



Munich Personal RePEc Archive

An Analysis of the Strengths and Weaknesses of the Turkish Real Estate Market

Coskun, Yener

26 June 2010

Online at <https://mpra.ub.uni-muenchen.de/28361/>
MPRA Paper No. 28361, posted 24 Jan 2011 14:53 UTC

**ERES Conference 2010
Milano 23- 26th June 2010**

**AN ANALYSIS of the STRENGTHS and WEAKNESSES
of the TURKISH REAL ESTATE MARKET**

WORKING PAPER

Yener COŞKUN

June, 2010

AN ANALYSIS of the STRENGTHS and WEAKNESSES of the TURKISH REAL ESTATE MARKET*

Yener COŞKUN**

Senior Specialist
Capital Markets Board of Turkey

26 June 2010

ABSTRACT

Real estate is one of the foremost and traditional investments for Turkish household. In addition to this traditional demand, it has also observed that Turkish real estate market becomes one of the popular investment destination for foreign investors. 2003-2007 period would be accepted as the boom period for Turkish economy in general and real estate sector in specific. Although there are considerable opportunities in the market, both Turkish economy and real estate sector suffer important structural problems. Hence, the objective assesment for the Turkish real estate market requires a cost-benefit analysis. In this paper, the author is attempting to reach an objective approach presenting both strong and also weak sides of market. The critical point is current deficiencies of the market may result negative impacts on further development. As a solution, we suggest that Real Estate Regulation and Supervision Agency should be established as a new government agency. To our view, primary expectation of this agency is to issue regulations/standards for real estate brokerage/marketing/appraisal, and also housing finance to enhance consumer protection, public interest and market efficiency.

Keywords: Turkish real estate market, consumer protection in real estate, real estate appraisal, Real Estate Regulation and Supervision Agency.

Jel Classification: G21, R14, O18.

* Opinions expressed in this study are of author's and do not necessarily represent the institutions connected with the author. You may quote or cite with consent of the author.

** Capital Markets Board of Turkey, Eskişehir Yolu 8.Km No:156 06530 Ankara/Turkey; The author is PhD Candidate, Ankara University The Graduate School of Natural and Applied Sciences, Real Estate Development Department. Phone:(+90 312) 292 88 24; e-mail:ycoskun@spk.gov.tr

1. INTRODUCTION

Real estate is one of the foremost and traditional investments for Turkish household due to several reasons. Demographics, immigration to urban areas, urbanization, industrialization and renewal are the main components of the strong domestic demand for real estate. After 2000-2001 banking crisis, it has been also observed that foreign direct investments (FDI) to real estate markets were also augmenting.

After the crisis, Turkish economy has showed extraordinary economic growth until negative impacts of global financial crisis in the 2008. EU full membership candidacy, political and economic stability and increasing liquidity (due to the rise in direct and portfolio investments) are the main components of the growth period.

Rising residential prices, increasing the supply of residential unit and shopping center, growing FDI to domestic real estate market (particularly for commercial real estate investments) and production growth in social real estate market (by HDA/Housing Development Administration of Turkey) are the positive indicators of a dynamic real estate markets in this period. In addition to this remarkable periodic market movement, there are many reasons for a strong housing demand in Turkey (i.e. young population and inward migration, renewals, growing demand for affordable housing and niche residential demand etc.) which are significant for a long - term market development. On the other hand, the demand for industrial and commercial real estate also seems strong in Turkey thanks to dynamic socio-economic structure.

Our study is motivated by two factors. First, although the economic growth is relatively higher and strong domestic and international residential/commercial real estate demand are the positive aspects, Turkish real estate market experiences important deficiencies. In this paper, we are attempting to reach an objective approach presenting both strong and also weak sides of the market. Second, the author is questioning whether deficiencies may decrease the potential value of the opportunities in Turkish real estate market and what kind of measures would be taken for better marketplace. To analyze these issues, the paper aims to develop a solution framework for Turkish real estate markets.

The paper would be find challenging. Because, to our knowledge, this is the first attempt to evaluate overall Turkish real estate markets taking both positive and negative sides into account. However it suffers from data availability and statistical modeling, we believe that the study has a considerable outcome.

To better public and non-public purposes real estate management, we think that Real Estate Regulation and Supervision Agency should be established as a new government agency. To our view, primary expectation of this agency is to enhance public interest, customer protection and market efficiency in real estate markets.

The paper is organized in four further sections. In section 2, we analyze Turkish economy and real estate market in general. Advantages and disadvantages of the Turkish real estate markets are discussed in section 3. In section 4, we are arguing with some reservations that a new government agency should be established to solve current inefficiencies of Turkish real estate markets. And last section is reserved for the conclusion remarks.

2. OVERVIEW TO TURKISH ECONOMY AND REAL ESTATE SECTOR

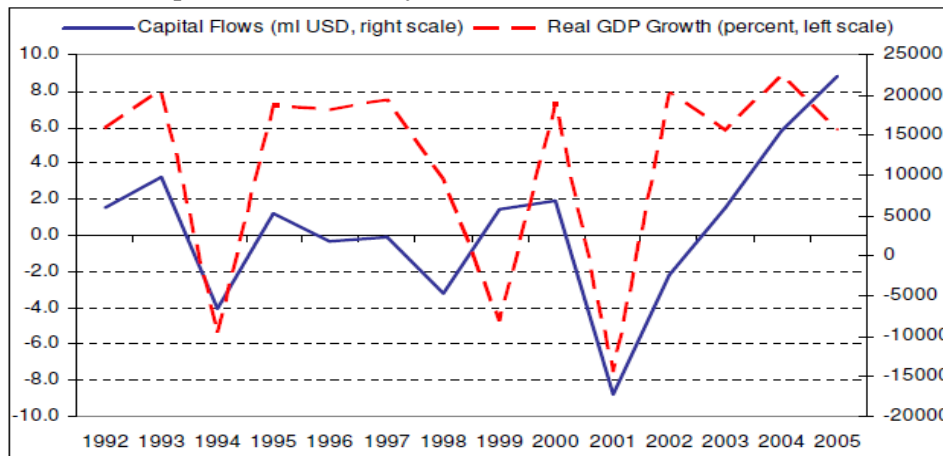
Turkey is the 17th largest economy in the world. Her GDP at the end of 2008 reached 741,8 billion USD. Various international research reports argue that Turkey will be among the ten largest economies in the world in the 40 years to come (DPT, 2009: 3).

According to statistics, Turkey is considered to be a promising country in the greater European region. If it is managed effectively, the country offers several economic benefits to its trade partners and investors. Like other immature sectors, real estate markets shall also offer opportunities. In this section, we aim to overview the facts and trends of Turkish economy and real estate sector.

2.1. Post 2000-2001 Crisis Turkish Economy

By virtue of the rapid and uncontrolled financial liberalization approach lived 1980s, Turkey has faced several financial crisis arisen from the banking sector. 1982-1985, 1994-1995 and 2000-2002 were the crisis periods for Turkish economy. Followed by year 1980, several financial restraints were also experienced. The last crisis, namely 2000-2001 banking crisis, was the most destructive one which has radically changed both economic and political pictures of the country.

FIGURE 1. Capital Flows to Turkey and Real GDP Growth (1992-2005)



Source: Çulha (2006: 6).

As can be observed from Figure 1, expansion and crisis periods follow the same pattern as capital flows, which indicates that the growth pattern of the Turkish economy has become highly dependent on capital movements (Çulha, 2006: 5). The short term capital movements (hot money), largely focused on stocks and government securities, may be counted to be the most critical component in the growth pattern of the Turkish economy. Intensive portfolio investments¹ to the domestic financial markets were observed particularly during 2003-2007 growth period² thanks to both increasing liquidity surplus in global economy and also increasing stability/positive outlook of the Turkish economy.

¹ Banking Regulation and Supervision Agency (BRSA) (2009: 20) shows that portfolios of foreign residents to Turkey is 105,6 bn USD in December 2007 and 62 bn USD in 2009 June. In the latter case, the share of stocks and government securities in investment preferences of foreign residents is respectively 38,2 bn USD and 16,4 bn USD which are consist of 89 % of total investments. This ratio was % 95 in December 2007.

² According to BRSA (2008: iii), quarterly basis consecutive growth performance of Turkish economy reached 27 th quarter in 2008/Q3.

TABLE 1. Balance of Payments (2005-2009/9)

(Billion, USD)

	2005	2006	2007	2008	2009/9*
CURRENT ACCOUNT	-22,1	-32,1	-38,2	-41,8	-14,6
Foreign Trade Balance	-33,0	-41,0	-46,7	-53,0	-25,0
Total Export of Goods**	78,4	93,6	115,4	140,8	107,6
Total Imports of Goods**	-111,4	-134,6	-162,0	-193,8	-132,6
Coverage Ratio (%)	70,4	69,6	71,2	72,7	81,2
Balance of Services	15,3	13,7	13,3	17,2	16,5
Balance of Income	-5,9	-6,7	-7,1	-8,2	-7,9
Current Transfers	1,5	1,9	2,2	2,1	1,9
CAPITAL&FINANCIAL ACCOUNT	19,5	32,1	36,6	36,4	1,4
Foreign Direct Investments	9,0	19,3	19,9	15,8	9,0
Portfolio Investments	13,4	7,4	0,7	-5,0	-4,9
Other Investments	14,9	11,5	24,0	24,6	-8,7
Reserve Assets	-17,8	-6,1	-8,0	1,1	5,9
NET ERRORS&OMISSIONS	2,6	0,0	1,6	5,4	13,2

* Cumulative figures for the last 12 months. **Including shuttle trade, non-monetary gold and goods procured in ports by carriers.

Source: Central Bank of the Republic of Turkey (2009: 14).

