

WHY THE RECORD TURKISH RESIDENTIAL REAL ESTATE SALES TO FOREIGNERS

EMPHASIS ON MENA COUNTRIES

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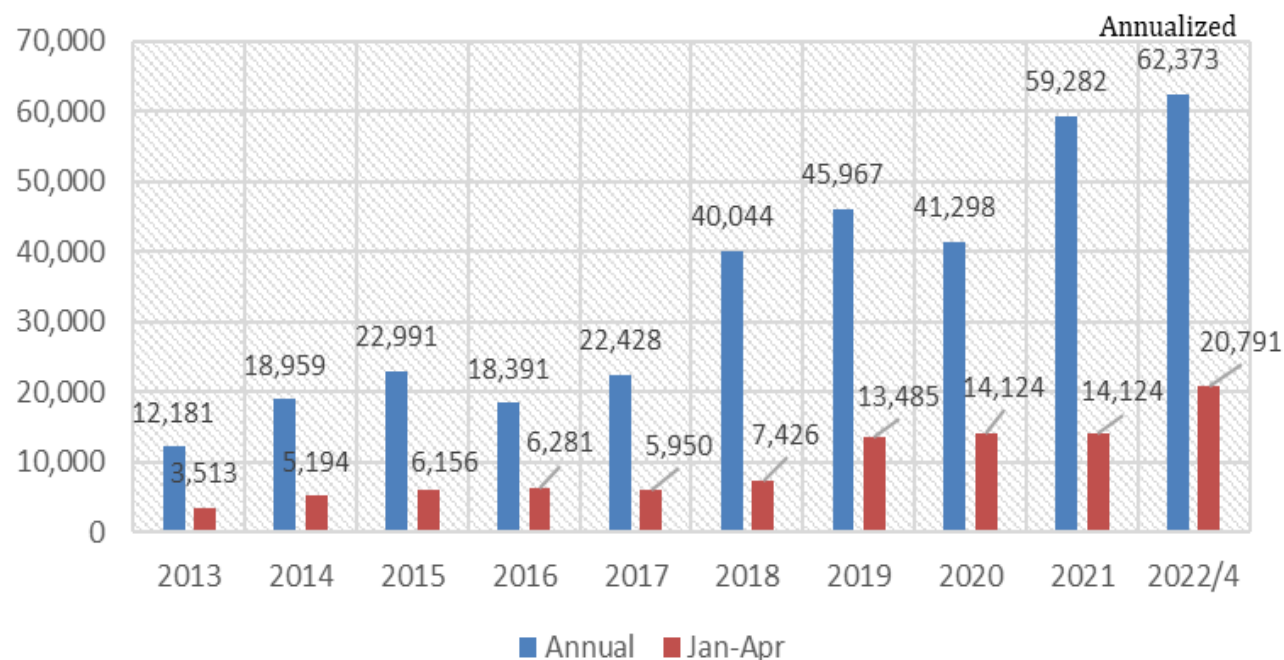
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Sales To Foreigners

