

Timing, quality in focus at GYODER Summit, Istanbul Real Estate fair

Two real estate congresses in Istanbul in late June considered trends and strategies, finding that prices, rents are rising but timing and product quality are especially important for the fledgling Turkish market.



Panelists discussing the EU Black Sea Strategy at a podium organised by the Institute of the Regions of Europe at Istanbul Real Estate were (right to left): Edouard Panonien, Executive Manager EU Affairs, BSEC Organisation of the Black Sea Economic Cooperation, Istanbul; Ruhet Genç, Chairman, International Logistics & Transportation Department, Beykent University Istanbul; Keiko Sato, Lead Operations Officer, Turkey Country Unit, Europe and Central Asia Region, The World Bank Ankara Office; PIE moderator Andreas Schiller, and M. Süreyya Süner, Director, Directorate for Financial Co-operation, Secretariat General for EU Affairs, Prime Ministers office, Republic of Turkey.

Only a few, including Aareal and ECE, remained committed to Turkey through the crisis. But Turkish players reduced activities as well. “The investment market was extremely inactive from mid-2008 until end-2009,” said Alan Robertson, Managing Director Turkey for Jones Lang LaSalle. “Since then there has been a lot more interest but investors have so far been looking rather than buying,” he told PIE. In general this trend surely is true but there is one exception. Hamburg-headquartered ECE announced the launch of the (?) development of two new shopping centres: In Antalya the shopping centre Terracity at some 48,000 sq.m. of gross leasable space – together with Pramerica, the real estate arm of US-based life insurance Prudential, and Eriapartners as investors. And in the western part of Istanbul, Marmara Park is expected to be opened in 2012 with a leasable area of 100,000 sq.m. Marmara Park is a big commitment. “We secured the land and the permissions for Marmara Park already in 2008,” explained Andreas Hohlmann, General Manager Turkey for ECE. “But due to the difficult times we waited with construction until now. However, now is an ideal time for the start, and in Turkey timing is a very important matter.” Hohlmann should know – because ECE has been present in Turkey since 2000 and already has six malls under management – in Istanbul, Ankara, Antalya, and Eskisehir. The last, which opened in 2007, was the first, in a joint venture with US-based GGP General Growth Properties.

The timing of construction now was underlined by JLL’s Robertson: “Generally, the market is reasonably healthy. Turkey had a short, sharp recession but has come out of it quite well. GDP in 2009 fell 4.7% but in 2010 forecasts range between real growth of 3.5% and 6%. This economic recovery is beginning to come through in the real estate markets. Interest from investors and developers is now increasing.” Aareal Bank’s General Manager in the Istanbul office, Senay Azak-Matt, provides details: “Turkey was always a low-levelled country in its real estate, and therefore high debt is unlikely to be accepted in the future. On the development side the understanding of projects with more long-term and sustainability approach increased

during the financial crisis. Besides, the awareness of the need for asset management is growing. Hence, the property sector in Turkey is getting healthier.”

