

**AKFEN REAL ESTATE INVESTMENT TRUST INC.**

**CITY OF ADANA, DISTRICT OF SEYHAN**

**BUILDING BLOCK NO. 585, PLOT NO. 2**

**ADANA IBIS OTEL PROJECT**

**REAL ESTATE APPRAISAL REPORT**

**Report No: 2016-020-GYO-008**

**Appraisal Date: 30.12.2016**

**Date of Report: 06.01.2017**



**REAL ESTATE CONSULTANCY AND APPRAISAL INC.**

**i. APPRAISAL REPORT SUMMARY**

<b>Person/Entity Requesting the Appraisal</b>	:	Akfen Real Estate Investment Trust Inc.
<b>Institution Preparing the Report</b>	:	Epos Real Estate Consultancy and Appraisal Inc.
<b>Date of Report:</b>	:	06.01.2017
<b>Report No</b>	:	2015-020-GYO-008
<b>Date of Appraisal</b>	:	30.12.2016
<b>Information Concerning the Property Subject to the Appraisal</b>	:	The real estates; (1) detached section "11-Storeyed Concrete Hotel and the Land" locate in the city of Adana, District of Seyhan, Neighbourhood of Cinarli, at Block 585, Plot No.2, with a surface area of 2.213,00m, and (2) detached section with a nature of "Workplace".
<b>Subject of Study</b>	:	Determining the right of construction, current market value and the annual lease value of the said real estate (building).
<b>Land Area of the Real Estate Subject to the Appraisal</b>	:	2,213.00m <sup>2</sup>
<b>Land Area of Closed Spaces of the Real Estate Subject to the Appraisal</b>	:	Hotel Area: 6.158,88m <sup>2</sup> + Workplace Area:652m <sup>2</sup> + Common Area: 2.236,56 =9.047,44m <sup>2</sup>
<b>Zoning Status of the Real Estate Subject to the Appraisal</b>	:	House + Trading Area

**As of 30.12.2016**

	<b>Annual Market Value of the Real Estate (EURO)</b>	<b>Annual Market Value of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>11.795.000</b>	<b>43.520.000</b>
<b>VAT Included</b>	<b>13.920.000</b>	<b>51.350.000</b>

	<b>Annual Lease Value of the Real Estate (EURO)</b>	<b>Annual Lease Value of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>424.000</b>	<b>1.564.000</b>
<b>VAT Included</b>	<b>500.000</b>	<b>1.850.000</b>

- 1- ) The appraised value is the current value regarding the cash sale price.
- 2- ) The VAT ratio has been established at 18%.
- 3- ) The currency rates have been established at 1,-Euro = 3,6894
- 4- ) This report has been prepared within the scope of the related Capital Market Legislation.

**Names of the persons participating in the Appraisal**

<b>Certified Appraiser</b>	:	Taner DÜNER
<b>Certified Appraiser</b>	:	Önder ÖZCAN
<b>Responsible Appraiser</b>	:	Neşecan ÇEKİCİ

## **Declaration of Conformity**

- The findings hereby presented in this report are correct, within the scope of the information that the Appraisers had at their disposal.
- The analysis and their respective results are limited only according to the specified assumptions and conditions.
- The appraisers have no connection whatsoever to the property subject to the appraisal nor will they ever have.
- The appraisers are not biased in relation to the real estate and the related parties.
- The appraisal cost does not depend on any single part, analysis opinion or the results of the report.
- The appraisers have carried out the appraisal pursuant to the moral principles and performance standards.
- The appraisers meet the necessary professional education terms and possess the sufficient experience.
- The analysis, opinions and resulting values have been prepared in accordance with the International Valuation Standards (IVS - UDES).

## **Assumptions**

- The value stated within this report is the value specified on the date of its preparation. The appraisers cannot be held responsible for the economic and/or physical changes that might affect the value herein stated, occurring after the date of this report.
- No comments in this report (even though the matters in question are discussed in the continuation of the report) have been made with the purpose of clarifying legal affairs, matters that might require special research and specialty or other issues that are beyond the scope of the area of expertise of the appraisers.
- No changes have been made to the information pertaining to the property. The authorities that provide the information related to the property and legal descriptions are generally accepted to be trustworthy. However, no guarantees are given with regard to their truthfulness.
- Documents and corresponding related information are found in the report as they have been procured from public institutions.
- The photographs, maps, images and diagrams have been used for illustrative purposes only, in the interest of further comprehending the matters mentioned in the report; thus, they cannot be used as a reliable reference for any other purpose.

- The projections subject to this appraisal have been performed in order to help the appraisal process by taking into account a stable economic process, in the case of a demand during the current market conditions. The projections depend on the variable market conditions, which the appraisers cannot accurately discern; moreover, it is possible that the value might be affected from these variable conditions.
- The appraisers do not possess the necessary qualifications to determine the dangerous or health threatening materials found within or in the proximity of the property. Throughout the value appraisal, it is assumed that such materials that might decrease the value are considered to be inexistent. No responsibility is accepted concerning this matter.
- Predictions and projections or business estimates included in this appraisal report depend on the current market conditions and short term supply, together with demand factors and a stable economy. Consequently, these may present changes to plausible future conditions. No responsibility is accepted in the event that the opinions and results presented in the report are affected due to economic changes that might occur after its herein date.
- Unless stated otherwise, underground resources have not been taken into consideration.
- It is not possible for the appraisers to carry out a soil contamination investigation, in the matter of the property in question. For this reason, to the extent that it can be seen, it has been determined that there is no cause for concern in regard to soil contamination.
- On account of the area in question being an established earthquake zone, the subject of ground stability cannot be clarified without the performance of detailed geological surveys. For this reason, in behalf of the appraisal studies, it has been assumed that there are no negative issues presently concerning the ground.
- Soil investigation and soil contamination studies in real estate fall within the scope of the “Environmental Geophysics” field. Our company does not employ such a specialization, thus did not perform a detailed investigation regarding the aforementioned matter. However, in accordance with the observations carried at the locale, it has been established that the real estate poses no threat to the environment. For this reason, this appraisal has been carried out taking into consideration that there have not been any negative effects against the environment.

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## **1 REPORT INFORMATION**

### **1.1 The Date, Number and Type of the Appraisal Report**

**Date of Report** : 06.01.2017

**Report Number** : 2016-020-GYO-008

**Type of Report** : Appraisal report relative to the real estates; (1) detached section "11-Storeyed Concrete Hotel and the Land" locate in the city of Adana, District of Seyhan, Neighborhood of Cinarli, at Block 585, Plot No.2, with a surface area of 2.213,00m, and (2) detached section with a nature of "Workplace", for the purpose of determining current market value of its right of construction and the current lease value in Turkish Lira currency.