In addition to portfolio investments, FDI were also soared after 2000-2001 crisis. As seen in the above table, total FDI between the 2005-2009/9 period is 73 billion USD. This level of FDI represents enormous development for Turkish economy, comparing 9,6 billion USD FDI in the 1954-1999 period (see, Treasury Undersecretariat, 2008: 20). As global credit crisis reflected to the entire world, Turkey economy grew slower by 1.1% in 2008 when compared to previous periods. Turkey economy recessed by 13.8% in the period mentioned (BRSA, 2009: 11).

It is underlined in the reports analyzing Turkish economy that long - term economic outlook of the country is positive due to the growing economy, demographics, EU candidacy of the country inter alia. But it is also important to note that there are still strong internal and external factors increasing the fragility (see, Table 5).

2.2. Real Estate and the Turkish Economy

The area of Turkey is 778.000.000 km². 26% of this area is forest and 12.3% is pasture area. The rest is the cadastral area which contains 480.000 km², in total. Residential area is about 5% (40.000 km²) and rural area is about 56% (440.000 km²). There are approximately 35.000.000 parcels and 600.000 registers in Turkey (Bank and Mataracı, 2004: 3).

Çete et al. (2010: 627) indicate that as for cadastre, the works with a completion percentage of 88.1% as of 2009. It is said in the Ninth Development Plan that activities related to the completion and digitalization of cadastral information, which enables the operation of land markets in the agricultural sector and constitutes an infrastructure for the administration and control of agricultural policies, will be finalized (State Planning Organizations, 2006: 91).

Both construction and real estate sectors have critical functions on the growth/development process of the Turkish economy. In terms of housing finance/construction activities, the real estate economy affects the level of economic activity, employment rate etc. In this context, the economy requires constant real estate investment due to increasing economic growth, immigration to urban areas,³ renewals⁴ etc.

Population growth and inter-regional migration have been and will be significant drivers for the Turkish real estate markets. The last census counted a population of roughly 70.6 m at the end of 2007. In 2007 the fertility rate was at 2.2 (children per woman) compared to an average fertility rate of 1.5 for the EU-25 countries. With currently more than 53% of inhabitants younger than 30 years, this ensures a steady expansion in the number of people of working age. These demographic trends will have a strong impact on housing demand as well as on commercial real estate (Deutsche Bank Research, 2008: 7). Deloitte (2009: 77) estimates that the rapid population increase and the need for earthquake-resistant housing projects ensured overall growth and construction volume reached €24 bn in 2007. Jones Lang Lasalle (2008: 5) underlines that over the last decade Turkey's urban population has increased by some 10 million dwellers, while Istanbul alone has grown by nearly 2 million new inhabitants.

Most housing in Turkey is produced by private developers, public, quasi-public (cooperatives) or private organizations. There are also substantial amount of shanty

³ From the beginning of the 50's, big cities has faced extra ordinary rural immigration in Turkey. It is expected in the near future that responsibilities arising from the EU candidacy will also increase the rural immigration.

⁴ Adequate urban housing supply could never keep up with the demand. Matters are made worse because 90 % of Turkey's land is under serious earthquake risk, and an estimated 40 % of the urban housing stock needing serious structural strengthening (Karakaş ve Özsan, 2005: 37).

houses or units of housing settlements around the city centers or provinces that are built by private persons but they are deemed to be illegal one way to another and are without occupancy or construction permits. However they usually benefit from the limited public utilities provided by the local councils. Spontaneous settlements in Turkey are a result of the socio-economic and demographic pressures, which accelerated in the last three decades (Halıcıoğlu, 2005: 1).

Real estate represents a hedging instrument rather than a short-term investment instrument, particularly for the perception by the middle and lower - income residents'.⁵ Specifically from the rural area perspective and also resident investment understanding in Turkey as a whole, real estate is accepted as the most valuable/preferred asset category. The motive behind this consumer behavior is related to protection of savings from adverse impacts of high inflation rates and negative real interest rate which dominate Turkish economy nearly for 30 years. One of the most critical results of this trend is real estate economy is growing at the expense of financial economy in Turkey. Hence, financial assets/markets could not develop as expected in the country.⁶

The fall of inflation and interest rates after 2001, and increasing liquidity led to the rise of investments in real estate and construction activities (Undersecretariate of Treasury, 2009: 61). According to TurkStat (Turkish Statistical Institute), the construction sub-sector has made contribution to the gross national products at a rate 3.5% - 5.3% by production approach between years 2004 – 2006.⁷ As seen in the below table, the construction sector is one of the leading sub-sector for the GDP growth. Particularly between 2004-2006, the construction activities seem critical for GDP growth. Construction sector also provides employment opportunities. According to State Planning Organization (2006: 45) the share of the construction

⁵ Binay and Salman (2008: 23) observe positive and significant wealth effects in Turkey and also document positive impact of higher real estate wealth in all components of consumption but not on durable goods consumption. Akkaya et al. (2005: 46) argue that REITs are probably the best inflation hedge instrument. Ucal and Gökçent (2009: 9) indicates that home ownership is regarded as an anti-inflationary hedge. But Önder (2000: 923) found evidence that residential real estate investment in several neighbourhoods in Ankara does not behave as hedges for expected and unexpected inflation.

⁶ Paradoxically, less financialization in domestic real estate markets would be accepted as one of the factors of very limited negative impacts of global financial crisis to Turkish financial markets (see, Coşkun, 2009).

⁷ Available at; http://www.turkstat.gov.tr/PreTablo.do?tb_id=55&ust_id=16 (10.04.2010).

sector, where an average of 1,1 million persons are employed, in total employment was realized as 5,3 per cent as of the end of 2005.

FIGURE 2. Real Growth Rates of GDP and Main Components (2003-2009/1)

	2003	2004	2005	2006	2007	2008	2009-1
GDP	5,3	9,4	8,4	6,9	4,7	1,1	13,8
Agriculture	2,2	2,7	6,6	1,3	7,0	4,1	3,0
Manufac. Ind.	8,4	11,9	8,2	8,4	5,6	0,8	18,5
Construction	7,8	14,1	9,3	18,5	5,7	7,6	18,9
W.sale. & Retail. Trade	11,4	13,8	9,5	6,3	5,7	0,9	25,4
Financial Inter.	5,1	14,0	13,6	14,0	9,8	9,1	10,8

Source: BRSA (2009: 11).

Although the activities of construction sector have a major impact on the overall performance of the economy, Hepşen ve Kalfa (2009: 45) found that shocks to macroeconomic variables (i.e., national income, interest rate and amount of mortgage loans) have noticeable impacts on changes in the housing market activities in Turkey.

FDI inflows to Turkey in construction and real estate, renting and business activities sectors have exhibited an upward trend in recent years. In 2008, inflows in construction took 4.9% and, real estate, renting and business activities 4.5% of the shares from total FDI inflows to Turkey. Following 2002, real estate, construction and retail trade businesses in Turkey started to grow fast. The growth rate of population, immigration from rural to urban areas, the need for more earthquake resistant buildings⁸ particularly in the areas close to the fault lines and urban regeneration were the main determinants that stimulated investments in real estate and construction sectors (Undersecretariat of Treasury, 2009: 60).

According to the Dealwatch data, there were 259 deals in Turkish M&A market in 2008. In 2008 the most active sectors were manufacturing (87 deals), transportation (44 deals), real estate (26 deals). On the other hand, total net real estate purchases is 13 billion USD between 2003-2008. As of the end of 2008, of the 21,079 companies with foreign capital, the majority (6,210) operated in the wholesale and retail trade

⁸ Önder et al. (2004) found that there are many factors that affect housing prices in İstanbul due to its rapid growth and thus dynamic structure, none of the earthquake risk measures significantly affects the change in house values before and after the Kocaeli earthquake (1999).

businesses, while 3,757 operated in the manufacturing sector and 2,408 in the real estate leasing business (Undersecretariat of Treasury, 2009: 7, 12, 28).

On the other hand, Turkey is among the top countries who export construction services. According to the leading international industry magazine "ENR - Engineering News Record", with 31 companies among the top 225 contracting companies, Turkey ranked second in the world after China in 2009. In the period of 1972-2009 about 700 Turkish contractors have completed over 5.000 projects in 75 countries. The total value of the projects undertaken by Turkish contractors abroad reached 155 billion USD in the same period (Subaşı, 2010: 1).

TABLE 2. Comparison of Housing in Turkey and Selected EU Countries (2004-2006)

Country	Housing Starts			Housing Completions			Building permits		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Denmark	29,426	31,400	26,922	27,152	27,580	26,327	30,694	35,618	29,180
Germany	n/a	n/a	n/a	278,019	238,977	248,435	268,123	240,468	247,541
Spain	691,027	716,219	760,179	496,785	524,479	584,881	687,051	729,652	865,561
France	363,400	410,200	420,900	n/a	n/a	n/a	460,800	511,700	561,700
Poland	97,000	102,038	137,962	108,123	114,060	115,187	105,831	115,862	160,545
UK	227,875	226,766	231,583	203,376	209,560	n/a	n/a	n/a	n/a
Switzerland	52,652	57,340	60,232	36,935	37,958	41,989	30,923	31,928	35,416
Greece	n/a	n/a	n/a	n/a	n/a	n/a	80,842	95,032	81,301
Turkey	n/a	n/a	n/a	39,540	64,126	65,800	72,005	114,254	108,109

n/a: not available. Source: European Mortgage Federation (2007: 126-130).

In this paper, we specifically focus on housing market due to its superior social and economic importance. However, figures are changing depending on the estimation, it is generally accepted that there is a shortage (and new residential housing demand) in Turkish housing market. As seen in table above, Turkey seems well behind most of the countries which are comparable to her.

According to the data from the TurkStat and the State Planning Organization, Turkey's housing requirement as of today is about 2,5 million either for renewal or conversion projects or quality house production projects. Due to population growth and continuing urbanization, Turkey will require an additional 5,5 million housing units by 2015. Added to the existing housing deficit, this represents a requirement for more than 500,000 new housing units required to be built annually. Furthermore, with a growing economy and rapid urban expansion, there is a need for commercial/office/professional buildings (Turhan, 2008: 4). Deutsche Bank

Research (2008:1) forecasts that the 5.3 million (+3.7 million households, +1.6 million replacements) new housing units will be needed between 2007 and 2017 and another 500,000 additional housing units will be needed each year from 2018 to 2027 (analysis for the other estimations see, Coşkun, 2010b).

