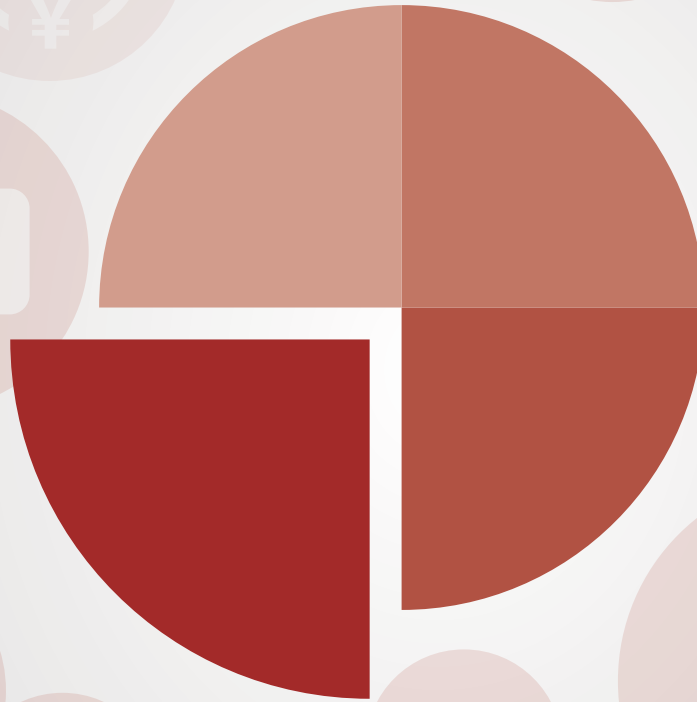


GYODER INDICATOR

Issue: 2



**Turkish Real Estate Sector
3rd Quarter Report 2015**

GYODER Indicator, Turkish Real Estate Sector 2015 3rd Quarter Report

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Foreword

We are pleased to share with you the 2nd issue of **GYODER INDICATOR** which addresses all sub-segments of the Real Estate sector in three months periods and which we believe to be an important source of data for all parts of the sector. We believe that **GYODER INDICATOR**, for which we have been receiving positive feedbacks from all parts of the sector since the first issue in which we gathered the data of the first two quarter of 2015, will be improved more to be more effective with the aid of your comments and suggestions.

In this report containing a wide variety of information and statistics ranging from fundamental macroeconomic indicators to in-sector production figures, you can find statistical data about sectors growth speed's reflections on GDP, annual inflation rates, Euro/Dollar parity parallel to trends in international market, BIST REIT stock performances, mortgage loan interest and usage rates, housing and office sales data and, statistical data on s/c and tourism and hotel management together. We wish that **GYODER INDICATOR, Turkey Real Estate Sector 3rd Quarter Report** will be utilized as an important source of data for all parts of the sector.

I would like to thank the following corporations member to GYODER Real Estate Research and Report Generation Committee for their efforts on the preparation of this report: **Cushman&Wakefield, DD Mortgage, EPOS Property Consulting and Valuation, EVA Real Estate Appraisal and Consultancy, Servotel Corporation, TSKB Real Estate Appraisal and İstanbul Technical University**. I would also like to thank the following members of Data Interpretation Supreme Board for their valuable contributions:

Assoc. Dr. Ali HEPŞEN, Mrs. Cansel TURGUT YAZICI, Assoc. Prof. Mr. Emre ÇAMLİBEL (PhD), Mr. Ersun BAYRAKTAROĞLU, Mrs. Füsün YILMAZ PHILLIPSON, Mr. Kerem Yavuz ARSLANLI (PhD) and Mr. Murat BERBEROĞLU (Phd)

Regards,

Neşecan ÇEKİCİ

*GYODER Board Member
GYODER Real Estate Research and Report Generation
Committee Chairman*



Executive Summary

Turkish economy succeeded in achieving to a positive growth for six consecutive years between 2002 and 2008 and in the period of U.S. mortgage crisis, which started in 2008 and continued to affect on the following years, completed only the year 2009 with a recession of 4,8%. While GDP growth rate recovered quickly during the period after crisis, growth performance of Turkish economy slowed down in recent years and is expected to complete the year 2015 with a percentage of 3,5%. On the other hand, uncertainties concerning U.S. Central Bank's interest raise process, geopolitical developments and weak progress in foreign demand pose risks for recovery process.

Considering the progressions on growth rates, important progresses were made in respect to per capita income. While the per capita income was 3,337 dollars in 2002, it reached up to 10,231 dollars in 2008 and fluctuated in a narrow band in the period after 2010. The per capita income between the years 2010 and 2015 has been in a plateau of 10,000 dollars and it also points out that the country might have been caught in the middle income trap which is an important obstacle for countries to develop. Middle income trap expresses economies that reached the middle income level but has been remaining there for many years and cannot reach the high income group level. Thus, reforming employment structure and means and production based on innovation become even more important to increase the per capita income.

Our country made important progresses on unemployment with the aid of employment intensive policies implemented by 2010. However, unemployment rate became 13% after U.S. mortgage crisis in 2008 and in the following period. And in recent years, the economic regression caused the unemployment rate to increase further. By August 2014 unemployment rate reached to 10.4% and by July 2015 it reached to 9.8% which was the average rate of the past ten years.

According to Consumer Price Index (CPI) data, an increase of 7.95% was seen in September 2015 compared to the same month of the previous year and this rate is above the target inflation of 5% established by the Central Bank of the Turkish Republic. This situation increases the possibility that the upward trend of inflation continues. Quick decreases in inflation rates experienced especially in 2000's brought along decreases in interest rates, and for instance, mortgage loan interest rates which was 55% in 2001 decreased up to 11% by 2014 and raised up to 14% by September, 2015.

Due to rapid population increase in recent years, families divided due to cultural change, urbanization, increased levels of income and improved life standards, demand for real estate is constantly increasing in our country. Even if the contribution from the other side has decreased, when the data of the past 10 years is considered, construction sector's contribution rate to Turkey's economy is 4,5% on average.

Due to its connections with land market, construction material, equipment, consumer durables and labor markets, real estate market and housing, comprising an important portion of this market, have been very important for revitalization of our national economy especially since 2000's. But it's a fact that the growth rate of construction sector has been below GDP growth rate since the 3. quarter of 2014.

When real estate market in Turkey is evaluated as low-end markets, we can say that it is separated from other low-end markets by its relationship with economic activity, its importance for the banking sector and the fact that real estate is the most important asset investment and source of assurance for individuals. When evaluated for 2015, especially in the first period of 6 months, reaching half a million apartment type building permits in housing investments, price indexes highest for both second hand and new housings compared to previous periods, house sales reaching peak values show that real estate market has had a profitable year beyond expectations.

REIDIN 2007 June=100 reference years Turkey Composite House for Sale Price Index increased by 17,7% by September 2015 compared to the same period of previous year, and the rate of increase compared to the initial term is 78%. According to REIDIN-GYODER New Housing Price Index results, an increase of 1.30% was seen in September 2015 compared to the previous month, 8.35% compared to the same period of the last year and 63.50% compared to the initial term in January 2010..

Throughout 2014 number of house sales were 1165381 and in the first 9 months of 2015, 844132 houses were sold. Mortgage loan interest rates below 1% in first half of 2015 contributed to these values.

On the other hand monthly mortgage loan interest rate, which was below 1% in the first 6 month of 2015, showed an increasing trend in the last quarter period and was on a monthly average of 1.17%. This can be seen as a possible

decrease in demand. Mortgage loans still reached 128 billion TRY in August 2015 from 125.3 billion TRY in December 2014 showing an annual growth rate of 19%.

In Commercial Real Estate sector, office market was the most active market in the first 6 months of 2015. New investments continued to be made in this sector. A decrease could be seen in hotel investments. No growth happened in shopping center investments. It can be said that the steadiness in industry and logistics areas continues. In this regard, reasons for sectorial shrinkage in terms of investment in 2015 can be stated as an economic slowdown, conflicts in surrounding countries and fall of real sector expectations and consumer confidence index.

When 2015 final quarter period is taken into account, it is possible to say that important risks will influence sectorial decisions. In this regard, monetary tightening expected from the FED is an important turning point for markets and economies and a decisive process for the shaping of our country's economy. Especially in recent periods, gas prices going down has been an important support for decreasing raw material costs in real estate investments and primary deficit financing. Inflation rate being above the Central Bank of the Republic of Turkey's official target, nearly 10% unemployment rate and short term foreign borrowing of the private sector are some economic and financial issues that can raise financial concerns for the coming period.



Key Economic Data

TRY based GDP increases are diminishing due to increase on exchange rate of Dollar.

An upward trend in inflation makes year end targets hard to reach.

