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RESTRUCTURING OF ISTANBUL: RECONNECTION, REGENERATION, RESETTLEMENT



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Restructuring of Istanbul: Reconnection, Regeneration, Resettlement

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Aziz Torun
GYODER Chairman

A new vision for growth

Integrated with global economy, Turkey deserves to be an international logistics base with its location right between Europe, Middle East, Asia and Africa. Turkey sustains a stable economic growth and remains to be one of the rising stars of the world. With a GDP of approx. USD 1 trillion, Turkish economy has become the 16th largest economy in the world, and the 6th largest one in Europe.

Supporting economy and employment, the construction market plays a substantial role in Turkey. While the share of the market in employment have been continuously increasing, urban transformation provides new lines of business for the next 20 years. The construction market is the main driver of the local economy operating with more than 200 sub-sectors.

The Marmara region, particularly Istanbul, is at the heart of Turkish economy. Regarding the global developments, Istanbul's urban economy

presents a new vision in order to adapt the competitive opportunities of the region. Ranked at the 8th place among 78 metropolitan areas of OECD countries, Istanbul offers great advantages for global investors in terms of finance, tourism and culture, information and innovation. In line with the principles of environmental, social and economic sustainability, Istanbul, historically a regional center for Eurasia, gradually becomes more prominent while preserving its unique natural and cultural identity and transforming into an information society with a global competitive power.

Large-scaled infrastructure investments, such as harbors, motorways, and high-speed rail lines, develop the interaction between the cities in the Marmara region, particularly with Istanbul. The Izmit Bay and Dardanelles Strait crossings integrated respectively with the Northern and Southern Marmara motorways also create a golden ring for the region, while highlighting the strategic importance of the region.

Istanbul is within the radar of many sectors, notably finance and real estate. Having been the rising star of the region for so long, the city will keep attracting local and international investors with its population of around 15 million people. Furthermore, the developing cities of Tekirdağ, Yalova, Çorlu and Balıkesir have been also witnessing a boom in housing developments and sales. Shopping center, office and hotel investments in these cities are also contributing the regional development.

GYODER, the prominent representative of the Turkish real estate industry, believes that Turkey will retain its stable economic growth, creating a bright future for real estate.

Aziz Torun
GYODER
Chairman



Ibrahim Çağlar
Istanbul Chamber of Commerce
Chairman

Adding value to Istanbul

Istanbul has been witnessing a major transformation which became more apparent in recent years. This 8,500-years-old city moves forward with transformation, making history once again. Today, we have been simultaneously experiencing three main processes which will add value to this unique city.

Firstly, Izmit Bay Crossing and other infrastructural transportation projects around the Marmara Sea are all creating a golden ring within the periphery of the city. The 3rd Bridge, the Northern Marmara Motorway, the 3rd Airport, Marmaray and Eurasia Tunnel will provide a new traffic circulation system for Istanbul.

Secondly, every mega project helps the development of the city economy and competitive capacity. Thus, Istanbul becomes geostrategic player on a global scale.

And lastly, buildings under earthquake risk are being renovated and brand new livable spaces are being developed with a large-scaled urban transformation project. The transformation will provide an opportunity exceeding a total of USD 400 billion for construction and real estate markets over 20 years.

Witnessing such a major change, the city's every square meter under development is surely nesting a great energy. Thus, due to this reality, Istanbul Chamber of Commerce aims to represent Istanbul much better on global platforms.

This is why we will make a stronger appearance in the world's largest property market, MIPIM, this year. Supported with sound and visual effects, an Istanbul pavilion will present the 24 hours of Istanbul with a scale model of the city. Publicity meetings of the mega projects will be held at the pavilion as well.

I wholeheartedly believe that we will all represent the Turkish construction market, the second largest one with global investments, and the potential of Istanbul deservedly in Cannes, France. I hope that our efforts in MIPIM will help the real estate market and the national economy of Turkey to gain more momentum.

Sincerely,

Ibrahim Çağlar
Istanbul Chamber of Commerce
Chairman



*Istanbul: Restructuring Strategies**

The future of Istanbul depends on integration with global economy and management of regional competitiveness in Marmara. In order to seize the regional competitive opportunities, the city economy of Istanbul creates a new vision regarding the global developments.

The “Istanbul Metropolitan Area Review” by OECD, State Planning Organization and Istanbul Metropolitan Municipality collaboration and the “Istanbul Metropolitan Area Plan” by Istanbul Metropolitan Municipality are two main studies that reveal the new vision.

In both studies, the future of Istanbul is built on the subjects below:

- Finance
- Tourism & Culture
- Information & Innovation
- Logistics

Thus, the strategic decisions for economic and urban reconstruction by both local and central authorities will adapt the city to global development while helping to achieve the goal of seeking new opportunities in Eurasia.

Istanbul Metropolitan Area Review is the latest study for Istanbul which is ranked as the 8th among 78 cities of OECD countries. The study will serve as a model for urban plans and strategies. Main objective of the study has been determined as making Istanbul a large financial center and focal point of the international trade. Thus, the vision is established as “taking a strategic role in the country and Eurasia”. Main goals to achieve this vision are making Istanbul center of information and innovation for Turkey, as well as making the city a regional center for Eurasia, a global gateway and

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from Kentsel Strateji*



financial service provider between Europe, Asia, Middle East and Old Eastern Bloc countries, a focal point for logistics, and a touristic and cultural center.

Adjusting the vision and goals of the OECD study, “Istanbul Metropolitan Area Plan” also sets a similar vision and overlapping goals. The vision of the study is defined as “In line with the environmental, social and economic sustainability principles, an Istanbul that is constantly developed while preserving its unique cultural and natural identity, sheltering an information society and high quality of life.” Main goals are:

- Adapting a multi-centered and balanced development model in regional scale,
- Reducing differences between districts,
- Setting out economic, social and environmental sustainability principles,
- Supporting and improving cultural industries,
- Strengthening the structuring of education and technology for industry-specific knowledge production.

According to the plan, main decisions are below:

Population: The population of Istanbul is estimated to reach 22-25 million in 2023, based on the current trends of demographic indicators. However, considering the sustainability criterion, the population will need to be fixed at 16 million with a planned sustainable development.

Regeneration of Industrial Areas: The industrial areas of Istanbul need to be transformed for the development of information economics, cultural and service industries.

Technology Development Areas: In order to strengthen the collaboration between universities and private sector, areas sheltering laboratories, technology and science parks are determined as technology development zones.

Multi-centric Approach: Istanbul needs to develop the identity of “global-regional top center” on a metropolitan scale. High population growth rate and the pressure on green areas due to urban development also require an urban macroform expanding through east and west. Based on this multi-centric approach, Kartal and Silivri are determined as the new sub-centers of attraction.

The vision of the study is defined as “In line with the environmental, social and economic sustainability principles, Istanbul that is constantly developed while preserving its unique cultural and natural identity, sheltering an information society and high quality of life.”