3. ADVANTAGES AND DISADVANTAGES of REAL ESTATE SECTOR

Although one side of the medal seems bright for Turkey as indicated in the previous section, the objective assesment for the market requires a cost-benefit analysis. In this section, we are attempting to classify both advantages and disadvantages of the Turkish real estate sector. As part of this analysis, we also present suggestions to develop effectiveness of the market.

3.1. Opportunities in Turkish Real Estate Markets

The economy and real estate business in Turkey offer several advantages to investors.

In this context, positive fundamentals (geo-political position; EU candidacy; industrialization; growing/stable economy etc.), positive sides of demographics and urbanization, İstanbul as emerging metropolis, some public policies on real estate supply, dynamic and creative entrepreneurship, motives in domestic demand and other factors for strong demand, advantages of REITs (or İstanbul Stock Exchange's positive impacts to real estate business), advantages of being a late comer, developments in regulatory framework and developing academic knowledge would be classified as opportunities (or positive factors) supporting the potential values of Turkish economy and real estate business. Such factors make positive contributions to the expected rate of return of the real estate investment in Turkey.

TABLE 3. Opportunities in Turkish RE Market

Opportunities (D/S)	Signs/Criteria	Impact (P/N)
Positive Fundamentals (D)	Geo-political position; EU candidacy; industrialization; growing/stable economy	P: Increase R/C/L demand N: Increase real estate prices/rents
Demographics (D) (see, 2. 2)	Benefits of window of opportunity	P: Increase public infrastructure investments and R/C/L demand
Urbanization (D) (see, 2. 2)	Rapid and continuous immigration to urban area	P: Increase public infrastructure investments and R/C/L demand N: Increase irregular urbanization; land shortage; rent-seeking activities; ⁹ marginal sector activities
İstanbul (D) (see, 3.1.2)	İstanbul develops as the modern world metropolis	P: İstanbul offers several advantages for retail, commercial and industrial RE projects
Motives in Domestic Demand (D) (see, 2.2 and 3.1.1)	RE ownership is symbol of socio-political statute, major asset class in the household saving stream and big bet in rent seeking activity (for land)	P: Increase R/C/L demand
Other Factors for Strong Demand (D)	Growing number of super wealthy people	P: Increase demand on niche residential/hotel projects
	Demand from unobserved economy ¹⁰	P: Increase R/C/L demand N: Ruin statistics and public policies
	Growing FDI to RE and foreign home ownership ¹¹	P: Help to finance CA deficit; increase R/C/L demand (RE prices as well) in both tourism/urban areas N: Rising doubts on foreign ownership
Public Policies on RE Supply (D/S) (see, 3.2.3)	Increasing volume of public initiatives by HDA and urban regeneration projects by local governments	P: Increase (social) house supply; profit for HDA/local governments. N: Distortions on the market.
	Privatizations/selling of public properties	P: Opportunities for land developers. N: Increase rent-seeking activities.
Public Infrastructure Investments	Regional development projects (i.e. South-Eastern Anatolia Project/GAP), ¹² highways, energy investments etc.	P: Increasing the number of constructions projects, financial needs, technical advisory, PPP, market research etc.
Supply Side Advantages (S)	Dynamic and creative entrepreneurship in residential/commercial construction sector	P: Increase supply; develop quality of R/C and land management; enhance sophistication
	Growing number of foreign firms ¹³	P: Increase technical knowledge and competition
	Developing construction technics/architectural quality	P: Increase R/C quality/supply elasticity
Advantages of REITs (D/S) (see, 3.1.3)	Active REITs market in ISE	P: Increasing institutionalisation, transparency and financial opportunities for REITs; enhancing transparency in construction sector
Being a Late Comer	Using other countries' experience	P: Decreasing costs
	Avoiding from RE originated crisis	P: Decreasing costs
Developments in Regulatory Framework (see, 3.2.3)	CMB's and other government institutions' initiatives	P: Increasing efficiency/regulated-licensed activities N: Problems of integrity among regulatory authorities
Developing Academic Knowledge	Several universities offer MSc programs and Ankara University offer PHD program in RE	P: Increasing knowledge and educated people in the field

D: Relevant factor essentially impacts to demand side of the RE market; S: Relevant factor essentially impacts to supply side of the RE market; P; Positive impacts; N: Negative impacts; R: Residential RE; C; Commercial RE; L; Land (for development); ISE: İstanbul Stock Exchange, RE: Real estate; CA: Current account; CMB: Capital Markets Board of Turkey, FDI: Foreign Direct Investments.

Source: Author.

⁹ High revenues obtained from urban land transactions intensified conflicts over property rights among many actors (Gülöksüz, 2002: 474).

¹⁰ It is estimated that unobserved (informal) economy may consist of 35 % - 60 % of Turkish economy. Researchers may analyse interactions between housing demand and unobserved economy in future researchs. As a general observation, we think that construction sector, unobserved economy and corruption economy have unclear but strong reciprocal connections in Turkey.

¹¹ According to the data of land registry, there is a total of 73.000 foreign home owners distributed in an area of 38.419.000 m² (Turkey Real Estate Yearbook, 2008: 87).

¹² The scheme covers an area of 9.5 per cent of the total land area of Turkey, and has 8.5 per cent of the population. The area will contain 20 per cent of the 8.5 million hectares of irrigable land in Turkey when the project is complete. The cost is likely to exceed 32 billion USD. Objectives are to mobilise regional resources and reduce disparities (Bullard, 2007: 94).

¹³ In domestic real estate market, there are increasing number of foreign firms/initiatives in various areas such as construction, brokerage, financial investment etc.

We believe that some of the above - mentioned factors such as demographic window of opportunity, positive economic impacts of EU full membership candidacy, benefits of geo-political position, growing industrialization/enhancing stability in economy and immigration to urban area are well analyzed by the relevant interest groups.

Therefore, as a methodology, it would be useful to underline the positive impacts of relatively less discussed issues. In this context, we prefer to analyze positive impacts of motives in domestic demand, importance of İstanbul for real estate business and REITs.

3.1.1. Motives in Domestic Demand

A high inflationary environment and negative real interest rates, which for many decades were a mainstay of Turkish economy, resulted in unusual investment patterns for both the Turkish household and corporate sectors. During this period, the emphasis was mostly on investment in precious metals (specifically the gold market) and real estate (Coşkun, 2010a: 30).

In addition to the being a major asset class in the household saving stream, real estate also represents one of the symbols of socio-political statute in the country. Specifically in the case of less-developed/rural regions of the country, the more land means more political power and also input of the agricultural production. On the other hand, rent seeking activities which would be accepted as the fast track wealthiness instrument in years also help to increase real estate demand.

Spending on housing finance and rent consist of considerable part of consumer payments in Turkey. In this context, Housing Department of Turkey (2003: 5-16) indicates that in the year 1965 the residential leaseholders consists of 38,66 % of the all household. This ratio declined 31,6 % in the year 2000. In other words, 3,5 million people have monthly rent payments in Turkey. Therefore, the residential leaseholders could be seen potential mortgage buyers if affordable loans would be available. On the other hand, the data from Central Bank of the Republic of Turkey

(2008a: 23) shows that housing credits consist of 33,3 % of all house debt during 2008/Q1 term.

European Mortgage Federation (2007: 124) underlines that average housing ratio is 67 % in EU 27 countries. This ratio is 68 % in Belgium (in 2001), % 80 in Italy (in 2002) and 75 % in Poland (in 2004). According to TurkStat and Housing Department (2003: 4) owner occupation rate is 68,2 % in Turkey. Kongar (2003: 562) says although average housing ownership ratio is 70 % in Turkey, the ratio is below 40 % in the urban areas. Although ownership ratio seems high in Turkey, demographics, rural immigration, urbanization, industrialization and renewal are the main components of the strong domestic demand for residential.

3.1.2. Opportunities in İstanbul Real Estate Markets

İstanbul provides important opportunities for both domestic / foreign companies and individuals. There are several official and private sector reports to analyze the opportunities in İstanbul real estate markets.

In the report Emerging Trends in Real Estate Europe 2010, ULI and PwC (2010: 9, 35) ranked İstanbul third for investment prospects and first for development. On the other hand, according to existing property performance and new property opportunities, İstanbul seems to be one of the leading markets.

FIGURE 3. İstanbul Real Estate Market (2010)



Source: ULI and PwC (2010: 9, 28, 29).

İstanbul is the essential driver of the real estate investments in the country and still needs more office space,¹⁴ upper/middle class residential, logistics and hotel investments.¹⁵ Although the estimated numbers would change according to relevant institution, it is important to note that there is a striking housing shortage on the big cities of Turkey. Taken into account of demographics, immigration to urban areas, current housing production gap etc., it seems logical to assume that residential would be the leading sub-sector in real estate markets. In this context, İstanbul probably need more residential development projects in the near future.

Most Turkish provinces are likely to experience sizable population growth over the next twenty years. The population in the provinces of Antalya, Bursa and İstanbul will likely increase by more than 30% over that period (Deutsche Bank Research, 2008: 7). In recent decades a significant part of the land use changes caused by the population expansion in Turkish cities has not followed an urban development plan but was rather driven by unlicensed building activities. As an example, the built-up area in the province of Istanbul increased by more than 40% between 1990 and 2005. (Deutsche Bank Research, 2008: 6).