### **1.2 Information Regarding the Persons Prepared the Report and the Responsible Appraiser**

**Report Issued By** : Certified Appraiser Taner DÜNER

**Report Controlled By** : Certified Appraiser Önder ÖZCAN

**Responsible Appraiser** : Responsible Appraiser Neşecan ÇEKİCİ

**Capital Market Board Coverage** : Yes

\* This report has been prepared within the scope of the related Capital Market Legislation.

### **1.3 Date of Appraisal**

On the date of 01.10.2016, the necessary procedures have been initiated for this appraisal report. Subsequently, this report has been concluded on the date of 06.01.2017.

### **1.4 Reference Agreement**

Appraisal Report has been prepared pursuant to the provisions of the Reference Agreement executed between our company and Akfen Real Estate Investment Trust Inc. on the date of 06.09.2016.

### **1.5 Statement Whether the Report Has Been Prepared Within the Scope of the Board Arrangements for the Purpose of the Appraisal**

This appraisal report has been prepared within the scope of the related Capital Market Legislation.



## **2 INTRODUCTORY INFORMATION CONCERNING THE COMPANY AND THE CLIENT**

### **2.1 Introductory Information Concerning the Appraisal Company**

**Company Title** : EPOS Real Estate Consultancy and Appraisal Inc.

**Company Address** : Kore Şehitleri Cad. Yüzbaşı Kaya Aldoğan Sok. Engin İş Merkezi No: 20 Kat:2  
Zincirlikuyu / İstanbul

### **2.2 Introductory Information Concerning the Client**

**Client Title** : Akfen Real Estate Investment Trust Inc.

**Client Address** : Büyükdere Caddesi, No:201, C Blok, Kat: 8, Levent/İstanbul

### **2.3 The Scope of the Client's Demand and the Applied Limitations, If Any**

This appraisal report is relative to the **real estates; (1) detached section "11-Storeyed Concrete Hotel and the Land" locate in the city of Adana, District of Seyhan, Neighborhood of Cinarli, at Block 585, Plot No.2, with a surface area of 2.213,00m, and (2) detached section with a nature of "Workplace",** for the purpose of determining its sales and rental value within the scope of the Council arrangements.

Referring to the 06.09.2016 dated request by Akfen Real Estate Investment Trust, the potential revenue resulting with regard to the operational and rental value of the Akfen Real Estate Investment Trust Inc. has been evaluated in the report. During the appraisal studies, the market research, the onsite surveys have all been taken into account.

There are no restrictive constraints in force exercised by the client.

### **3 VALUE DEFINITIONS, DESCRIPTION OF APPRAISAL METHODS**

There are three different appraisal methods available in our country: “Exemplary Comparison Approach (Market Approach)”, “Cost Approach” and “Revenue Discount Approach”.

#### **3.1 Exemplary Comparison Approach (Market Value Approach)**

With regard to the real estate that will be appraised; this method follows particular procedures, such as the comparison of the real estate with other real estates that have similar characteristics in the market and those that have been recently sold, the application of appropriate comparison processes and making various modifications in the comparable sale values.

The appraisal analysis is carried out by means of comparing the examples found within specific criteria such as location, visibility, functional use, size, zoning status and its comparable. The market value approach is the most preferred method when there are widespread and comparable examples present.

The most trustworthy and realistic approach in real estate appraisal is the market value approach. In this appraisal method, comparable examples that share common characteristics with the real estate that has been submitted for the appraisal in the area are evaluated.

The Market Value Approach depends on the following assumptions:

- The existence of an available market, in relation to the type of the real estate in analysis, is acknowledged beforehand.
- It has been verified that the buyers and sellers in this market possess excellent knowledge on the subject of real estate and that, for this reason, time is not a critical factor.
- It has been established that the real estate has stayed on the market for an appropriate amount of time and for a reasonable price.
- It has been determined that the chosen comparable examples possess common characteristics with the real estate in question.
- It has been noted that the changes made in the prices given for the chosen comparable examples are subject to today's socioeconomic conditions.

#### **3.2 Cost Approach**

In this method, the appraisal of the real estate is based on the cost of the reconstruction of the real estate, in accordance with today's socio-economic conditions.

Pursuant to this approach, it has been established that the value of the real estate consists of two different facts, namely land and buildings. In addition, it is acknowledged that the real estate has a

significant remaining economic life span. Therefore, for this reason, it is taken into account that the value of the real estate will decrease in time due to physical wear and become out of date in terms of functionality and economic status. In other words, this method concedes that the current value of a real estate can never be more than the cost of its reconstruction.

The appraisal process is calculated by the addition of the interest or gain that the current building possesses, if any, to the present reconstruction or reinstallation cost of the real estate in question, followed by the subtraction of the wear and tear ratio from the total cost and, finally, the addition of the land value.

### **3.3 Revenue Discount Approach**

In the revenue discount approach, the net revenue that the real estate will bring, the idle time, collection losses and business expenses are analyzed for the business period.

The appraisers will calculate the present value of the real estate by capitalizing the prospective future benefits and the revenue that it brings.

There are two different methods in revenue capitalization; Direct Capitalization is calculated through the division of the annual revenue by the revenue ratio or through the multiplication of the annual revenue with the revenue coefficient. On the other hand, in the Reduced Cash Flow, the value of the real estate is calculated by applying the lump sum value and reflecting it on the revenue model; afterwards, the revenues are brought to the present day value by an acceptable discount rate.

Some real estates, due to their characteristics, may need to be appraised by taking into account that they will be improved. In this case, the net revenues that the real estate will generate for its development will be set off from the expenses that will be made for its development; the net result will be taken into consideration to determine the present value of the real estate by taking into account the entrepreneur profit and an acceptable discount rate.