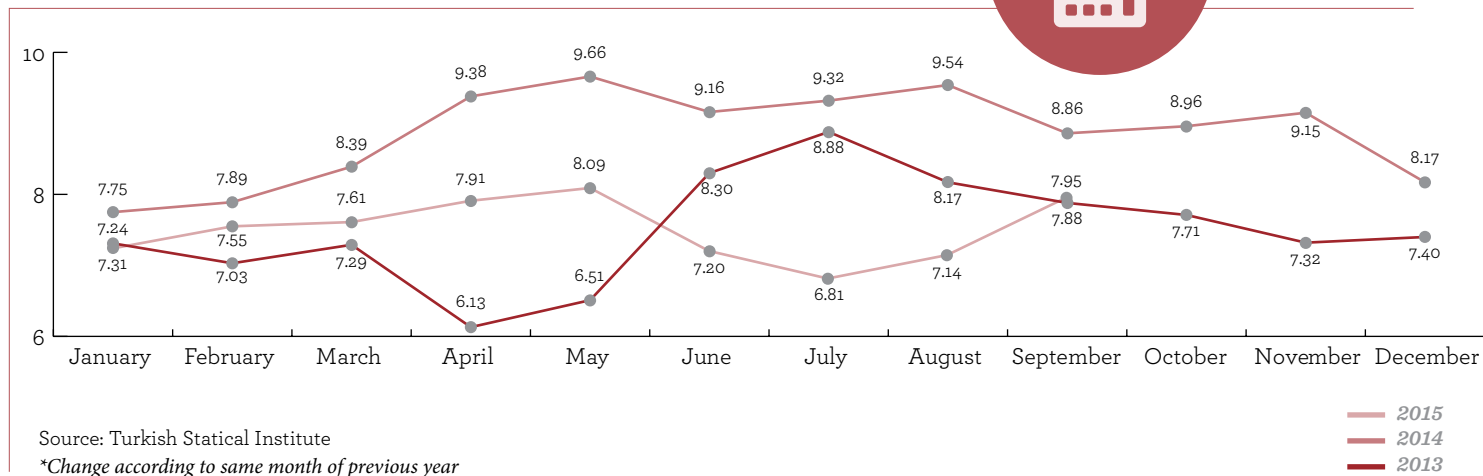
The decrease in the value of Turkish Lira and the rise of Dollar against Euro is expected to reach a plateau.

Nominal Gross Domestic Product by Expenditure

Year	GDP (million TRY)	Income per Capita (TRY)	GDP (million USD)	Income per Capita (USD)	Growth (%)	Average Rate during the year (TRY/USD)
2012	1,416,798	18,743	794,748	10,514	2.10	1.7827
2013	1,567,289	20,607	813,542	10,697	4.20	1.9265
2014	1,749,782	22,753	797,567	10,371	2.90	2.1939

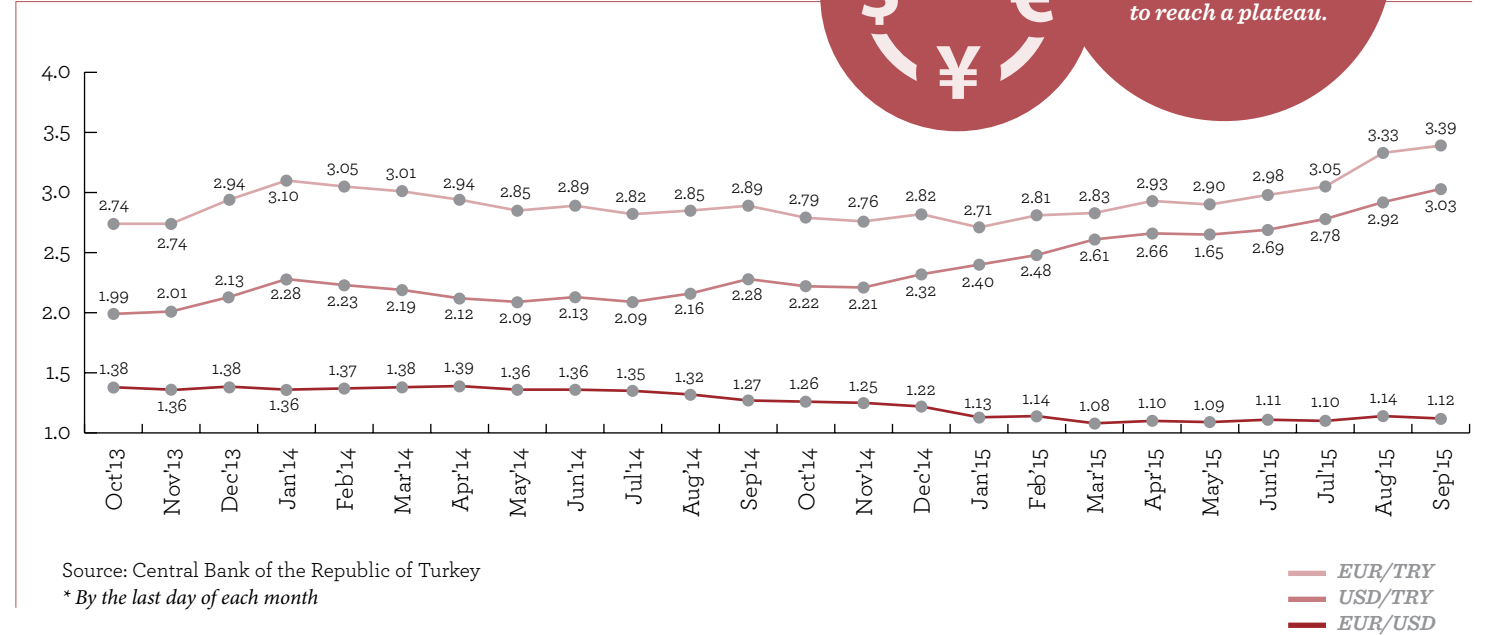
Source: Turkish Statistical Institute
Buying rate for last day of each month was used to establish average USD rate for that year.

Annual Inflation*



Source: Turkish Statistical Institute
*Change according to same month of previous year

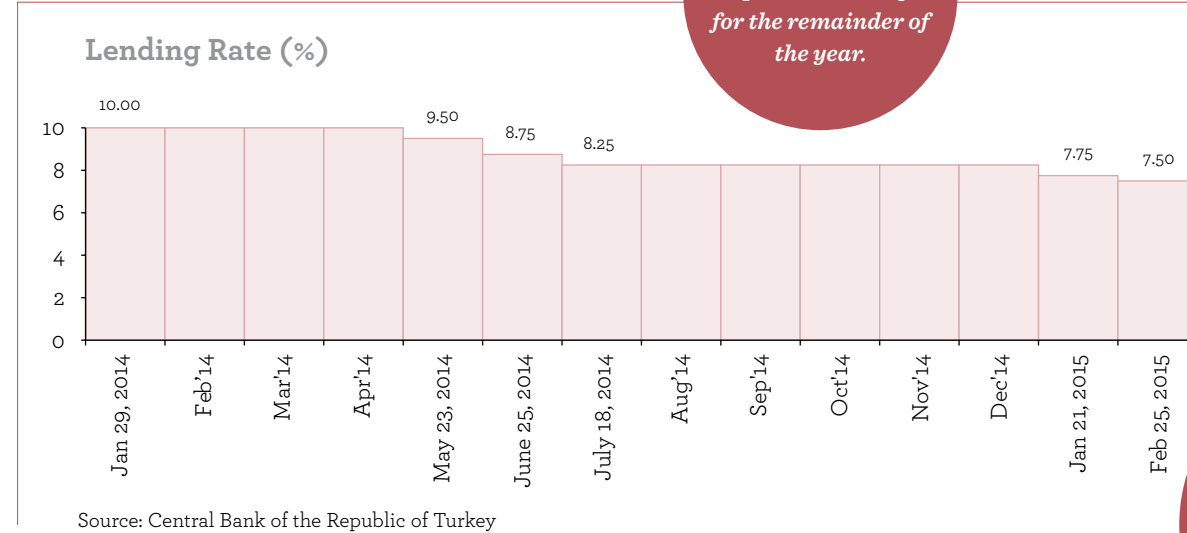
Exchange Rate*



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

EUR/TRY
USD/TRY
EUR/USD

Policy Rate



Source: Central Bank of the Republic of Turkey

Course of policy rates are not expected to change for the remainder of the year.



Age 15+ Unemployment (%)

Monthly Average*

Oct'14	Nov'14	Dec'14	Jan'15	Feb'15	Mar'15	Apr'15	May'15	Jun'15	Jul'15
10.4	10.7	10.9	11.3	11.2	10.6	9.6	9.3	9.6	9.8

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

Annual Average

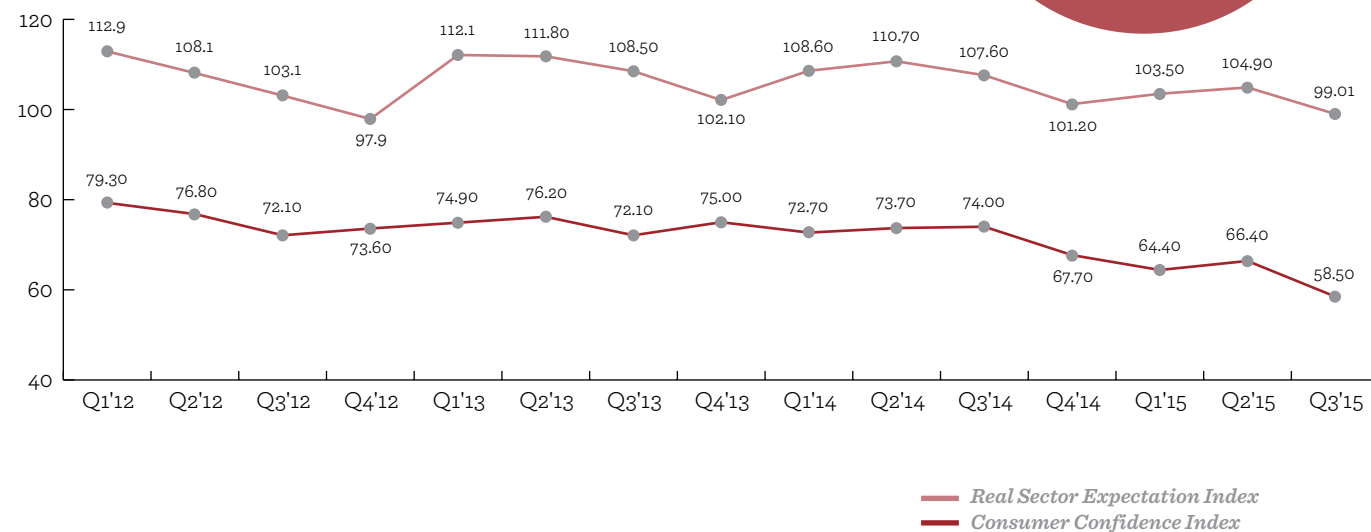


Source: Turkish Statistical Institute

The rates expected to decrease because of the change of calculation method of unemployment rates continued to increase, this has been noted as a negative development.