On the other hand, it would be interesting to note that growing importance of financial services in İstanbul might create further expansion in real estate markets. The importance of finance sector in Turkey is emerging due to several reasons. Thanks to changing environment after 9/11, steady growth in Turkish economy and worldwide negative impacts of global financial crisis bring into question whether İstanbul becomes a safe harbour in its region? According to Global Financial Centers Report (6, 7) of Z/Yen (2010: 5 and 2009: 19), İstanbul is one of the emerging financial centers in the world. On the other hand, some domestic reports were also analyzing the İstanbul's position as a financial center (see, The Association of Capital Market Intermediary Institutions of Turkey, 2007; The Banks Association of Turkey, 2007 and 2009; State Planning Organisation, 2009). As a State policy, Turkish government promotes İstanbul as a financial center by utilizing several

¹⁴ It is estimated that 5 million sqm new office space will be required in the next 10 years in the largest 25 cities (Altan, 2009: 18).

¹⁵ While Istanbul will undoubtedly remain the focus of occupier, developer and investor interest into the foreseeable future, accounting for 40% of Turkey's modern retail stock and 80% of its modern offices, there are emerging opportunities beyond Istanbul, growing on the back of increasing dynamism (Jones Lang Lasalle, 2008: 3).

instruments against her potential regional competitors such as Moscow and Dubai. It seems too optimistic to assume that İstanbul will become a financial center within next 10 years. But like other sectors, we think that real estate sector should also consider potential values of these policies.

3.1.3. Advantages of REITs

Current REITs regulations offer leverage opportunity to real estate companies in Turkey. In this context, according to relevant regulations, REITs are exempted from corporate and income taxes. Also taken into account of the freedom to choose their dividend policies, Erol and Tirtiroğlu (2008: 2694) indicate that Turkish REITs have significantly more flexibility in managing their portfolios than their counterparts in developed countries.

At the end of 2008, there were 14 real estate investment trusts in Turkey which had a portfolio value of 3,3 billion USD. The portfolio of these real estate investment trusts whose shares are listed on the İstanbul Stock Exchange is composed of real estate investments (88.8%), government bonds and T-Bills (10%), reverse repos (1.06%) and real estate projects (0.14 %) (Capital Markets Board of Turkey, 2009: 35, 58). There are also planned REITs IPOs in 2010 after CMB's policy change aimed to create positive atmosphere to public offering.¹⁶

TABLE 4. REITs in Turkey and Selected Countries (2007-2009)

Country	Market Cap (2009) (mn, USD)	Total rate of return (% , 2009)	Total rate of return (% , 2007-2009)	Weighted Average Dividend Yield (2009)
Turkey	1.889	151,3	-1,8	*
U.S.	271.850	27,9	-14,2	5,6
U.K.	37.716	14,5	-26,3	4,6
Malaysia	1.542	38,6	10,2	3,7
South Africa	3.400	17,5	12,4	8,5
South Korea	132	28,4	12,1	8,4

*Insufficient data. Source: Ernst&Young (2010: 11).

As seen in the above table, although its market capitalization is relatively small, Turkish REITs offer an alternative financial channel to real estate companies and capital gain opportunities to investors. Total debt to gross assets as of 31.12.2009 is

¹⁶ See, <http://ekonomi.haberturk.com/finans-borsa/haber/504967-gyolar-halka-arz-kuyruguna-girdi>, 14.04.2010.

0,03 % and market price to net assets is 0,34 % in the sector (Ernst&Young, 2010: 15). These figures imply that the sector is financially sound and may offer profit to her investors.¹⁷

However, the limited growth of sector and unsatisfactory stock performance indicate that the (corporation and income tax) incentives are yet insufficient to ensure healthy growth of the REITs industry in Turkey (Aydinoğlu, 2004: 52). But, we may argue that if current relatively stable economic conditions would continue and finance-real estate link would develop in the near future, REITs market with its transparent structure seem to be a very first candidate to upgrade its position.

3.2. Disadvantages in Turkish Real Estate Markets

However, Turkish economy offers advantages to potential investors, potential return has come with risks.

In this context, fundamental instabilities (implicit socio-economic instability, unemployment, inequality of income, poverty etc.); infrastructure – related problems (inadequacy of water, electricity and other public services, etc.); institutional deficiencies (complicated/problematic/less effective legal system applicable to real estate); irregular activities (less transparency on real estate markets, capturing legal system); inefficient finance-real estate link, problems in real estate appraisal for both market/public based transactions and problems from the land/cadastral information systems, decision-making process of public sector/judicial system would be classified as disadvantages (or adverse effects) decreasing the visibility, expected rate of return and legal security in both Turkish economy and real estate markets.

¹⁷ See, Erol and Tirtroğlu (2008) for evidence on inflation hedging performance of Turkish REITs in the period of 1999/Dec-2004/Dec.

TABLE 5. Disadvantages in Turkish RE Market

Disadvantages (D/S)	Signs/Criteria	Impact (P/N)
Fundamental Instabilities (S/D)	Implicit socio-economic instability, unemployment, inequality of income, poverty etc.	N: Increase social fragility/ housing finance costs/political-economic risks, (i.e.: increasing CDS premium, real interest rates); reduce sustainable housing production etc.
Infrastructural Problems (S/D)	Inadequacy of water, electricity and other public services etc.	N: Problematic and unsophisticated urbanisations; increasing illegal housing/irregular activities.
Institutional Deficiencies (S) (see, 3.2.3)	Complicated ¹⁸ /problematic/less effective legal system in RE business	N: Decrease visibility/transparency; increase irregular activities and legal problems.
	Unplanned changes in central/local government policies (i.e. tax system, zone practices)	N: Decrease visibility/transparency; increase irregular activities; damaging fair competition
Irregular Activities (S/D) (see, 3.2.3)	Less transparency in RE markets, capturing legal system	N: Growing corrupt economies at the expense of fair market practices
Inefficient Finance-RE Link (S/D) (see, 3.2.1)	Non-institutional finance in housing finance	N: Less developed credit/insurance markets; decrease amount of affordable housing loan
	Limited use of credit mechanism	N: Less developed credit/insurance markets
	No secondary mortgage market in ISE.	N: Less developed capital markets/risk management practices, increase liquidity problems in banking.
Problems in RE Appraisal (D/S)		
Problems in Appraisal for Market Based Transactions (see, 3.2.2)	Less developed appraisal as profession/culture, uncontrolled market practice	N: Price/value formation is problematic; Increasing asymmetric information problem/credit risks of banks.
Problems in Appraisal for Public Based Transactions (see, 3.2.2)	Complicated legal structure; appraisal is not a licensed activity/profession; public interest (State) accepts superior than the individual interest.	N: Appraisal for public based transactions may impair ownership rights/free market economy; price/value formation is problematic
Problems in Information Systems (D/S)	Less effective land information system; ¹⁹ No value maps	N: Less information for price formation, negative impacts to demand
	No sound current/historical real estate sales/rent prices; no official housing price index	N: Less information for price formation, negative impacts to demand
	Less efficiency in the transactions of Land Registry Office	N: Negative impacts to sales transactions/legal procedures
	Less efficiency in rural cadastral information	N: Negative impacts to real estate supply
State Sector Problems (S/D)	No effective management in public properties	N: Less marketable land in metropolitan area; increasing cost of land/irregular housing; inefficient use of rural land
	Problems in expropriation	N: Important appraisal and legal side problems
	Problems in land consolidation ²⁰	N: Decreasing agricultural productivity, increasing political problems
	Multi authorities in RE regulation/supervision process and development right	N: Increasing inefficiency in private/public RE management
	Problems in urban planning and property laws	N: Growing informal housing markets/marginal sectors, increasing legal problems.
Problems in Judicial System	Less developed professional witness system for RE appraisal	N: Time-consuming, expensive, problematic, unfair legal system

D: Essentially impacts to demand side of the RE market; S: Essentially impacts to supply side of the RE market; P: Positive impacts; N: Negative impacts; R: Residential RE; C: Commercial RE; L: Land (for development); ISE: İstanbul Stock Exchange; RE: Real estate.

Source: Author.

¹⁸General Directorate of Land Registry and Cadastre also underlines the complicated structure of the registry and cadastre transactions in Turkey (General Directorate of Land Registry and Cadastre, 2009: 54).

¹⁹ Turkish national land registry is not a member of European Land Information System (EULIS) (see, <http://www.eulis.eu/countries/>). But according to relevant official report, however land information systems are less developed in Turkey, there are various projects for better market place (General Directorate of Land Registry and Cadastre, 2009: 5, 54 and see, <http://www.tkgm.gov.tr/ana.php?Sayfa=icerikana&ICID=113>, 27.04.2010). Also see, Bank and Mataracı, 2004 and Çete et al. (2010).

²⁰ According to relevant official report, there is a problematic land-use practices in the Turkish agricultural enterprises (i.e. small scale, fragmentation etc.) (The Ministry of Agriculture and Rural Affairs The General Directorate of Agrarian Reform, 2009: 16). In the EU the average farm size is 16 hectares compared with 6 hectares in Turkey; the average number of parcels per farm is six (average size of one hectare) (Bullard, 2007: 95).

There is no doubt that these deficiencies decrease the potential value of the opportunities/transactions. Among these factors we prefer to emphasize the negative impacts of inefficient finance-real estate link, problems in real estate appraisal for both market/public based transactions and state sector problems. We believe that these problematic issues are relatively more important than the others to analyze negative trends of the sector.

At the last sub-section, we also discuss the measures to be taken for a better real estate marketplace in Turkey.

3.2.1. Inefficient Finance-Real Estate Link

In developed countries, housing finance is available for new as well as existing units, and at low spreads which reflect the low risk premium thanks to collateral. In countries with underdeveloped mortgage finance infrastructure, financial markets tend to serve only upper income groups, new construction, and owner-occupied housing. In countries with non-existent mortgage finance, housing and real estate development in general are only built incrementally, hence the often seen “unfinished” but occupied structures of middle and lower income residents. Further, a developing country often excludes a significant portion of its potential market participants because of poor access to credit. This defect reduces the number of participants in the market, the number of transactions that take place, and thereby amount and quality of information in the market (Galal and Razzaz, 2001: 13).