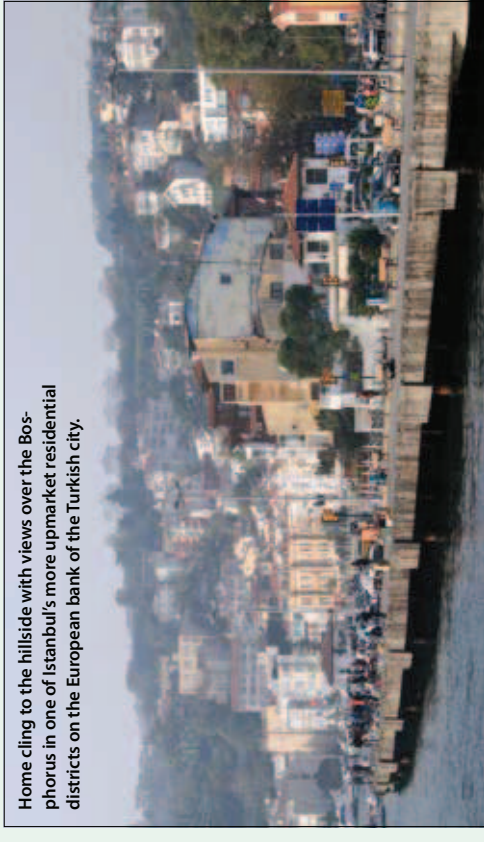
Aareal Bank has a leading position in Turkish property financing since 1999, and was one of the first European real estate banks to open a representative office in Istanbul in 2005. Its activities cover more than 20 financed deals with over €900m in committed financing volume. Another important word in Turkey is ‘prime’. “In Turkey quality counts,” added Hohlmann. Planning law is quite different to western Europe. To avoid competition from a similar project being built alongside any development – which theoretically is possible – the quality must be such prime quality that it will be without competition, Hohlmann says.

Adds Azak-Matt: “Looking at the different segments of the market, there are still opportunities available that would offer investors reasonable return levels along with sufficient stability. Investors with strong equity bases and normalised return expectations stand to benefit over the next months and years.” Says Robertson: “I see an emerging problem and opportunity in the office market in Istanbul. As multi-national corporates grow their operations in Turkey there will be increasing demand for offices in the CBD. However, there is very little in the way of available Grade A space and only one building under construction. We are certain that there will be an undersupply in 2011 and 2012, and this has to be a good opportunity for developers who can get hold of a site with appropriate zoning.” Turning to the hotel sector, discussed intensively at Istanbul Real Estate in cooperation with the Vienna office of international advisor company pkf hotelxperts, Azak-Matt noted that it was relatively less affected by the crisis in comparison to global peers. “Operating results for 2009 were on average around 15%-20% lower than 2008; however a recovery is foreseen during 2010.” Especially, she refers to the tourism hotel sector which is expected to benefit from the crisis, attracting more international visitors with good service quality and affordable room rates compared to other European holiday destinations. “Meanwhile, high demand for 3-5 star city hotels in the main cities and Anatolia, as reflected in high occupancy rates, is an indication of more investment capacity available in this segment.”

Hotels and shopping centres are segments not bound to big cities only. Looking to ECE in Eskisehir or to Multi Development in Trabzon or in other sec-

ondary cities aside from Istanbul the Black Sea Region strategy of the European Union gains importance. Franz Schausberger, President of the IRE Institute of the Regions of Europe, and representative of Austrian city-state of Salzburg in the CoR Committee of the Regions of the EU, refers to the, “political and economic importance of decentralisation and regionalisation of Turkey.” Only to remember: EU accession negotiations with Turkey began in October 2005, have moved forward and continue to this day, despite political controversies. According to the Turkey 2009 Progress Report of the EU, 11 out of 33 negotiation chapters have been opened so far. Schausberger notes: “Turkey has further improved its ability to take on the obligations of membership.” But he still sees a lot of work to be done in moving away from centralistic state orientation: “Decentralisation and regionalisation of a state is an incentive for municipal, regional and cross-border cooperation.” And he points out the benefits for the real estate industry as well. Schausberger, a former president of Salzburg state from 1996 to 2004, points to politics in practice: “Regionalisation would give the possibility for all parts of Turkey to strengthen their regional identity within the nation, supported by EU-funds. In this way the country can stop or reduce the trend of migration from the periphery to the centres, Ankara, Istanbul and other big cities.” He also notes that the EU wants to establish three crucial sector partnerships – environment, transport and energy. “The EU can set the road sign but it is up to Turkey to decide the direction and the speed,” Schausberger said. ■ ash

(By Andreas Schiller, PIE Editor in Chief, Russia/CIS-CEE)



Home cling to the hillside with views over the Bosphorus in one of Istanbul's more upmarket residential districts on the European bank of the Turkish city.