

MEHMET ERKTIN: “REIFs WILL GIVE BOTH THE MEDIUM SIZED INVESTORS AND OUTSIDERS TO THE REAL ESTATE INDUSTRY THE OPPORTUNITY TO INVEST IN LARGE SCALE PRODUCTS.”



**Omurga Real Estate
Portfolio Management**
Chairman

How do you expect the recent macro-economic developments in Turkey and the world will affect the real estate industry in Turkey? The global slowdown will surely continue to have an impact on the emerging economies. Thanks to the relatively large size of the Turkish real estate market and its own dynamics, such as the low level of leverage, so far adverse effects have been minimal. If such conditions in the global economy last longer, we may expect the local market to be affected. A steady increase in US interest rates, which we do not foresee, a slowdown in Europe and consistently low oil prices may affect the inflow of FDI to Turkey, suppressing the speed of development. This is not necessarily a bad thing for the Turkish real estate market.

What is the most important development for the sector in the last year? What sort of impact do you expect this development will have today and in the future? The most important development has been the introduction of real estate investment funds to the market. This will have many positive impacts. For one thing, it will commercialize the products, taking a big burden from the shoulders of the developers.

Moreover, REIFs will give both the medium sized investors and outsiders to the real estate industry the opportunity to invest in large scale products, giving

them access to higher yields, and providing the developers/owners with a much larger customer base.

In the long run, it will limit the strata sales especially in the office segment, increasing both value and marketability of the products. Depending on the success of the first batch of funds to be launched, the Turkish REIF sector may grow to a significant size in the coming years.

Do you think that the investments have reached the point of saturation in big cities such as Istanbul? How do you assess the potential of Anatolian cities? We have to consider different segments. In shopping malls, I do think that Istanbul is saturated. In street shopping on the other hand, we have a long way to go. Instead of isolated projects at the heart of the city, we need to develop “walkable places”. This requires an important paradigm shift in development.

In offices, the speed of construction is well above the absorption rate. In figures, the take up is roughly 250,000 m² per year, but we have been developing 700,000. The total is approaching 5 million, which is fairly modest for a city of Istanbul’s size and economy.

Housing is similar to office. In the alternative segments however, Istanbul is way underdeveloped.

What will be the new trends for the real estate market in the upcoming period? How does the market get affected by the changes brought by the information age? We can examine the new trends in two categories; the alternative segments and the IT related developments. They will both dominate the market in the coming years. Senior facilities, student housing, data centers will be important segments.

In the coming years quality of management or service will be at least as important as the design and construction quality of real estate.

Advancement in IT will make sharing much easier, in fact this trend is already

snowballing. Although it might require a small cultural change in the Turkish market, I am sure most households and businesses will adopt the system to reduce their own costs.

How would you summarize the yearly performance of the firm/corporation you are in charge of? Did 2015 met your expectations? What are your goals considering 2016? We have spent the previous year setting up our portfolio management company, Omurga Capital, and getting our licenses from the Capital Markets Board. 2016 will be the year to start investing, but we intend to complete most of our transactions in 2017 and 2018. In fact, we expect to have a buyers' market in real estate in the upcoming couple of years. We hope to realize the profits from our investments 2018 onwards.

MURAT KURUM: “BUSINESS OPPORTUNITIES HAVE RISEN AND NUMBER OF INDUSTRIAL ZONES HAVE INCREASED IN ANATOLIAN CITIES.”



Emlak Konut GYO
General Manager

How do you expect the recent macro-economic developments in Turkey and the world will affect the real estate industry in Turkey? Housing demand in Turkey is mostly sourced from population growth and request of citizens to move houses which are earthquake resistant, modern and suitable for new regulations. Therefore, this point of view has a significant effect on their decision to buy a house. The housing industry mostly depends on increase in GDP. Rest of the economic developments are related with investors which are using real estate as an investment tool.

However, there is an obvious reality that cost increase of housing loan is the reason of rise in interest rates. In the meantime, by the reason of comparatively higher increase in housing price index than interest costs, Turkish housing industry has not been affected remarkably yet. Also demographic dynamics have still a positive and sustainable influence on the industry.

What is the most important development for the sector in the last year? What sort of impact do you expect this development will have today and in the future? Last year there was no notable positive or negative development that has effected the market. We haven't seen any adverse effects on the market after two general elections held in 2015. If we need to mention about one of the issues, we have experienced an increasing countrywide dynamism in sales to foreign citizens. Approximately 19,000 units were sold in 2014 but this number has reached around 23,000 in 2015 which means 20% increase in a year.