Housing loans or institutional housing finance has only a 3 percent - share within the total number of home ownership in Turkey (Tüsiad, 2005: 83 and Referans Newspaper, 2006 and 2008). In other words, self-finance is the fundamental finance method in Turkish housing finance system. However, despite the contribution of the real estate market to long term savings and overall economic growth, the link between the real estate market and domestic financial markets seems weak in Turkey when compared with more developed countries (Coşkun, 2010a: 30). From the perspective of primary mortgage market, the amount of housing credits is low in Turkey comparing EU countries. In this context, in 2007, as one of the best year in Turkish housing market, while housing loan/GDP ratio is 40,8 % in EU 27 countries, the ratio was only 3,9 % in Turkey (Central Bank of Turkey, 2008b: 23).

TABLE 6. Household Liabilities to GDP in Selected Countries (2005-2007)

	Household Liabilities Excluding Housing Loans/GDP* (%)			Household Liabilities/GDP** (%)		
	2005	2006	2007	2005	2006	2007
Lithuania	4,1	6,7	8,6	13,2	19,3	25,9
Czech Rep.	4,7	5,3	6,2	14,3	17,3	21,4
Hungary	6,8	9,2	10,9	16,9	21,1	23,2
Latvia	7,7	9,3	9,3	27,1	38,3	43,3
Poland	9,7	10,7	13,1	15,1	18,2	23,7
Italy	12,3	12,7	13,0	27,6	29,2	30,3
Greece	12,4	14,2	13,2	36,2	41,0	40,9
Portugal	13,9	15,1	16,5	67,3	74,3	78,6
Spain	19,1	20,8	21,2	68,6	76,8	80,4
EU 27	15,3	15,3	15,0	54,6	56,4	55,8
Turkey	5,7	6,6	7,8	7,7	9,7	11,7

(*) The figure for Turkey as of June 2008 is 8,4.(**) The figure for Turkey as of June 2008 is 12,6.

Source: Central Bank of Turkey (2008b: 23).

On the other hand, according to European Mortgage Federation (2007: 122), residential mortgage debt per capita were € 30, € 100 and € 170 in Turkey, in the period of 2004-2006. In the same period relevant figures were € 650, € 860, € 1.170 in Croatia and € 3.080, € 4.100 and € 5.140 in Greece. Although Deutsche Bank Research (2008: 21) says that low mortgage loan-to-GDP ratios indicate the large growth potential on the market, Binay and Salman (2008: 23-24) provide evidence that average income individuals are not able to purchase average homes in Turkey given current maturity and nominal cost of home credits. Those who can enter into a loan contract must be on the upper quartiles of the income distribution. Therefore, comparing even relatively small countries in Europe, Turkish mortgage market can be classified as underdeveloped in terms of using primary market mortgage finance. It is also important to note that middle and lower income residents' access to housing credit is limited in comparison to higher income groups.

An unintended effect of an inadequately functioning primary mortgage market is that it affects the willingness of developers to construct homeownership units, which over time, can lead to a shortage of housing units, particularly at the more affordable price points. Construction companies and developers build housing units that they know they can sell (Özsan ve Karakaş, 2005: 20).

Although housing credit had revived with construction boom in the period of 2003-2007, there has been no securization market for mortgage credits since early 1990's.

TABLE 7. Securities Issues Registered with the CMB Turkey (1986-2008)

(million, USD)

	Stocks	MFPC	ABS	PFS	BB&PGB	Other	Total
1986	152	0	0	0	90	167	409
1987	219	53	0	0	89	437	797
1988	256	37	0	0	167	338	798
1989	458	76	0	0	46	505	1.086
1990	1.576	328	0	0	127	377	2.407
1991	1.064	16	0	0	174	358	1.612
1992	774	13	2.106	0	112	271	3.277
1993	867	485	4.781	0	216	174	6.524
1994	1.261	74	1.420	0	68	22	2.844
1995	1.122	93	2.491	0	28	81	3.816
1996	1.256	110	511	0	29	84	1.990
1997	2.010	226	151	0	65	36	2.489
1998	2.670	504	42	0	0	10	3.226
1999	1.616	421	0	0	0	0	2.036
2000	4.823	4.438	0	0	20	6	9.287
2001	1.375	3.126	0	0	121	55	4.676
2002	1.061	1.597	0	0	56	71	2.785
2003	1.172	4.071	0	27	0	9	5.279
2004	2.690	4.621	0	209	0	0	7.520
2005	2.977	1.783	0	693	0	9	5.269
2006	7.704	2.388	0	4.155	0	106	12.205
2007	6.783	1.593	0	388	0	328	9.092
2008	7.686	1.557	0	8.306	0	423	17.972

MFPC: Mutual Fund Participation Certificates, ABS: Asset Backed Securities; PFS: Pension Funds Shares, BB&PGB: Bank Bills&Bank Guaranteed Bills, CMB: Capital Markets Board of Turkey

Source: Capital Markets Board of Turkey (2009: 39).

It has been observed in the Turkish economy that capital market finance broadly depends on stock financing rather than bond financing, as seen in table above. Because of the crowding-out effect, fixed income (and securization) markets can't work effectively in Turkey. According to European Mortgage Federation (2007: 116, 138), while typical mortgage rate in euro area is 4,5 %, this rate was 19,6 % in Turkey in 2007. In the period of 2004-2006, mortgage rates in Germany were respectively; 4,6 %; 4,2 %; 4,6 %. In the same period those rates were respectively; %; 17,5 %; 15 % 19,6 in Turkey. Although interest rates were gradually decreasing currently in Turkey, domestic financial markets are still directed by the negative impacts of crowding-out effect.

However there is no active secondary market for mortgage credits, it is generally believed that Mortgage Law No. 5582 (2007) and related secondary regulations

provide effective regulatory framework for Turkish mortgage market.²¹ But, the current mortgage system does not provide long-term and affordable credit to low income households. Therefore, the non-functioning mortgage finance is the reason for the rising cost of households, creditors and construction firms. Related to this problem, being highly dependent to the high – cost credit markets would be the reason of finance shortage in the time of slowing economy in the Turkish mortgage sector.²²

In addition to primary and secondary mortgage market problems, financial crisis and financial constraints are also destabilizing the real estate market. It can be observable that both housing prices and rents were exhibited volatility during the (pre and post) crisis cycles of Turkish economy. Therefore taken into account of negative impacts of 1994 and 2000-2001 crisis and 1998, 1999, 2008 and 2009 financial constraints to real estate markets, we may conclude that real estate markets has also depressed in those periods.²³

3.2.2. Problems in Real Estate Appraisal

Existence of a professional and independent appraisal industry is vital for increasing the credibility of the industry from the perspective of investors (Aydinoğlu, 2004: 52).

However, real estate is one of the important investment instruments for Turkish household (and for economic activities), investment environment is extremely weak for real estate in terms of data availability, real estate appraisal process (for mortgage purposes) and consumer protection.

²¹On the contrary to general acceptance, we believe that absence of (publicly/privately held) secondary market institutions and also ineffective CRAs/mortgage finance companies in Turkish mortgage market imply that market has still important deficiencies (see also for the mortgage law, <http://www.cmb.gov.tr/displayfile.aspx?action=displayfile&pageid=25&fn=25.pdf>, 16.04.2010).

²² It is important to note that despite the fact that capital markets have been displaying dysfunctional characteristics, the Turkish economy was not exposed to significant problems during the global financial turmoil (Coşkun, 2010a: 30).

²³ Fluctuations in the Turkish private housing demand have seemed to be following the general cyclical pattern of the macroeconomic indicators. The financial liberalisations in the early 1980s gave a big impetus in the number of dwellings built for about a decade. The unfavourable macroeconomic and political situations in the 1990s, which eventually lead to a couple of series economic crises recently, have caused a major decline in the private housing market (Halıcıoğlu, 2005: 7).

Although there are academic researches in the field, there is no sound/generally accepted official/unofficial value maps in Turkey. Price information availability is relatively better in internet sources and real estate brokers, but there are problems in data quality in those resources, as well. On the other hand one may reach unofficial sales and rent information/statistics on shopping centers due to their commercial characteristics. In this context, the problem of data acquisition and absence of real estate index²⁴ result in transparency problem in the process of pricing, valuation and hence overall investment process.²⁵ It is important to note that this non-transparent structure would impair the process of rational decision-making in the real estate investment for all market players. On the other hand land shortage in the urban area and complexity of land use and zoning practices may also cause appraisal problems in real estate projects.

As indicated in section 3.2.1, the link between finance (access to primary and secondary mortgage markets) and real estate is weak in Turkey. In other words, it can be statistically observable that the real estate sector growth may not reflect the same amount of growth in primary/secondary mortgage markets in Turkey. In this context, the problems of data availability and less developed real estate appraisal have caused important outcomes.

Firstly, from the perspective of fair price formation, the problems of data availability and less developed real estate appraisal imply a noise in the marketplace. It would be expected that this structure has negative impacts on buyer/seller incentives in both residential and commercial markets.

Secondly, less observable price mechanisms/information may also impair credit market in the form of increasing non-performing loans. As well known from the several crisis linked to real estate sector that impaired housing credit practices may

²⁴ Except Housing and Rent Index of TurkStat (Mutluer, 2008: 258), there are no official and/or sound rent and sales information in real estate sector. Although some companies offer regional and urban level price index information, one must carefully analysis the given information (assumptions, limitations etc.). Besides over optimistic market boom psychology, it would be possible to argue that current over supply in shopping centers would be related to informational gap in the decision-making process arising from the absence of relevant statistics and price information.

²⁵ It can be useful to review European Mortgage Federation (2007: 121-141) relevant data to analyse the importance of data problem in Turkish real estate market.

ruin both credit and securitization markets.²⁶ Anecdotal evidence also suggests that over competition in Turkish banking sector may also support this development.