Marmara Region: Golden Ring

Large infrastructural investments Harbors, highways, high-speed rail lines enable the interaction between the cities of Marmara region, particularly with Istanbul. The Izmit Bay and Dardanelles Strait crossings will create a golden ring for the region. Connecting the top cities of the region within four hours at most, the golden ring would also bring up the reconstruction of the cities, notably Istanbul.

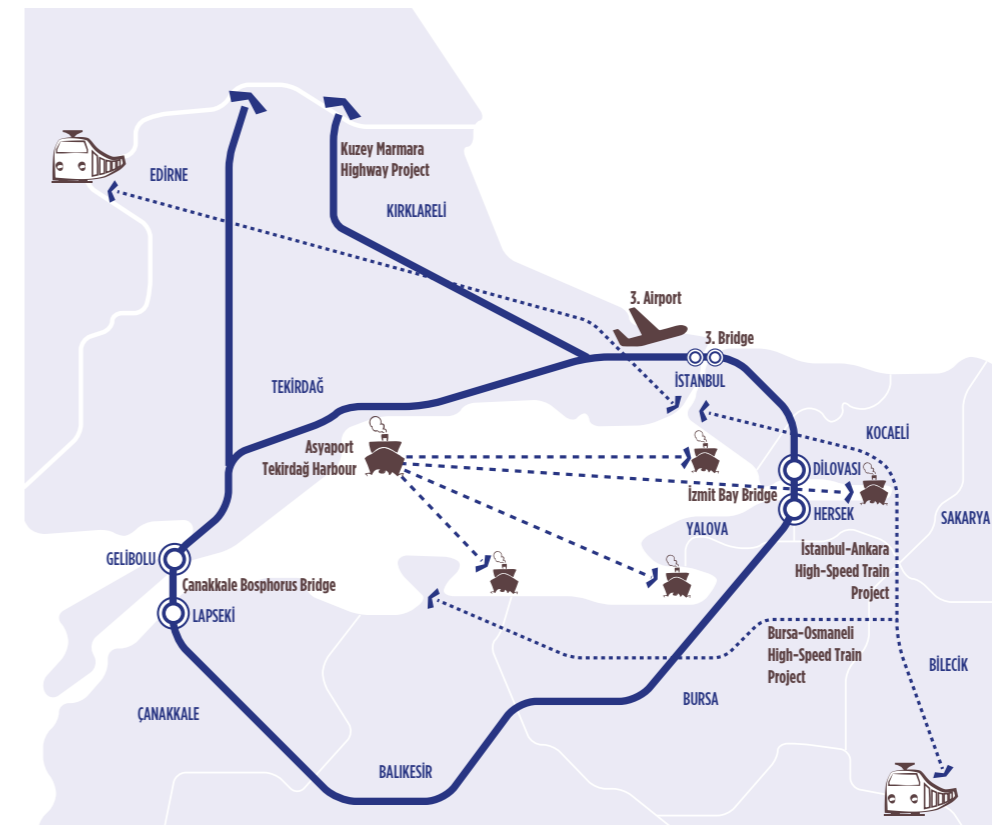
Significant strategic decisions for Istanbul have been identified by both central and local authorities and some projects have already launched. The urban development dynamics of the city reveal three main

criteria for the new urban setting: Strong Connections (reconnections), Urban Transformation (regeneration), and New City (resettlement).

In cooperation with the Istanbul Metropolitan Municipality, central government has already initiated some large-scaled projects in the city, such as the 3rd Bridge and connector roads, the 3rd airport, Eurasia Tunnel (rubber-tyred vehicles), New City (East and West) and Canal Istanbul.

1. New Transportation Connections

The very first strategic aspect to change the urban setting is the new transportation connections initiated by the central government. The rail system connecting Asian and European sides, Marmaray,



Map: Golden Ring
The large-scale investments will enhance the internal dynamism and regional development.

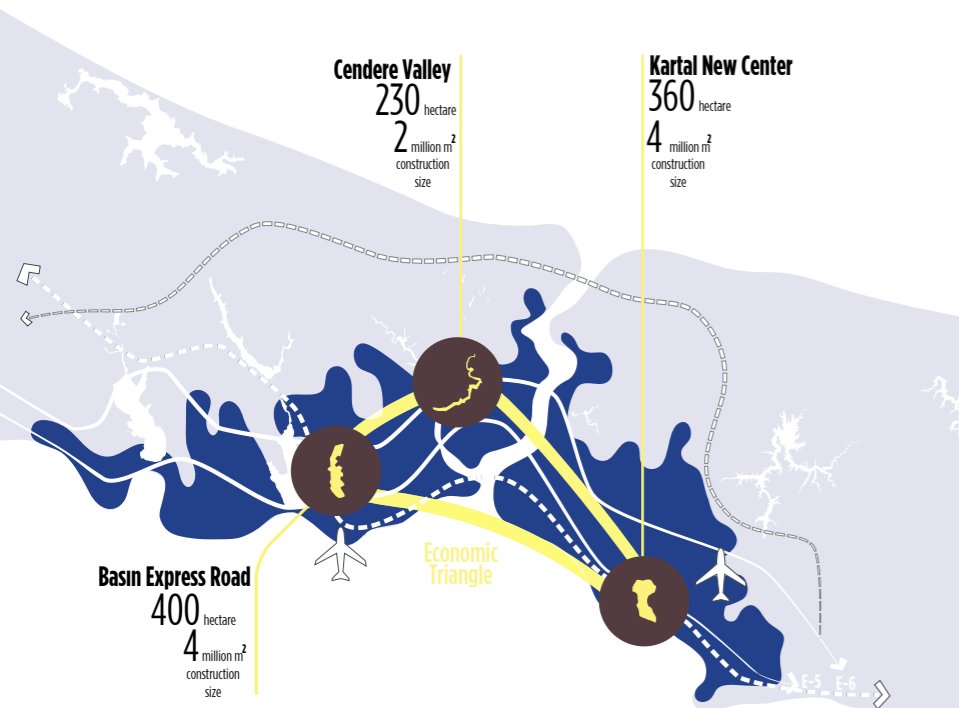
Source: Kentsel Strateji

the 3rd bridge under construction, and the 3rd airport to be constructed in the north of Istanbul will definitely affect the development dynamics of the city.

Connecting the top cities of the region within four hours at most, the golden ring would also bring up the reconstruction of the cities, notably Istanbul.

Map: New Settlements Scheme: Urban Strategy

The industrial zones in Cendere Valley and Kartal, and areas on Basın-Ekspres Road currently hold a 10 million m² of transformation potential.



