factor of the logistic demand, entered into a process of re-growth after the economic crisis. However, the uncertainties and risks to the detriment of the economic growth cause delay in new investments. That the Turkish economy will show growth in medium term faster than the European and regional countries and that Turkey is an important center of the regional trade and transit trade causes optimistic expectations for logistic demand and investments.

In this framework, projections are made for the foreign trade and retail expenditures, the determinants of the logistic demand in Istanbul. Basing on the projection that the total foreign trade of Turkey will increase to USD450b in 2015 and assuming that the share of the foreign trade through the customs gates located in the metropolitan area of Istanbul will decrease, the trade to be performed through the customs gates of the Western and Eastern Marmara will increase from USD167.6b in 2009 to USD302b in 2015.

TABLE.88 PROJECTIONS FOR TRADE THROUGH THE WESTERN AND EASTERN MARMARA CUSTOMS GATES (BILLION US DOLLAR)

YEARS	TOTAL FOREIGN TRADE BILLION US DOLLAR	SHARE OF TRADE THROUGH CUSTOMS GATES SHARE %	TRADE THROUGH CUSTOMS GATES US DOLLAR
2010	282	69	195
2011	310	69	214
2012	335	68	228
2013	370	68	252
2014	410	67	275
2015	450	67	302

Retail expenditure volume in Istanbul is calculated according to the national income projections and on the assumption that net product share of Istanbul will remain same. Accordingly, the retail expenditures, USD44.2b in 2009, will reach to USD62.5b in 2015.

TABLE. 89 ISTANBUL RETAIL EXPENDITURE PROJECTIONS

YEARS	NET PRODUCT BILLION US DOLLAR	RETAIL EXPENDITURE BILLION US DOLLAR
2010	192	48.0
2011	204	51.0
2012	216	54.0
2013	226	57.0
2014	238	60.0
2015	250	62.5

Projections made for the economic activities in Istanbul comply with the projections made in the previous sections with respect to the national income and retail expenditure. Accordingly, the expansion in the foreign trade and retail activities in Istanbul will positively affect the logistic demand as well.

In the metropolitan area of Istanbul, Hadımköy, Çatalca, Çerkezköy, Çorlu, Tuzla, Gebze, Uzunçiftlik and Köseköy, including Tekirdağ and Kocaeli, will continue to develop as logistic areas.

Sangazi, Ümraniye, Maltepe, Kartal, Pendik and Samandra will be less preferred for new logistic investments due to both new land development rights and urban transformation projects.

That Turkey will show faster growth in medium term among the European and regional countries makes Turkey relatively more attractive for the investments in the logistic areas.

TABLE.90 PROJECTIONS FOR ECONOMIC GROWTH IN THE REGIONAL			
COUNTRIES	2010	2011	2015
GERMANY	1.2	1.7	1.2
FRANCE	1.5	1.8	2.2
ITALY	0.8	1.2	1.3
DENMARK	1.2	1.6	2.3
NETHERLANDS	1.3	1.3	1.8
AUSTRIA	1.3	1.7	2.2
POLAND	2.7	3.2	4
CZECH REPUBLIC	-4.1	2.3	3.5
HUNGARY	-0.2	3.2	3
SLOVAKIA	4.1	4.5	4.2
ROMANIA	0.8	5.1	4.1
HIRVATİSTAN	0.2	2.5	3
RUSSIA	4	3.3	5
TURKEY(I)	5.5	4.5	4

SOURCE: IMF WORLD ECONOMIC OUTLOOK, APRIL 2010
(I) PROJECTS OF THE STUDY ON TURKEY

However, in order to take advantage of this attraction, Turkey should improve its logistic infrastructure. As it is, Turkey ranks 39th in the world logistic performance index by 2009.

TABLE.91 WORLD LOGISTIC PERFORMANCE INDEX			
COUNTRIES	SCORE	RANKING IN 2010	RANKING IN 2007
GERMANY	4.11	1	3
SWEDEN	4.08	3	4
NETHERLANDS	4.07	4	2
CZECH REPUBLIC	3.51	26	38
POLAND	3.44	30	40
SLOVAKIA	3.24	38	50
TURKEY	3.22	39	34
HUNGARY	2.99	52	35
GREECE	2.96	54	29
ROMANIA	2.84	59	51
BULGARIA	2.83	63	55
CROATIA	2.77	74	63
SERBIA	2.69	83	115
RUSSIA	2.61	94	99

SOURCE: WORLD BANK, 2010

SECTION VI.

PROJECTIONS FOR ISTANBUL HOTEL MARKET

INTRODUCTION

Projections for the office market are made on basis of Istanbul by using the expectations approach. The expectations are presented under the headings of Istanbul tourism indicators, indicators of hotel market in the regional cities and expectations for hotel market in Istanbul.