## 4 ECONOMIC STATUS, REAL ESTATE SECTOR DATA AND ANALYSIS OF THE REGION WHERE THE REAL ESTATE IS LOCATED

### 4.1 General and Socio- Economic Data

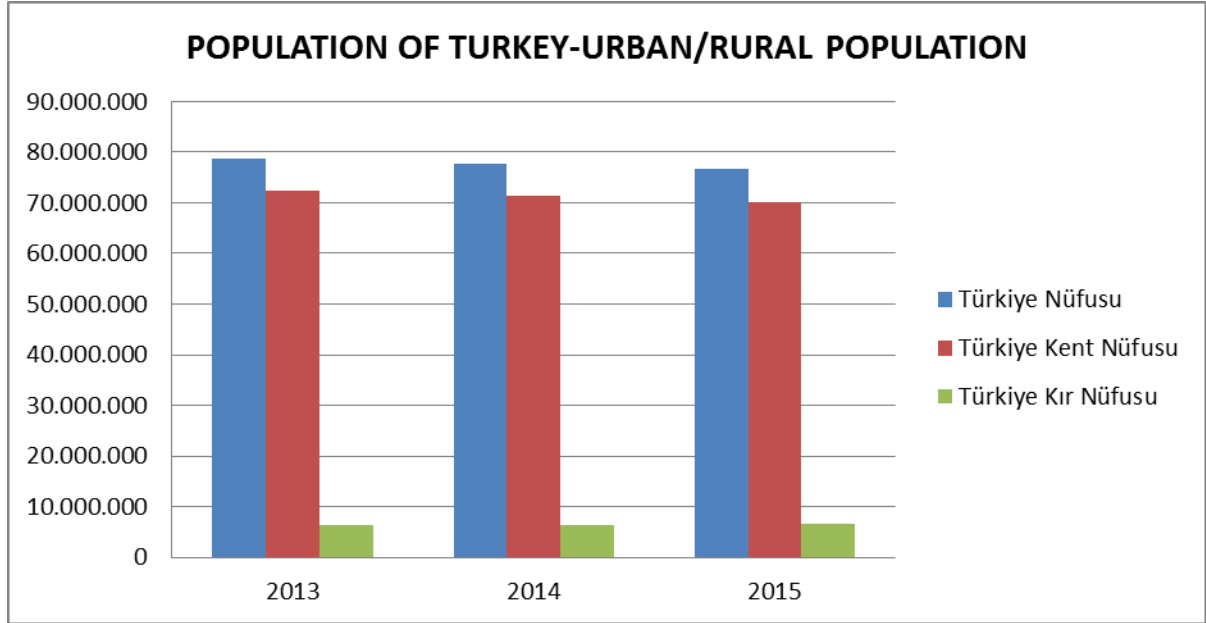
According to the 2015 results of the Address-Based Population Registration System (ADNKS), Turkey has a population of 78.741.053 people. In this population, 50,2% (39,511,191 people) are male, and 49,8% (39,229,862 people) are female.

One of the most important aspects of the population of Turkey is its youth. The population aged between 0 and 14 comprises 24,3% of the total population. However, this ratio has been constantly decreasing since 1965, and the Turkish society is gradually getting older. While the age group 0-14 comprised 41,9% of the population in 1965, it has fallen to 24,3% in 2015. The annual population growth in Turkey is 13,4 per thousand. 92,10% of the population live in the central parts of cities and provinces. The median age in Turkey is 31. The table demonstrates the population data for all of Turkey. It gives a comparison of the data from 2013, 2014 and 2015.

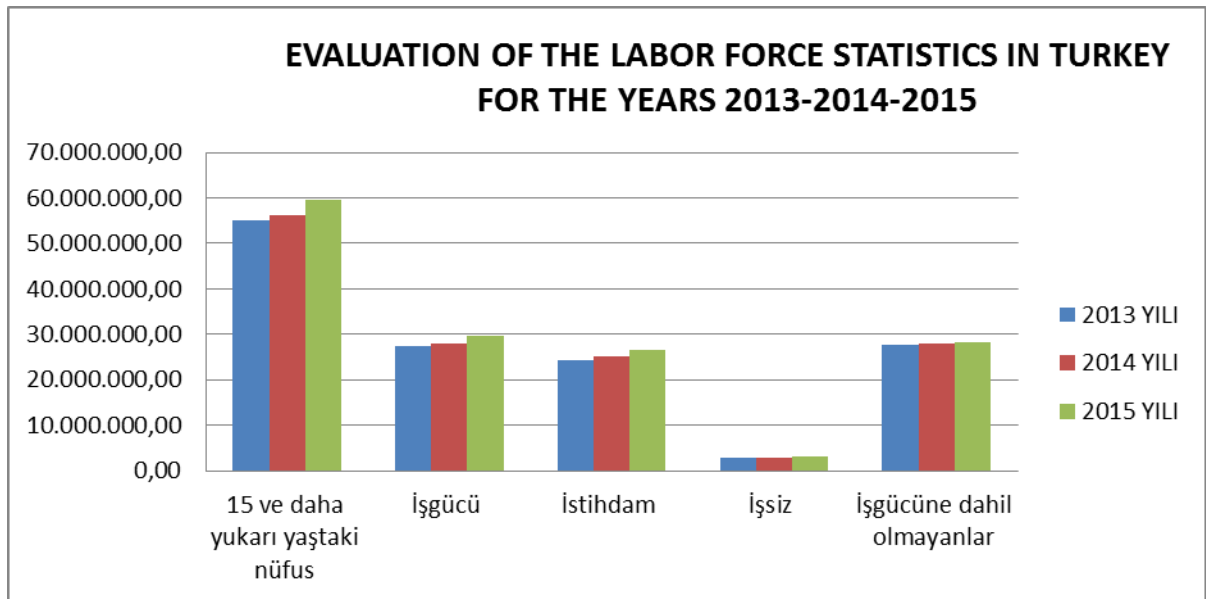
TURKEY			
Rows	2013	2014	2015
Rural Population in Turkey	6,633,451.00	6,409,722.00	6,217,919.00
Urban Population in Turkey	70,034,413.00	71,286,182.00	72,523,134.00
Population in Turkey	76,667,864.00	77,695,904.00	78,741,053.00
Population at the age of 15 and older	55,169,000.00	56,084,000.00	59,584,833.00
Labour Force	27,323,000.00	28,036,000.00	29,678,000.00
Employment	24,433,000.00	25,194,000.00	26,621,000.00
Unemployed	2,890,000.00	2,841,000.00	3,057,000.00
Not Included in the Labour Force	27,846,000.00	28,048,000.00	28,176,000.00
Labour Force Activity	49.50	50.00	51.30
Employment Rate (%)	44.30	44.90	46.00
Unemployment Rate (%)	10.60	10.10	10.30
Non-agricultural Unemployment Rate (%)	12.90	12.30	12.60
Unemployment in young population (ages 15-24) (%)	20.70	19.00	19.30

Population Data of 2013, 2014 and 2015 (Source: Turkish Statistical Institute)

According to the data of 2013, 2014 and 2015, there has been an increase in population, labour force and employment in overall Turkey. Hence, the unemployed population as well as the population not included in the labour force increase as well. The unemployment rate among young population is striking for overall Turkey and urban population.



A second comparison has been made for the overall population data for Turkey for the years 2013-2014-2015. In 2016, the population at the age of 15 and older, the labour force and the employed population increased while the unemployed population and population not included in the labour force increased at a negligible level.



In the light of this data, information on economic overview and the real estate industry will be provided.

## 4.2 Global Economic Overview

Following all developments became necessary as a result of globalism and increasing economic links of countries.

Primary problem in global economic crisis is deflationist (decrease of general price level) process and correspondingly recession (stability-negative growth). For developing countries, on the other hand, there are inflationist (general increase in prices) problems and low growth. Related situations have different characteristics and reasons for every country; therefore, there is no standard prescription for solution.

After global crisis, most important implementers of economy politics were central banks. Decisions taken by big and efficient central banks in the world were crucial for not only their own country but also became a guide for international fund mobility. Developing countries were influenced most by its both positive and negative effects.