Source: Kentsel Strateji

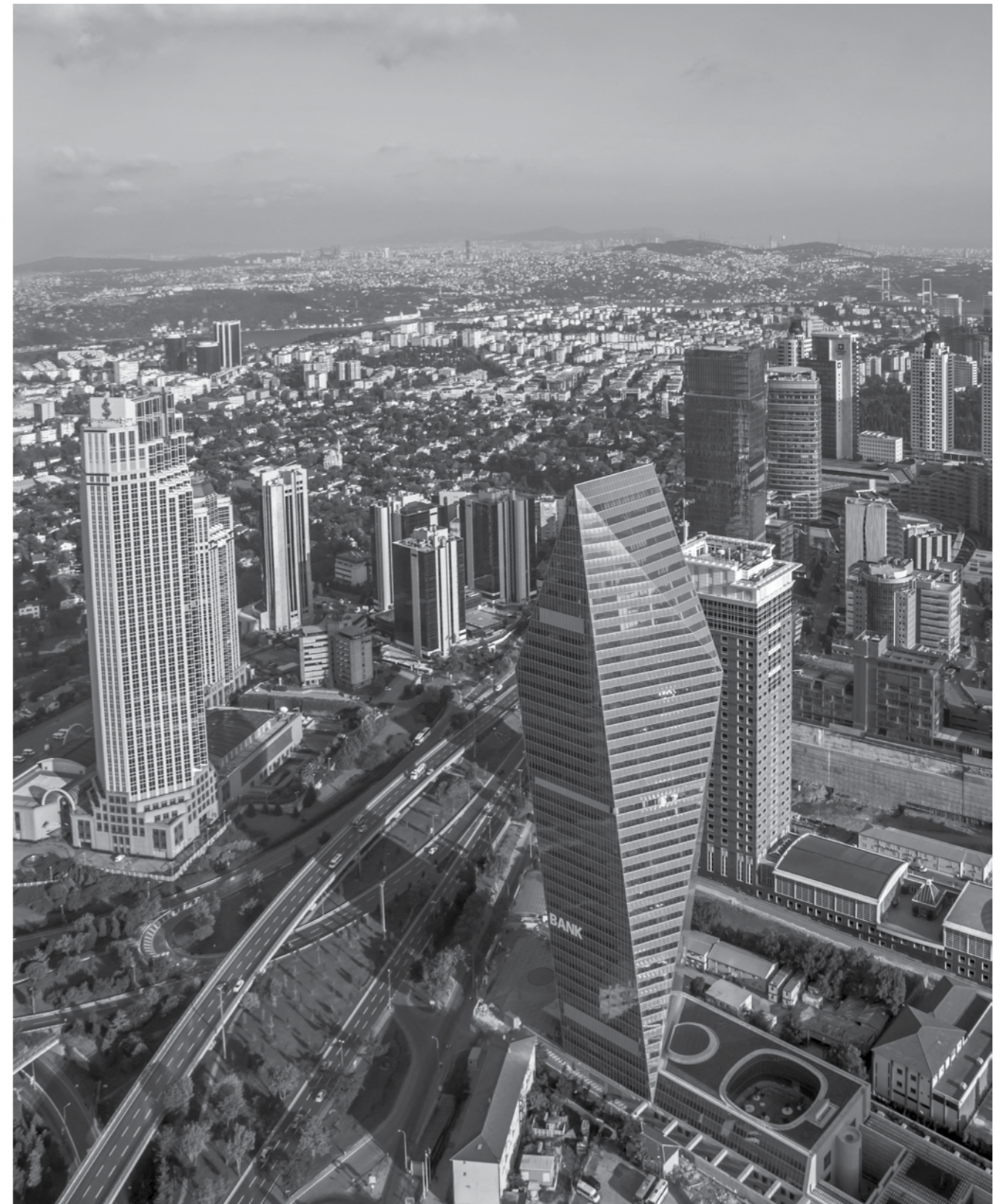
2. New Regeneration Areas

The Istanbul Strategic Plan aims to transform the industrial zones into information and innovation oriented areas. The industrial zones in Cendere Valley and Kartal and areas on Basın-Ekspres Road currently hold a 10 million m² of transformation potential. The transformation of these zones would identify a new economic triangle within the city. In the small-scale, the renovation of the buildings at risk would also trigger this structural transformation.

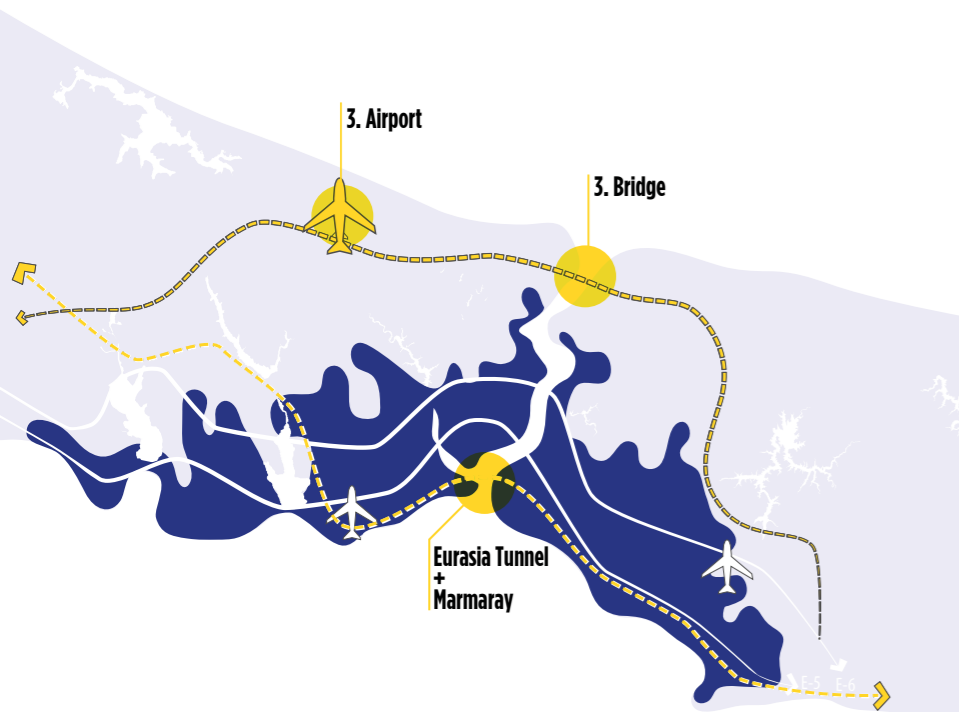
3. New Settlements

Two new city projects to be located in east and west and small-scale housing projects in the north would create a total capacity of 500,000 dwellings and 2,000,000 of population. A large housing project of 250,000 units has also been started in the European side, on a land reserved by the Ministry of Environment and Urbanization.

In conclusion, the Istanbul Metropolitan Area is now in the process of restructuring. This process also includes economic and social development, as well as urban transformation. The city of Istanbul is within the radar of many industries, notably property and finance. Thanks to its strong demographics, the city will keep attracting local and international investors.



Strong Connections



Source: Kentsel Strateji

Map: New Transportation Projects of Istanbul

The new infrastructure investments will definitely affect the development dynamics of the Istanbul.