VI.1 INDICATORS OF ISTANBUL TOURISM

In Istanbul, there are 363 facilities having tourism operating certificate, 29,984 rooms and 60,926 beds by the end of 2008. There are 79 facilities with investment certificates having 11,711 rooms and bed capacity of 24,987 again by the end of 2008.

TABLE.92 ISTANBUL ACCOMMODATION FACILITIES 2008

	TOURISM INVESTMENT CERTIFICATED			TOURISM OPERATING CERTIFICATED		
	NUMBER OF FACILITY	NUMBER OF ROOM	NUMBER OF BED	NUMBER OF FACILITY	NUMBER OF ROOM	NUMBER OF BED
HOTELS	66	10.636	22.4	296	27.613	55.612
5-STAR	23	5.417	11.844	32	9.525	19.867
4-STAR	28	3.964	7.934	75	8.329	16.765
3-STAR	13	1.209	2.53	90	6.033	11.825
2-STAR	2	46	92	83	3.161	6.074
1-STAR				16	565	1.081
OTHER	13	1.075	2.587	66	2.255	4.964
TOTAL	79	11.711	24.987	363	29.984	60.926

SOURCE: MINISTRY OF CULTURE AND TOURISM, TR

Number of foreigners accommodated in Istanbul was 2,93 million, and the number of local people accommodated is 1.48 million and total number of the people accommodated was 4.4 million by the year 2008. Overnight accommodation was realized as 9.2 million. Stay time of the foreigners was 2.3 nights and stay time of the local people was 1.7 nights. The current capacity and number of accommodation and room occupancy rates were 44.83 percent in average for all facilities.

TABLE.93 ISTANBUL ACCOMMODATION INDICATORS 2008

INDICATORS	2008
NUMBER OF FOREIGNERS ACCOMMODATED	2.930.019
NUMBER OF LOCALS ACCOMMODATED	1.479.959
TOTAL NUMBER OF PEOPLE ACCOMMODATED	4.409.978
OVERNIGHTLY STAY OF THE FOREIGNERS	6.652.379
OVERNIGHTLY STAY OF THE LOCALS	2.547.188
TOTAL OVERNIGHT ACCOMMODATION	9.199.567
STAY TERM OF FOREIGNERS ON NIGHT BASIS	2.3
STAY TERM OF LOCALS ON NIGHT BASIS	1.7
TOTAL STAY TERM ON NIGHT BASIS	2.1
FOREIGNER OCCUPANCY RATE	32.42
LOCALS OCCUPANCY RATE	12.41
TOTAL OCCUPANCY RATE	44.83

SOURCE: MINISTRY OF CULTURE AND TOURISM, TR

Performance of the hotels in Istanbul in 2008 is presented below. Accordingly, the highest accommodation, highest level of accommodation of foreigners and the highest overnight stay all were in 4-star hotels. While the occupancy rate for five-star hotels was 37.76 percent, the occupancy rate for 4-star hotels was 51.95 percent.

TABLE.94 PERFORMANCE OF THE HOTELS IN ISTANBUL, 2008

YEARS	CHECK-INS BY PERSON (000)			OVERNIGHT STAY (000)			OCCUPANCY RATE ORANI %		
	FOREIGNER	LOCAL	TOTAL	FOREIGNER	LOCAL	TOTAL	FOREIGNER	LOCAL	TOTAL
5-STAR	903.899	454.995	1.358.894	1.850.265	749.578	2.599.843	26.87	10.89	37.76
4-STAR	975.544	395.76	1.371.304	2.308.920	692.855	3.001.775	39.96	11.99	51.95
3 -STAR	608.58	325.793	934.373	1.418.991	509.655	1.928.646	36.02	12.94	48.96
2 -STAR	208.416	201.893	410.309	491.147	361.506	852.653	22.21	16.35	38.57
1 -STAR	14.261	39.222	53.483	43.508	78.929	122.437	13.27	24.08	37.35
SPECIAL B.	3.708	284	3.992	8.387	546	8.933	52.08	3.39	55.47

SOURCE: MINISTRY OF CULTURE AND TOURISM, TR

TABLE.95 TOURISM INDICATORS IN OTHER CITIES, 2008

CITIES	NUMBER OF PERSONS ACCOMMODATED (000)	NUMBER OF BEDS	OCCUPANCY RATE %
ANKARA	1.451	19.320	36.18
İZMİR	1.285	26.103	44.08
BURSA	452	6.847	41.43
ADANA	281	3.515	34.37
GAZİANTEP	251	2.789	33.27
ANTALYA	7.545	261.964	63.37
ERZURUM	122	1.875	26.07
KAYSERİ	129	1.769	334.8
KONYA	340	3.216	39.18
MERSİN	331	5.595	31.67
AYDIN	625	18.302	50.87
BALIKESİR	396	9.395	34.86
DENİZLİ	768	4.990	53.45
HATAY	150	2.316	33.99
MUĞLA	2.155	80.980	55.22