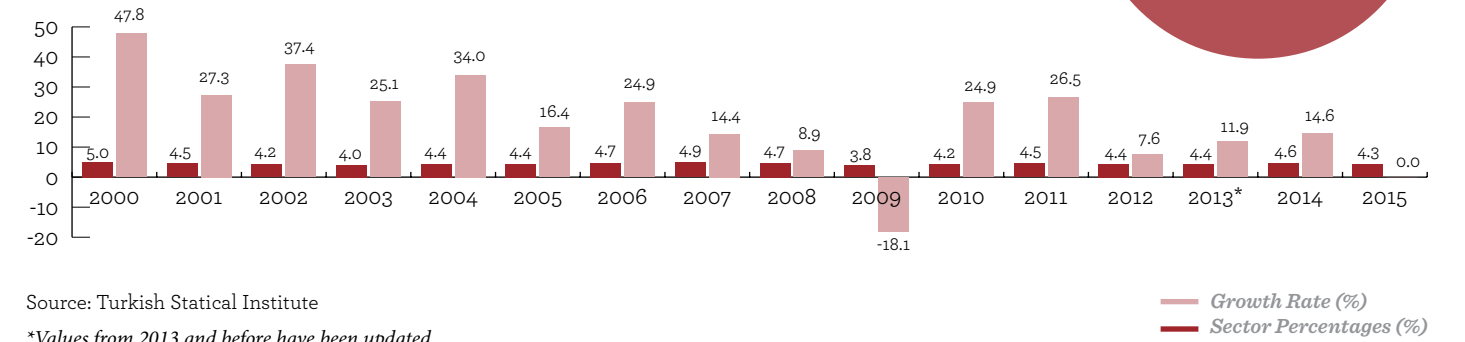
It has been found that Expectation and Confidence Indexes were influenced by negative processes in the last 6 months but still a systematic decrease from 2012 to this day cannot be denied.

Expectation and Confidence Index



— Real Sector Expectation Index
— Consumer Confidence Index

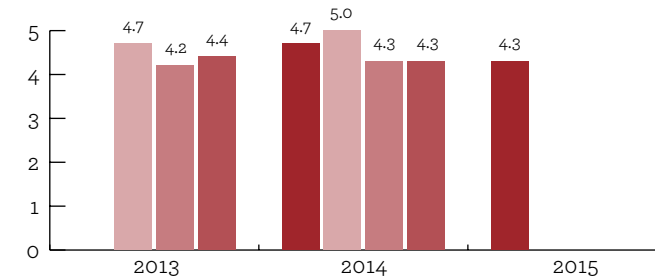
Percentage of Construction in GDP current prices



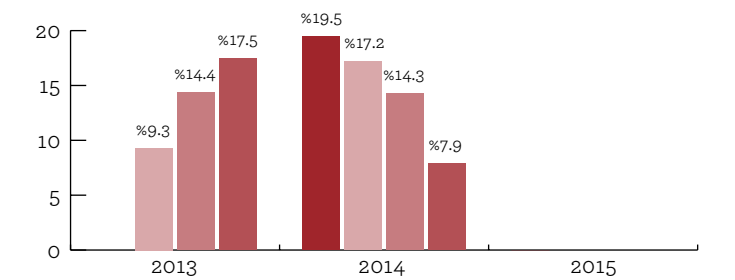
Source: Turkish Statistical Institute

*Values from 2013 and before have been updated

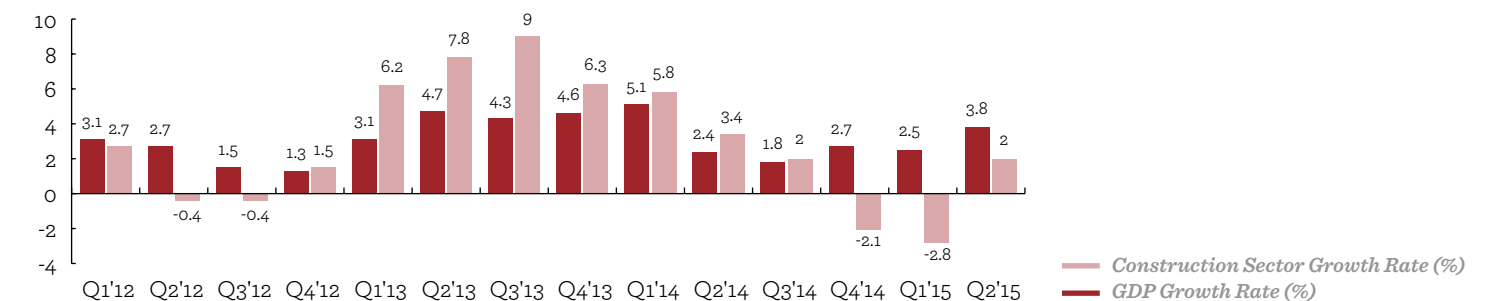
Share in GDP



Growth compared to same month of previous year



Construction Sector- National Income Growth Figures Comparison (%)



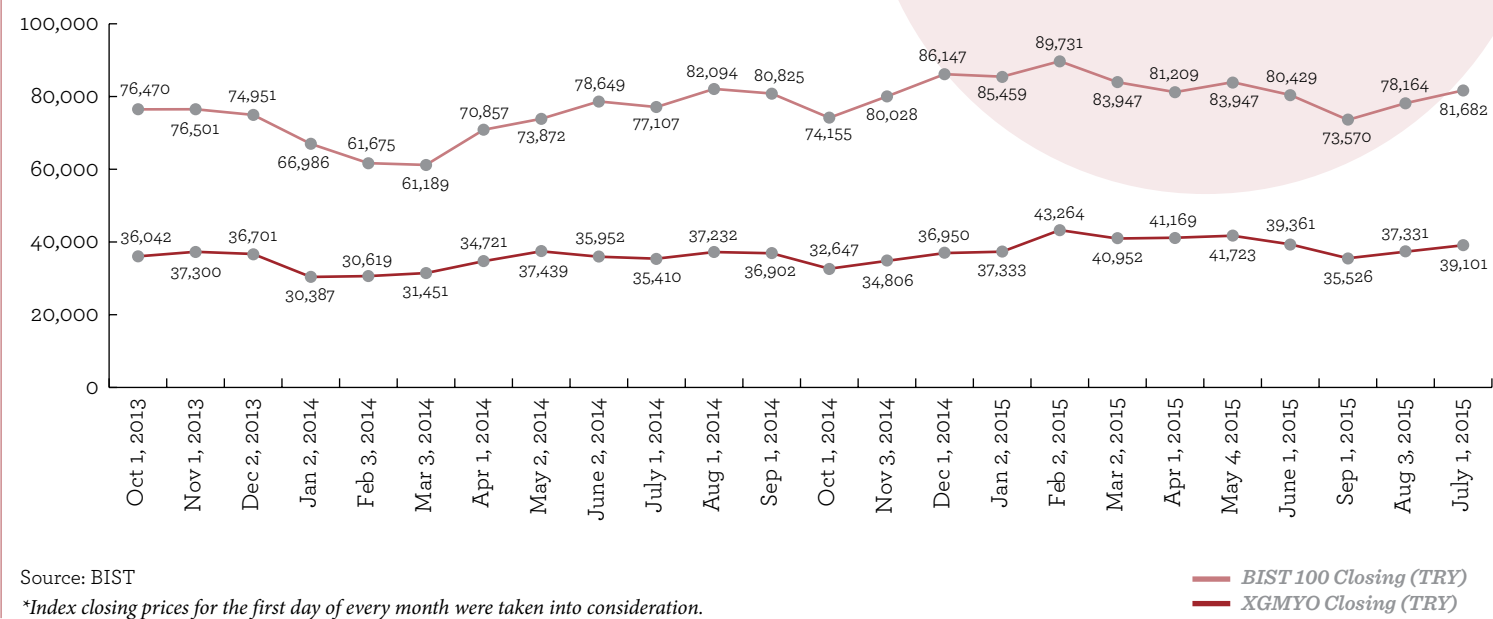
— Construction Sector Growth Rate (%)
— GDP Growth Rate (%)



REIT's

REIT's stock performance stays horizontally according to BIST 100. But dollar based market value decreased.