Large-scale transportation infrastructure investments have a direct impact on the socio-economic circumstances of their very locations. Such investments trigger significant regional developments like increase in accessibility and business volume or decrease in costs, as well as direct positive effects on individuals like employment or time and money saving. Improved access to the region, affordability of economic and social activities with new transportation networks accelerate the production, tourism and labor force, and notably the market size. Additionally, the competitive market of the region gets stronger with a healthier market economy.

The latest transportation infrastructure investments of Marmara and Aegean regions would definitely provide many advantages as well. Thanks to these projects, all parameters of real estate, tourism, trade, transportation, or education will be redefined with a new synergy.

Surely, these large-scale public investments will have a direct impact upon the Turkish real estate industry. Huge projects of the Northern Marmara Motorway, the 3rd Bosphorus Bridge, the 3rd Airport, Marmaray, Canal Istanbul, Eurasia Tunnel, Izmit Bay Crossing and Dardanelles Strait Bridge will enhance the internal dynamism and regional development of Istanbul.

Although the Northern Marmara Motorway, the 3rd Bosphorus Bridge and the 3rd Airport are located within the provincial borders of Istanbul, the projects will affect the whole Marmara region due to its scope and scale. Designed as the largest airport in the world, the 3rd airport will be connected to a high-speed rail line as well. Thus, the transportation from



These large-scale investments concerning Istanbul and surrounding provinces and other related infrastructure projects will accelerate the development of the Marmara region while triggering economic growth, new real estate developments, and interaction between different industries.

Taksim Square to the airport will only take 15 minutes. With an annual capacity of 150 million passengers and connections with the Northern Marmara Motorway and the 3rd Bosphorus Bridge, the airport will serve for Anatolia as well.

Designed to ease the local transportation of Istanbul and planned to be completed soon, the Eurasia Tunnel is expected to enhance the interaction between Asian and European sides. With the tunnel and the 3rd bridge, there will be 4 different alternative routes between two continents. The Eurasia Tunnel will be operated for alleviating the local traffic load, while the 3rd bridge and the Northern Marmara Motorway will serve for loaded vehicles. Thus, substantial fuel and time savings will be enabled through the separated traffic flow.

According to the announced plans, a new bridge will also connect Asia and Europe over the Dardanelles Strait in Çanakkale and a highway linking Tekirdağ, Çanakkale and Balıkesir provinces which will be further connected to the Southern Marmara Highway. Thus, a continuous highway network will be created around Marmara region, offering an alternative route between Europe and Asia.

These large-scale investments concerning Istanbul and surrounding provinces and other related infrastructure projects will accelerate the development of the Marmara region while triggering economic growth, new real estate developments, and interaction between different industries.

With all investments are located around productive industrial and agricultural zones, the infrastructure projects will increase the overall production capacity and revenues. They will further have an impact on employment, qualified workforce, and even information technologies around the Marmara region, the main driver of national economy.

Eurasia Tunnel, Istanbul

Operator: ATAŞ (Avrasya Tüneli İşletme İnşaat ve Yatırım)
Date of Start: 2011
Targeted Date of Completion: 2016
Investment cost: USD 1.2 billion

- The Eurasia Tunnel Project to be constructed on the Kazlıçeşme - Göztepe route will substantially reduce the period of local travel in an area of intensive traffic.
- The travel time between the Asian and European sides will decline from 100 minutes to 15 minutes.
- Traffic will flow better and faster because of the expansion and re-arrangement of access roads at the entry and exit points of the tunnel.

- Fuel consumption and vehicle maintenance expenses will be reduced because the tunnel will be the shortest route between Kazlıçeşme and Göztepe.
- Districts of Zeytinburnu, Üsküdar and Kadıköy will directly benefit from the positive economic, environmental and social effects of the project.



The 3rd Airport

Project Name: There is no specified name yet.
Operator: Cengiz-Kolin-Limak-Kalyon-Mapa OGG
Date of Start: 2014
Targeted Date of Completion: 2017 (first phase), 2018 (all phases)
Investment cost: USD 46 billion

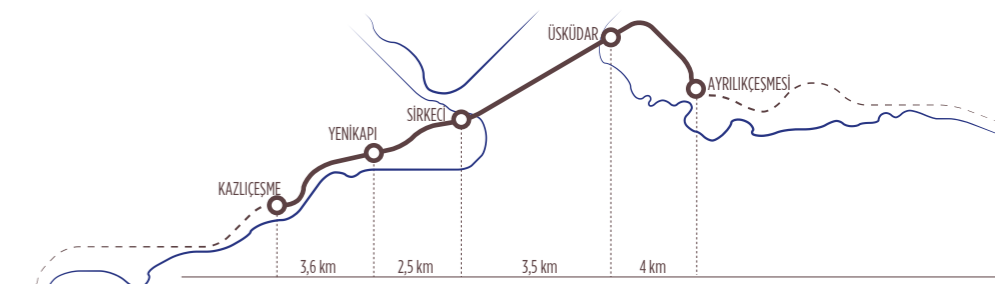
- The airport is constructed at the intersection of junction roads of Arnavutköy - Göktürk - Çatalca, on 3,500 hectares of land.
- 6 runways also equipped for jumbo airliners will be delivered.
- The airport will be one of the world's largest airports with an annual capacity of 150 million passengers and it is projected to be an international aviation center.

- A terminal area of 1,5 million m², 165 passenger boarding bridges, 3 control towers, 4 terminal buildings, 6 independent runways, 16 taxi routes and aprons of 6,5 million m² having capacity for 500 airplanes will be constructed.
- Additional facilities like a state palace, a 70,000-vehicle capacity indoor and outdoor parking, an aviation medical center, hotels, convention centers and garage buildings will be built as well.
- Scheduled to be completed in four phases, the airport will be integrated with the 3rd Bridge and the Northern Marmara Motorway.

Marmaray, Istanbul

Operator: TCDD
Date of Start: 2004
Date of Completion: 2013
Investment cost: TRY 9 billion

- Connecting Üsküdar and Sirkeci districts with an undersea rail tunnel, the 76 km-long Marmaray project includes the procurement of new rolling stock for suburban passenger traffic.
- The project includes a 1.4-kilometer crossing of the Bosphorus.



- The primary goal of the project is to help alleviate the transportation burden in Istanbul.
- It is estimated that the greenhouse gas emissions in various forms will decrease by 130,335 tons per year owing to the project. With Marmaray, carbon monoxide, nitrous oxide, and non-methane hydrocarbon gases are also expected to reduce by 29,000 tons.
- Marmaray may generate substantial economic benefits, amounting to TRY 387 million per year.
- Assessing the various other social factors, including less stressful journeys, healthier commuters, ontime arrivals, safety and accessibility, one can conclude that social benefits are also significant.

The Northern Marmara Motorway & The 3rd Bridge

Operator: IC Içtaş – Astaldi JV
Date of Start: 2013
Targeted Date of Completion: 2015
Investment cost: TRY 4.5 billion

- Fuel and time saving will be enabled by decreasing the traffic density within the city and the existing bridges on the Bosphorus.
- Connecting Asia and Europe, Turkey's transportation alternatives and commercial capacity will increase with this bridge which will enable both motorway and railway passage.
- Time cost in import and export will be reduced following the removal of the transportation restriction for loaded vehicles.