Sale to Foreign Investors 2013-2022/4

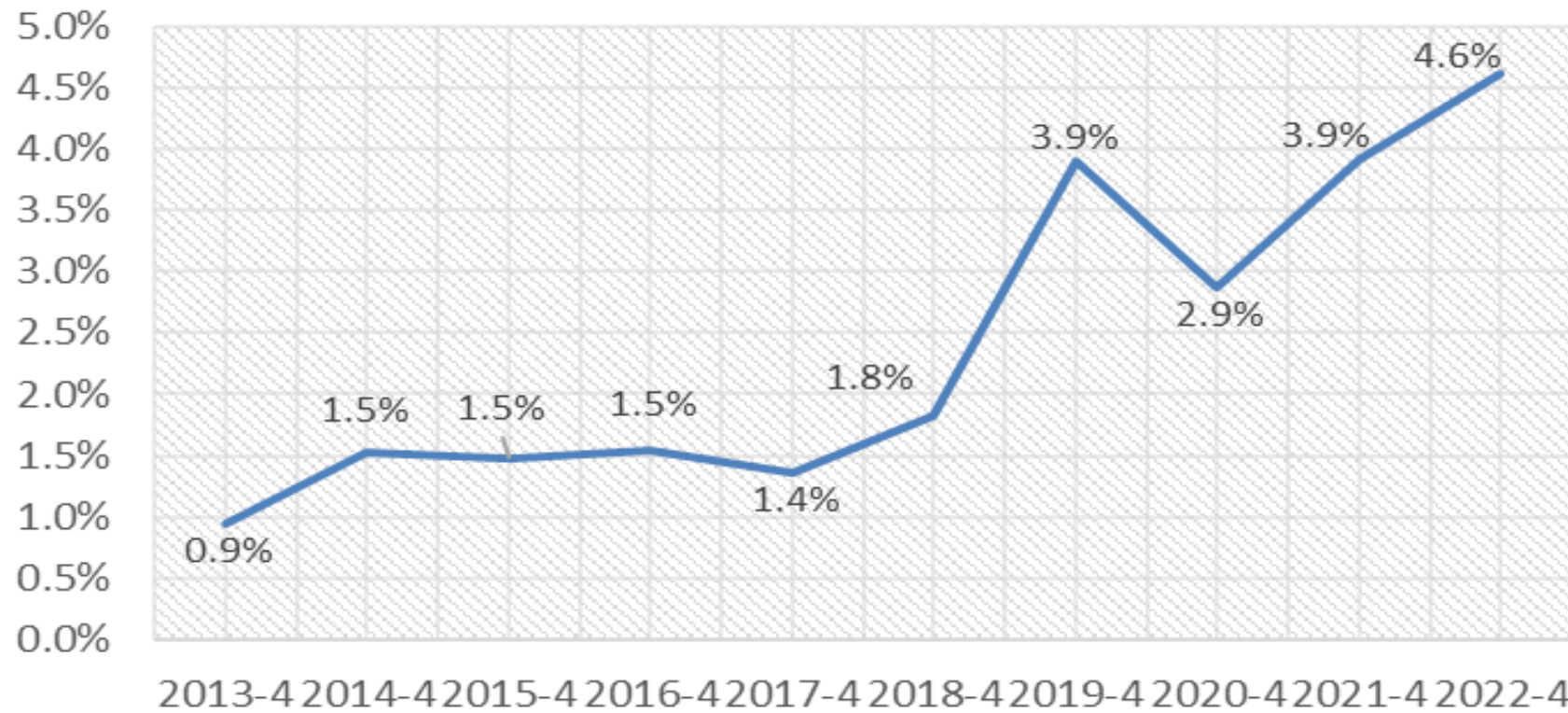


Source: TUIK

Residential housing sales to foreign investors has increased over 5 times between 2013 and 2022 (annualized).

In 2022, home purchases by foreign investors are expected to surpass 62,000 (annualized). This is an increase of over 5% from 2021 and potentially a new record.

Percentage of Housing Sales to Foreign Investors (Jan-Apr Averages)