BIST REIT Index Performance*



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

REIT Market Value

	Q1'11	Q2'11	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
REIT Number	21	23	23	23	24	24	24	25	27	29	30	30	30	31	31	31	31
Million TRY	12,867	13,522	12,717	11,708	13,823	13,912	13,591	15,787	16,877	16,431	17,084	18,632	19,956	20,671	19,432	21,981	23,073
Million USD	8,435	8,349	6,853	6,224	7,765	7,714	7,614	8,771	9,324	8,558	8,500	8,730	9,282	9,750	8,486	9,462	8,813

Exchange rate of dollar, was taken as the first trading day of next quarter period.
Since the latest reports released by CMB are from May 2015, the 2. and 3. quarter data could not be reached.

Credits

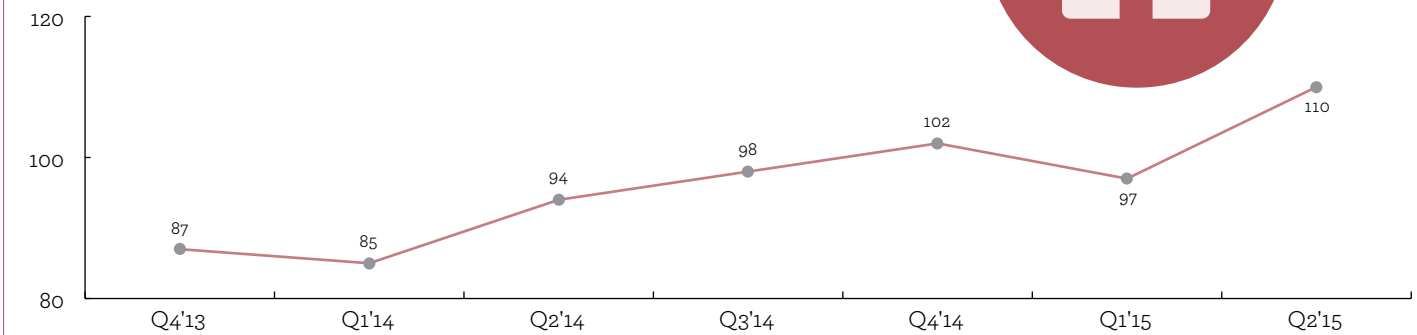
Increase of Mortgage extension has been noted as a positive signal.



Mortgage Extension

Period	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15
Total Credit Extension (million TRY)	9,947	7,243	7,802	10,488	10,991	12,483	12,747
Credit Extension Figure (number)	114,890	85,602	82,919	107,247	107,664	129,040	116,019

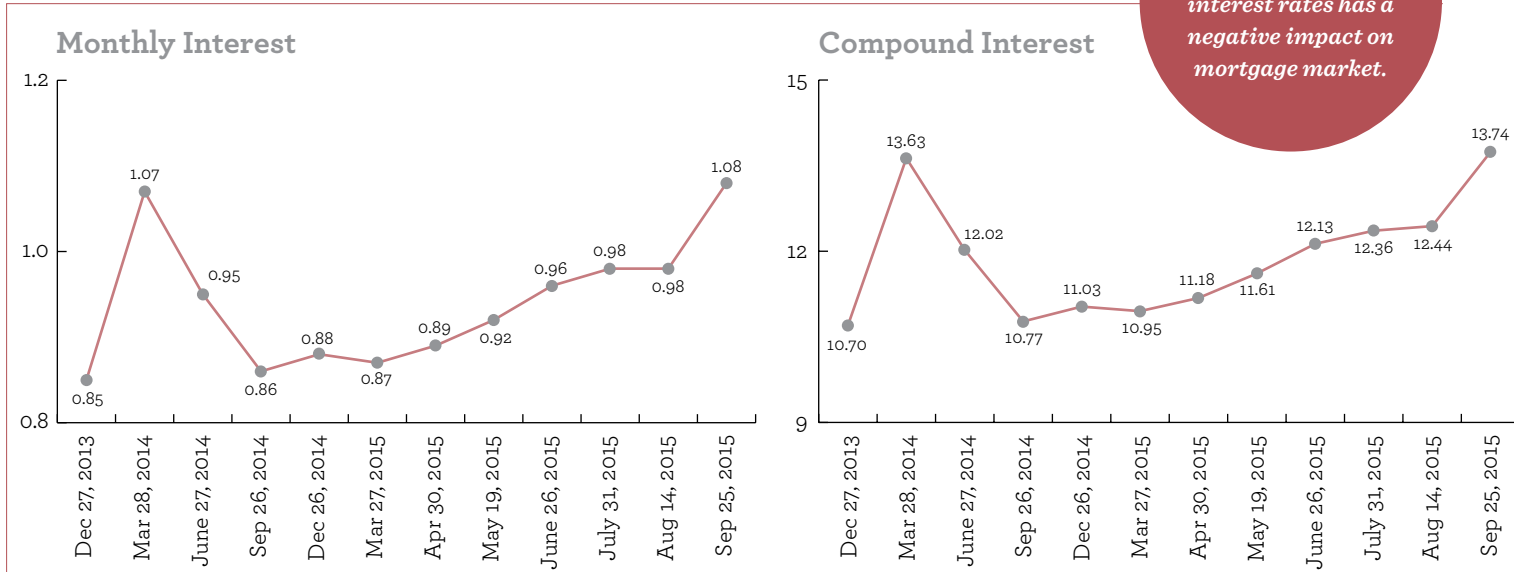
Average Mortgage Loan Amount (thousand TRY/number)



Source: The Banks Association of Turkey



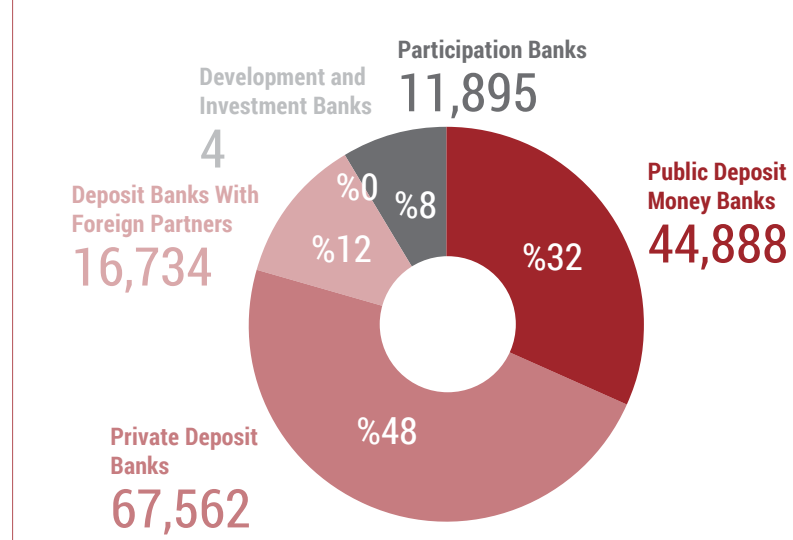
Mortgage Loan Interest Rate (%)



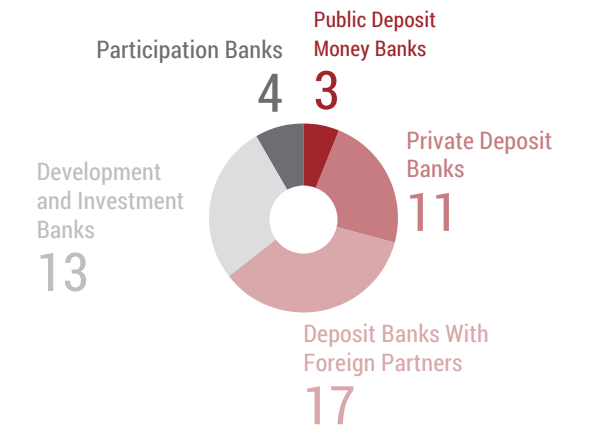
Source: Central Bank of the Republic of Turkey

Distribution of Mortgage Loan According to Banks

Distribution of Mortgage Loan Volume (billion TRY)



Number of Banks

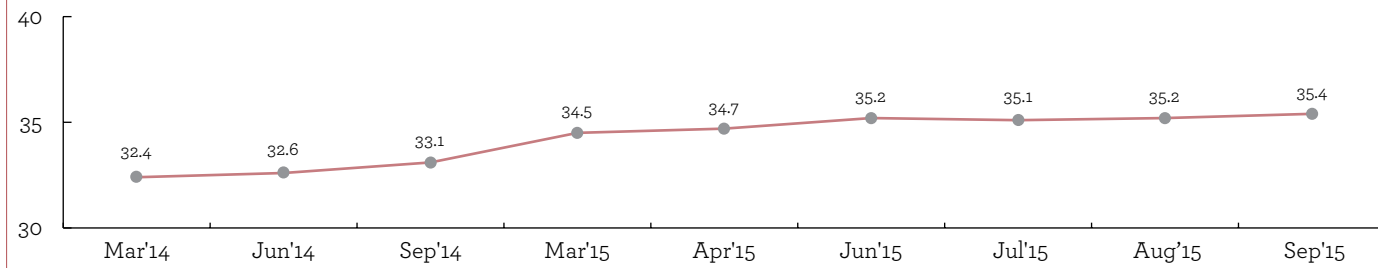


* Banking Regulation and Supervision Agency data from 09.25.2015

Mortgage Loan - Total Consumer Credits Comparison*

	Mar'14	June'14	Sep'14	Mar'15	Apr'15	June'15	July'15	Aug'15	Sep'15
Mortgage Loan (billion TRY)	103	105	109	120	122	126	127	128	129
Total Consumer Credits (billion TRY)	317	323	331	348	353	357	361	363	365