Thirdly, appraisal problems may also create negative impacts to marketability of real estates and real estate investors' satisfaction. Categorically, real estate and stock market investments are incomparable. Because while real estate shows unique characteristics/heterogeneity, stocks show anonymity as asset class. But it would be useful to analyze the current positions of real estate investors by using stock market investment as proxy. Even unsophisticated stock market investors may reach easily to lots of information including up-to-date/historical prices, several stock market indexes, information on market crimes etc. In the case of real estate markets, even sophisticated investors may face significant information asymmetries such as absence of information about official/consistent housing prices or housing index.²⁷ In this context, higher level of information asymmetries may lessen marketability of real estates in the rural/urban areas. This picture also creates incentives unfair/irregular practices on real estate markets in favor of rent seekers.

Last but not least, weaknesses in real estate appraisal have also lead to negative impacts over the protection of public interest. It would be fair to say that government is the leading actor in the Turkish real estate sector. As part of their responsibilities, the central and local governments have extensive authorities which may affect real estate markets in a broader term. In this context sales, lease, establishment of servitude, privatization of public properties,²⁸ expropriation,²⁹ contracts on build-operate-transfer or public private partnership (PPP) etc. are the fields which require real estate appraisal in Turkey. Taken into account of public perceptions and number (and its impacts) of lawsuits from Turkish courts regarding these transactions, we

²⁶ It has been long observed that maturity mismatch is the leading factors caused increasing credit risks in Turkish banking system. According to BRSA (2009: 30), although the capital adequacy ratio of the Turkish banking sector is 19,2% as of June 2009, deposit with maturities up to 3 months constitutes 92% of total deposits. IMF (2007: 6, 13) underlines that housing loans increases interest rate risks in banks due to duration mismatch.

²⁷ Deutsche Bank Research (2008: 23) indicates related to Turkish market that with details of transactions remaining undisclosed and there is a severe lack of information on deal flow.

²⁸ Although both internationally recognized and also leading Turkish financial institutions provide advisory services to the privatization transactions, there were many cases implying potential (firm/real estate) valuation problems.

²⁹ Keskin (2003) indicates that value of land may vary depends on the decision of the relevant valuation commission (namely, Value Appreciation Commission, Special Value Appreciation Commission or expert witness) in the process of expropriation.

may argue that the management of public properties requires better real estate appraisal.

Capital Markets Board of Turkey has adopted international valuation standards as a regulation in 2006.³⁰ Additionally, there is a regulated appraisal activities in both banking sector and capital markets in Turkey. The appraisal companies are professional institutions which employ appraisers to determine values of real estates, components of the real estates and real estate projects by gathering, analyzing, and applying relevant information with respect to the general accepted international principles of valuation.³¹ Although these developments would be accepted as the good news for real estate appraisal, there are still important deficiencies. First of all, above - mentioned regulatory framework can not set down the standards on public properties' appraisal problems. Second, although the regulation represents a significant step for the appraisal profession, to effectively implement the real estate appraisal, the market culture and knowledge bear great importance, expected to be developed by the market players, NGOs, SROs, regulators, academicians etc. Therefore, we would like to emphasize that real estate appraisal for both public and non-public based transactions need more development in Turkey.

3.2.3. Problems in Housing Market

Only considering the irregular housing practices would be enough to understand the wrong/inadequate real estate policies practised in Turkey. In this context, permits to use buildings criterion, it is defined that 67 out of 100 buildings are illegal in Turkey (Turhan, 2008: 5-6). Keleş (2004: 560-561) estimated that the number of irregular housing³² reached up to 2.200.000 in Turkey in early 2000s.

As indicated in section 2.2, housing problem is an unsolved issue in Turkey. Article 57, titled “right to housing”, of The Constitution of the Turkish Republic (1982) says that the State shall take measures to meet the needs for housing, within the framework of a plan which takes into account the characteristics of cities and

³⁰ Serial, VIII, No: 45 Communique on International Valuation Standards in the Capital Markets (see, <http://www.cmb.gov.tr/indexcont.aspx?action=showpage&menuid=1&pid=2>).

³¹ See, <http://www.cmb.gov.tr/indexcont.aspx?action=showpage&showmenu=yes&menuid=4&pid=8&subid=2>, 16.04.2010.

³² We mean informal settlements (urban squatter areas, unauthorized squatter) or gecekondular in Turkish.

environmental conditions and supports community housing projects.³³ Therefore the housing issue is also constitutionally connected to the mission of the State. Consequently, it is expected that State should help households to solve housing problems. To solve housing problem, State can finance social housing through Housing Development Administration (HDA/TOKİ) in Turkey.

HDA runs affordable housing programs by developing housing projects in cities with housing shortage and sells them out on a cost only basis with no profit and sometimes with a subsidy. HDA's primary task is to provide housing for the lower and middle income classes at affordable rates (European Mortgage Federation, 2007: 116). The HAD produced 423.854 housing unit between the period of 2003-2010. The institution is seeking to build between five and ten percent of Turkey's housing needs over the next five years.³⁴ To analyze organizational and financial structures of the HAD is out of the context of this paper. But, taken into account of absence of secondary mortgage market, we think that financial sustainability of the affordable housing (production of low cost housing) programs of HDA seems questionable in the long term.

Another policy option for solving the housing problem is using financial subsidies in the form of tax and financial incentives like in the case of U.S. primary and secondary mortgage markets. But inefficiencies on the mortgage markets (see, 3.2.1) and budget deficit of the country have prevented to use of this option.

The other policy option of the State is to reduce cost of development by increasing suitable land for building. Reducing cost of development is the most important way to reduce the cost of housing. According to estimations, cost of land of a typical housing construction (or development projects) is ranging between 30%-50% in the urban area. It is believed that public properties consists of majority of the total land.³⁵ Therefore, at least categorically, it seems that government is the major landlord in

³³ See, http://www.anayasa.gov.tr/images/loaded/pdf_dosyalari/THE_CONSTITUTION_OF_THE_REPUBLIC_OF_TURKEY.pdf, 18.04.2010.

³⁴ See, <http://www.toki.gov.tr/english/hda.asp#strategy> and <http://www.toki.gov.tr/ozet.asp>.

³⁵ According to National Property Head Office (2009: 8), total area of the country is 815.000 km² and state land consists of 57,59 % of the total land.

Turkey. Because of the absence of effective land management³⁶ and land-use regulations, the amount of marketable public properties is decreasing particularly in the urban areas. Hence the cost of land and irregular housing in urban areas are increasing in Turkey. Therefore in the current regulatory framework, it does not seem realistic to use this option for solving housing problem.

Therefore, we believe that current public policies should be reviewed in the case of housing problem. In the following section, we discuss that a new government agency may help to solve current inefficiencies in Turkish real estate markets.

4. A MODEL SUGGESTION: ESTABLISHMENT OF REAL ESTATE REGULATION AND SUPERVISION AGENCY

Because current regulatory/supervisory system has failed in solving the problems of housing, land-use, urbanization, real estate appraisal, protecting consumers and public benefit etc., there is a regulation rationale for establishment of the Real Estate Regulation and Supervision Agency as a new government agency for the real estate management.

The proposed agency is also gaining strength in the latest developments in the world. Global financial crisis demonstrates the importance of coordination among regulatory authorities in finance for both domestic and international level. It is observed specifically in the developed countries such as U.K., U.S, Germany, Holland etc. that real estate and finance markets are integrated. On the one side, it means positive externalities for both relevant sectors and also whole society. But, as observed in current crisis, this integration makes more complicated of the systemic risk management and sustainability of housing finance. From the perspective of financial institutions, it seems that consolidated regulator/single financial authority approach is a better solution to both consumer protection and systemic risk management. In this context, The U.S. Department of the Treasury (2008a: 169, 172) emphasizes the importance of re-organization in the mortgage/housing finance system. On the other hand, Federal Geographic Data Committee (2009: 5,9) underlines regarding to U.S. that local government parcel level information is

³⁶General Directorate of Land Registry and Cadastre underlines that there is no effective national land management policy in Turkey (General Directorate of Land Registry and Cadastre, 2009: 55).

essential to the monitoring of the distressed housing market and there is a need for a national system that can use early warning indicators of financially distressed housing and mortgage markets. Current parcel level information structure can't help monitoring the trends of the mortgage market in Turkey due to lack of institutional focus on the issue. Therefore, for better system wide risk management, real estate market need a specific focus and organization on this issue.

So, Turkey also needs re-organization in the regulatory side of real estate management. But in the case of Turkey, rationale of re-organization does not related to systemic concerns,³⁷ but specifically related to protection of customers and public interest and increasing the efficiency of land-use practices.

In the context of mortgage lending investor protection, the U.S. regulators plan to establish Consumer Financial Protection Agency as a new government agency (See, Paulson, 2008 and The Department of the Treasury, 2008a and 2008b).³⁸ Comparing the developed markets, Turkish mortgage market was underdeveloped in terms of financialization, volume of securization, using complex financial products etc. In this circumstances, the coverage of investor protection in real estate sector should reflect the problems of the current market conditions.

Customer protection is in the center of capital market regulations and also important regulatory rationale in banking and insurance sectors. Comparing with the financial sub-sectors, there is little or no disclosure in real estate markets, particularly in residential and rural property transactions. This tradition is specifically harmful for unsophisticated real estate investors, taking into consideration the financial transactions that is massive in real estate. Unprotected transactions are also taking place with incomplete housing sales, real estate broker communications, mass-housing projects, land-use/development projects, cooperatives etc. This information asymmetry between buyer and seller (or their agents) does not support the benefits of real estate consumers and there is no watchdog in the market who protect both sides of the transaction. We think that particularly unsophisticated real estate consumers

³⁷ As indicated in the section 2.1, banking was the main sub-sector in financial crisis experienced in Turkey. In this context, Turkey has not experienced capital market and real estate originated crisis.

