

# Exploring Turkey for Investment



Presented by

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Turkey has historically attracted interest from the Gulf States as it offers

- Rich culture and genuine hospitality
- Wonderful attractions
- Astonishing landscape and various climate conditions
- Great cuisine
- Tremendous variety of leisure and shopping activities



## Highlights

Increased direct flight options offered daily in the recent years by airlines from both Turkey and the Gulf region has led to a spike in the number of tourists and visitors.

For the last five years, the number of tourists and visitors from the Gulf region has steadily increased surpassing 3 million for the first time in 2015.

This, in turn, triggered a significant increase in real estate transactions made by the Gulf clientele in Turkey.

Out of the 22,830 home purchases made by foreigners in Turkey in 2015, about half of those, 11,278 homes to be exact, were purchased by citizens of the Gulf region and this trend is widely expected to continue.

# Looking at the Turkish Economy

Following the IMF-backed reform program initiated in 2001 and lasted for almost a decade, the Turkish economy has been performing well, with growth rates averaging nearly 5% a year, the fastest among the OECD countries.

The economy in Turkey grew 4% in 2015, placing Turkey ahead of even most developed countries. Turkey's population is expected to rise to more than 93 million by 2050 from over 78 million in 2015, according to government statistics. The median age is just over 30, lower than anywhere in Europe.

With Turkey's declining but still chronic account deficit and dismal domestic saving rate, which is around 12% of national income and is the lowest among its emerging market peers, adopting an ambitious economic program focusing on increasing productivity and growth is very essential.

Turkey is also well-positioned to realize significant benefits from the current decline in energy prices as it imports about 70% of its oil and natural gas needs.

Turkey has substantially improved transparency in banking and public finances and has emerged from the global financial crisis in relatively good shape.

The growing road and air traffic has led to decisions to construct the third bridge over the Bosphorus and the third international airport in İstanbul with annual capacity of 150 Million passengers, making it the largest airport in the world.

The continuous growth period has also led to major advances in Turkey's public services and infrastructure, including roads and highways, high-speed railroads between major cities, utilities, hospitals, universities and museums.

OECD estimates that Turkey will be the third highest growing country after China and India by 2017 and will surpass India after 2017 to become the number two.

Within 4 hours of flying distance, Turkey has access to 1.5 billion people living in Europe, Eurasia, the Middle East and North Africa and to markets with a total GDP of USD 25 Trillion.

## Investment Climate

According to the recent Knight Frank Global House Price Index, Turkey leads the worldwide rankings with house prices rising 18.4% in 2015.

Strong levels of foreign investment, an expanding population, changing family demographics and scarcity of land for urban development explain the upward pressure on prices.

In 2015, Turkish lira lost about 25% of its value against the major currencies. The weak Turkish lira is presenting a great advantage for those who are interested in making a real estate investment in Turkey.

Property sales made to foreigners broke records in 2015 surpassing USD 5 Billion for the first time.

A recent report published by Oxford Economics, the UK-based global advisory firm, states that İstanbul has become one of the four mega-cities in Europe along with London, Paris and Moscow in terms of its economic output and size, projected to be more than USD 400 Billion.

Being the largest city in Europe with 14,6 population, İstanbul welcomed 12,5 million international visitors in 2015 and is poised for becoming a regional hub due to its strategic location situated at the crossroads of Europe, the Middle East and Central Asia.

İstanbul is by far attracting the most interests from real estate investors enjoying an average annual appreciation of around 20%.





# Market Overview & Opportunities

## Individual Investors

Individual investors mostly buy flats, villas, chalets and also residential land to get their homes built according to their architectural taste and needs. The favorite locations are İstanbul, Bursa, Sapanca, Yalova, Trabzon, Kuşadası and the Mount Ida in the North Aegean region.

Cities and towns with easy access via road and air which have natural areas with favorable climate conditions, coastal and mountain scenery, family oriented environment offering attractions for the entire family are in high demand.





