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## HOUSING SECTOR IN TURKEY

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ECONOMIC RESEARCH  
DEPARTMENT

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## Housing Sector in Turkey

- **The Importance of the Housing Sector in Turkish Economy**
  - The Impact of Macroeconomic Factors on the Housing Market
  - The Impact of the Construction Sector Developments on the Housing Market
  - Recent Regulations for the Turkish Housing Market
- **Current Situation of the Housing Sector in Turkey**
  - Housing Sector Supply Side Analysis
  - Housing Sector Demand Side Analysis
  - House Prices
  - Housing Market Loan Condition
  - Confidence in the Housing Sector and Its Impact on the Housing Sector Development
- **House Price Bubble Discussions in Turkey**
- **Conclusion**

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### I) THE IMPORTANCE OF THE HOUSING SECTOR IN TURKISH ECONOMY

#### A) THE IMPACT OF MACROECONOMIC FACTORS ON THE HOUSING MARKET

Housing sector will continue to maintain its significant role in the coming period with creating higher multiplier effects on the economy. The increasing housing expenditures will create rising demand on the furniture, household appliances and other related goods in the housing market with generating additional investment and employment opportunities in sub-sectors.

During the periods of the uncertainty, purchase of the new houses should be considered as an alternative investment tool as the households turn their eyes to the safe haven assets and the expansionary monetary policy involves cutting interest rates, with giving momentum to the housing market activities.

The household's consumption behavior, housing sector shares in the fixed capital investments, monetary policy effectiveness and the exchange rate effects are the main determinants of the housing sector, which could shape both supply and demand side mechanism.

##### ➤ *Household Channel*

Household expenditures are strictly correlated with the monetary policy implications and the current situation of the domestic market. Stable and seeable political and economic environment could increase the household's buying appetite with creating multiplier effect on the economy.

The increasing population, expansionary monetary policy regulations and the housing sector share in the country's fixed capital investment are the important factors that could directly affect the household consumption expenditures. Construction confidence index, which showed the volatile trend since January 2016, is another important indicator that represents consumer's attitude to the housing market and gives general outlook for the future developments.

As of 2015, the expenditures on housing and rent has taken the highest share in total consumption expenditures with a rate of 26%, followed by the share of expenditures on food and non-alcoholic beverages (20,2%) and transportation (17,0%). The recent household budget survey has shown that demand in the housing sector remained alive in 2015 as the housing and rent share in the total household consumption expenditure rose to 26% in 2015 from the 24,8% in 2014.

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Distribution of Household Consumption Expenditures (2014-2015)				
Expenditure Types	Monthly Consumption Expenditure per Household (TRY)		Total Household Consumption Expenditure (%)	
	2014	2015	2014	2015
Food and non-alcoholic Beverages	561	615	19,7	20,2
Alcoholic beverages, cigarettes and tobacco	121	127	4,2	4,2
Clothing and footwear	145	158	5,1	5,2
<b>Housing and rent</b>	<b>705</b>	<b>792</b>	<b>24,8</b>	<b>26,0</b>
Furniture	192	187	6,8	6,1
Health	60	61	2,1	2,0
Transportation	507	516	17,8	17,0
Communication	107	111	3,7	3,7
Culture, entertainment	87	87	3,0	2,9
Educational services	68	66	2,4	2,2
Hotels, restaurants, bakeries	172	193	6,0	6,4
Various goods and services	122	129	4,3	4,3
<b>Total</b>	<b>2.848</b>	<b>3.043</b>	<b>100</b>	

Source: TÜİK

Despite the Central Bank of Turkey's (CBRT) rate cut policy and the government's new incentives for the housing market, we expect modest growth for the household expenditures in the housing sector with considering continuing uncertainty in domestic market. Depreciation of the Turkish lira against dollar, rising inflationary pressures along with the geopolitical risks are the main obstacles that could refrain consumers from making the investment in the housing sector.

### ➤ *Investment Channel*

The increasing investments in housing sector via government and private sector channel have a significant impact on the economic growth as the rising investments could increase the household expenditures and employment opportunities with stimulating economic development.

Both public and private capital investments have played an important role on the process of growth of Turkey. Total fixed capital investments in constant prices rose by 5% in compared to 2014 and realized as TRY 32,3 billion in 2015, while housing sector fixed capital investments increased by 7% to TRY 4,6 billion in the same year. The housing sector share in the total fixed capital investment realized as 14,2% in the same period.

It should be noted that housing sector has taken the third highest share after the manufacturing and transportation sector with suggesting that housing will remain the leading sector to provide additional support to economic development process helped by the continuing investments.

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It is worth mentioning that housing sector fixed capital investment share in public sector is around 1%, which is the lowest share after tourism, however, housing sector fixed capital investment share in private sector is around 18%, which is the highest share after the manufacturing sector. Contrary to the situation in the public sector, private sector interest to the fixed capital investments for the housing sector continued.

Distribution of the Housing Sector Investment in the Fixed Capital Investment Program (Constant Prices) (2014-2016)			
	Period	Value (TRY Million)	Housing Sector Share (%)
<b>Public</b>	2014	55	0,9
	2015	50	0,8
	2016*	58	0,8
<b>Private</b>	2014	4.240	17,5
	2015	4.545	17,9
	2016*	5.090	18,6
<b>Total</b>	2014	4.295	14,0
	2015	4.595	14,2
	2016*	5.148	15,0

Source: Ministry of Development, \* Estimated Realization

### ➤ **Monetary Policy Channel**

In the periods of general economic decline, central banks largely use expansionary monetary policies to stimulate economic activities via low interest rate environment. Under the expansionary monetary policy, the lower interest rates will lead to increasing lending activities in housing sector and will stimulate the investment activities. A decrease in interest rates lowers the cost of borrowing, which encourages households to orientate their investments to the housing sector. The recent developments in Turkey implied that CBRT's simplification policy and government recent regulations in the housing sector aim to decrease interest rates in the coming period to stimulate economic development.

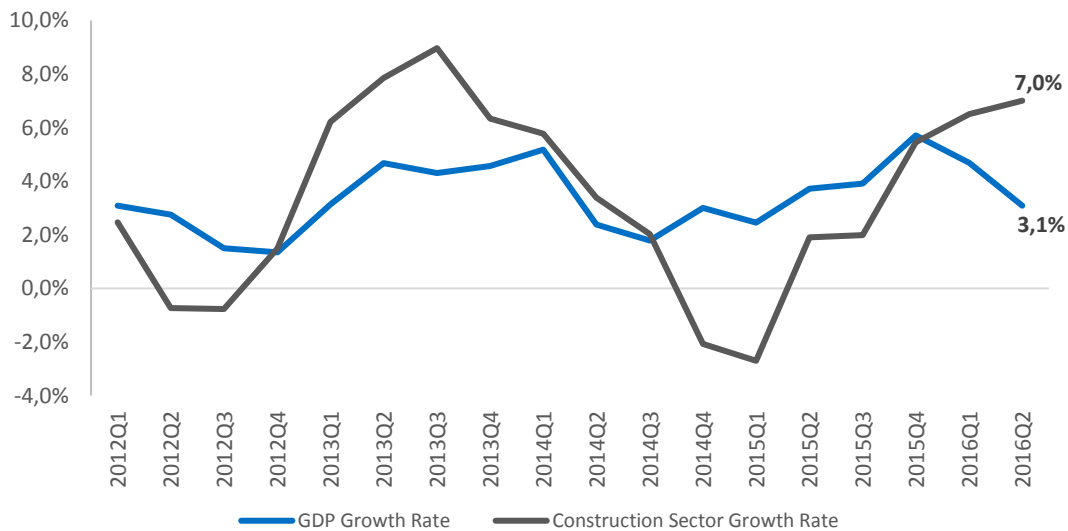
The housing sector weighted average interest rates started to decline steadily with the CBRT's consecutive rate cuts policy since March 2016 and realized as 12,1% as of September 2016 from the 14,4% in March 2016. We expect continuing demand in the sector on the back of decreasing interest rate environment. The government new steps to boost investment will also provide support to the housing market.