³⁸ Also see, http://www.financialstability.gov/docs/regulatoryreform/strengthening_consumer_protection.pdf, 28.04.2010)

deserve a more transparent market for healthier investment environment not only in emerging markets but also rest of the world. Therefore, as there is no institutional and effective customer protection on Turkish real estate markets, one of the critical responsibilities of the proposed new regulatory agency is the protection of real estate investors. While financially developed countries may focus on mortgage market financial transactions/products, Turkey may particularly focus on real estate marketing/brokerage activities and non-institutionally financing real estate transactions for the investor protections due to characteristics of the domestic market.

It seems that protecting public interest is relatively troublesome due its intensive political content and complicated structure. There are more than one responsible authority in regulation/supervision of real estate business in Turkey. This structure is increasing inefficiency in private/public real estate management. In the case of development rights, there are nearly twenty authorized public institution such as HDA, Privatization Administration (ÖİB), municipalities, National Estate Office, State Railways, The Ministry of Public Works and Settlement, The Ministry of Culture and Tourism etc. in the Turkish legal system. As observed in many cases, it is difficult to protect public interest through this complicated legal structure. Therefore it is expected that proposed regulatory agency should coordinate the authorized government institutions' activities on real estate.

As partially reviewed in section 3.2.2, the appraisal need of public properties is arising from the transactions of public institutions (sale/lease/privatization etc. agreements, expropriation etc.) or decisions of courts. However each public property valuation case has its own merit, the system implies weaknesses. In this context, inadequate professional knowledge, unlicensed activities and absence of effective regulatory/supervisory framework are the components of increasing inefficiency. On the other hand, as noted above, market-based real estate appraisals also need specific focus. To enhance appraisal profession and regulatory/supervisory framework, we think that a common approach should be developed for both public and non-public based real estate transactions requiring appraisals.

For more efficient public and non-public purpose real estate management, we think that Real Estate Regulation and Supervision Agency should be established as a new

politically neutral independent central government agency. To our opinion, primary expectations of this agency are;

- To issue regulations/standards for real estate brokerage/marketing/appraisal, and also housing finance to enhance consumer protection, public interest and market efficiency,
- To coordinate the authorized government institutions based on the above objectives,
- To promote fair market practices for both sides of transactions,
- To protect particularly consumers who are not sufficiently informed and naive specifically in residential transactions,
- To develop policies/standards for public and market based real estate appraisals,
- To enhance appraisal profession,
- To enhance primary and secondary mortgage markets through incentives,
- To develop policies for the management of public properties and urban area land shortage,
- To develop policies for sustainable housing finance,
- To issue periodic public reports on real estate sales/rent data, indexes and value-maps,
- Simplifying, consolidating and converging zoning practices,
- To oversee foreign real estate investments,
- To increase and coordinate local/SROs authorities on regulatory/supervisory process,
- To issue reports on the major developments,
- To analyze the developments in land use practices,
- To publicly disclose their balance sheet, policies and practices.

To summarize, we think if proposed Real Estate Regulation and Supervision Agency would be established in required conditions (sufficient regulatory/supervisory authority; financial autonomy, mechanism of accountability etc.), there would be two important conclusions. First, it is believed that this framework would increase consumer protection, public interest and market efficiency, and hence the value of

the Turkish real estate markets. Second, the new government agency may enhance the effectiveness of the public sector real estate management practices by coordinating the authorized government institutions based on the above objectives.

To reach a more realistic approach, we have to underline the inadequacies of the suggestion. If public side doing business culture would continue in the proposed new government agency, the agency can not fulfill the expectations. Additionally, it does not seem sustainable to establish effective real estate management system covering both public and private sectors unless prerequisites, indicated on Table 5, have been met. It is also important to note that the idea of regulating/managing such a comprehensive structure/market without any political influence seems too optimistic. But, at least, this suggestion may be helpful to discuss with a new viewpoint of consumer protection, public interest and market efficiency problems of the Turkish real estate markets.

5. CONCLUSION

According to statistics, Turkey is one of the biggest economies in the world and also considered as a promising country in the greater European region. As well as other immature sub-sectors, the real estate markets offer opportunities to investors. Although one side of the medal is bright for Turkey, the objective assessment of the domestic real estate market requires a cost - benefit analysis. Therefore, the paper is aimed at determining advantages and disadvantages of Turkish real estate markets.

Positive fundamentals (geo-political position; EU candidacy; industrialization; growing/stable economy etc.), positive sides of demographics and urbanization, İstanbul as emerging metropolis, some public policies on real estate supply, dynamic and creative entrepreneurship, motives in domestic demand and other factors for strong demand, advantages of REITs (or İstanbul Stock Exchange's positive impacts to real estate business), advantages of being a late comer, developments in regulatory framework and developing academic knowledge would be classified as opportunities (or positive factors) supporting the potential values of Turkish economy and real estate business. Such factors make positive contributions to the expected rate of return of the real estate investment in Turkey.

Fundamental instabilities (implicit socio-economic instability, unemployment, inequality of income, poverty etc.); infrastructure – related problems (inadequacy of water, electricity and other public services, etc.); institutional deficiencies (complicated/problematic/less effective legal system applicable to real estate); irregular activities (less transparency on real estate markets, capturing legal system); inefficient finance-real estate link, problems in real estate appraisal for both market/public based transactions and problems from the land/cadastral information systems, decision-making process of public sector/judicial system would be classified as disadvantages (or adverse effects) decreasing the visibility, expected rate of return and legal security in both Turkish economy and real estate markets.

To better public and non-public purpose real estate management, we think that Real Estate Regulation and Supervision Agency should be established as a new government agency. To our opinion, the primary expectation of this agency is to augment the public interest, customer protection and market efficiency on real estate markets.

We think if proposed Real Estate Regulation and Supervision Agency would be established in required conditions (sufficient regulatory/supervisory authority; financial autonomy, mechanism of accountability etc.), there would be two important conclusions. First, it is believed that this framework would increase consumer protection, public interest and market efficiency, and hence the value of the Turkish real estate markets. Second, the new government agency may enhance the effectiveness of the public sector real estate management practices by coordinating the authorized government institutions based on the above objectives.

To reach a more realistic approach, we have to underline the inadequacies of the suggestion. If public side doing business culture would continue in the proposed new government agency, the agency can not fulfill the expectations. Additionally, it does not seem sustainable to establish effective real estate management system covering both public and private sectors unless prerequisites have been met. It is also important to note that the idea of regulating/managing such a comprehensive structure/market without any political influence seems too optimistic. But, at least,

this suggestion may be helpful to discuss with a new viewpoint of consumer protection, public interest and market efficiency problems of the Turkish real estate markets.

REFERENCES

Akkaya, Cenk, Kutay, Nilgün and Tükenmez, Mine. (2005). Real Estate Investment Trusts And Fundamentals of Real Estate Investments: A Case of Turkey. *Yönetim ve Ekonomi* 12 (1): 39-46.

Altan, Özgür. (2009). Momentum, Transformation and Institutionalization. Spring-Summer. Issue 3. GMTR Real Estate Turkey Executive Summary: 18.

Aydinoğlu, Can. (2004). Turkish REITs: An Overview of the Industry and its Performance. September. MIT.

Bank, Emin and Orhan Mataracı. (2004). Cadastral Data Management System in Turkey. FIG Working Week 2004, Athens, May 22-27, Greece. Available at: http://www.fig.net/pub/athens/papers/ts28/TS28_3_Bank_Mataraci.pdf

Banking Regulation and Supervision Agency (BRSA). (2008). Finansal Piyasalar Raporu. Sayı 12 (Aralık). Available at: Internet: <http://www.bddk.org.tr> (01.03.2010).

Banking Regulation and Supervision Agency (BRSA). (2009). Financial Markets Report. Issue 14. June. Available at: [http://www.bddk.org.tr/WebSitesi/english/Reports/Financial_Markets_Report/7260_Financial_Markets_Report\(June_2009\).pdf](http://www.bddk.org.tr/WebSitesi/english/Reports/Financial_Markets_Report/7260_Financial_Markets_Report(June_2009).pdf) (10.04.2010).

Binay, Şükrü ve Ferhan Salman. (2008). A Critique on Turkish Real Estate Market. Discussion Paper. 2008/8. Turkish Economic Association.

Bullard, Richard. (2007). Land Consolidation and Rural Development. Papers in Land Management. No. 10. Available at: <http://www.anglia.ac.uk/ruskin/en/home/faculties/alss/deps/law/staff0/home.Maincontent.0017.file.tmp/No.10-LandConsolidation.pdf> (27.04.2010).

Capital Markets Board of Turkey. (2009). Annual Report 2008. Available at: <http://www.cmb.gov.tr/displayfile.aspx?action=displayfile&pageid=53&fn=53.pdf> (13.04.2010).

Central Bank of the Republic of Turkey. (2008a). Finansal İstikrar Raporu (No. 6). Available at: <http://www.tcmb.gov.tr/> (10.04.2010).

Central Bank of the Republic of Turkey. (2008b). Financial Stability Report. Volume 7. Available at: <http://www.tcmb.gov.tr/yeni/eng/> (10.04.2010).

Central Bank of the Republic of Turkey. (2009). Financial Stability Report. Volume 9. November. Available at: <http://www.tcmb.gov.tr/yeni/evds/yayin/finist/finistv9eng.php> (10.04.2010).

Coşkun, Yener. (2009). Global Financial Crisis and Mortgage Finance and Valuation Problems: An Assessment of the US and Turkish Mortgage Systems (Turkish). Symposium Paper (in publication process). Union of Chambers of Turkish Engineers and Architects, Chamber of Survey and Cadastre Engineers (TMMOB HKMO). 21 Nov 2009. İstanbul.

Coşkun, Yener. (2010a). Housing Market Without Mortgage: The Need of Transformation. Spring-Summer. GMTR Real Estate Turkey Executive Summary: 30.

Coşkun, Yener. (2010b). Global Credit Crisis: Housing Finance System and Its Future. Unpublished Seminar Paper. The Graduate School of Natural and Applied Sciences. Ankara University.

Çete, Mehmet, H. Mustafa Palancıoğlu, Abdurrahman Geymen and Mehmet Alkan. (2010). The Turkish Cadastral Information System and Lessons Learned. Scientific Research and Essays 5 (7): 625-633.