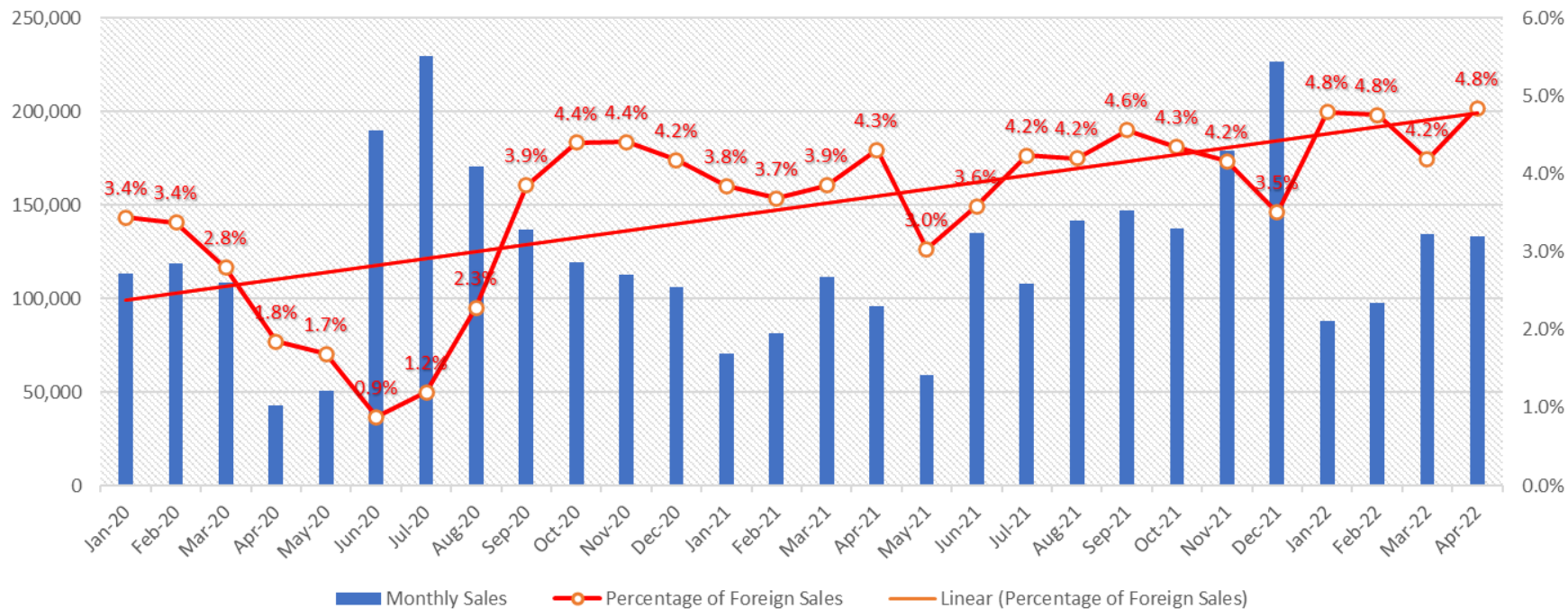
Source: TUIK

The Rising Sales of Residential Housing to Foreigners 2015 - 2021



	2015	2016	2017	2018	2019	2020	2021	TOTAL
Total Housing Sales	1,289,320	1,341,453	1,409,314	1,375,398	1,348,729	1,499,316	1,491,856	9,755,386
Sales to Foreigners	22,991	18,391	22,428	40,044	45,967	41,298	59,282	250,401
Foreigners as % of Total	2%	1%	2%	3%	3%	3%	4%	3%

Monthly Turkish Housing Sales v.s. Sales to Foreign Investors 2020-2022/4



The share of sales to foreign investors increased to an all time high of almost 5% for 3 out of the first 4 months of 2022.

Source: TUIK

MENA Residential Real Estate Sales as % of Foreign Investors



	2015	2016	2017	2018	2019	2020	2021	TOTAL
Foreign Investors	22,991	18,391	22,428	40,044	45,967	41,298	59,282	250,401
MENA	10,145	7,459	10,420	16,555	16,238	10,845	14,063	85,725
MENA as % of Total Sales	44%	41%	46%	41%	35%	26%	24%	34%

House sales to MENA Nationals, 2015-2022										
	2015	2016	2017	2018	2019	2020	2021	2022 Annualized	2022 / 4	TOTAL
Iraq	4,228	3,036	3,805	8,205	7,596	6,674	8,661	7,803	2,601	50,008
Saudi Arabia	2,704	1,886	3,345	2,718	2,208	679	n/a	n/a	n/a	13,540
Kuwait	2,130	1,744	1,691	2,199	1,903	1,231	1,791	1,458	486	14,147
Qatar	277	256	305	764	721	n/a	n/a	n/a	n/a	2,323
UAE	332	192	401	n/a	n/a	n/a	n/a	n/a	n/a	925
Jordan	243	345	483	1,362	1,596	1,080	1,257	1,350	450	7,716
Yemen	231	n/a	390	851	1,564	1,181	1,332	1,620	540	7,169
Lebanon	n/a	n/a	n/a	456	650	n/a	1,022	n/a	n/a	2,128
TOTAL	10,145	7,459	10,420	16,555	16,238	10,845	14,063	12,231		97,956

The following remarks are worth noting on this table:

- Among MENA countries, Iraqis have been consistently the largest buyers of houses in Turkey in the last eight years.
- Saudi nationals were the second largest buyers of houses in Turkey for the first five years, then their purchases almost stopped entirely in the last two years (2020, and 2021). However, this could change significantly because of the improving atmosphere between the GCC countries and Turkey. This is especially so with the UAE and Saudi Arabia..
- Kuwaitis' purchases of houses in Turkey have remained relatively stable. They were the third largest buyers for the first few years, and became the second largest after Saudis reduced buying substantially in 2021.
- Qataris were the fourth buyers among GCC nationals.
- UAE nationals were the fifth largest buyers before 2018, until they also reduced buying substantially in 2018.
- Among non-GCC countries, Jordanians have been the largest buyers, followed closely by Yemenis. Jordan nationals have been the fourth largest buyers among MENA nationals for the last eight years.
- The figures do not reflect the dollar values of the houses being purchased. Thus while Qataris might have been buying a smaller number of houses, for example, the value of these houses tend to be comparatively larger than the average value of a house.
- The figures show sales to buyers in their own names. However, many GCC buyers purchase real estate in Turkey through Turkish-registered companies established for this purpose (and may not show the nationality of buyers in statistics). The statistics are therefore not fully indicative of foreign purchases (including from MENA countries).

	Total Housing Purchases by Foreign Investors 2021		Total Housing Purchases 2021	
Istanbul	26,469	45%	276,223	19%
Antalya	12,384	21%	66,691	4%
Ankara	3,672	6%	144,104	10%
Mersin	2,513	4%	41,533	3%
Yalova	1,818	3%	13,844	1%
Bursa	1,683	3%	53,820	4%
İzmir	1,411	2%	86,722	6%
Others	8,626	15%	808,919	54%
TOTAL	58,576	100%	1,491,856	100%

66% of foreign investments in residential real estate are concentrated in Istanbul and Antalya. This compares with only 23% of the total in these two cities by the much larger number of local buyers.

Source: TUIK

There are several reasons for increase in real estate sales to foreign investors in Turkey:

- **Turkey provides extensive choices** for foreigners in all the three types of residential properties which foreigner buyers say they want in the country. These are: a) Holiday / second house, b) investment, c) residency / retirement.
- **Oversupply of Available Properties:** There has been an oversupply in available housing units in Turkey in the last couple of years. The reasons for this oversupply will be discussed in a later slide. This pushes the prices of properties down in Lira and U.S. Dollars.
- **Lira Devaluation:** The Turkish Lira has been depreciating vs. the dollar and other currencies since 2018. The devaluation makes prices of Turkish assets (including real estate) go down in U.S. Dollars. A separate slide will show the details of the devaluation.
- **Low Cost of Living:** The cost of living in Turkey is less than that in comparable European countries in the Mediterranean.
- **Low Cost of Real Estate:** Turkish residential real estate is generally less expensive than comparable properties in the European countries of the Mediterranean (even before the Lira's devaluation).
- **Available Services:** Turkey has now established services that make living in the country comfortable. Transportation, medical services, and restaurants are of modern good quality, and relatively inexpensive.
- **Residency/Citizenship:** Owning a property in Turkey facilitates having a residency and/or citizenship.