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### B) THE IMPACT OF THE CONSTRUCTION SECTOR DEVELOPMENTS ON THE HOUSING MARKET

Turkish housing market is continuing to grow by the increasing activities in the construction sector as recent numbers in the supply and demand side of the housing market have shown the continuing optimism in the sector. The new housing investment projects and credit incentives in the housing sector have supported the sectoral development but at the same time led to increase in house prices mainly in 2014-2015 period.

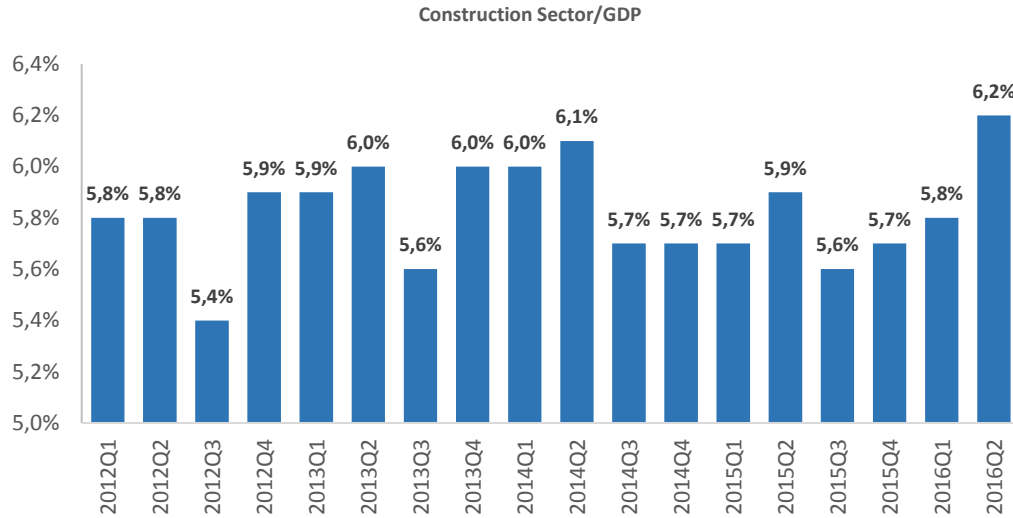
On the other side, growing population and rising incomes have also contributed the sector's development in this period. The housing market started 2016 with a moderate pace as the recent housing market indicators have shown modest growth rates in compared to the previous years.



Source: TÜİK

In order to analyze housing sector determinants from a true perspective, the construction sector development should be examined first. While construction sector grew by 1,7% in 2015, lower than the 2,2% growth rate for 2014 and 7% growth rate for 2013, it managed to post solid growth in the first half of the 2016 with recording 6,8% growth rate, above the Turkey's 3,9% growth performance. On the other side, construction sector share to GDP has increased steadily since the last quarter of 2015 and reached to 6,2% in the second quarter of 2016.

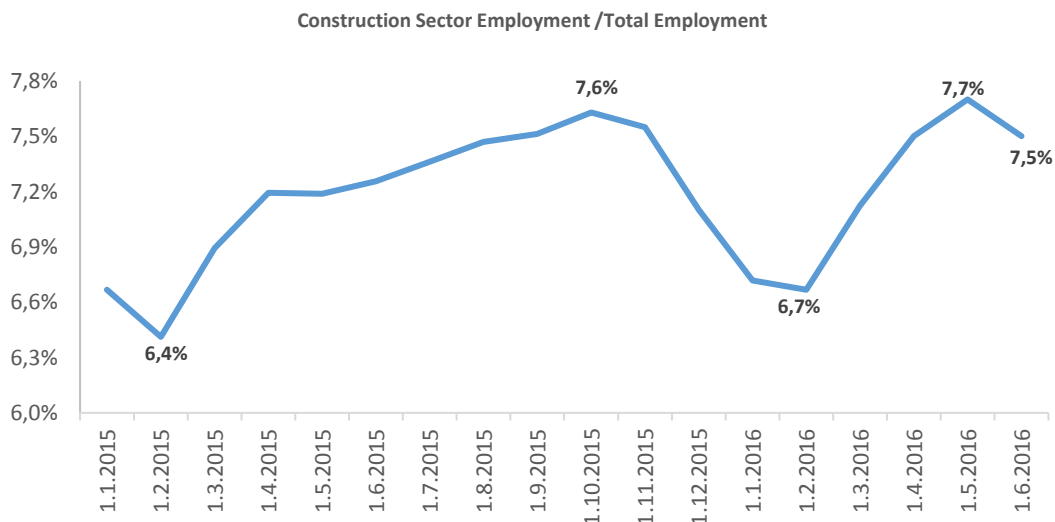
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Source: TÜİK

Construction is one of the most important sector with creating good employment opportunities for the sub-sectors. The construction sector employment to total employment has grown steadily with reaching 7,7% in May 2016, thus above the 7,2% employment rate recorded in May 2015. These numbers suggest a successful progression within the construction industry, with creating increasing optimism surrounding the housing market.

Recent figures have shown that approximately 1,8 million employees work in the building sector and the industry constitutes 6% of Turkey's GDP.



Source: TÜİK

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With considering medium and long-term outlook for the sector, we remain optimistic for the construction industry as growing population and the rapid urban development as well as the rising incomes will continue to support sector's development in the coming period.

### C) RECENT REGULATIONS FOR THE TURKISH HOUSING MARKET

The government has announced new steps to create a more attractive environment for the housing investments. These are;

- **New regulations for the real estate certificates**

The use of real estate certificates in urban renewal projects and developing interest-free financial tools had been published in the Official Gazette in August. The new regulations define more precisely procedures and rules regarding the use of real estate certificates, basically to ease the construction sector's access to funding, while offering a new medium for investors, offering value to projects. In addition, the issuer of the real estate certificates would provide investors with a repurchase guarantee in certain predetermined periods.

- **Amendments in legislation on real estate asset management companies**

The real estate asset management companies methods for the buying and renting commercial buildings will be changed. Accordingly, diversified portfolio will be used and the asset management companies will orientate their works to the building construction activities.

- **Housing sales campaigns**

In order to increase housing demand in the sector, GYODER, EMLAK REIT and TOKI have arranged new campaigns to accelerate growth in the housing sector and reduce consumers housing loan costs as much as possible. GYODER's campaign has included 39 firms and 86 projects with 0,7% monthly interest rates and 10 years maturity. The increasing housing sales could stimulate the building material sector and other sub-sectors growth with creating multiplier effect in the economy.