Çulha, Ali. (2006). A Structural VAR Analysis of the Determinants of Capital Flows into Turkey. TCMB Working Paper (No. 06/05).

Deloitte. (2009). European Powers of Construction 2008. Available at: www.deloitte.com (16.04.2010).

Deutsche Bank Research. (2008). Real Estate Investment in Turkey: Look Beyond Istanbul. August.

Ernst&Young. (2010). Global Real Estate Investment Trust Report 2010. Available at: [http://www.ch.ey.com/Publication/vwLUAssets/Global-REIT-report-2010-Against-all-odds/\\$FILE/Global_REIT_report_2010_Against_all_odds.pdf](http://www.ch.ey.com/Publication/vwLUAssets/Global-REIT-report-2010-Against-all-odds/$FILE/Global_REIT_report_2010_Against_all_odds.pdf) (13.04.2010).

Erol, Işıl and Dogan Tırtıroğlu. (2008). The inflation-hedging properties of Turkish REITs. Applied Economics (40): 2671–2696.

European Mortgage Federation. (2007). Hypostat 2006: A Review of Europe's Mortgage and Housing Markets. November. EMF Publication. Internet: <http://www.hypo.org/Objects/6/Files/Hypostat%202006%20-%20Web%20Version.pdf> (14.04.2010).

Federal Geographic Data Committee. (2009). Land Parcel Data for the Mortgage Crisis: Results of the Stakeholders Meeting. June 30. Available at: http://www.iaao.org/uploads/FGDC_609_Report.pdf (28.04.2010).

Galal, Ahmed and Omer Razzaz. (2001). Reforming Land and Real estate Markets. Policy Research Working Paper. No. 2616. World Bank.

General Directorate of Land Registry and Cadastre. (2009). 2008 Yılı İdare Faaliyet Raporu. Available at: <http://www.tkgm.gov.tr/turkce/dosyalar/diger/2008idarefaaliyet.pdf> (27.04.2010).

Gülöksüz, Elvan. (2002). Negotiation of Property Rights in Urban Land in İstanbul. International Journal of Urban and Regional Research 26 (2): 462–476.

Halıcıoğlu, Ferda. (2005). The Demand for New Housing in Turkey: An Application of ARDL Model. Conference Paper. 2005 Business and Economics Society International Conference. July 22-25 2005. Grand Canyon. Arizona, USA.

Hepşen, Ali and Nazlı Kalfa (2009). Housing Market Activity and Macroeconomic Variables: An Analysis of Turkish Dwelling Market Under New Mortgage System. Istanbul University Journal of the School of Business Administration 38 (1): 38-46.

Housing Department of Turkey. (2003). Türkiye Konut Sahipliği Çalışması.Şubat. APK Daire Başkanlığı. Internet: <http://www.konut.gov.tr/html/raporveekleri/tksa.doc>. Erişim Tarihi: 14.05.2008.

IMF. (2007). IMF Country Report No. 07/361. Available at: <http://www.imf.org/external/pubs/ft/scr/2007/cr07361.pdf> (16.04.2010)

Jones Lang Lasalle. (2008). Turkey's Rising Stars A Region of New Opportunities. Available at: http://www.joneslanglasalle.com.tr/ResearchLevel2/ResearchDocument_3621.pdf (14.03.2010).

Karakaş, Cem ve Onur Özsan. (2005). Turkey: Rapid Progress Towards a Secondary Mortgage Market. Housing Finance International (December): 37-48.

Keleş, Ruşen. (2004). Kentleşme Politikası. 8.Baskı. Ankara: İmge Kitabevi.

Keskin, Gülşen. (2003). Tarım Arazilerinin Kamulaştırılmasında Değer Biçme: Akyar Barajı Örneği. Akdeniz İ.İ.B.F. Dergisi (5): 91-107.

- Kongar, Emre. (2003). 21. yüzyılda Türkiye: 2000'li yıllarda Türkiye'nin toplumsal yapısı. 32. Basım. Remzi Kitabevi. İstanbul.
- Mutluer, Defne. (2008). Gayrimenkul Fiyatlarının Derlenmesi Ülke Örnekleri ve Türkiye İçin Bir Uygulama. TİSK Akademi 3 (6): 240-280.
- National Property Head Office. (2009). Faaliyet Raporu 2008. Available at: http://www.milliemlak.gov.tr/kurumsal/faaliyet_raporlari/c_faaliyet_raporlari.htm (24.04.2010).
- Önder, Zeynep. (2000). High Inflation and Returns on Residential Real Estate: Evidence from Turkey. Applied Economics 32: 917–931.
- Önder, Zeynep, Vedia Dökmeci and Berna Keskin. (2004). Journal of Real Estate Literature 12 (2): 181-194.
- Özsan, Onur and Cem Karakaş. (2005). Housing Finance Practices and Development of a Secondary Mortgage Market in Turkey. Housing Finance International (Marc): 19-26.
- Paulson, Henry M. (2008). Remarks by Secretary Henry M. Paulson, Jr. On Blueprint for Regulatory Reform. 31.03.2008. Internet: www.ustreas.gov/press/releases/hp897.htm (06.04.2008).
- Referans Newspaper. (2006). Konut Sorunu Çağdaş Finansal Araçlarla Çözülür. Available at: http://www.referansgazetesi.com/haber.aspx?HBR_KOD=35208&KTG_KOD=359 (22.05.2008).
- Referans Newspaper. (2008). Ev Alanların Yüzde 62'si Kredi Değil Birikimlerini Kullanıyor. Available at: http://www.referansgazetesi.com/haber.aspx?HBR_KOD=90268&KTG_KOD=359 (22.05.2008).
- State Planning Organizations. (2006). Ninth Development Plan. Available at: <http://ekutup.dpt.gov.tr/plan/ix/9developmentplan.pdf> (24.04.2010).
- State Planning Organisation. (2009). Strategy and Action Plan For İstanbul International Financial Center (IFC-İstanbul). Available at: http://www.dpt.gov.tr/DocObjects/View /5066/Strategy_and_Action_Plan_for_Istanbul_International.pdf (13.04.2010).
- Subaşı, Evren. (2010). International Contracting Services. Export Promotion Center of Turkey. Available at: <http://www.igeme.org.tr/Assets/sip/san/2009IntContractingServices.pdf> (17.04.2010).
- The Association of Capital Market Intermediary Institutions of Turkey. (2007). Global Finans Merkezleri ve İstanbul. Şubat. Internet: www.tspakb.org.tr (Erişim Tarihi: 14.01.2008).
- The Banks Association of Turkey. (2007). İstanbul'un Uluslararası Finans Merkezi Olma Potansiyelinin Değerlendirilmesi. Ekim. Internet: http://www.tbb.org.tr/turkce/_duyurular/tbb/11122007.pdf (Erişim Tarihi: 14.01.2008).
- The Banks Association of Turkey. (2009). İstanbul'un Uluslararası Finans Merkezi Olma Potansiyelinin Değerlendirilmesi. Mayıs. Internet: http://www.tbb.org.tr/Dosyalar/ Arastirma_ve_Raporlar/iufm.pdf (Erişim Tarihi: 10.09.2009).
- The U.S. Department of the Treasury. (2008a). Blueprint for a Modernized Financial Regulatory Structure. Available at: <http://www.treas.gov/offices/domestic-finance/regulatory-blueprint/> (15.04.2010).
- The U.S. Department of the Treasury. (2008b). Fact Sheet: Treasury Releases Blueprint for a Stronger Regulatory Structure. 31.03.2008. Internet: www.treas.gov/press/releases/reports/Fact_Sheet_03.31.08.pdf (06.04.2008).
- The Ministry of Agriculture and Rural Affairs The General Directorate of Agrarian Reform. (2009). 2010-2014 Stratejik Plan. Available at: http://www.tarimreformu.gov.tr/TRGM_Stratejik_Plan.pdf (27.04.2010).

Turhan, İbrahim. (2008). Housing Sector in Turkey: Challenges and Opportunities. 17 th Annual International Conference. July 4. İstanbul. The American Real Estate and Urban Economics Association.

Turkey Real Estate Yearbook. (2008). Available at: <http://www.europe-re.com/system/main.php?ct=1271933429&ct=1195476516&pageid=2687&curbook=tre2008&savepage=0&shownonpub=1&noadmin=0&nojs=0&source=0&print=0&treefnd=&msglabel=&curbookcat=Editorial> (18.04.2010).

TÜSİAD. (2005). Türkiye’de Yeniden Yapılanma Arayışları: Seçilmiş Sektör/Kurum Önerileri. Yayın No. TÜSİAD-T/2005-06/399. Haziran. TÜSİAD.

Ucal, Meltem S and Gıyas Gökçent. (2009). Macroeconomic Factors Affecting Real Estate Markets in Turkey: A VAR Analysis Approach. Briefing Notes in Economics 80 (March/April).

Undersecretariat of Treasury. (2008). Uluslararası Doğrudan Yatırımlar 2007 Yılı Raporu. Haziran. Available at: www.treasury.gov.tr (02.03.2010).

Undersecretariat of Treasury. (2009). Foreign Direct Investments in Turkey 2008. Available at: <http://www.treasury.gov.tr/irj/go/km/docs/documents/Treasury%20Web/Research%26Data/Reports/> (10.04.2010).

Urban Land Institute (ULI) and PriceWaterHoueseCoopers (PwC). (2010). Emerging Trends in Real Estate Europe 2010. Available at: www.pwc.com (14.04.2010).

Z/YEN. (2009). The Global Financial Centres Index (6) 2009. September. City of London. Internet: www.cityoflondon.gov.uk (Erişim Tarihi: 25.09.2009).

Z/YEN. (2010). The Global Financial Centres Index (7) 2010. March. City of London. Internet: www.cityoflondon.gov.uk (Erişim Tarihi: 20.03.2010).