Ratio of Mortgage Loan to Total Consumer Credits (%)



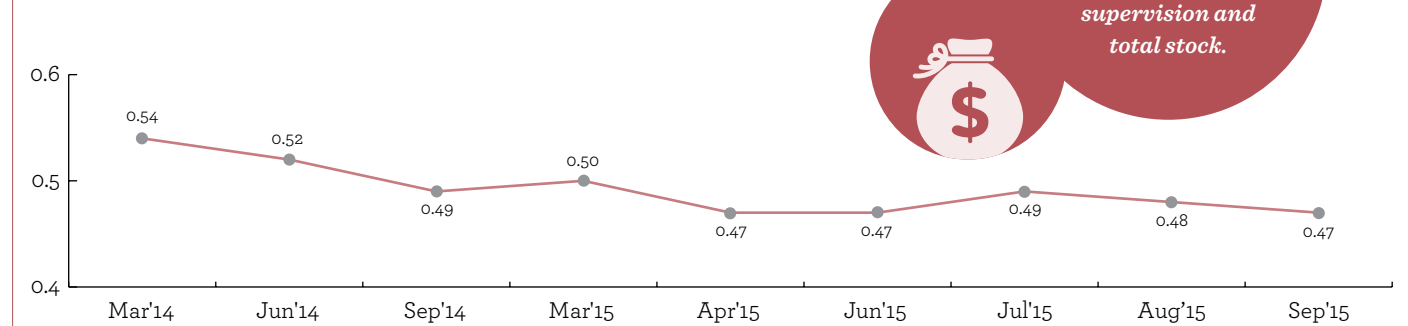
Source: Central Bank of the Republic of Turkey

*With deposit bank's data

Mortgage Loan Stock and Non-performing Loan

	Mar'14	June'14	Sep'14	Mar'15	Apr'15	June'15	July'15	Aug'15	Sep'15
Total Stock (million TRY)	102,772	105,174	109,344	119,809	122,340	125,964	126,815	127,656	129,143
Total Loans Under Supervision (million TRY)	602	565	563	593	609	590	615	615	607

Ratio of Loans Under Supervision to Total Stock (%)



Source: Central Bank of the Republic of Turkey

Housing

House Sales (number)

	First Sale	Second Hand Sales	Total Sales	Mortgaged Sales
Oct'13	35,363	40,981	76,344	26,337
Nov'13	48,255	54,426	102,681	36,600
Dec'13	58,329	57,455	115,784	36,343
Jan'14	40,155	47,484	87,639	32,046
Feb'14	38,074	44,523	82,597	24,059
Mar'14	41,983	45,634	87,617	24,465
Apr'14	37,555	46,055	83,610	23,447
May'14	41,456	48,921	90,377	29,760
June'14	42,620	50,316	92,936	32,029
July'14	39,373	45,728	85,101	30,912
Aug'14	48,828	56,796	105,624	35,338
Sep'14	53,039	62,747	115,786	43,144
Oct'14	44,499	51,146	95,645	34,451
Nov'14	48,128	55,655	103,783	36,925
Dec'14	65,844	68,822	134,666	43,113
Jan'15	37,971	48,196	86,167	33,178
Feb'15	40,662	54,359	95,021	36,952
Mar'15	51,487	64,543	116,030	45,315
Apr'15	52,598	66,719	119,317	46,063
May'15	49,001	58,887	107,888	40,086
June'15	51,202	59,455	110,657	40,503
July'15	43,623	52,966	96,589	30,754
Aug'15	53,218	59,245	112,463	36,021
Sep'15	43,333	49,150	92,483	28,684

Source: Turkish Statistical Institute

First Sale: The first sale of a housing by producer or by people making an agreement with the producer in return for a flat.

Second hand sale: Resale of the housing by the person obtaining the house from first sale.

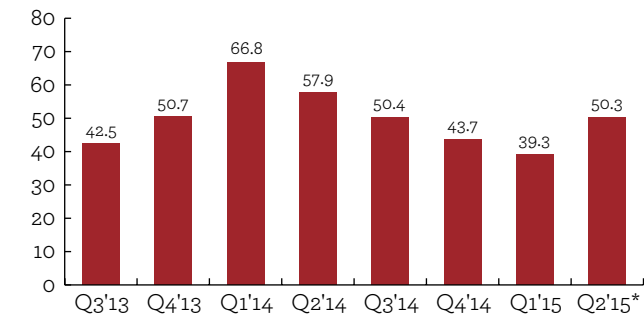
Building Permits

Housing Stock

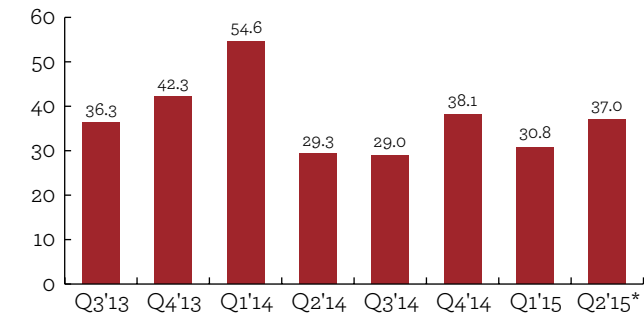
Total number of flats stated in 2000 building count report (thousands) 16,236

Total number of flats acquiring occupancy permits between 2002 and 2014 (thousands) 5,219

Building License



Occupancy Permit



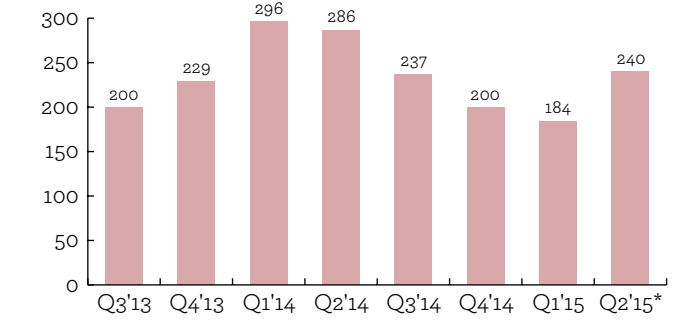
Source: Turkish Statistical Institute

* 2015 3. quarter data not published yet.

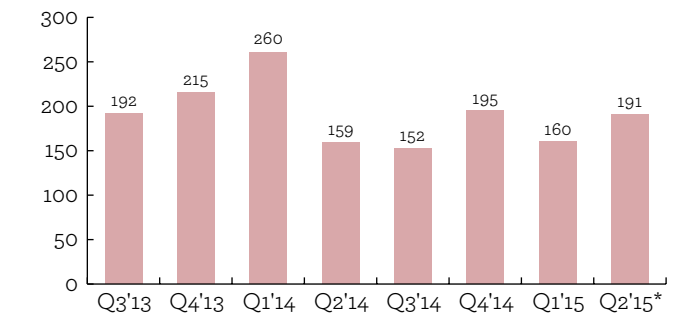


More studies must be done on identifying housing stock and current supply numbers.