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- **Reduction in housing loan interest rates**

In order to help housing sector development after the failed coup attack, state-owned and private banks have decreased their housing loans interest rates, following the government recommendation for cutting interest rates below 10% in the housing sector. At the same time, CBRT's consecutive rate cuts policy has lowered the housing sector weighted average interest rates. The recent drop in the housing sector weighted average interest rate is important for the sector but the sector still needs additional encouraging steps to stimulate growth in the coming period.

- **Other incentives**

Loan to value on mortgage loans was upped to 80% from 75% and value-added tax (VAT), which is currently applied at 18% for house sales that measure above 150 square meters, was to be decreased to 8%, a measure valid until March 31, 2017. On the other side, the newly announced package for the East and Southeast Anatolia is including additional investments for the housing sector. Accordingly, 66,789 new homes will be built in these regions.

## II) CURRENT SITUATION OF THE HOUSING SECTOR IN TURKEY

The housing sector continued to support Turkey's economic growth performance in the last ten years period with its increasing investment opportunities. Turkey has an approximately 18 million housing stocks and the 6,5 million stocks would be reconstructed in the coming period. TOKİ, which is the leader official institution of Turkey in terms of dealing with housing and settlement issues, has planned to construct 70,000 new houses in 2016 for the middle and low-income groups.

The sector is trying to find alternative regions in the coming period to compensate the Iraq, Libya and Russian market losses. In 2015, the sector has made USD 1,2 billion investment in Sub-Saharan Africa and the investments will continue in the coming period mainly in Ghana, Mali, Nigeria and Congo. While sector representatives are closely following up the alternative business opportunities in South America and Sub-Saharan Africa, the effective economic and social reform programs will also contribute to the sector's geographical diversification policy in the coming period.

*In order to analyze housing sector with in details, we will examine both supply and demand side of the sector to determine whether any imbalances exit or not.*

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### Housing Sector Supply Side Analysis:

In the first six months of 2016, given construction permits to the buildings rose by 14,2% to 67,720 and the number of given occupancy permits to the buildings rose by 0,5% to 52,735 in compared to same period of the previous year. The recent numbers have not reached the 2013 and 2014 levels and represented modest growth only if compared to the 2013-2014 period. The same trend has observed for the number of dwelling units. Given construction permits to the dwelling units rose by 16,2% to 499,053 in the first six months of 2016 and given occupancy permits to the dwelling units fell by 1,6% to 349,573 in compared to same period of the previous year. The recent figures have shown the modest growth for the sector's supply side and with considering recent situation, it is difficult to talk about the excessive production surplus.

Comparison of the Number of House Sales, Dwelling Unit Construction Permits & Occupancy Permits			
	House Sales	Number of Dwelling Unit Construction Permits	Number of Dwelling Unit Occupancy Permits
2012	701.621	771.878	556.331
2013	1.157.190	839.630	726.339
2014	1.165.381	1.030.684	770.308
2015	1.289.320	870.515	724.331
2016H1	630.799	499.053	349.573

Source: TÜİK

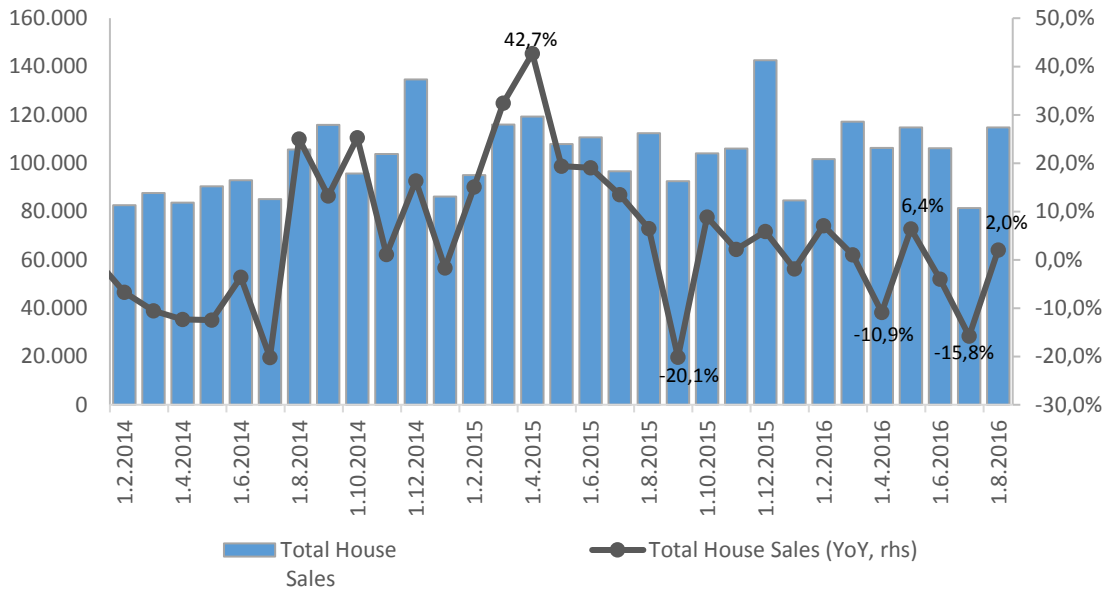
The new housing sector projects will continue to support Turkey's economic development in the coming period as growing population and income per capita, urban renewable projects and recent developments and regulations for buying property are the main driving forces for the growth of the real estate sector. However, government and sector representatives should focus on the production planning and standardization in the sector to prevent off the record production in the sector. The Institute of Strategic Thinking (SDE) report has highlighted unequal producer distribution in the sector. Accordingly, in 2002-2012 period, TOKİ and Emlak Konut REIT have taken the 10% share from the total production, while remaining part of the sector is determined by the small sized firms and this lead to increasing off the record production in the sector.

### Housing Sector Demand Side Analysis:

The total number of houses sold in the property market increased by 10,6% to 1,3 million in 2015 in compared to previous year. Istanbul has taken the highest share (18,6%) of house sales with 239,767 sold house in 2015.

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Istanbul was followed by Ankara with 146,537 (11,4%) and Izmir 77,796 (6,0%). However, housing sector performance in 2016 remained low in compared to 2015 as the recent data has shown that, in the January-August period, total house sales decreased by 2,0% to 826,893 in compared to same period of the previous year.