Right after the crisis, USA central bank Fed immediately started to use tools of 'expansionary monetary policy'. For this purpose, many methods were implemented like interest discount, bond intake, property intake and funding of financial system, and activating credit mechanisms. Through this kind of monetary policy, financial stabilization, and by stimulating consumption and investment, growth was aimed as a final goal to get rid of crisis.

Policies followed by Fed to get rid of crisis were extraordinary and with its differences in implementation it revealed necessary pathway for other world banks. Fed, who immediately responded to crisis and performed decision-making mechanisms, was followed by ECB (European Central Bank) even if it was late. In the Far East, Japan central bank followed similar policies to get rid of deflation and recession, which are primary problems of its economy. In parallel with relative recovering of USA economy, Fed decreased bond retrieval amount on the date of December 2013 in order to withdraw monetary expansion policy. Process initiated ahead of time expected in developing countries (like Turkey, Brazil, Argentina, Indonesia, India) and this caused decrease in local currencies and then partly outgoing of funds, which are short-term investment oriented. On October 2014, USA central bank finished 'cash flow by taking bonds'. However, transition to increasing 'interest' phase, which will end actual monetary expansion, expected by the end of 2015.

In Fed meeting on September 2015, it was stated that (except for one member) concerns regarding China and other developing countries increased value of dollar and decreased value commodities, and by taking into consideration economic outlook, labor force market, inflation and risks about them, there is no need to interest rate hike, although USA economy is strengthening and unutilized capacity in labor force is decreasing.

Following inferences were deduced according to “World Economic Outlook” issue of October 2015 report, which is prepared by IMF twice a year:

- Global growth rate in 2015 was expected as 3,10 %. This rate fell 0,30 % of year 2014. It is also 0,20 % under of rate 3,30 %, which was stated in World Economic Outlook (WEO) report January 2015. Expectancy of decrease was revised compare to previous report.
- Expectancies of main countries and regions stayed indeterminate and unbalanced. Recovering of developed countries compare to recent years, and for developing economics and markets recession is foreseen again like previous 5 years. Some increasing market economies and growth of countries exported petrol represent weak hopes.
- Decreasing commodity price, reduced share capital increase negative risks of developing economies, pressure on market and financial market instability, and therefore Fed tightens financial conditions regarding developing countries considering expected increasing interest and worsening global economic outlook.
- Developed and developing countries have an important role as middle or long term alliances one of which has decrease in growth rate and one of which has modest recovering.
- Crisis leaved high rate of private and public deficit, financial sector weakness, low rate of investments for some developed countries having low growth rate. For developing countries, on the other hand, demographic transitions, investment explosions, revised growth in China, decrease in commodity price and reregulation of the market is required.
- Volatility was related with Greece dept meetings of Chinese authorities on June-July, sharp drop of Chinese stock market and policy incentives.
- Increasing policy interests of USA and worsening global outlook tightened more financial situation of developing countries since last spring. Dollar, bond and long-term local currency bond interests increased nearly 50-60 basis point and stock prices decreased, exchange rate devalorized or pressured.
- As a result of nuclear agreement with Iran and low global demand, petrol prices decreased. Falling production activity in China, investment explosion in mining sector decreased metal prices.
- Countries implemented flexible exchange regime and exported commodities lost large amount of money.
- Developing economies experienced more sharp loss. Major developed economy currencies experienced modest mobility.
- This global factors and country specific developments indicate relatively weaker revival compare to predicted amounts for 2015 and 2016 modest increase in growth expected for

developed economies increase chance of loss for the next year. Developments of this year reflect a modest recovering of euro and returning of Japan to a positive growth, and additionally falling in petrol prices and devaluation of money for some conditions.

- Developments in developed economies, exporters –especially Norway and Canada- and in Asia excluding Japan (especially Korea and Taiwan region of China) unemployment decreases related to degrowth. However, growth in productivity is still weak even in USA where recovering is stronger.
- In 2016, some level of growth is expected in especially North America, however; expectations are still low considering falling investments, negative demography and weak productivity growth. Recently, decrease in petrol and other commodity prices must support demand of developed economies, which are exporters of net commodities. On the other hand, slowness in rising markets will indicate weaker importations.
- Revised fall in commodity prices will pressure inflation in developed economies in next months, and while revival is happening, expected development in core inflation will delay.
- Although core inflation stayed more stable, it is still under targeted amount of central bank. It is seen that inflation will be low towards falling unemployment and medium term weak growth.
- Growth expectancies are very different depending on regions and countries but outlook became weak generally considering consecutive 5 years that decrease was foreseen. This reflects a combination of factors.
- For the most developing market economies external conditions became harder. While money devaluation helps net exportation, depending on weak recoverings and medium level expectancies for medium level growth, it is expected that future drawl of developed economies will be more modest than prospected.
- Capital flows slowed down in rising markets in last quarters and rising USA currency politics from zero lower limit related with tightness of external financial conditions.
- Decelaration of growth in China is parallel to expectancies until now, however reflections in cross border are bigger than prospected. This reflected as lower imports to China and lower prices of commodities (especially metal). Devaluation of Greece by China, volatilities related to weakness in currencies of developing economies and increasing global risks caused sharp decreases in property prices throughout world.
- Rebound is expected for growth of rising markets and developing economies 2016.
- This reflects lower recession and relative normalization in 2015 for countries having economic trouble (Brazil, Russia, some countries in Latin America and in Middle East), and



spill-over effect depending on stronger recovering in economic activities of developed economies and facilitating of sanctions for Islamic Republic of Iran.

- Decreasing growth is expected for China even if it is gradually. Weakness in commodity prices, slower global growth than expected and possibility of tighter global financial conditions become a burden to low-income countries. While Chinese authorities implement reforms towards decreasing financial infirmity strengthening role of market powers in economy, they confront tradeoffs in their projection of transition to growth depending on consumption without deceleration of activity.
- Some countries, especially the ones with rich sources, have wide current account deficit due to foreign direct investment. Correspondingly they are more vulnerable towards foreign financial shock.
- Risk balance is still downward. Low level of petrol and other commodities can constitute an upward demand for commodity importers in some level. However, this complicates the demand for commodity importers so some of them already confront with nervous initiation conditions.
- Vulnerability of rising markets in terms of continuing fall in commodity prices and sharp rise in American Dollar is still proceeding and this may force balance sheet of companies in some countries further.

The Fed meeting in September 2015 stated that the concerns for China and other developing countries has led to valuation of US dollars as well as a devaluation of commodities, and all members, excluding one member, stated that an interest rate hike is not necessary considering the economic overview, labour market, inflation and related risks, although the US economy was strengthened and the idle capacity in the labour market decreased.

December 2015 saw a quarter point hike in the interest rate after a decade, and the interest rate went up to 0,25-0,50 percent.