Building License



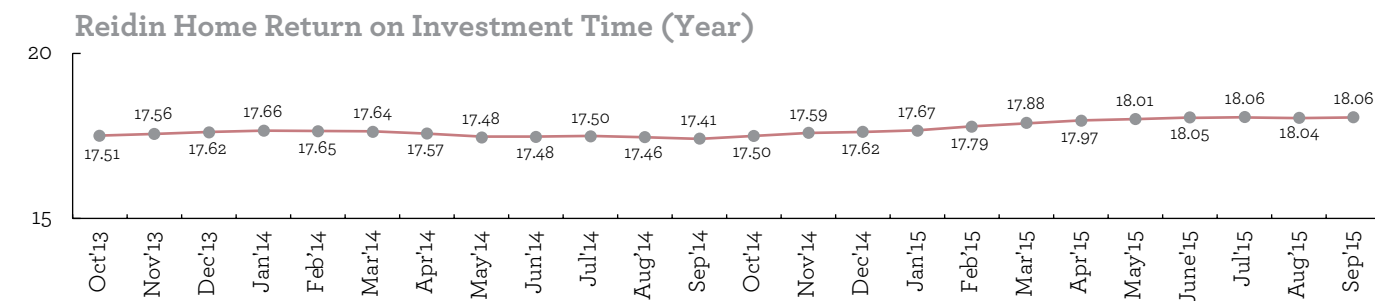
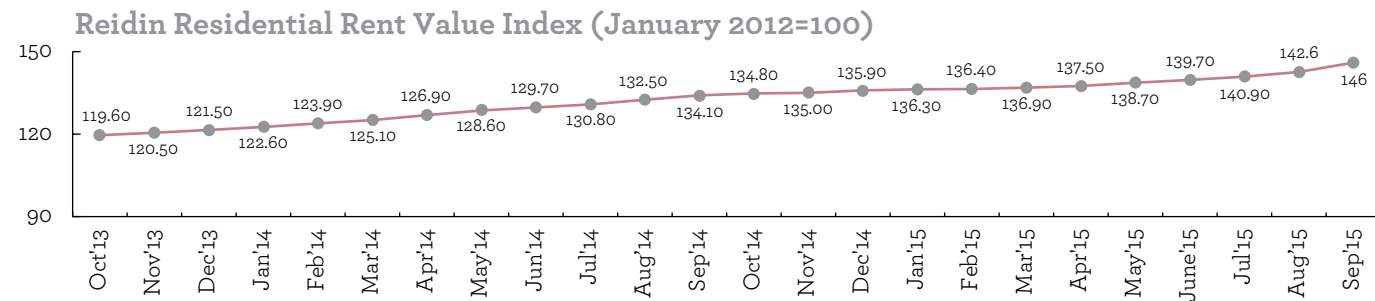
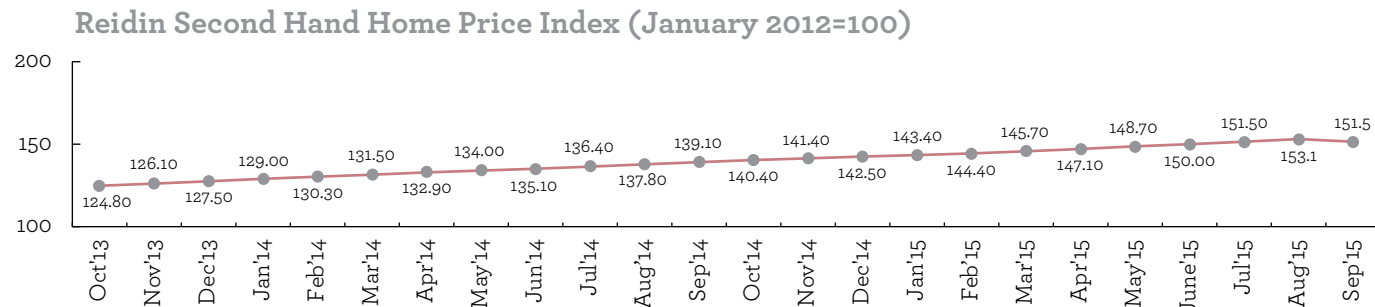
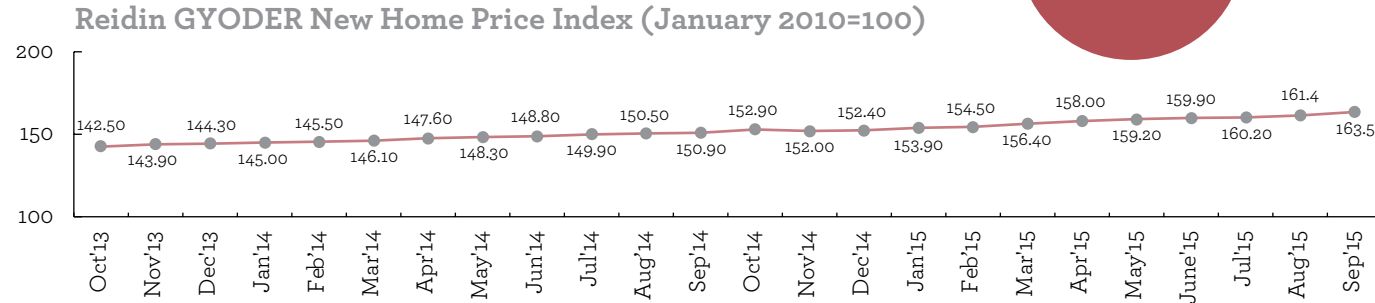
Occupancy Permit



— Total Area (million m²)
— Number of flats (thousands)

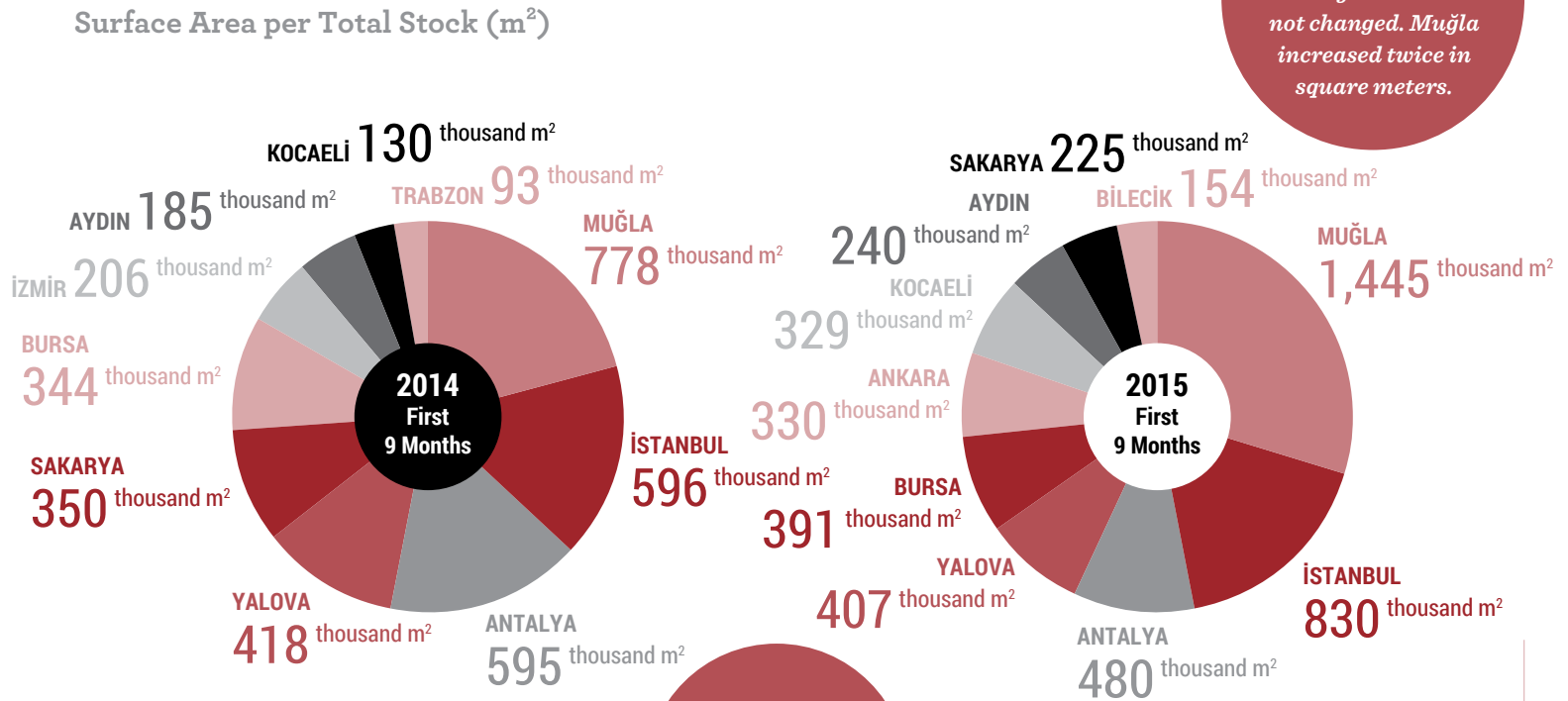
Housing Price Indexes (Country-wide)

Housing price indexes continue to increase



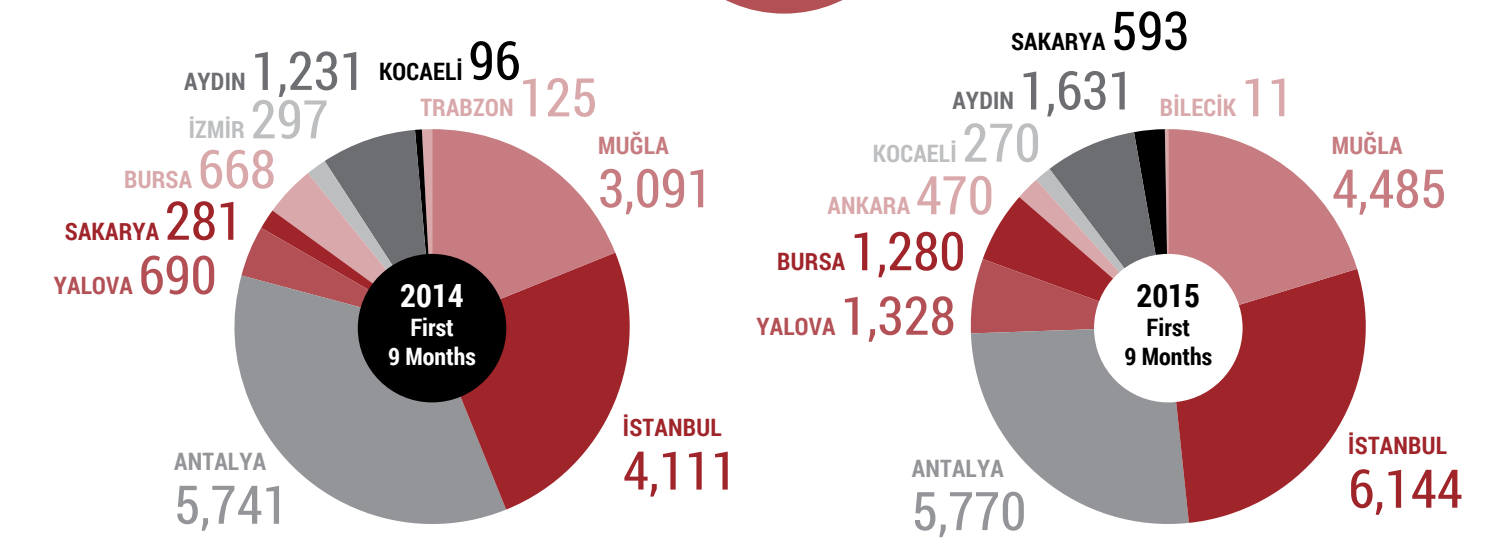
First 10 Cities Preferred by Foreigners

In Total share Area, Muğla, İstanbul and Antalya order was not changed. Muğla increased twice in square meters.