- Following the establishment of connection of the Northern Marmara Motorway, which also includes the 3rd Bridge, with the Istanbul (Kınalı) - Çanakkale - Savaştepe and Istanbul - Izmir highways, travel time to the neighboring cities will be reduced.
- Uninterrupted interurban and urban railway transportation from Edirne to Izmit will be conducted via the railway passing from the 3rd Bridge, and this railway system also will be integrated with Marmaray and Istanbul Metro, and the Atatürk Airport, Sabiha Gökçen Airport, and the 3rd Airport to be built will be connected to each other.



Connecting Asia and Europe, Turkey's transportation alternatives and commercial capacity will increase with the 3rd bridge.

Izmit Bay Crossing

Operator: Nurol-Özaltın-Makyol-Astaldi-Yüksel-Göçay consortium
Date of Start: 2013
Targeted Date of Completion: End of 2015
Investment cost: TRY 10 billion

- The project, which also includes a 3-kilometer suspension bridge on Izmit Bay, will link cities of Istanbul, Izmit, Yalova, Bursa, Balıkesir and Izmir, while integrating the regions of Marmara and Northern Aegean economically.
- The travel time between Istanbul and Izmir will be cut to three-and-a-half hours from nearly nine hours on today's roads.
- The 421-kilometer long motorway is located in the most industrially and agriculturally developed region of Turkey. Sheltering automotive, textile, mining, harboring, transportation, food, tourism and chemical industries, the region is the main driver of Turkey's exportation.



- Qualified labor force of Marmara region will be mobilized through the districts neighboring the route.
- Economic integration of Istanbul and Izmir will gradually help the expected rapid development of Izmir and positively change the outlook of Northern Aegean region.

Dardanelles Strait Bridge

Planned Date of Start: 2015
Investment cost: USD 6 billion
(including the highway)

- * *Apart from the route, all project details are not available yet. Recently, the information about ongoing zoning plan revisions regarding a high-speed rail line was shared with the public.*
- Connecting Anatolia and Europe directly over the Dardanelles Strait, the project consists of a highway of 3.8 kilometers including linking roads and it is expected to reduce the traffic load of Istanbul.

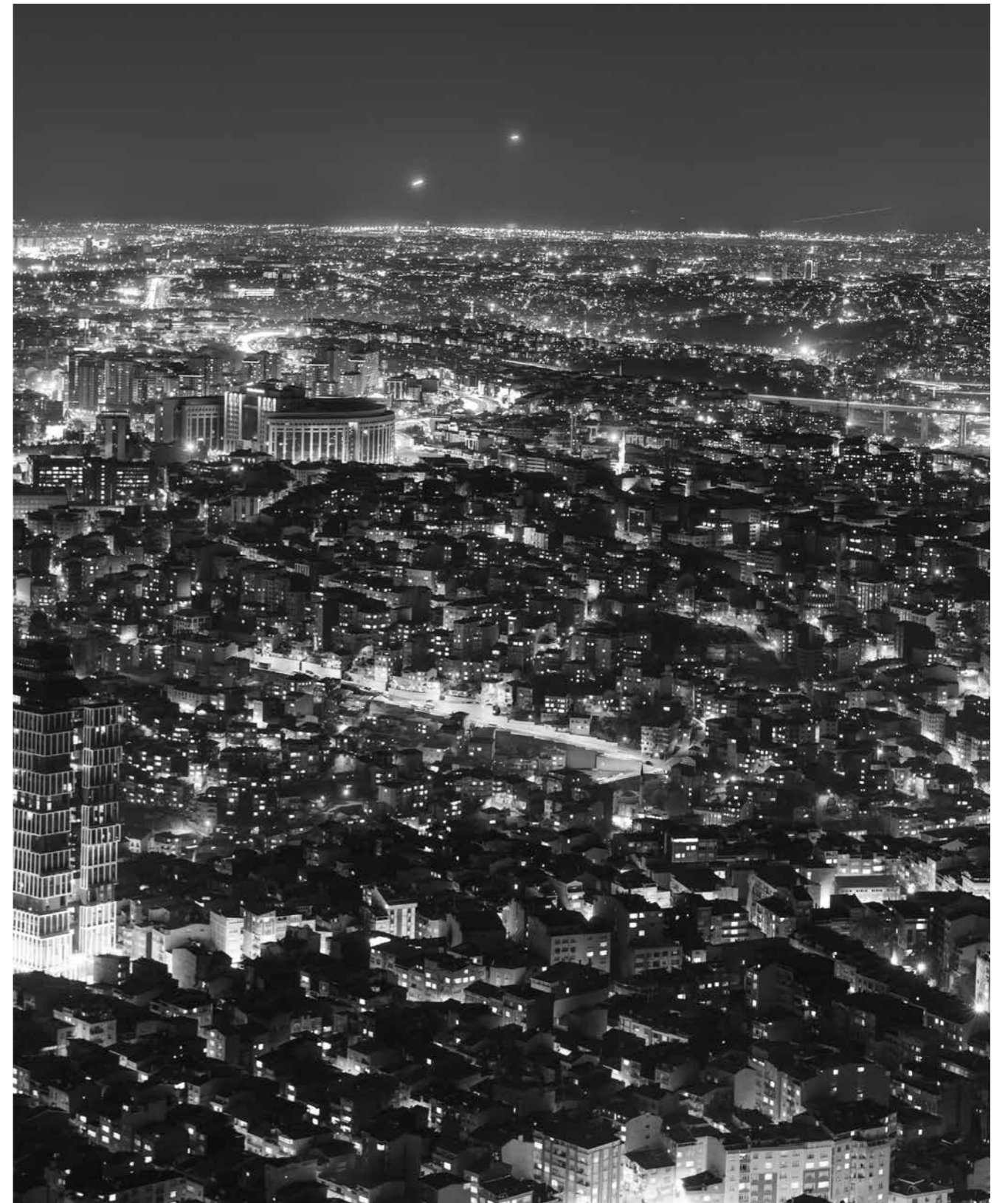
- USD 1.5 billion out of a total of USD 4.5 billion investment is for the Tekirdağ - Çanakkale - Balıkesir highway and the highway will be connected to another ambitious transportation project in Southern Marmara, Izmit Bay Crossing motorway.
- Representing around %60-70 of Turkey's exportation potential, the Marmara-Aegean axis will definitely help the growth of national economy owing to the project.
- The project will also trigger further international harbor, shipyard and marina investments.

Urban Transformation as a Need

Turkey has a developing economy, and so, a growing population due to rural-to-urban immigration. Rapid urbanization on the seismic zones and buildings at risk has brought into question of urban transformation. Besides the increase Turkey's population, the rise in the urban population has constituted a serious housing demand. Cities have faced with the problems of squatter settlements, environmental destruction and deterioration in infrastructures.