The Overall Turkish Residential Market

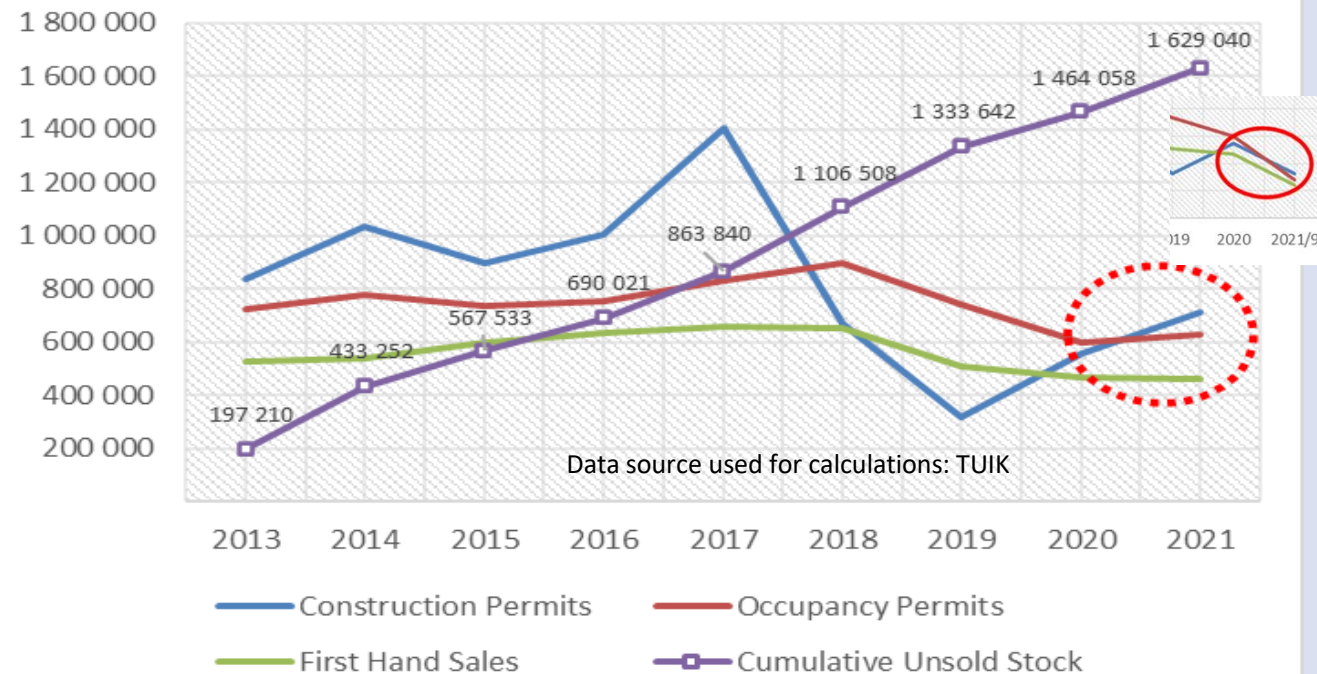
Population of over 85 million with a growth rate of under 1% (0.83% between 2020 and 2021) and average family size decrease from 3.8 in 2011 to 3.3 in 2020

Estimate annual new housing requirement of roughly 800,000 (source: Turkish Contractors Association, Analysis of the Construction Industry report July 2021)

What does the 800,000 housing requirement include?

- Population growth,
- Urban transformation projects, (gentrification and renewals due to housing at risk against earthquakes).
- Some sources estimate that, 6 to 7 million units (of which 1.5 million are critical) need to be reconstructed as they are considered to be housing “at risk” from earthquakes.
- Housing required for Syrian, Iraqi and Afghan refugees (as of 2022 over 3.7 million registered Syrians and over 360,000 other nationalities).

Unsold Dwelling Unit Supply Stock Between 2013 - 2021



From the graph we can see that the convergence between occupancy permits and first hand sales has widened since September. This is because the number of additional new housing entering the market outpaced first hand sales (even though there was a substantial increase in first hand sales after September).

	Construction Permits	Occupancy Permits	First Hand Sales	Unsold stock	Cumulative Unsold Stock
2013	839 630	726 339	529 129	197 210	197 210
2014	1 031 754	777 596	541 554	236 042	433 252
2015	897 230	732 948	598 667	134 281	567 533
2016	1 006 650	754 174	631 686	122 488	690 021
2017	1 405 447	833 517	659 698	173 819	863 840
2018	669 165	894 240	651 572	242 668	1 106 508
2019	319 720	738 816	511 682	227 134	1 333 642
2020	555 337	600 156	469 740	130 416	1 464 058
2021	709 936	626 505	461 523	164 982	1 629 040
	7 434 869	6 684 291	5 055 251	1 629 040	

Data source used for calculations: TUIK

Annual housing starts (new construction permits) averaged almost 826 thousand units between 2013 and 2021 and increased to their highest level in 2017 at over 1.4 million units. This decreased in recent years to 320 thousand units in 2019, 555 thousand units in 2020 and 710 thousand as of 2021. As a result, housing completions (occupancy permits) have also reduced during the same period to almost 740 thousand units in 2019, 600 thousand units in 2020 and 626 thousand units in 2021.

The main reason for the reduction in annual housing starts through the years (although there is a increase in 2021) is that first hand sales of completed units have not kept pace with completions. As a result, cumulative unsold stock increased to 1.1 million units in 2018 and increased to over 1.3 million units in 2019 and over 1.6 million units as of December 2021. In other words, roughly a quarter (24%) of all housing units completed between 2013 and 2021 have not been sold.