SOURCE: MINISTRY OF CULTURE AND TOURISM, TR

VI.2 INDICATORS OF HOTELS IN EUROPE AND REGIONAL CITIES

Hotel indicators in the European and regional cities are presented under the headings of room prices, revenue per room, occupancy rates and new investments. Average room prices in the European and regional cities are presented below. Riyadh, Dubai, Paris and Moscow are the cities with the highest room prices. Istanbul is the 10th city in terms of room prices.

TABLE.96 ROOM PRICES IN EUROPE AND REGIONAL CITIES, US DOLLAR

CITIES	2008	2009
RIYAD	232	257
DUBAI	301	238
PARIS	258	234
MOSCOW	315	204
ZURICH	222	194
MILAN	219	193
ROMA	224	193
LONDON	216	182
AMSTERDAM	199	168
İSTANBUL	191	160
COPENHAGEN	168	159
OSLO	170	153
HELSINKI	153	134
STOCKHOLM	165	139
VIENNA	152	134
MADRID	157	130
CAIRO	129	129
PRAGUE	136	108
BUDAPEST	114	97

SOURCE:STR GLOBAL, 2010

For the revenues obtained per room, Paris, Dubai, Riyadh and London enjoy the top ranks. The revenue obtained per room in Istanbul is USD121 in 2009 and Istanbul shares the 6th rate with Rome. Istanbul has an important performance for revenue per room.

TABLE. 97 REVENUE PER ROOM IN THE EUROPEAN AND REGIONAL CITIES, US DOLLAR

CITIES	2008	2009
PARIS	208	173
DUBAI	237	165
RIYAD	174	150
LONDON	183	147
ZURICH	170	134
ROMA	145	121
İSTANBUL	159	121
MOSCOW	250	119
AMSTERDAM	148	116
MILAN	138	110
COPENHAGEN	114	101
OSLO	114	96
STOCKHOLM	115	94
VIENNA	107	88
CAIRO	96	85
HELSINKI	101	83
MADRID	101	74
PRAGUE	86	60
BUDAPEST	71	51

SOURCE:STR GLOBAL, 2010

Room occupancy rates in the European and regional cities reduced with the effect of by the economic crisis. The reduction in the occupancy rates was in London and Riyad. London ranks first by the occupancy rate of 80.5 percent. It is followed by Paris by 73.8 percent. While the occupancy rate in Istanbul was 72.3 percent in 2008, it was 64.4 in 2009. Istanbul ranks 9th in the year 2009 in terms of occupancy rate.

Istanbul shows performance close to the top rank regional cities in terms of revenue per room and room occupancy rate. This performance creates positive effect for hotel demand and supply in Istanbul.

TABLE.98 OCCUPANCY RATES IN THE EUROPEAN AND REGIONAL CITIES

CITIES	2008	2009
LONDON	79.6	80.5
PARIS	77.6	73.8
DUBAI	76.7	69.1
AMSTERDAM	74.7	69
ZURICH	72.7	68.6
STOCKHOLM	69.6	67.2
VIENNA	70.9	65.9
CAIRO	74.3	65.4
ISTANBUL	72.3	64.4
COPENHAGEN	67.8	63.4
OSLO	67.2	62.7
ROMA	64.7	62.6
HELSINKI	66	60.1
RIYAD	58.5	60.8
MOSCOW	64.3	58.4
MADRID	64.3	57.6
MILAN	62.9	57
PRAGUE	63.3	56.6
BUDAPEST	62.7	53.2

SOURCE: DELOITTE, HOSPITALITY VISION, EUROPEAN PERFORMANCE REVIEW, 2009

The indicators of hotel investments in five major tourism cities of Europe also set example for Istanbul. Although there is important room-bed capacity and number of incoming tourists reached to high levels in these cities, the hotel investments go on. Expansion of the hotel investments will also be a natural tendency in Istanbul where number of people to accommodate is expected to rise in the following years.