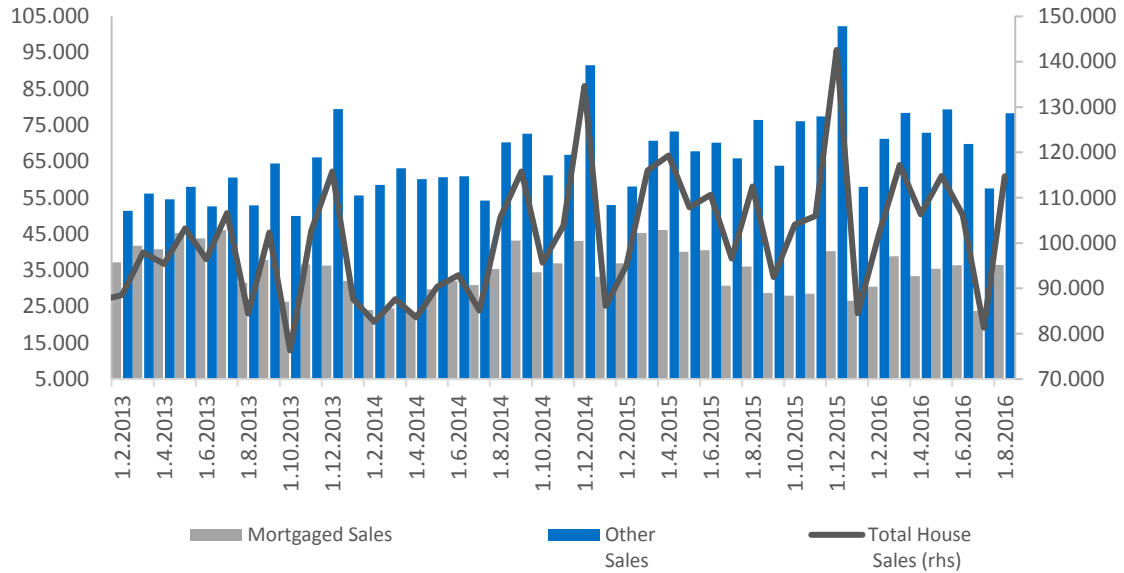


Source: TUIK

However, we have seen some improvement in sales volume on a monthly basis, after declining by almost 16% in July 2016, total sales rose by 2% to 114,751 in August, in compared to same month of the previous year. Mortgage sales declining trend continued in January-August 2016 period as total mortgage sales fell by 15,4% to 261,298. While the first hand house sales represented modest growth (1,1% increase in the January- August 2016 period), second hand house sales fell by 4,6% in the same period.

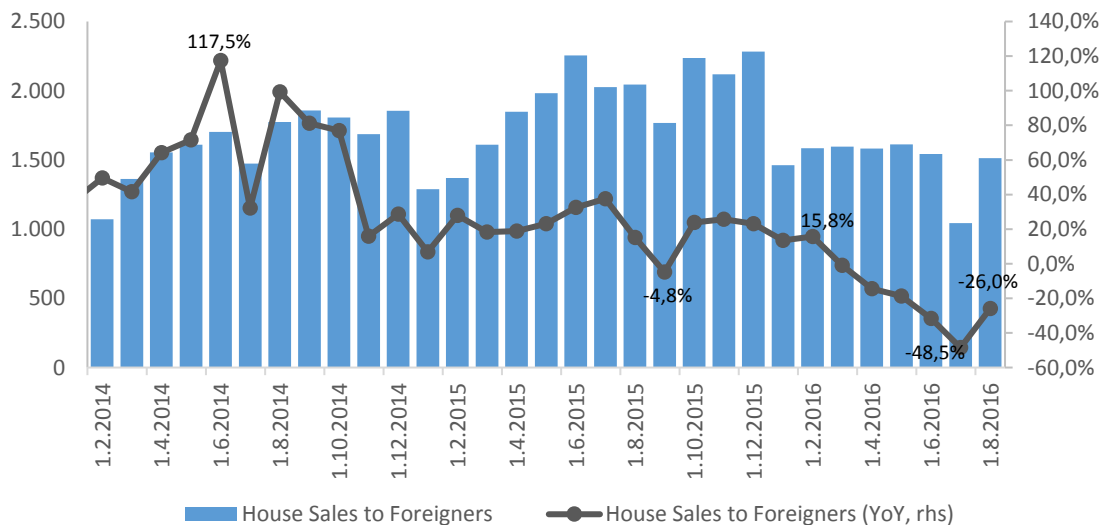
It should be noted that the mortgage sales have taken the 30-35% share from the total house sales and the sales volume is highly sensitive to the interest rate movement. With considering decreasing interest rates, we expect mortgage sales to increase moderately in the coming period.

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Source: TUIK

The increasing terrorist attacks and security risks in Turkey have negatively affected foreigners buying appetite in real estate market. House sales to foreigners declined by 26% in August 2016 and fell to 1,512 in compared to same month of the previous year. On the other side, in the first eight months of 2016, 11,934 houses were sold to foreigners, lower than the 14,424 houses sold in the first eight months of 2015.



Source: TUIK

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General Directorate of Land Registry and Cadaster data has shown that the foreigners real estate purchases have reached to USD 32,5 billion in 2005-2015 period. The highest level real estate purchases have seen in 2014, which amounted as USD 4,3 billion. However, the foreigners demand to real estate sector has decelerated in 2015 and declined to USD 4,1 billion. In the January-August 2016 period, Iraq became the leading country with its 16,8% share, followed by Kuwait (9,6% share), Saudi Arabia (9,5%), Afghanistan (7,2%) and Russia (6,7%). It is worth mentioning that, despite the increasing tensions between Turkey and Russia after Turkey shooting down a Russian plane last year, interest of Russian investors in the Turkish housing market continued in the first eight months of 2016.

It is obvious that, the citizenship process and some procedures for giving work permits to foreigners are the main obstacles that prevent housing demand from the Middle East countries. Without introducing new incentives of work permits and citizenship, a boom in real estate sales to foreigners will remain wishful thinking only.

To sum up; recent figures have indicated that total house sales demand has continued in the January - August 2016 period but more slower pace than the same period of the 2015 due to uncertain domestic market environment and security risks, which are the main obstacles that prevent investors to attract Turkish housing market.

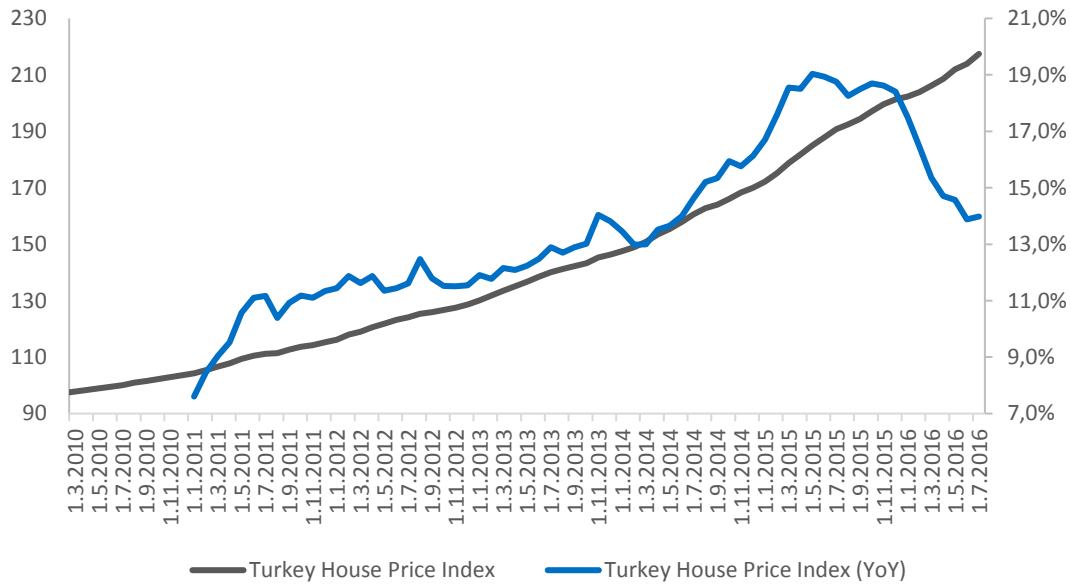
### **House Prices:**

In 2015, house prices in Turkey rose faster than any other country in the World as Knight Frank's "Global House Price Index 2015" report indicated that Turkey became the country with the fastest rate of housing price increases with 18,4%. Turkey house prices index rose by 18,4% to 201,3 level in 2015, while the price of newly built homes increased by 15,6% in the same year.