The Government has decided to transform not-earthquake-resistant the housing stock due to the Izmit earthquake occurred in 1999. Urban transformation in Turkey has accelerated especially in the last 5 years through legal and regulation-based apparatuses and projects developed for transformation. After the recent 2011 Van earthquake, urban transformation has become a national goal by the law no. 6306 enacted in 31 May 2012 and titled "The Law on the Transformation of the Areas under Disaster Risk," and by the Application Regulations in 4 August 2012. The purpose of the law is to create healthy and secured living environments in compliance with scientific and artistic norms and standards, on the areas either safe or under disaster risk (Öngören, 2013). According to this law, also known as "Urban Transformation Law", buildings at risk is defined as "buildings inside or outside the areas under risk that have completed their lives, or buildings that have been scientifically and technically proven to be under the high risk of destruction".

Within the scope of the law, urban transformation procedure takes place this way in general: According to the instructions announced by the Ministry of Environment and Urbanization, there is 18 million of housing stock in Turkey, and 14 million is



considered at risk. The strategy of urban transformation targets 6.7 million of houses renewed during the next 20 years. In other words, 334,000 houses will be demolished and reconstructed annually.

For now, 150 million m² of risky areas (all in city centers) have been detected in Turkey.

Two methods of urban transformation

Urban transformation is applied in two ways in Turkey. The first one is conducted on the building-base. In the first one, construction companies make their offers to nondurable building owners, and after they make the deal, the buildings are demolished and reconstructed. The second way of urban transformation is based on “area”. Municipalities and the government work together and decide the areas for transformation, and they declare these areas as “under risk”. Up to now, areas detected as risky are minimum 15,000 m² and maximum 1,500,000 m² in a single piece. They are all in city centers. For now, 150 million m² of risky areas (all in city centers) have been detected in Turkey, and this number is currently

increasing. All the areas are re-planned and old structures are cleared. The re-planned building and housing projects are carried out piece by piece or as a whole.

Risky areas are finally determined by the Council of Ministers after the opinions of the Disaster and Emergency Management Authority of Turkey are received by Turkey’s Mass Housing Administration (TOKİ) or after municipalities detect them and the Ministry offers them to the council. According to the remarks by the Ministry of Environment and Urbanization, 152 risky areas are detected by the end of 2014 and there are 392,000 independent parts that contains 1,100,000 residents. Also in 2015, 20 risk areas are declared and it is expected to react to 172 with 200,000 units-to-be-demolished by the end of the year.

Minister of Environment and Urbanisation, Idris Güllüce, has recently stated that there are 130,000 housing and work places detected up to 2014. 12,500 of them have been demolished. Güllüce has also pointed out that 100,000 buildings are expected to be detected as risky. The Ministry announced 79,000 of houses are applied for urban transformation in 2014. In this context, TRY 250 million of rent-grants have been given. The rent-grants are planned to help 85,000 units in 2015, and the owners will have been donated TRY 300 million by the end of the year.

RENEWAL COST ESTIMATION		
	Total	Per Year
Number of Units (’000)	6,684	334
Renewal Cost (TRY billion)	884,3	44,2
Renewal Cost (USD billion)	465,4	23,3

Source: Cushman & Wakefield, 2014

Counting 15% of buildings under risk, Istanbul is the riskiest city in Turkey. There are now 27.700 risky buildings detected in this city. Number of residents in these buildings is 230.000. A total area of 1,106.25 hectares has been decided as “risky” by the Ministry. Approximately 1,100 hectares correspond to a 33 million m² of sellable area. Other big metropolises like Izmir and Ankara, and mid-sized cities like Bursa, Gaziantep, Adana and other Anatolian cities are among the important ones.

Ministry of Environment and Urbanisation announced the target of urban transformation strategy as 6.7 million buildings-to-be-renewed in 20 years. Bearing in mind the cost of demolishing and reconstructing old buildings, USD 23 billion annually and USD 465 billion in total are required to finance the strategy for 20 years.

Potential of urban transformation

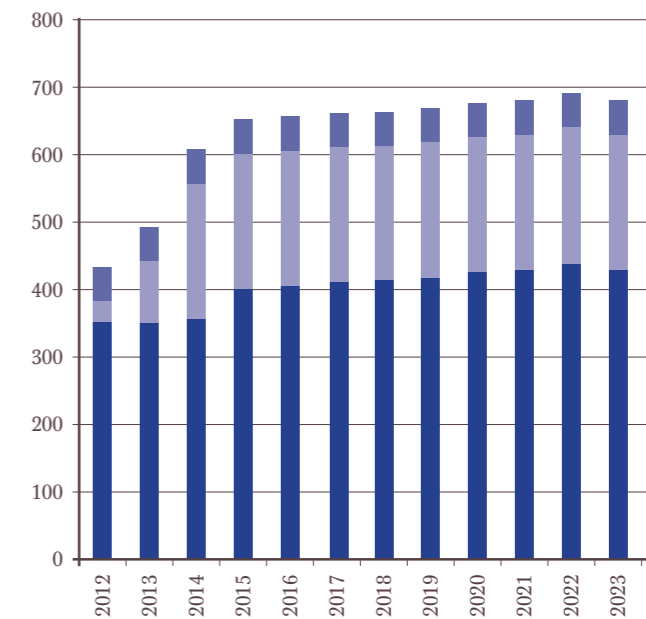
To finance the costs, half of the buildings will be delivered to the private sector. Under this agreement between the private companies and the owners, the owners will be given 85% of the housing sites and 35% of the land shares (per building), and 2.5 houses will be constructed in return to 1 house. The rest of the expected ratio, 50%, will be reconstructed by the owner him/herself in a 1-1 turnover ratio. All in all, 3.5 houses will be constructed in return to 2 houses.

Henceforth, 335,000 houses/year are expected to yield to 587,000 houses/year. Deducting the number of houses to be demolished (335,000/year), 252,000 houses/year or 2 million houses between 2015-2023 will be the surplus of urban transformation.

The Forecasted need for houses

The predicted need for houses by 2023 in Turkey is calculated in three different need levels. These are aforementioned needs for houses as a result of urbanisation and the increase in the population (Gyoder, 2012). Total need for houses for the 12 years period between 2012 and 2023 is predicted to be 7,560,000. A research done in 2012 has predicted 4,840,000 of this to be the result of urbanization and increase in population, 2,120,000 to be based upon urban transformation of areas under disaster risk, and 600,000 to be for renewal (GYODER, 2012). This prediction and the number of licences, housing and sales up to now points out that annually 650,000-700,000 houses are needed in Turkey.

HOUSING NEED FORECASTS, 1000 HOUSES



Source: GYODER, 2012

Legend:
■ Renewal of old houses
■ Renewal of houses at risk
■ New houses due to population growth and urbanization

Therefore, 5.44 million (~700,000 houses/year) of need for houses are big enough to meet the surplus of 2 million (252,000 houses/year) of the urban transformation strategy.