TABLE.99 NEW HOTEL SUPPLY IN FIVE TOURISM CITIES OF EUROPE

CITIES	ROOMS OPENED 2008	ROOMS UNDER CONSTRUCTION 2009	ROOMS TO START IN 12 MONTHS	ROOM IN PLANNING STAGE
LONDON	1283	5074	1487	2717
BARCELONA	-	1944	399	279
MOSCOW	275	2637	1914	1367
LISBON	312	856	288	250
BUDAPEST	466	778	356	185

SOURCE: DELOITTE, HOSPITALITY VISION, EUROPEAN PERFORMANCE REVIEW, 2009

VI.3 EXPECTATIONS FOR HOTEL MARKET IN ISTANBUL

Number of people to accommodate in Istanbul is expected to rise in the following years. The number of people accommodated in Istanbul, i.e. 4.4M, will increase by means of both by local and foreign source accommodations. Targets and development of Istanbul in the way of becoming a regional center in economic and socio-cultural terms also support this expectation of rise. For this reason, in the following period, the demand for accommodation facilities in Istanbul will continue. Istanbul presents a significant potential of hotel investments for the foreign investors. the construction costs of hotel investments in Turkey are relatively low when compared with other countries, providing an advantage for hotel investments.

TABLE.100 HOTEL CONSTRUCTION COSTS PER ROOM/KEY

COUNTRIES	3-STAR THOUSAND EURO	4-STAR THOUSAND EURO	5-STAR THOUSAND EURO
CZECH REPUBLIC	24-43	67-124	100-162
HUNGARY	26-49	87-128	128-219
POLAND	28-41	85-124	120-197
UNITED KINGDOM	42-52	130-158	188-239
SPAIN	39-51	116-138	157-228
PORTUGAL	29-38	82-93	111-145
ROMANIA	19-25	59-93	105-158
RUSSIA	33-40	105-128	141-211
DUBAI	38-50	90-123	158-272
S. ARABIA	35-50	90-119	140-239
TURKEY	29-33	47-62	76-127

SOURCE: CUSHMAN&WAKEFIELD, EMEA HOTELS MONITOR, 2010

In Istanbul, the hotels are increasingly getting more attractive as a real estate investment tool. The hotels rank first as the attractive area among the commercial real estate investments in Istanbul. According to assessment by Price Waterhouse-ULI for 2010, Istanbul, among the European cities, has the highest invest demand second to Paris.

TABLE.101 SECTORAL PRIORITIES FOR REAL ESTATE INVESTMENTS IN ISTANBUL (Percentage % Share)

CITIES	OFFICE	SHOPPING CENTERS	INDUSTRY LOGISTIC	RESIDENCE	HOTEL	PRIORITY SECTOR
London	12.7	4.8	3.3	7.3	7.9	Office
Hamburg	4.5	5.4	10.3	6.8	4.5	Ind./Log.
Paris	10.1	6.6	2.2	6	8.7	Office
Berlin	3.3	6.9	3.8	9.6	5.4	Residence
Lyon	2.4	2.8	8.7	3.1	0.8	Ind./Log.
Istanbul	3.6	4.6	7.6	5.5	8.3	Hotel
Munich	8.3	6.5	3.8	8.1	5.8	Office
Barcelona	4.3	5.5	6.5	4.4	7	Hotel
Frankfurt	6.9	5.2	6	4.7	4.1	Office
Madrid	6.1	4.3	3.8	4.2	6.6	Hotel
Moscow	3.1	3.2	2.2	2.6	6.2	Hotel
Athens	0.9	3.1	1.6	2.9	5.4	Hotel
Warsaw	2.6	4.2	5.4	1.8	1.7	Ind./Log.
Roma	2.1	3.7	1.1	3.1	5	Hotel
Prague	2.3	3.5	4.9	1.6	3.3	Ind./Log.
Milan	3.6	4.9	2.7	1.6	2.5	Shopping center
Helsinki	2.6	2.5	4.9	2.9	1.2	Ind./Log.
Amsterdam	2.8	2.9	3.3	3.9	2.5	Residence
Stockholm	2.8	3.1	3.8	3.9	1.7	Residence
Budapest	0.5	2	3.8	2.3	1.2	Ind./Log.
Vienna	2.6	3.1	0.5	2.6	3.3	Hotel
Lisbon	1.9	2.8	1.6	2.6	2.5	Shopping center
Zurich	2.8	1.8	0.5	2.3	1.2	Office
Edinburgh	2.3	1.7	2.2	2.1	0.4	Office
Brussels	1.7	2	2.2	1.6	2.1	Ind./Log.
Copenhagen	1.7	2.2	1.6	1.6	0.4	Shopping center
Dublin	1.4	0.8	1.6	1	0.4	Ind./Log.

SOURCE: URBAN LAND INSTITUTE PRICewaterhouse COOPERS, "EMERGING TRENDS IN REAL ESTATE EUROPE, 2010



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Nispetiye Cad, Levent İş Merkezi, No: 6/2 34330 Levent - İstanbul / TURKEY
Phone: +90 212 282 53 65 Fax: +90 212 282 53 93
www.gyoder.org.tr