However, the transition to an 'interest rate hike' that would essentially mark the end of monetary easing happened in late 2015.

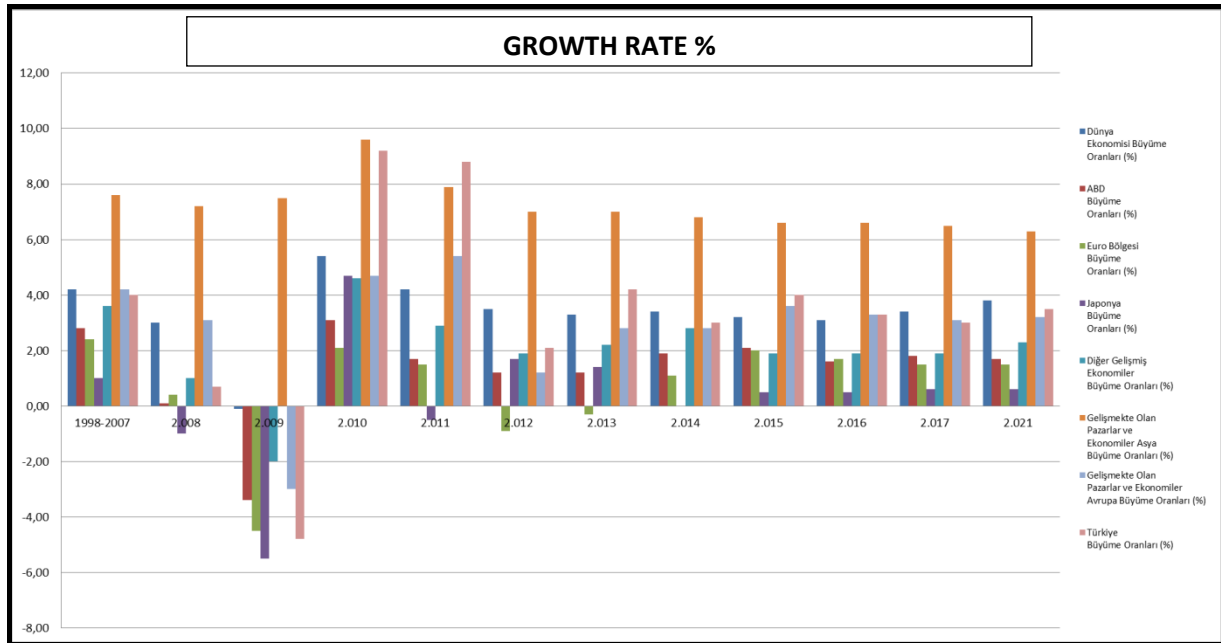
In 2016, Fed kept the interest rate intact at its meetings in January, March and April. In the meetings of June 2016 and September 2016, the US Federal Reserve Banks (Fed) announced that the interest rates would not be changed.

Maintaining its regular behaviour in the recent period, Fed wants to see an economic improvement that would allow gradual hikes in interest rates. It is observed that the Fed intends to increase the interest rates before the end of 2016.

The global growth rate for 2016 is estimated to be 3,10%. This rate is 0,10% less than the rate in 2015. It is also 0,10% less than the estimates in the April 2017 World Economic Overview (WEO) report. It is estimated the global economy will grow by 3,40% in 2017, and by 3,80% in 2021.

Years	Word Growth Rate (%)	USD Growth Rate (%)	Euro Region Growth Rate (%)	Japon Growth Rate (%)	Other Advanced Economies Growth Rate (%)	Emerging Markets and Economies Asia Growth Rate (%)	Emerging Markets and Economies Europe Growth Rate (%)	Turkey Growth Rate (%)
1998-2007	4,20	2,80	2,40	1,00	3,60	7,60	4,20	4,00
2.008	3,00	0,10	0,40	-1,00	1,00	7,20	3,10	0,70
2.009	-0,10	-3,40	-4,50	-5,50	-2,00	7,50	-3,00	-4,80
2.010	5,40	3,10	2,10	4,70	4,60	9,60	4,70	9,20
2.011	4,20	1,70	1,50	-0,50	2,90	7,90	5,40	8,80
2.012	3,50	1,20	-0,90	1,70	1,90	7,00	1,20	2,10
2.013	3,30	1,20	-0,30	1,40	2,20	7,00	2,80	4,20
2.014	3,40	1,90	1,10	0,00	2,80	6,80	2,80	3,00
2.015	3,20	2,10	2,00	0,50	1,90	6,60	3,60	4,00
2.016	3,10	1,60	1,70	0,50	1,90	6,60	3,30	3,30
2.017	3,40	1,80	1,50	0,60	1,90	6,50	3,10	3,00
2.021	3,80	1,70	1,50	0,60	2,30	6,30	3,20	3,50

Source: The data has been extracted from the "World Economic Overview Report" in October 2016.



Source: The data has been extracted from the "World Economic Overview Report" in October 2016.

The US economy, with the 3,40% recession after the crisis of 2009, has grown by approximately 3,10% in 2010. Growth rates were between 1 and 2% across the years.

The Euro zone, after -4,50% recession with the crisis in 2009, grew by 2,10% in 2010, and by 1,50% in 2011. The regional economy, shrinking for two consecutive years in 2012 and 2013, reached the growth rates between 1,00 and 2,00% after this year.

Japan, after -5,50% recession with the crisis in 2009, grew by 4,70% in 2010. The regional economy, which had a falling trend again in 20011, constantly achieved small growth rates except for the standstill in 2014.

The other developed economies grew by 1 and 3% percent for other years than the 2,00% recession in 2009.

In developing economies of Asia, the economic growth was approximately 6,30 to 9,60% every year.

The growth rates (%) in Developing Markets and Economies of Europe were 1,20 to 5,40% on the average for all years except for the -3,00% recession in 2009. (Turkey has also been classified in the area of developing markets and economies.)

The “World Economic Overview Report” of October 2016, which is issued by the IMF twice a year, has made the following deductions:

- ✓ The main unexpected development in the recent months has been the vote in the Great Britain in favour of leaving the EU. The markets have reacted in an ensuring way to the surprise rejection of Brexit Vote in the referendum. However, the future of the institutional and commercial agreements between the UK and the EU is ambiguous, and its ultimate impact is unclear.
- ✓ With the expectations of low interest rates, lessening concerns for expectations following pro-growth policies and stabilization of some commodity prices in developed economies, the accurate financial market sensitivity has been improved in developing economies.
- ✓ Expectations sharply vary among countries. While robust growth rates were achieved in developing Asia and India, a sharp slowdown is observed in Saharan Africa.
- ✓ The uncertainty in developed economies and a curbed overview that is subject to downside risks may further ignite political dissatisfaction.
- ✓ Many developing markets face the challenge of policies that force them to comply with weaker commodity prices.
- ✓ These concerning expectations make it necessary to produce a political response that will improve growth and shall stand on a wide basis in managing weaknesses.
- ✓ The complexity of current expectations, long-term trends, new shocks and ongoing revisions continues.
- ✓ These factors entail too much uncertainty for future economic expectation as well as a suppressed basis for overall growth.
- ✓ Major ongoing rearrangements/alignments (which is particularly important for developing countries) include a rebalance of China, long-term fall of commodity exporter, macro-economic programs and structural compliance.
- ✓ The basic economic scenario estimates a global growth at the rate of 3,10%. It is estimated that the rate might go up to 3,40% next year.
- ✓ This estimate reflects a weaker US economic activity than expected and a significant negative risk arising from the Brexit vote.