Istanbul settled at first place passing Antalya on number of people.

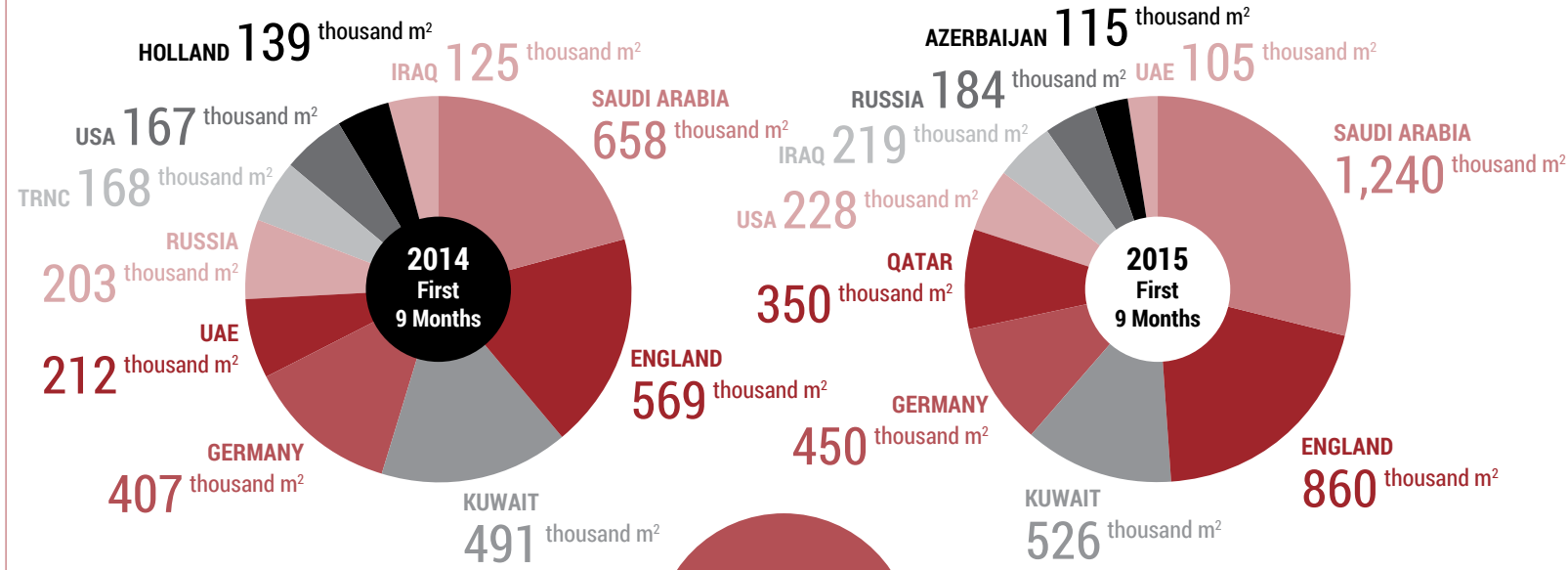
Total Number of People



First 10 Countries Who Prefer Turkey

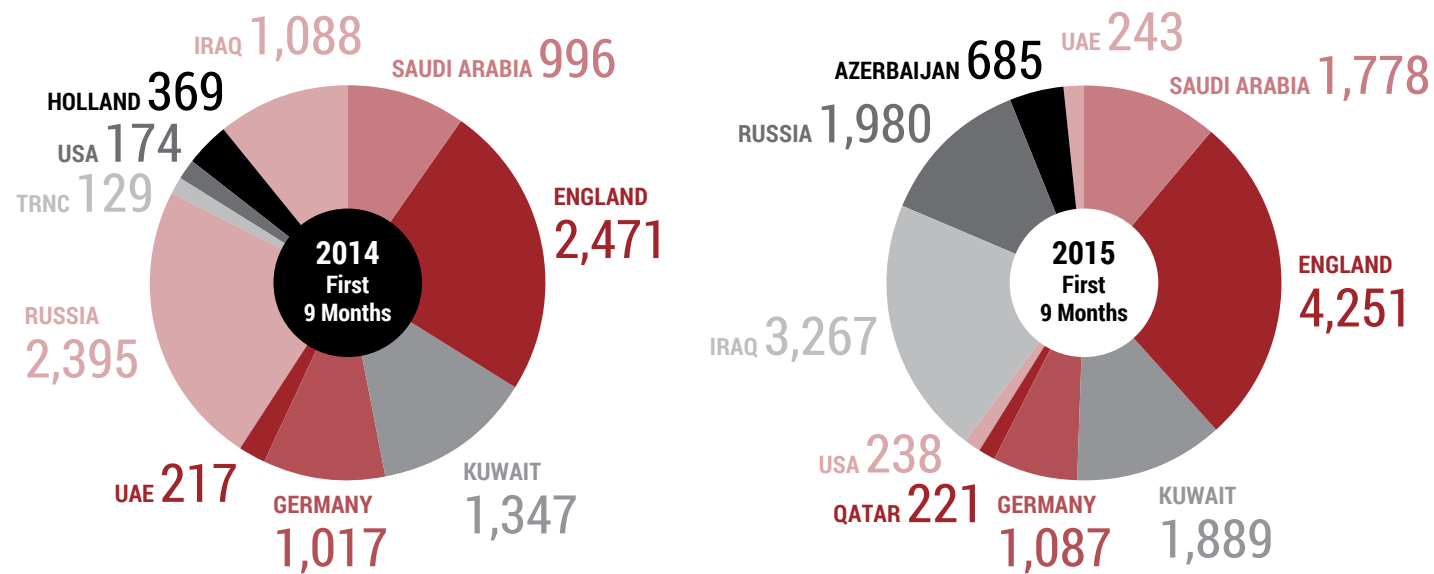
Saudi Arabia achieved a 2 times increased compared to same period of previous year.

Surface Area per Total Stock (m²)



England achieved a 2 times increase by 4,251 people on Total Population

Total Number of People



The sharp drop on S/C supply is determined as a negative development for 2015.

Shopping Centers

Situation in Shopping Centers*

	Number	Area (thousand m ²)
New Supply 2014	25	453
New Supply 2015	4	82
Total New Supply	29	535
Istanbul	112	4,144
Ankara	31	1,293
İzmir	20	470
Other Cities	186	4,193
Total	349	10,101**
Average 1,000 people/m ²		130
Retail Turnover Index (2010=100)		179.6

Source: EVA Real Estate Appraisal and Consultancy and Akademetre Research and Strategic Planning joint study

* As of April 2015

** Current leasable area

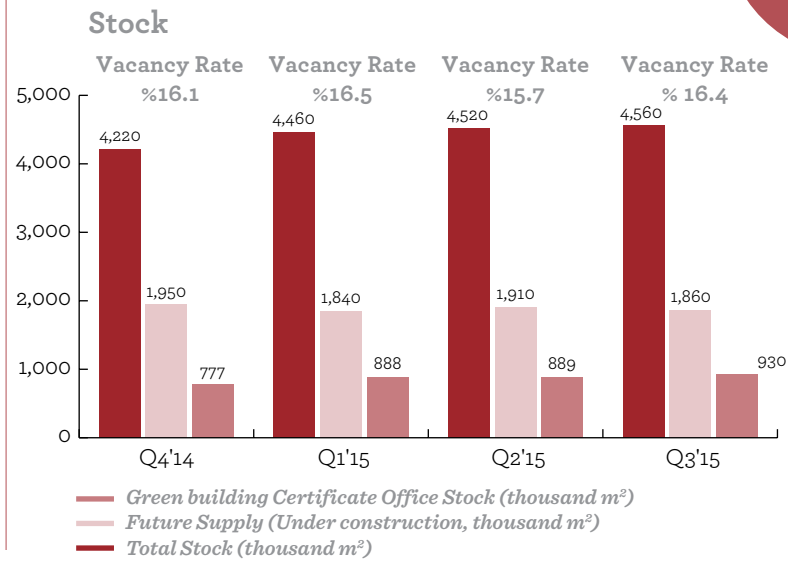


S/C Definition: leasable area above 5,000 m², at least 15 independent sections, organized shopping areas creating synergy by centralized or joint management mentality.