Turkish Housing Sales 2013-2022/4



2013-2017

5.1% Compounded Annual Growth Rate CAGR between 2013-2017.

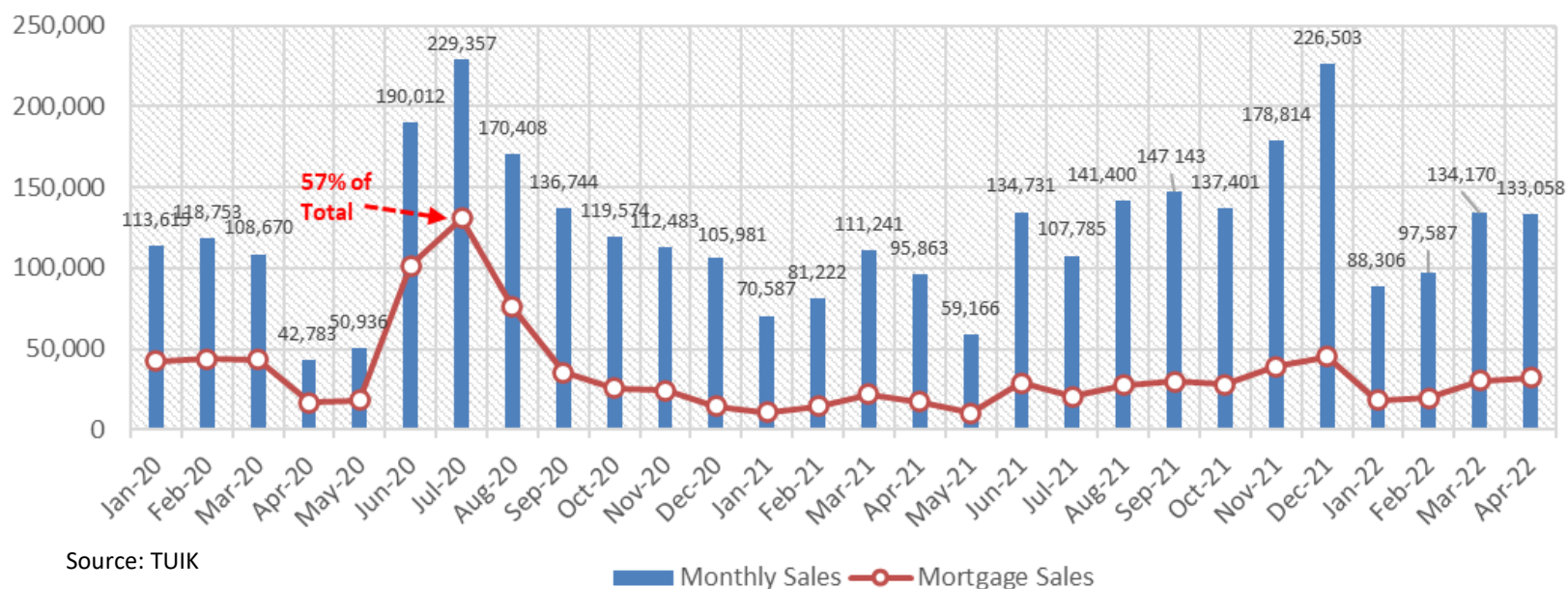
2018-2022

General economic slowdown plus 40% TL/US devaluation and 71% increase in CPI to over 20% resulted in decrease in overall purchases by Turkish citizens in 2018 & 2019.

There was a significant slowdown starting in March 2019 through May 2020 due to Covid-19. But the government with the help of state banks, supported purchases through mortgages with subsidized interest rates and longer tenors. This resulted in an 11% growth and a record year (and record month July). However, this was not sustainable and mortgage rate increased again and mortgage sales as a percentage of total sales dropped when gov't support ended.