## Institutional Investors

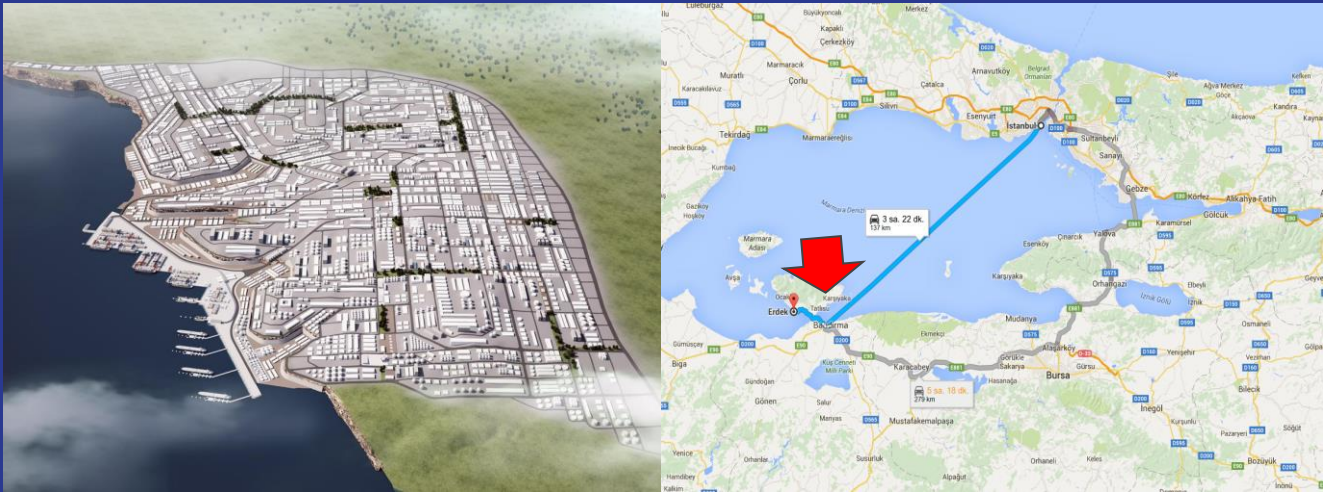
Institutional investors, private equity funds and family offices are looking at adding income properties such as hotels, office towers, shopping centres, hospitals, private schools, media assets, marinas, industrial and residential land to their portfolios.

Although İstanbul seems to attract the most interest from institutional investors, opportunities found in other upcoming cities and regions have recently started to lure investors as well.

Located on a strategic corridor linking both the Marmara and Aegean regions, the two of the most important regions in Turkey, cities of Bursa, Balıkesir and İzmir are of high importance in terms of economic output, population density, industrial and trading activities and gross domestic product.

They stand to profit the most from the new highway project which is being built and to be finished by 2018. The new highway will cut the travel time between İstanbul and İzmir in half from over 6 hours to 3 hours.

The largest logistic and industrial zone in Turkey which includes building the second largest port of Turkey has been planned near the above mentioned corridor in Bandirma located on the southern banks of the Sea of Marmara. The Eur 11 Billion project will soon be carried out jointly with the Port of Rotterdam Authority and is to be fully finished and operational in 10 years.



# Land Assignments

Land assignments offered occasionally by the Ministry of Tourism on prime land owned by the Treasury presents a great opportunity to invest in the tourism sector in Turkey.

Land assignments allow the qualified investor to acquire prime land at no cost for a certain amount of time, while allowing him to allocate his capital on building and operating the proposed tourism project in accordance with the guideline laid out by the Ministry of Tourism.

Land assignments are offered both in the major and also upcoming tourism areas and zones for building and operating holiday resorts and villages, ski resorts, thermal hotels and golf resorts.

Unless stated otherwise, land assignments are allocated for 49 years from the date of issuance of the official decision and can be mutually extended for another term.

# Farmland

Investing in farmland has been continuously proved to be a solid way of making investment for foreign institutional investors in Turkey.

Being one of the few countries in the world that is self-sufficient in terms of food production, Turkey is the largest producer and exporter of agricultural products in the Near East and North African regions. Turkey has a significant agricultural potential and geographic advantage to supply the Gulf States with major food products and livestock.

The amount of remaining arable land available for cultivation is diminishing globally due to many factors including population growth and changing family patterns, climate change, urbanization and land distribution.

The availability of productive farmland keeps on decreasing and farmland appreciates continuously in value while providing stable income annually from the harvest. Land banking investments are generally focused on the major farming and crop producing regions such as the Aegean, Marmara, Mediterranean and the Anatolia regions. Takeover activities are also on the rise for efficient, profitable, well-managed and growth-oriented Turkish agribusinesses and brands.

# Student Housing

Student housing sector is growing solidly in Turkey and attracting foreign institutional investors due to growing younger population, increasing higher education enrollment rates and lack of government-subsidized student housing.

According to the latest numbers revealed by the higher education board, Turkey has more than 6 million students in higher education and that there are 193 universities throughout the country. There are more than 800.000 new undergraduate students enrolling at universities every year.

Due to the lack of availability of the government-subsidized student dorms which only serve roughly the 10% of the student housing demand, private investors should be motivated to invest in building and operating student housing projects on campuses and nearby campuses.

## In Conclusion

Although geopolitical risk in recently on the rise in Turkey due to ongoing conflicts and turmoil within the neighboring region, fundamentals in Turkey are still strong and that the country is holding a great potential for profit and growth.

The majority government should stay focused and motivated to implement economic reforms based on macroeconomic principles and should be driven by a strong push to increase the investor confidence while making Turkey easier for foreign investors to do business by leaving no grey areas.

Increasingly viewed as a safe haven especially for investors from the Gulf States, Turkey is bridging East and West while promising investors solid returns with its favorable location, existing and future growth potential, growing commercial and industrial output, mega projects and ambitious targets in line with the 2023 vision of Turkey, its 100th anniversary year of establishment.