Cost and produced value

50% of 335,000 houses/year will be demolished by the private sector and the other 50% will be renewed by the owners. What can be inferred by this is that out of 587,000 houses, 419,000 will be met by the private sector and 168,000 by the owners.

HOUSES TO DEMOLISH & DEVELOP			
	Houses to be Demolished / Year	Houses to be Developed / Year	Houses to be Developed / 20 years
Private Sector	168,000	419,000	8,380,000
Landlord	168,000	168,000	3,360,000
Total	336,000	587,000	11,740,000

The following numbers illustrate the cost of, and value produced by, 587,000 houses per year.

COST AND PRODUCED VALUE OF NEW HOUSES (USD)					
	USD/m ²	A 100 sqm house (USD)	Houses to be developed / Year (units)	Houses to be developed / Year (USD)	Houses to be developed in 20 Years
Construction Cost	500	50,000	168,000	8,400,000,000	168,000,000,000
Project Development Cost	750	75,000	419,000	31,425,000,000	628,500,000,000
Total Cost				39,825,000,000	796,500,000,000
Produced Value	1000	100,000	587,000	58,700,000,000	1,174,000,000,000

Urban transformation gives the value production opportunity of;

- USD 58 billion annually
- USD 1.17 trillion in 20 years

Mode of application and financing

Urban transformation in Turkey is mainly shaped by financing models due to the lack of capital. The common model is flat for land and the other frequently applied models are share of revenues, pre-sales and build-and-sell methods.

Especially large-scale urban transformations depend on if it is financeable or not. In small areas, it is easier to do transformation by the building contractor's own resources. Particularly in big transformation projects, financing issue and public support (practical finance support, providing technical and juridical bases for financing projects) are critically important (Öngören, Bayraktaroğlu ve Çamlıbel, 2015).

Recently new modes of actualizing, financing and compensating urban transformation projects have been researched in Turkey.

Pension funds, Personal Pension System (BES) and recently introduced tools by the Capital Markets Board of Turkey (real estate certificates, infrastructure REITs, real estate investment funds, alternative funds, project bonds etc.) are examples of financial tools. In addition to this, new incentives like increases in zoning and zoning rights transfers and the ongoing incentives for investors (housing credits, interest compensations, rent grants, exemption from taxes and fees, 1% VAT) have been tried to be developed on research bases (Öngören, Bayraktaroğlu ve Çamlıbel, 2015).

“Green and Sustainable” constructions also give essential opportunities. For the increasing population, 7,560,000 houses are predicted to be constructed

between 2012 and 2023. If these buildings will be constructed as green by 2023, approximately USD 25 billion of water and energy savings can be made. (Alhanlioğlu ve Çamlıbel, 2012). Bearing in mind that 6.7 million houses will be reconstructed due to disaster risks, it is possible to get the similar savings by green reconstruction.

Investors can make use of the opportunities of financing, direct project investments, project development, collaboration with the Ministry and other public enterprises, corporate or individual purchases. Participation of foreign investors in the urban transformation procedures is another issue on the agenda (Öngören, Bayraktaroğlu ve Çamlıbel, 2015).

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Incentives for urban transformation

A number of incentives have been developed in order for the construction of 6.7 million houses. First of all, in urban transformation areas, 1% VAT is charged from the construction of houses under 150 m². Normally, VAT for construction is 8-18%. No fee is charged for the deed of real estate processes under the scope of urban transformation. For houses constructed in other areas, both sellers and buyers are supposed to pay 2% as fee. Municipalities do not charge license fees

from urban transformation projects (which is normally 2%). In the same manner, notarized construction contracts and pre-sales of houses are exempt from the 1% fee.

Young population of our country needs houses. Besides, urbanization ratio is still 70% and rural-to-urban immigration still goes on. State-owned empty areas just close by the cities are reserved for new housing needs. All the infrastructural needs of these areas are met by the state. Large housing projects in these areas are promoted with exemptions from 4% title deed fees and 2% licence fees.

New Incentives for the foreign investors are coming

Apart from these, Turkey will bring new incentives for the construction sector. The most important one is the construction guarantees for foreign investors. The terms of construction in the areas bought by foreign investors will not change for ten years. In this way, their project will be exempt from any oppositional changes in planning by the municipalities or stoppage verdicts made by courts.

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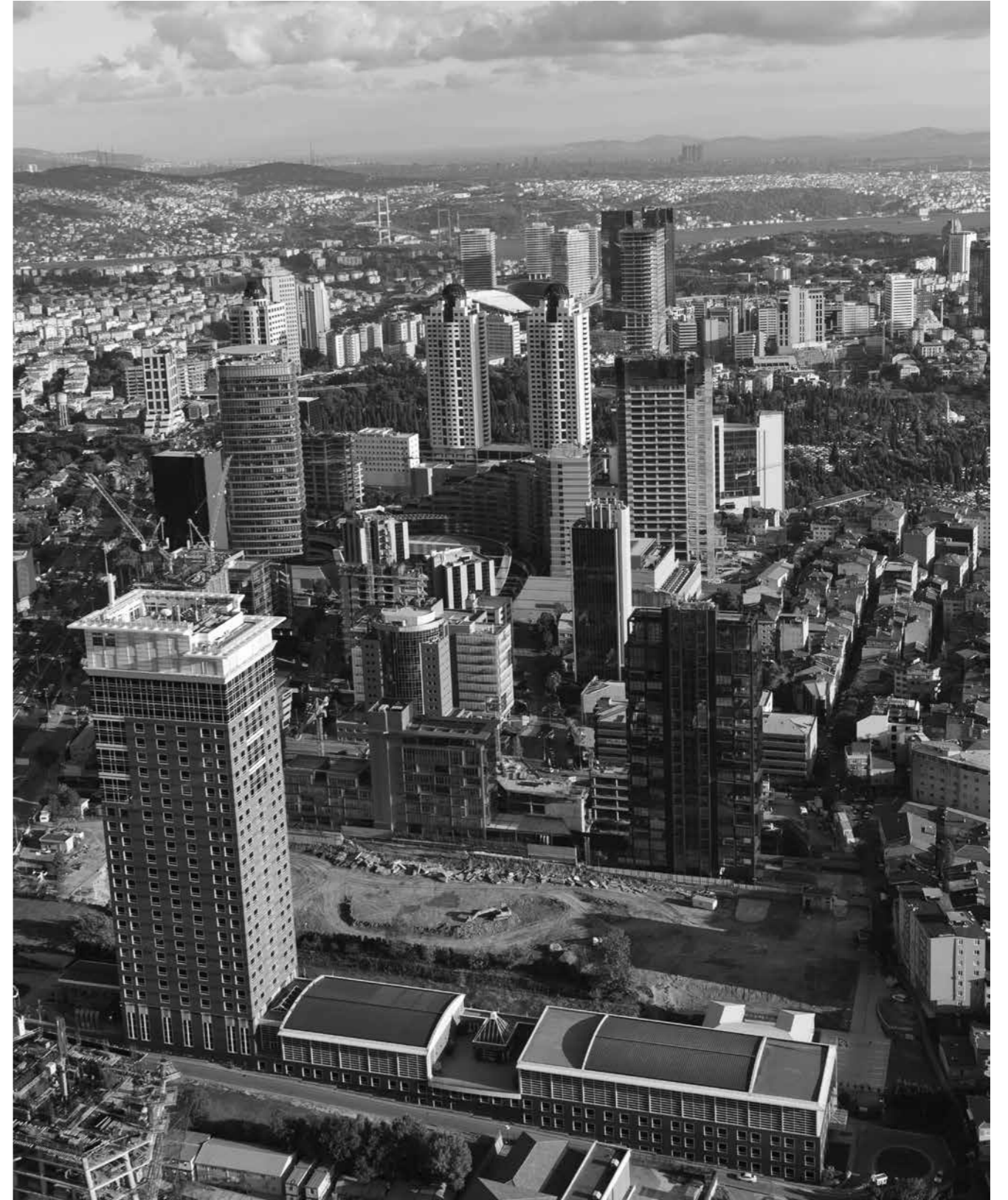
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Facts and Figures of Turkey