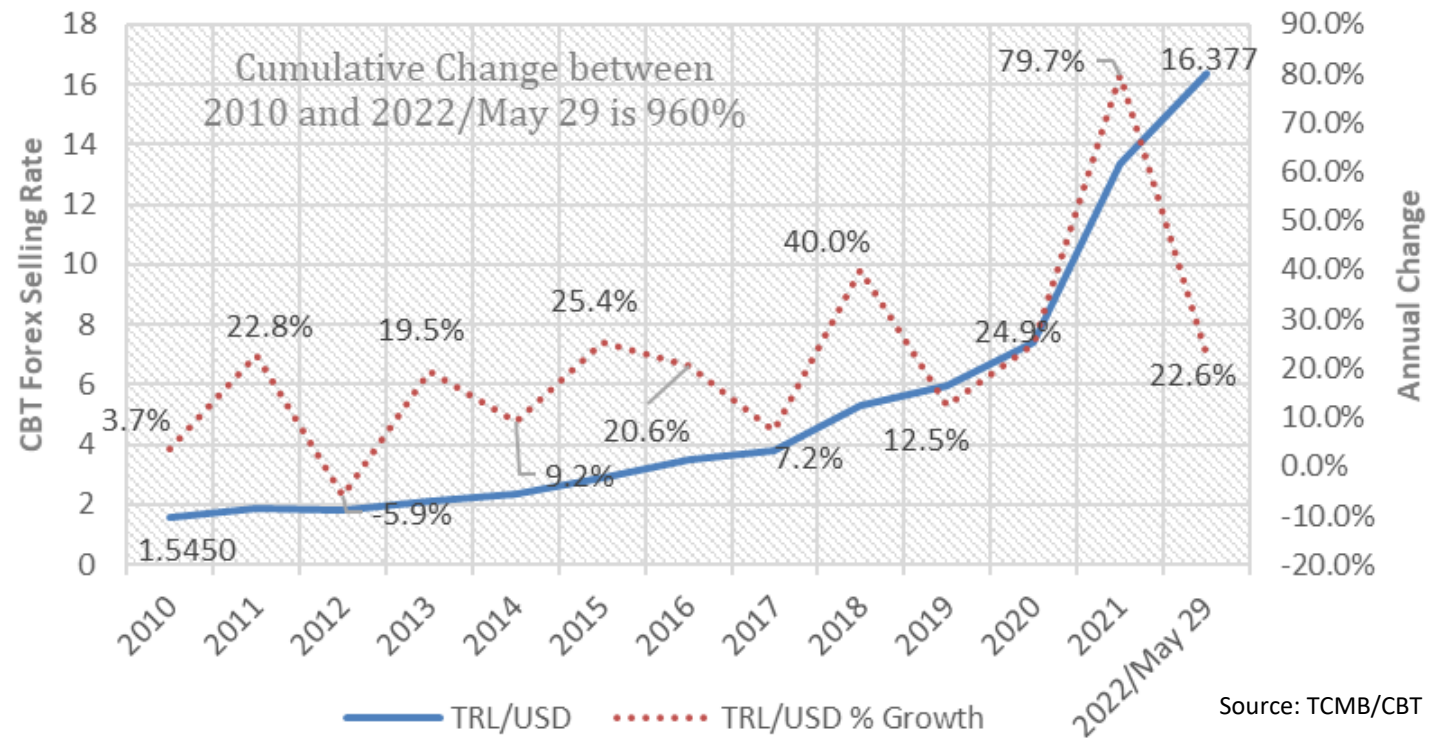
The TL/USD devalued by 60% between September 30 and December 31st 2021 (8.4-13.4).

Monthly Turkish Housing Sales v.s. Mortgage Sales 2020-2022/4



If we look at the last two years in detail we can see the effects of the subsidized interest rates and longer tenors starting in May 2020. This resulted in an 11% growth and a record year (and record month July 2020).

TRL/USD Annual Change 2010-2022 (May 29)



A foreign investor can expect to find very “good value” in the residential real estate market in Turkey for the coming years. This is whether the investor buys the residence as a) a holiday / second house, b) for investment, or c) for residence. This is because the main reasons that have caused the record sales are expected to continue.

- The over-supply of available residential houses in Turkey is likely to continue for some time. Moreover, the Turkish Lira will probably remain undervalued, although the rate of its recent decline might decelerate. The attractiveness of Turkey as a comfortable “second residence” is also expected to endure.
- However, the location of an available property remains the most important determinant of good value. Thus a property with a prime location in Istanbul, for example, might still command a high dollar value, notwithstanding the Lira devaluation.

THANK YOU



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