House prices in Istanbul rose by 26,0% and it was followed by Izmir (16,0%) and Ankara(12,0%). It is worth mentioning that Istanbul ranked third in seeing the biggest hike in mainstream housing prices, with an increase of around 20% in the year to March 2016, following two Chinese cities, according to Knight Frank's Global Residential Cities Index.

In 2015, growing population, mega projects, urban renewable projects and ease of buying property have supported real estate sector. Despite continuing housing market projects, house prices growth rate has lost momentum in 2016. Annual average house prices growth rate decelerated to 15,2% in January-July 2016 period, from the 18,3% in the same period of 2015. In a monthly basis, house prices in Turkey went up 14% in July 2016 and has not achieved the 18,8% annual growth rate recorded in the same month of 2015.

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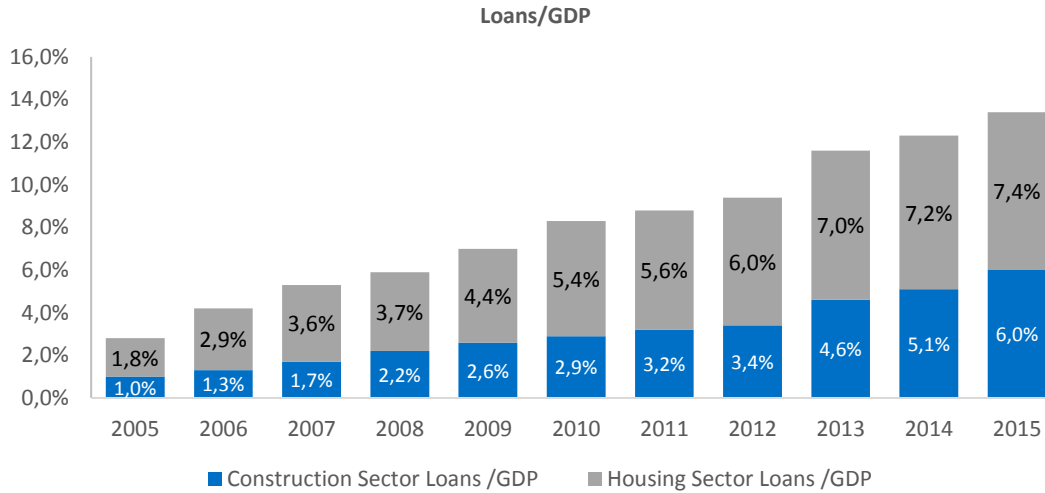
Source: CBRT

In our view, the leading factor that contributes the house price increases is the increasing interest from the foreign investors and decreasing housing loans interest rates with CBRT's recent simplification steps. About 3 million Syrian refugees entered Turkish market and demand from Iraq, Kuwait, Saudi Arabia and Iran are continuing. These are other important factors that could increase the house prices in the coming period. However, we do not expect that house price growth rate to achieve its 2015 levels as uncertain global and domestic outlook along with the moderate loan growth will continue to pressure Turkish housing market.

### **Housing Market Loan Condition:**

Housing loans in Turkey represented a 25% average annual increase in the 2009-2015 period and realized as TRY 148 billion in 2015, while annual average real growth rate realized as 16% in the same period. The number of people using housing loans exceeded 2 million at the end of the 2015 and housing loans to GDP ratio rose to 7% from the 4%. While increasing trend has observed both in the housing and construction sector loans to GDP ratios, the ratios are remained relatively low in compared to developed markets as their housing sector loans to GDP ratio is around 60%.

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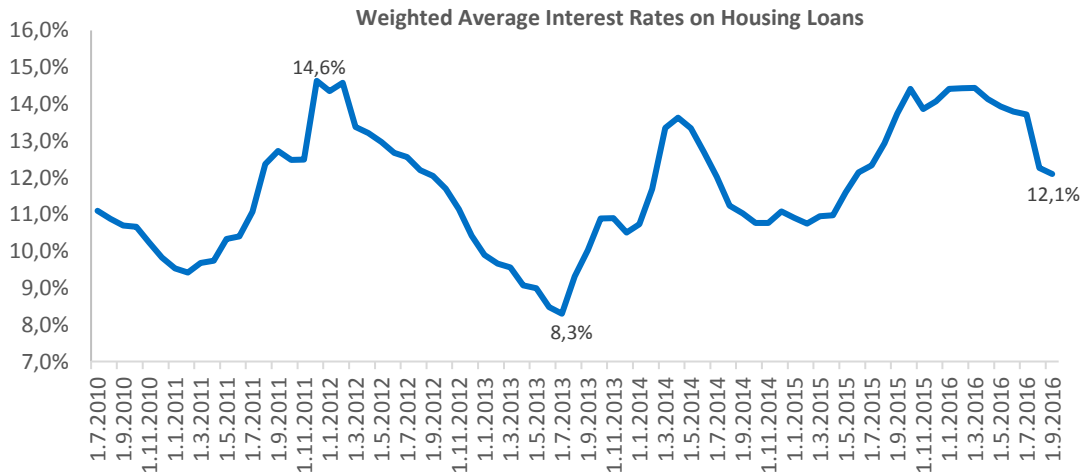
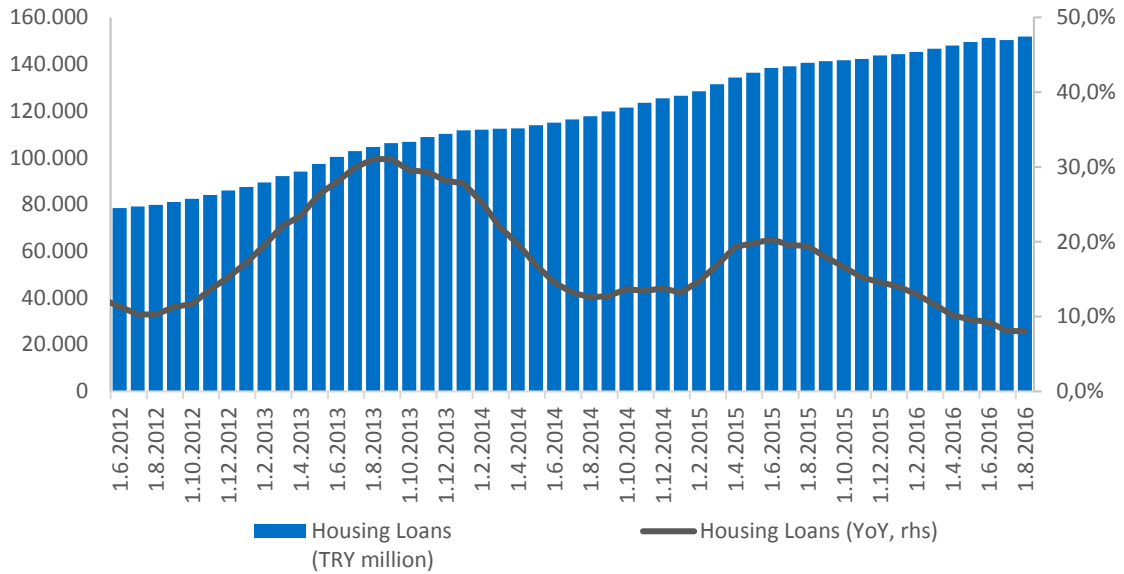


Source: BRSA, CBRT

As of the end of 2015, housing loans shares in total loans rose by 6 point and reached to 37% and average housing loans amount used per person rose to TRY 114,000 from the TRY 76,000. At the same time, housing loans average maturity increased by 19 months and reached to 91 months. The recent statistics from the Bank Association of Turkey have shown the steady growth rate both in the amount of the housing loans and in the number of the person that using housing loans.