Office

Istanbul Office Market

Increase in vacancy rates influence rent expectations at Anatolian side.



Leasing	Q4'14	Q1'15	Q2'15	Q3'15
Total Occurring Take-up Transactions (thousand m ²)	122	137	50	90
Prime Rent (USD/m ² /month)	45	45	45	45
Prime Yield (%)	6.8	6.8	6.8	6.8

European side 2015 3. Quarter data decreasing vacancy rates, positively influence rent expectations.

Istanbul Office Market by Regions

European Side	Q4'14			Q1'15			Q2'15			Q3'15		
	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)
Levent-Etiler	719	14.2	45	719	10.7	45	727	13.4	45	757	16.2	45
Maslak	712	17.1	30	762	19.6	30	762	20.1	30	762	20.5	30
Z.Kuyu-Şişli Line (Z.kuyu-Gayrettepe-Esentepe-Mecidiyeköy-Şişli)	383	13.3	34	383	13.4	34	389	14.9	34	389	13.4	34
Taksim and surrounding area (Taksim-Elmadag-Bomonti-Piyalepaşa)	166	25.8	20	166	27.3	20	166	26.8	20	138	9	20
Kağıthane	139	31.7	22	169	43	22	169	43	22	169	30.7	22
Beşiktaş (Nişantaşı-Akaretler-Barbaros-Maçka-Teşvikiye)	107	17.4	28	107	15.3	28	107	17.6	28	107	16.9	28
Western Istanbul (Güneşli-Yenibosna-Bakırköy-İkitelli)	671	10.8	16	683	11.8	16	708	10.8	15	709	10	15

Istanbul Office Market by Regions

Anatolian Side	Q4'14			Q1'15			Q2'15			Q3'15		
	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)	Stock (thousand m ²)	Vacancy Rate (%)	Prime Rent (\$/m ² /month)
Kavacık	127	6.8	22	127	6.9	22	127	10.4	21	127	5.6	21
Ümraniye	569	12.4	23	569	9.1	23	569	5.7	23	569	9	23
Altunizade	64	6.3	23	645	0	23	64	0	23	60	0	23
Kozyatağı (İçerenköy-Göztepe-Ataşehir)	267	30.1	28	318	33.3	28	339	24.4	28	375	34.5	28
Eastern Istanbul (Küçükyalı-Maltepe-Kartal-Pendik)	268	24.1	17	362	20.9	17	362	17.1	17	362	21.3	17

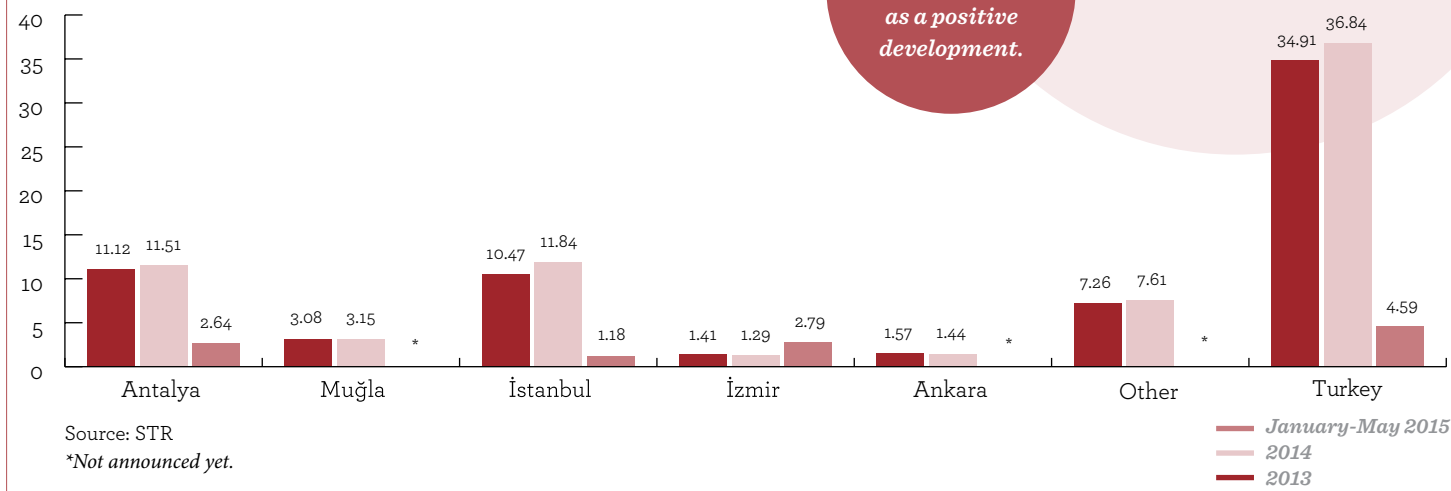
Office data are prepared by GYODER Research and Report Generation Committee, definitions are done privately.



Hotel

Tourism and Hotel Performance

Total Number of Foreign Visitors (million people)



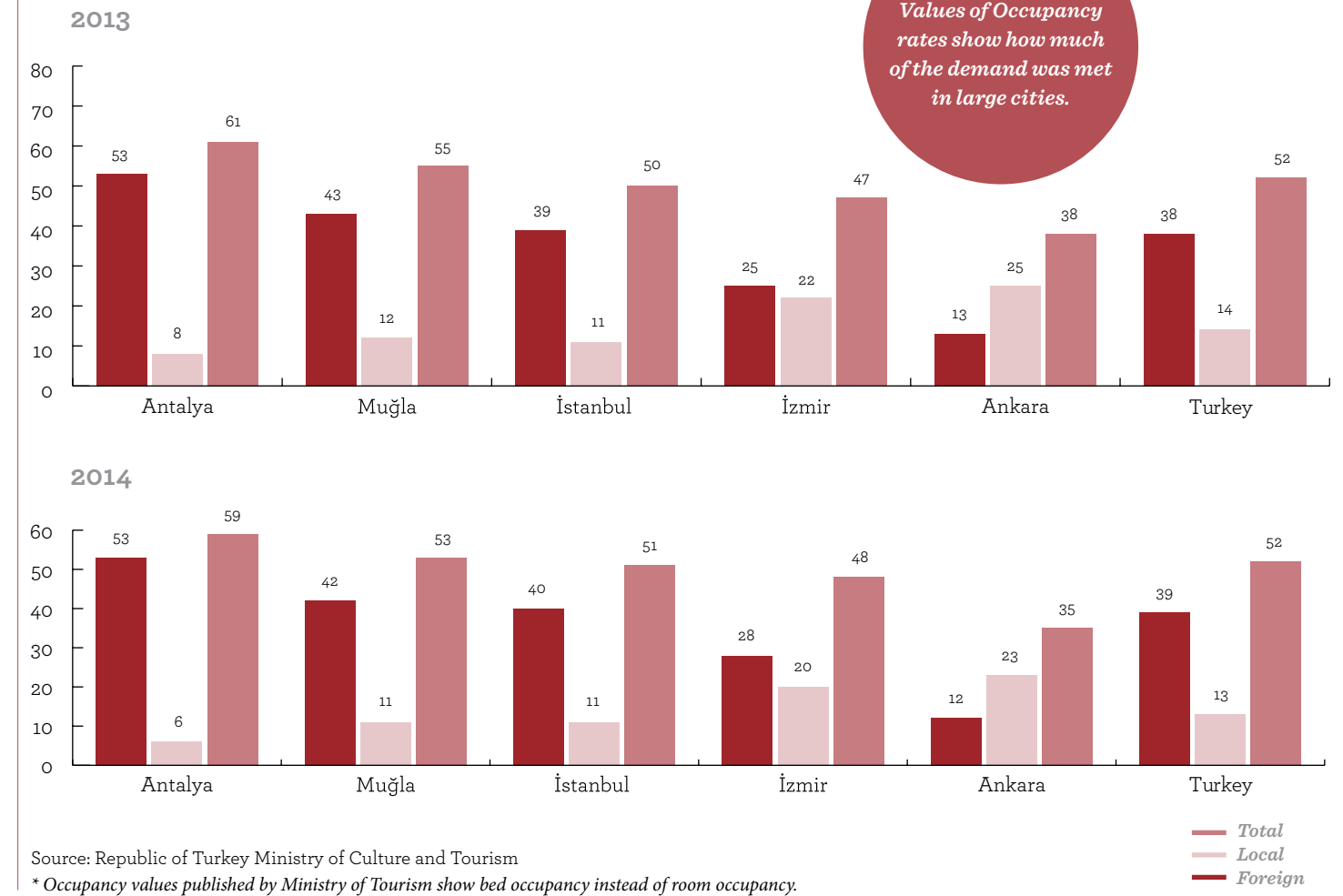
Increasing number of visitors is noted as a positive development.

Number of Facilities with Investment and Operating Permits 2014

	With Operating Permit		With Investment Permit	
	Facility	Room (thousand)	Facility	Room (thousand)
Antalya	747	183.6	164	34.3
Muğla	371	42.0	141	15.0
İstanbul	431	40.0	170	23.8
İzmir	171	16.0	66	6.1
Ankara	158	10.7	35	4.7
Other	1,104	65.1	480	56.0
Turkey	2,982	357.4	1,056	139.9

Number of facilities with investment and operating permits are below what is expected from large cities.

Hotel Occupancy Rate (%)*



With the Contributions of



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