- ✓ It is estimated that the growth in developing markets and economies will slightly improve in 2016 to reach 4,20%, following a recession for 5 consecutive years. The overview of these markets is irregular and weaker than the past.
- ✓ As financing conditions are facilitated by expectations of low interest rates in developing countries, the other factors suppress the activity. This includes the recession in China, and a new negative economic scattering is taking place.
- ✓ There is less confidence in resource-intensive investments and imports, and a constant alignment of commodity exporters with lower incomes leads to negative scattering of persisting weak demand in developed economies, internal conflicts, political disputes and geopolitical tensions.
- ✓ An improvement is expected in 2017 with better expectations in developing markets and economies and a slight revitalization in their economies. An improvement in investments is expected, as well as a decrease in stocks.
- ✓ Facilitating monetary policy rates has helped to bridle inflation. Malaysia and Indonesia, as well as Russia and Turkey implemented this policy simultaneously.

### 4.3 Turkey Economic Outlook

Discipline constructed after 2001 crisis in Turkey economy succeed in issues like public dept, banking rates, budget balance and until 2008 growth rate continuously increased. Economies developed in between 2008-2012 influenced by global crisis at least. In this process, increase in yearly growth rate relieved world economy. Countries like Turkey had brilliant performance after crisis. Recovering abilities of developing countries are more rapid than developed economies. However, the main problem of these economies is that they cannot keep gaining and stability. Turkey has problems like lack of savings, unemployment, problems regarding general level of prices, added values of import and export items, balance of exchange, middle-income trick, current deficit, demand failure, technology deficiency, political and geographical risks. Average growth rate of Turkey is 4,8% for 92 years period. Briefly, potential growth rate in full employment level is 6-7%.

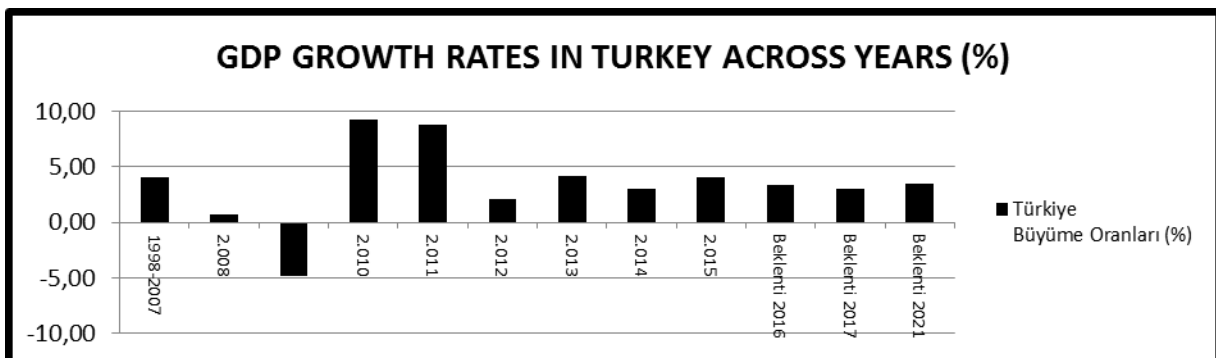
IMF argued that political uncertainty will decrease domestic demand and revised growth expectancies downwardly in its evaluation regarding Turkey economy in World Economic Outlook Report.

According to this, growth expectancy is 3% for this year and 2,9% for the next year for Turkey. These rates were stated as 3.1% and 3.6% in previous report.

Inflation expectation of IMF for Turkey increased from 6,6% to 7.40% for 2015 and 6,50% to 7.00% for 2016.

YEARS	1998-2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2021
TURKEY GROWTH RATE %	4,00	0,70	-4,80	9,20	8,80	2,10	4,20	3,00	4,00	3,30	3,00	3,50

Source: Word Economic 2016 October World Overview Report



The “World Economic Overview Report” of October 2016, which is issued by the IMF twice a year, has made the following deductions for Turkey:

- ✓ The feelings towards developing economies have improved. The reason is pressure of the expansions in economic recovery, and the improvement in long-term real interest rates and net asset values.
- ✓ However, in supporting economic activity with the loosening in macro-economies, the uncertainties following the recent terrorist attacks and the failed attempt of coup may affect the growth rates in 2016-2017.
- ✓ It will sustain its current expenses and monetary expenses in parallel to “Medium-term program of 2016-2018 on the basis of financial projections, current trends and policies.”
- ✓ The estimates for broad money and broad long money are based on IMF projections. It is estimated to develop with a fixed spreading rate against US instruments interest rate that is similar to the short-term deposit rate.
- ✓ In its assessment of the Turkish economy, IMG claims that political uncertainty will lead to a decrease in domestic demand, and has revised its growth expectations to downward.
- ✓ According to the World Economic Outlook Report, the GDP growth rate, which was 4,00% in 2015, will be 3,30% in 2016, 3,00% in 2017, and 3,50% in 2021.
- ✓ Wholesale price index (WPI) was 8,80% in 2015. It is estimated that the index will be 9,10% in 2016, and will continue to rise in 2017 to 9,10%, and to 6,20% in 2021.
- ✓ The current account balance will be -4,50% in 2015. It is estimated that the balance will be -4,40% in 2016, -5,60% in 2016, and increase to -5,60% in 2021.
- ✓ Moody’s, an international credit rating institution, has revised Turkey’s credit score from “Baa3” to “Ba1”, and defined its rating overview as “static.”

#### 4.4 Overview of Real Estate Industry

Real estate sector became a growing sector contrary to service, industry and rural sector recently. Although insufficient capital source makes hard to invest to rural and industry sector, small scale capital stock may be sufficient to invest in real estate sector. For this reason, real estate sector of Turkey depends relatively on national capital. It is defined as leading sector since it mobilize other sectors and as sponge sector since it may absorb unqualified workers. Almost all production of real estate sector counts as investment good. Real estate sector in Turkey develops through these investments.

Construction sector, which was initiated with public investments, large scaled infrastructure projects in early republic period, has influences of private sector through liberal economy effects in 1950s especially in public expenditures. After the year of 1950, construction sector developed through barrage, hydroelectric power stations, highways and housing investments. After 1980 in neo-liberal period, on the other hand, housing investments became prominent as a result of increasing migration. In liberal period after 2002, shopping mall, residence and housing investments gained importance through influence of TOKİ.