While the weighted average interest rates on housing loans realized as 14,1% at the end of 2015, the housing sector weighted average interest rates started to decline steadily with the CBRT's consecutive rate cuts policy since March 2016 and realized as 12,1% as of September 2016. The moderate growth continues in the housing sector loans side and it is obvious that housing loans growth rate decelerated in compared to 2015. In the January-August 2016 period, average annual growth rate of the housing loans realized as 10,5%, which was lower than the 17,9% average annual growth rate of the January-August 2015 period.

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Source: CBRT, BRSA

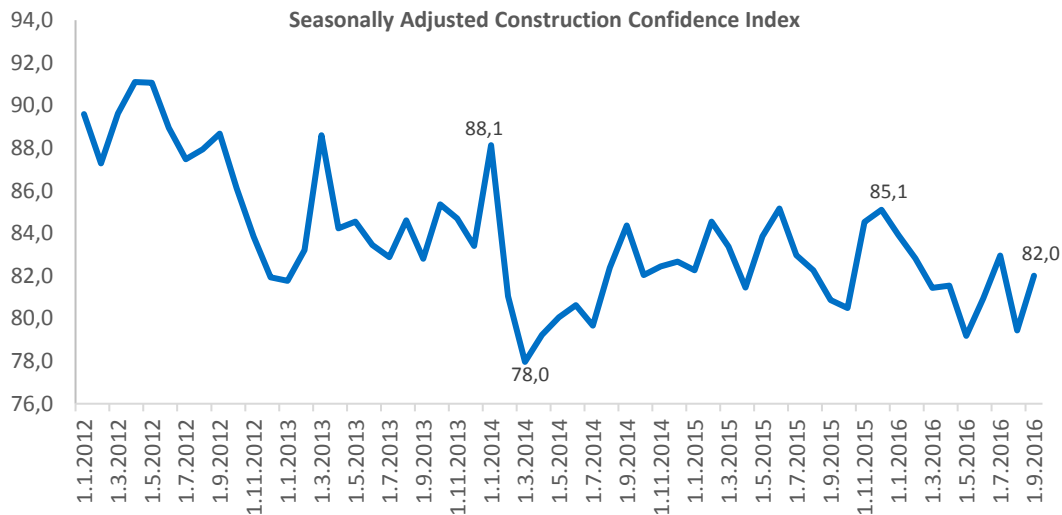
The recent drop in the housing sector weighted average interest rate is important for the sector but the sector still needs additional encouraging steps to stimulate growth in the coming period. In order to help housing sector development; GYODER, EMLAK REIT and TOKI have arranged new campaigns to accelerate growth in the housing sector and reduce consumers housing loan costs as much as possible. GYODER's campaign has included 39 firms and 86 projects with 0,7% monthly interest rates and 10 years maturity. On the other side, CBRT has continued its simplification policy with cutting its overnight lending rate by 250bps in March-September 2016 period to 8,25%. We expect continuing rate cut from the Central Bank with considering global low interest rate environment.



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### Confidence in Housing Sector and Its Impact on the Housing Sector Development:

The sectoral confidence is the important factor for the investor's future investment decision and the CBRT policies, recent economic developments, loan market circumstances along with the geopolitical and global conditions are closely correlated with the sectoral confidence. As we examine in the graph, after the CBRT's move to increase interest rates on January 29, 2014, construction sector confidence fell sharply to 78,0 in March 2014, which was the lowest level in the 2012-2016 time period.



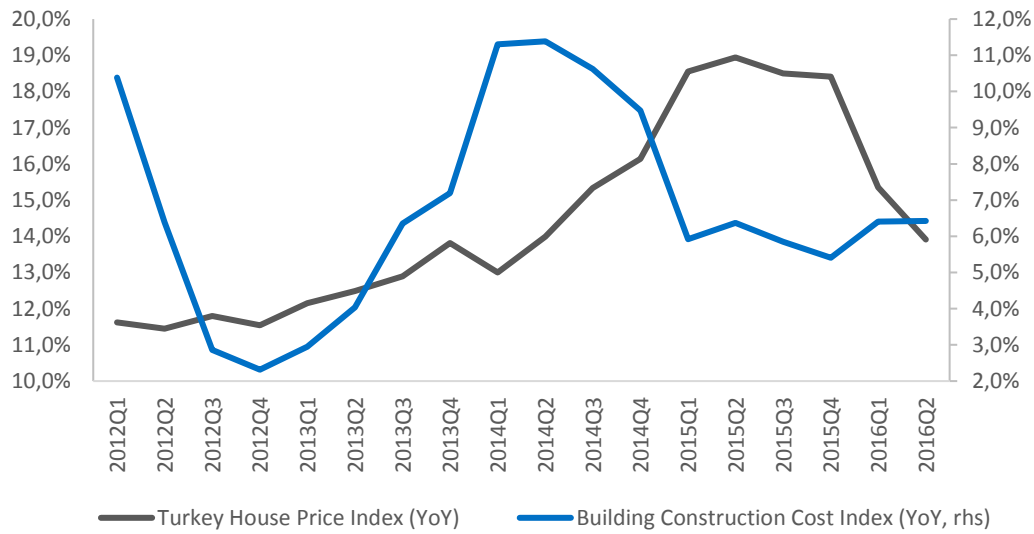
Source: TUİK

The terrorist attacks, security risks and uncertain domestic environment have negatively affected index. The index fell gradually to 79,2 level in May 2016 from the 85,1 level in December 2015 but managed to rebound 82,0 level as of September 2016. While the volatile trend has been observed for the construction confidence index in the January-September 2016 period, the future monetary policy decisions along with the developments in the global markets would shape the movements of the confidence index in the medium-term period.

### III) HOUSE PRICE BUBBLE DISCUSSIONS IN TURKEY

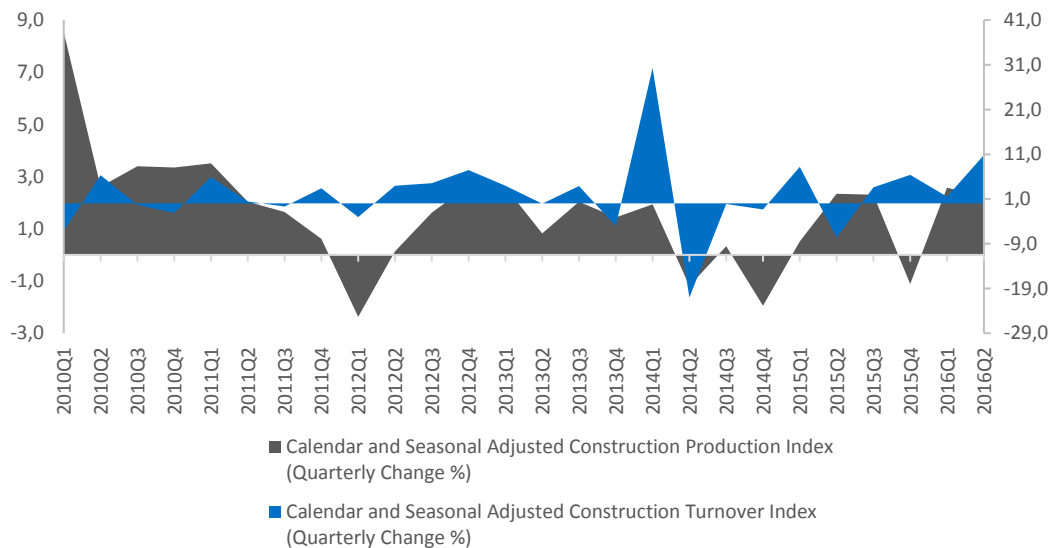
In order to discuss housing price bubble risk in the sector, we started our analysis with discussing the correlation between the costs and prices. For do this, we selected building construction cost index and Turkey house prices index and we examined that two indices followed up similar trend. However, we have seen the delayed effect in the house prices as the prices are following the costs movement in the coming quarters not in the same period. Both indices have shown the moderate growth trend in 2016 and it seems difficult to tell about the housing price bubble in the first half of the 2016 with considering moderate growth rates in both indices.