Population

Turkey has dynamic and strong demographics owing to high urbanization, population growth rates and also young population ratio constituting almost half of the population. With a population of 77.7 million people in 2014, the country is expected to reach 85 million by the end of 2025. Istanbul is the largest city by population with 14.4 million.

PREDICTIONS OF POPULATION INDICATORS				
Years	Population	Urbanization Rate (%)	Urban Population	Size of Urban Household Person
2012	75,627,384	77.28	58,448,431	3.7
2013	76,667,864	91.34	70,034,413	3.6
2014	77,695,904	98.24	71,286,182	3.6
2025 (F)	85,407,000	98.5	84,125,895	3.5
2050 (F)	95,585,000	99,00	94,629,150	3.3

Source: Turkstat, UNFPA

Economy

Having been the world's 17th largest economy with a GDP of USD 820 billion, Turkey aims to be one of the global top-10 economies by 2023.



ECONOMIC INDICATORS_ECONOMY			
Credit Rating Inc.	Long Term Rate	Investment Grade	Outlook/Watch
Moddy's	BAA3	Lower Medium Grade	Negative
Fitch	BBB-	Lower Medium Grade	Stable
JCR	BBB-	Lower Medium Grade	Stable
S&P	BB+	Speculative Grade	Negative

As of October 2014

Source: Moddy's, Fitch, JCR, S&P

Housing

In parallel with the development of the construction market, one of the main drivers of the economy, building permits, housing sales and consumer loans are all increasing. Having the lowest mortgage debt-to-GDP ratio among the European countries, Turkey offers a great potential full of opportunities. As of December 2014, 1.16 million houses sold in Turkey, which Istanbul has a share of 19% in total sales.



FACTS & FIGURES_RESIDENTIAL			
Years	Housing Construction Licences	Mortgage Loans Volume (mln TL)	Housing Sales
2012	771,081	79,592	701,621
2013	835,609	101,322	1,144,989
2014	1,014,678	109,854*	1,165,381

Source: TURKSTAT, Association of Turkish Banks

Note: (*) 2014Q3

Office

By the end of 2014, total Grade A office supply in Istanbul reached to 4.3 million m², representing 30% (y-o-y) growth rate, the largest growth in Europe. The Turkish office market, led by Istanbul, will continue to benefit from new pipeline projects, which will in turn, increase availability of investment grade product and higher investment volume.

30%
office supply
growth rate

FACTS & FIGURES_OFFICE		
Years	Office Inventory in Istanbul (m ²)	Prime Office Rent (USD/m ² /month)
2012	3,178,856	44
2013	3,329,389	45
2014	4,226,366	45
2015-16 (F)	5,678,977	46

Source: Cushman&Wakefield



EXISTING OFFICE INVENTORY IN SELECTED FINANCIAL CENTERS (CBD)			
Cities	Population (mln)	GDP (USD billion)	Inventory (m ²)
London	8.3	751.8	23,833,664
Frankfurt	6	124	12,239,716
Zurich	1.9	166	6,403,680
Varsaw	2	66	4,364,815
Prague	1.3	49	2,963,774
Moscow	11.6	325,8	14,679,326
Budapest	1.7	61	3,219,384
Singapore	4.2	222.7	7,407,931
Istanbul	14	312.4	4,178,966
Hong Kong	7.1	224.5	4,979,089.279

Source: Cushman&Wakefield

Retail

Total shopping center supply in Turkey reached to 9.9 million m² in 350 centers, as end of 2014. The average GLA per capita increased to 129 m²/1,000 inhabitants, which is among lowest in Europe, however Turkey has the second largest pipeline in Europe. Istanbul has a total of 3.8 million m² GLA in 111 centres, representing 38% of total supply in Turkey. The average GLA per 1,000 inhabitants is 271 m² in Istanbul, which is quite above the country average.



FACTS & FIGURES_RETAIL			
Years	Total GLA	Total Number of SCs	Shopping Centers GLA per 1,000 person (m ²)
2012	8,353,816	318	110
2013	9,358,381	335	122
2014	9,993,993	350	129
2015-2016 (F)	11,612,910	437	148

As of October 2014

Source : Cushman & Wakefield

Hotel

Turkey is the 6th most visited country with 36.8 million tourists, while Istanbul is the 7th popular city with approximately 12 million tourists in 2014. Furthermore, in terms of congress tourism, Istanbul has recently reached the 8th place with a total of 146 international meetings.



ISTANBUL HOTEL MARKET						
Years	Number of Hotels	Number of Room	Number of Bed	Occupancy Rate (%)	Room Rate (EUR)	RevPar (EUR)
2012	402	34,644	70,246	72.5	153	111
2013	432	39,617	80,313	67.5	149	100
2014	471	45,384	93,33	65	133	86.53

Source: Istanbul Culture and Tourism Directorate, STR

Note : Forecast

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GYODER serves as “Turkey’s Real Estate Platform” with close to 300 corporate members was established in 1999 by the existing 12 REICs to promote the real estate industry in Turkey who represent leading brands and professionals in the sector. The Association acts as a platform in introducing and maintaining standards and quality, providing training, networking, and acting as spokesman in relations with media and public authorities. As part of its mission, GYODER organizes conferences, seminars, summits and publishes reports and indices in order to promote and provide data, training and solutions about the Turkish real estate sector.



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Ongoren Law Office

Ongoren Law Office was founded by Prof. Dr. Gursel Ongoren in 1998 and it is based in Istanbul. Currently Prof. Gursel Ongoren is the Head of the Department of Administrative Law at Kocaeli University Law Faculty and also he is the Head of the Urban Renewal and Law Platform. Ongoren Law offers advocacy and legal consultancy and provides legal services for domestic and international companies. Ongoren main practice areas are Real-Estate Law, Construction Law, Urban Renewal Law, Zoning Law, Administrative Law, Law on Conservation of Cultural and Natural Properties, Investments Law, Corporate Law,

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