In sectoral distribution of long-term external debt in period of 2002-2014, construction-real estate sector has impressive intensity.

Recently, it is seen that legal regulations concentrated in real estate sector. Moreover, sales of the lands legally actualized in 2012 within the scope of the law “sale of the agricultural estate belonging to Treasury, support for development of forest villagers and assessment of outside of the forest borders on behalf of Treasury”, which is known in public opinion as “2B law”. However, these sales became less than expected and did not influence building sector sufficiently. Advantages of urban renewal law increased growth of real estate sector in 2013.

Decision directed to removal of restrictions over possessing real estate of foreigners through the law “Law Organizing Property Sale to Foreigners” provided rising attractions of investors in especially Russia, Middle East, and Asia. Purchasing real estate of foreigners started to increase gradually.

Additionally, following reasons have influence on development of real estate sector:

- Attraction of investors from different countries for Istanbul as a brand city, and laying the foundations of Istanbul to be a financial center,
- Infrastructure projects that attract attentions (3rd bosphorus bridge, all tunnel projects in bosphorus, 3rd airport, metro projects in metropolitans etc.)

- Increasing transportation opportunities, widening metropolitan borders and growing living spaces,
- Urban renewal and related regulations,
- Continuing rural to urban migration,
- Effect of natural demand as a result of having young population,
- Changing nuclear family concept,
- Precautions for housing purchase and saving incentives to keep sector alive,

Tendency of procrastination of demand for housing and automotive, which is generally seen before elections, was not influenced this year, on the contrary, these two sectors were quite alive. This may be thought as a kind of protection method of customers related to expectation of increasing demand.

It is evaluated that stable development of real estate sector in Turkey in 2016 depends on political and economic stability, interest of foreign investor and growth rate of economy. It is expected that residence sale to foreigners will be stable because of stagnancy in other developing countries.

It is estimated that in 2016 a stable rise in the real estate industry in Turkey will rely on political and economic stability, the interest of foreign investors in Turkey and high growth rates of Turkish economy. Housing sales to foreigners is expected to be static due to the stagnation in other developing countries. The reasons for the increase in asset prices include expanding monetary policy, positive course of economic growth, abundance of liquidity, new inventions, financial liberalization, financial innovations, facilitation of borrowing capabilities and a significant rise in loans, changes in portfolio structure and government policies.

As a result of economic decisions of the central government, the sales in construction industry, which is the main pillar of economy, as well as real estate sales are expected to increase.

The introduction of new directions of Banking Regulation and Supervision Agency (BDDK) which brings changes to loaning transactions and to debit and credit cards aims to regulate the number of installments on credit cards, increase the maturity limit in consumer loans from 36 months to 48 months, bring new regulations on personal loans across the industry and to vitalize economy.

Moving the limit of the ratio of the mortgage loan to the value of the housing which is taken as a collateral from 75% to 80%, the campaigns launched by Emlak Konut GYO and GYODER after the coup attempt of July 15th, decreasing the VAT to 8% for houses larger than 150 square meters aim at accelerating the construction industry, which is the main pillar of economy, and pushing the sales of real estate.



Although there have been economic contractions on a global scale, these decisions along with the young population structure of Turkey, continued migration to urban areas, and large-scale projects with ongoing investment lead to an expectation that real estate sales will maintain their trend in 2017 as it happened in 2016, and will continue to increase.

#### **4.5 Information Regarding the Tourism Industry**

Tourism maintains its characteristics of being an ever-growing industry in Turkey just as all around the world. When the data of the Ministry of Tourism is examined, it has been seen to which point Turkey has come at the last quarter century in tourism. While the number of people visiting the country for touristic purposes was 4.4 million in the 1990s, the beginning of the tourism industry, this figure exceeded 10 million in the 2000s. When it comes to the 2010s, it now has an important place in the world market and has exceeded 30 million. At the last point, Turkey ranked number five in the world ranking under the category of the most preferred countries of the tourists as destination in 2015.

Based on TÜİK data, the tourism expenditure of 2015 has been seen to reach 5 billion 698 million 423 thousand dollars by increasing 4.2% compared to the previous year. It has been stated that 4 billion 768 million 443 thousand dollars are personal tour and 929 million 980 thousand dollars are package tour expenditures. The number of citizens visiting abroad in the relevant year has been seen to become 8 million 750 thousand 851 by increasing 9.6% compared to the previous year. Their average expense per capita was 651 dollars and 11.9 days were spent for accommodation.

According to the September 2016 report of T.R. Ministry of Culture and Tourism, the number of foreign people visiting our country in January-September in 2016 has been seen to decrease 31.96% as compared with the same period of the last year. It has been realized in the ranking of the countries sending the visitors to our country at the most in January-September in 2016 that Germany ranked first with 15.51% (3.139.308); Georgia ranked number two with 8.34% (1.689.543) and England was the third country with 7.32% (1.481.200). When the change in the numbers of tourists visiting our country between 2015-2016 are examined in terms of the countries where they come from, it has been noticed that people coming from the Russian Federation decreased 83.55%, but those coming from Ukraine increased 54.29%.

It has been seen that Turkish hospitality industry has left behind the most 'empty' summer of its history due to the negative impacts of the successive terrorist incidents and coup attempt. The authorities have announced that hotels in Turkey have experienced a partial occupancy increase with the domestic tourists in the coastal regions and Arab tourists in the cities during the Feast of Sacrifice, but the summer season called as the peak season is not enough to save the season. When the October 2016 Country Performance Report prepared by STR Global, one of the Leading Data and

Analysis Companies of the World, was examined, hotel occupancy in October 2016 in Turkey was recorded as 52.2% with a decrease of 14% compared to the same period of 2015.(TR October 2015: 60.7%).(TR October 2014: 63.8%) Israel experienced the highest decrease rate (15.3%) in October among European countries.Turkey (14 %) became the third countries following Israel (15.3 %) and Estonia (15.2 %) in terms of decrease rate.

However, Turkey had the lowest occupancy rate among European countries with an occupancy rate of 52.2% in terms of occupancy rate.Croatia had the highest increase rate with 43.2%.(October 2016 : 62.7%)Malta had the highest occupancy rate in October 2016 with 89.5%. When we examine the first-ten month period of 2016, Turkey became the country with the highest decrease rate in Europe with 20.8% decrease in the occupancy rate and the lowest occupancy rate with 50.4% occupancy rate. (the first ten months of 2015 63.7%, the first ten months of 2014 62.7%)

However, hotel investments have increasingly continued in spite of all kinds of difficulties.According to the date of Tophotelprojects, a German-based hotel investment research institute, there are 57 hotel projects for three-, four-, five-star hotels at investment, project and planning phases in Turkey. The majority of 57 projects are located in Istanbul.