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Source: TÜİK

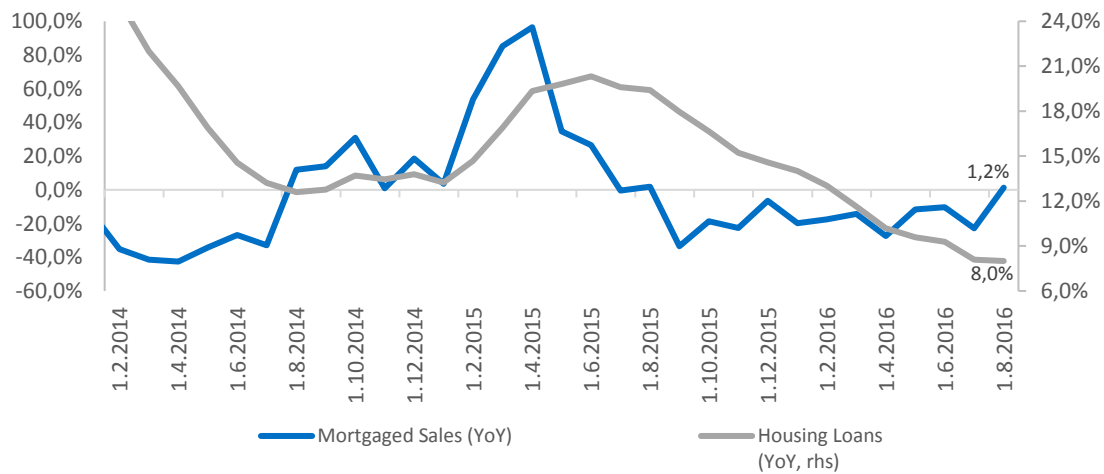
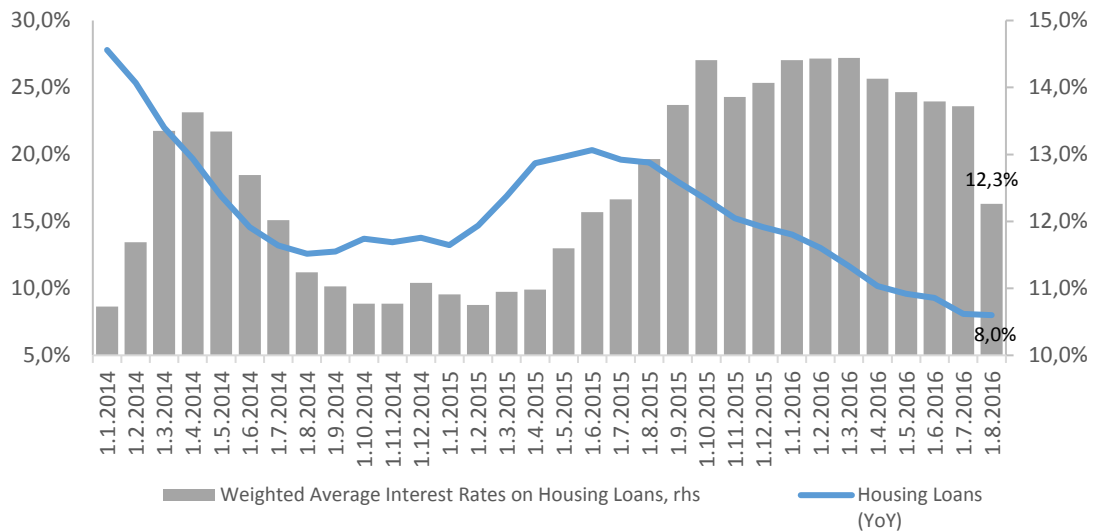
The second important indicators that should be examined for analyzing housing price bubble risk are the construction turnover and production indices. The turnover index is sensitive to the increase in the production index and the production increase lead to increase in turnover index. The recent trends have shown the moderate increase in both indices and with considering recent developments, it is difficult to examine unbalanced situation in the production and turnover side.



Source: TÜİK

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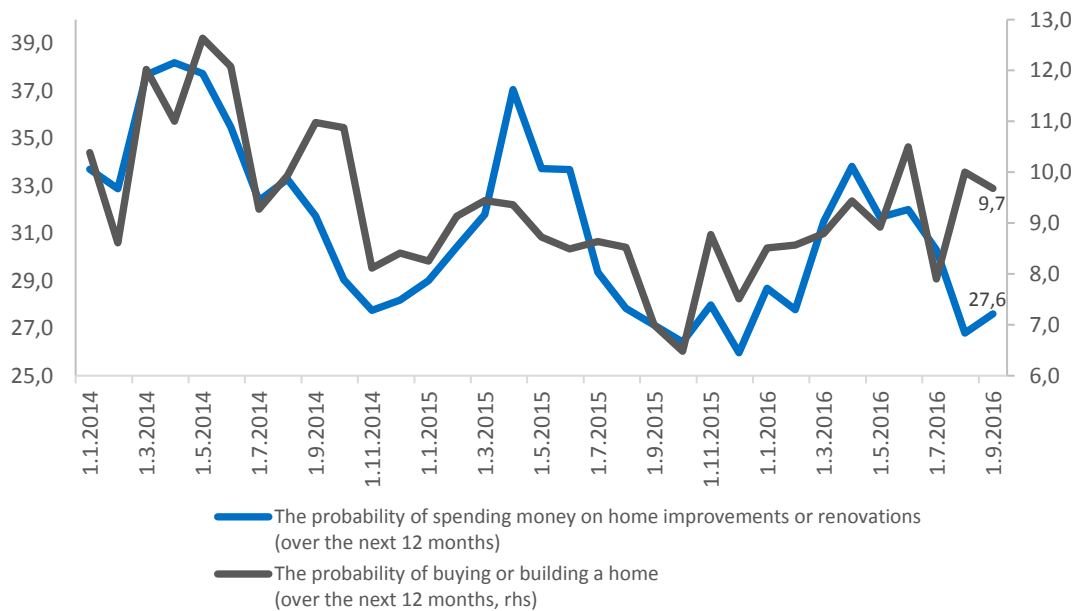
The third important indicator for the housing price bubble risk is loan market condition. As we discussed in our previous part, the moderate growth continues in the housing sector loans side and it is obvious that housing loans growth rate decelerated in compared to 2015. As of August 2016, housing loans grew only 8% annually and realized as TRY 151,9 billion, which was lower than the 19,4% growth rate recorded in August 2015. At the same time, while CBRT's consecutive rate cuts policy has lowered the housing sector weighted average interest rates, the rates remained high in the January-August 2016 period in compared to same period of 2015. With considering moderate loan growth in the housing sector, it is possible to say that loans amount and the consumer's attitude to the loan market are not created significant risks in the sector.



Source: TÜİK, BRSA, CBRT

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The fourth important factor for the housing price bubble risk is consumer attitude toward the housing market. While the consumer's probability of spending money on home improvements or renovations are on a downward trend in June-August period, it rebounded slightly in September 2016 with rising 3% in compared to August to 27,6 level. The probability of buying or building a home remained volatile in 2016 and has not represented consistent trend. Although we examined sharp increase in the probability of buying or building a home in August, it fell by 3,2% to 9,7 in September due to uncertain domestic market condition.



Source: TUIK

All in all, as the sector's supply and demand side indicators have not shown the significant imbalances and the housing sector loan condition has not created significant risk for the sector, we do not see a bubble or a problem with housing prices.

### IV) CONCLUSION

Turkish housing market will continue to grow in the coming period as increasing projects in the sector, growing population and new regulations for the housing market will improve the housing market condition. However, the weakening Turkish lira with increasing FED rate hike expectations, increasing foreign currency repayments, high interest rates and the slowing economy are the main risks that will continue to pressure sector. In addition, it is worth nothing that geopolitical risks and rising terrorist attacks are the other important obstacles that prevent foreign investors to attract in the Turkish real estate market.

In regulatory side, deficiencies in urban renewal law, injustice tax regulations and segmentation problem in the branded home sales along with the lack of the arrangements for easing foreigners' citizenship and residency permit process to attract more foreign investors to the sector are the important challenges that should be considered in the coming period.

Despite continuing fragility in the sector, we expect housing market to gain momentum in the rest of the year helped by the increasing campaigns and regulations and decreasing weighted average interest rates of the housing loans with CBRT's simplification policy. It is obvious that Turkish housing market will continue to represent new projects in the coming period along with the public and private sector cooperation. The main projects that total investment values exceeded USD 70 billion are;

- **Istanbul's Third Airport Project:** It will be one of the biggest international airports in the world once the fourth and final phase is finished by 2028 – and potentially the busiest – with six runways, flights to 350 destinations and an eventual annual capacity of 200 million passengers.
- **Kanal Istanbul Project:** One of the planned giant projects in the city's pipeline pushed by the government and will be a canal 43 kilometers long and 400 meters wide with six bridges.
- **Istanbul's Third Bridge (Yavuz Sultan Selim Bridge):** A third bridge over the Bosphorus Strait in Istanbul was opened on August, 26. The bridge will lead to USD 1,75 billion in savings annually in terms of time and energy. All trucks and heavy-duty vehicles will be directed to the bridge.
- **International Finance Center Project:** The construction of the Istanbul International Finance Center is set for completion in 2016. The project, which began in 2012, will put together a number of key financial institutions under one framework and will provide a shopping center, living areas and a congress center. The cost of the project is around USD 2 billion.

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- **Galataport Project:** The project will put together the whole historic peninsula and the Bosphorus with world tourism, as well as being the entrance gate to Istanbul for the tourists who come via the sea.

The urban renewable projects and the Turkish shopping mall sector are the other important investment areas that could increase the housing sector activities in the coming period. Beside the increasing branded housing projects in domestic market, largest housing companies have also turned their eyes to external markets to improve their shares in global markets. United States, Canada and United Kingdom are the new targeting markets for the Turkish firms.

Nef Gayrimenkul, Süzer Holding, Ant Yapı, Garanti Koza, Akman Holding and Aşçıoğlu are the main real estate companies that turned their eyes to the new targeting markets; United States, Canada and United Kingdom. New York, Miami, London and Toronto are the preferable markets in abroad with their relatively stable security environment and suitable investment condition.

### **Main Companies Activities in Abroad:**

- **Ant Yapı** is carrying out the luxurious and boutique housing sector projects in London, which amounted as £40 million. The project developed by the Wainbridge Estates Belgravia Limited company
- **While Aşçıoğlu** has signed the partnership agreement with Deyaar Development PSJC in Dubai, (Dubai's largest real estate development company) and has signed the agreement for the "Midtown Selenium by Deyaar" project; the company now tuned their attention to London market.
- **Akman Holding** (mainly works in fruit juice, plastic, water, tourism, real estate, automotive and construction sector), has started the "Kennedy Condominiums Project" in Toronto, which included 1.320 apartment block, hotel and business center. The project is named as the largest project in Toronto with its USD 600 million investment amount.
- **Nef** will develop the "Manhattan Project" in New York, which amounted as USD 210 million.
- **Süzer grup will develop the "Madison 218 Project"** with Asrr&Süzer partnership and the 12-storey luxury residence will be completed in 2017. The another important project of the Süzer group is "8955 Collins Avenue Project" in Miami, which amounted as USD 105 million.
- **Garanti Koza** is trying to extend its market share Sofia, Bulgaria. The company has completed its first project in Sofia, named as "Grand Kanyon", which included 1.450 housing units, shopping malls and hotels. The company will start its second project, named as "Sofia Square", which included 2.006 houses, 630 residential buildings and hotel. The total amount of the new project is Euro 630 million. The other important targeting markets for the Garanti Koza is Serbia, Croatia and Greece.

## HOUSING SECTOR IN TURKEY

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### **Expectations for the Turkish Housing Market:**

- The Turkish housing market will remain alive in the coming period with new projects and new regulations. CBRT's continuing rate cut policy and government's recent regulations will support the sectoral development with promoting lending activities in the banking sector.
- While house sales rose by 10,6% to 1,3 million in 2015 in compared to previous year, we expect 5% growth rate for 2016 with considering recent economic situation and geopolitical risks. Strengthening dollar against Turkish lira and its effect on the inflation rates could deteriorate the housing market condition. However, we are hopeful about the Turkish housing market amid government's recent steps to alleviate the burden on the housing market.
- House sales to foreigners will not achieve its 2015 levels as increasing terrorist attacks and security risks in Turkey have negatively affected foreigners buying appetite in real estate market. In order to attract more foreign investors in the sector, the government should focus on the more arrangements for easing foreigners' citizenship and residency permit process. Deficiencies in urban renewal law, injustice tax regulations and segmentation problem in the branded home sales are the other important challenges that should be considered in the coming period.
- In 2015, growing population, mega projects, urban renewable projects and ease of buying property have supported real estate sector and house prices rose by 18,4% in 2015 in compared to previous year. While in 2016, house prices growth rate lost momentum and it is hard to catch up 2015 growth levels due to continuing fragility in global and domestic markets. However, with considering continuing projects in the sector and the government recent steps to create a more attractive environment for the housing investments, we expect house prices to grow by average 10-15% in 2016.
- In order to meet rising demand in the middle and lower income groups and provide the balance of the supply and demand side of the sector, government should take additional steps to decrease high land prices and the construction costs.
- Taking into account the inflationary dynamics effect to the housing market through the interest rate channel, consumer prices movement will be followed up closely to monitor housing market development in the coming period.

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