## 4.6 Analysis of the Region Where the Real Estate is Situated

### 4.6.1 City of Adana



Adana is a city of Turkey and the sixth crowded city with **2.165.595** population. The city center located on the Seyhan River 30 km. inland Mediterranean Sea. It has two Mediterranean coastal districts called Karatas and Yumurtalık (Ayas). In Ceyhan district that is also located on Mediterranean there is a commercial port.

Adana- Mersin metropolitan region extending along 100 km from east to west has 3,45 million population. It is the sixth big metropolitan region of the country and a leading commerce and culture center of Turkey.

Adana which is the fourth mine rich region is crucial in terms of chrome, iron, manganese, lead and zinc deposits.

The center of Adana is located in the center of Cukurova which is a geographic, economic, cultural region containing the cities of Mersin, Adana, Osmaniye and Hatay. A large part of the region hosting almost 5,62 million persons; is an arable, wide and flat land.

#### **Districts**

The city of Adana is consisting of 5 metropol districts: Seyhan, Yüreğir, Cukurova, Saricam and Karaisali. While the district of Seyhan is accepted completely within the borders of the city center; Yuregir, Cukurova, Saricam and Karaisali districts are also rural areas located out of the center.

.Seyhan district taking place in the western part of Seyhan River is the culture and work center of the city. D-200 state road (within the city borders it is also accepted as Turhan Cemal Beriker Boulevard.) is like an economic border dividing the city into two parts; north and south. The part located in the north of Seyhan's D-400 land road is the most economically developed part of the city. Throughout D-400; there are hotels, culture centers, commercial and work buildings. The old part located in the south of D-400 is the market area presented too the locals with traditional and modern shops. The south of this area is a residential area preferred by lower class locals.

Cukurova taking place in the north of Seyhan district and the south of Seyhan Basin is a modern residential area. District, is planned in mid- '80s for taking advantage from the 3,000- hectarate less fertile land and orienting the scattered city towards this area; located in the north of the city. Project

called as the New Adana is consisting of villas lying throughout the coast of the lake, multi-storey apartments on the recently opened Turgut Ozal, Suleymen Demirel and Kenan Evren Boulevards.

Yuregir district located in the east part of the river and hosting many residential and big-scaled industrial areas. Recently constructed bridges on the river and with the metro line Yuregir is becoming more important day by day. Adana Ministry of Justice has turned into a district again and 47,5-Hectare health campus is planned in Kazım Karabekir neighborhood. A comprehensive urban zoning plan is applied in the district which will turn Sinanpaşa, Yavuzlar, Koprulu and Kışla neighborhoods into modern residential areas.

Sarıcam district is located in the northeast of Yuregir and consisting of old municipalities combined with the city of Adana in 2008. Some of the big institutions and establishments are as follows: Cukurova University, Incirlik Air Base and Organized Industrial Site.

Karaisali is a small district taking place in the north of Seyhan Basin; out of the city. The most parts of the district is located in the rural area and hosting entertainment areas throughout the Seyhan River and the summerhouses taking place in the high areas in the north.

### ***Neighborhoods***

There are totally 254 neighborhoods in the city. Seyhan has 99 neighborhoods. 69 of them are within the city center and 30 of them are the old municipalities and villages turned into the neighborhoods. Yuregir has 99 neighborhoods; 38 of them are in the city center and 61 of them are in the rural part. There are 29 neighborhoods in Sarıcam, 16 in Cukurova and 11 in Karaisali. Population of a neighborhood changes from 150 to 63,000 according to whether it is in the city center or in the rural area. Especially some places in Cukurova district, some of the neighborhoods are that big as the districts that reaching the mukhtar is hard for the locals.

### ***Geography***

Tepebağ, Kayalıbağ, Kuruköprü, Ulucami, Sarıyakup and Alidede are historical neighborhoods of Adana. Cumhuriyet döneminde planlanmış mahalleler olan Reşatbey, Cemalpaşa, Kurtuluş and Çınarlı planned in the early- Republican period are the center of the cultural life in the city. Güzelyalı, Karşılar and Kurttepe are among the panoramic neighborhoods facing at Seyhan Basin.

Adana is established on the Seyhan River in Cukurova located in the south of Taurus Mountains. Adana having a 160km's long coastline to Mediterranean is on the important transportation roads connecting Europe to Asia.

49% of city surface area is highland, 23% plateau and 27% plain and flat areas. The height exceeds 2500 m. when reaching Taurus towards the north from the south. Foothills of the Taurus take the plan form towards the Mediterranean. Seyhan and Ceyhan Rivers rising from the Central Anatolia

flow into the Mediterranean Sea The seven lakes are located at the summit of the Taurus Mountains Seyhan and Çatalan Dam lakes are located on the Seyhan river; Aslantaş Dam Lake on Ceyhan River; Akyatan and Ağyatan bird paradise lakes in Karatas.

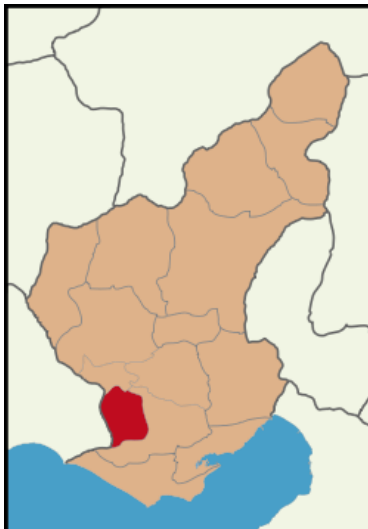
### **History**

The city was connected to the Port of Mersin by railway in 1886. Railways reached Adana going beyond the Taurus in the years of the First World War. As a result of these developments, especially after 1950 the city spread rapidly towards the station in the northwest and westwardly around the old core. New planned neighborhoods were established, wide streets and parks were opened. During these developments, the expansion spread towards the left bank of Seyhan. There are airport, various levels of educational institutions, Çukurova University and State Fine Arts Galleries in Adana which is the junction point of an advanced road network.

The industrial activities starting with industrialization based on agriculture and consumption in the years of 1930-1940 entered into the process of being large-scale factories since 1940.

Also, the factories producing construction materials started to operate in 1950s due to rapid urbanization. Gaining the first-class road status by Osmaniye, Gaziantep, Mersin, Konya roads in 1956 enabled Adana to be a transit center and increased the importance of the city. In the same years, Seyhan Hydroelectric Power Plant was transferred to Çukurova Electricity Inc. In 1960s, many factories started to operate in various sectors and in 1970s, the conglomerate began in the industrial sector. Today, Sasa, Çukurova Elektrik, Marsa, Bossa, Güney Sanayi, Temsa, Adana Çimento, Çukobirlik, Mensa, Pilsa, Güney Biracılık, Paksoy, Özbucak are among 500 industrial enterprises operating across the country.

#### **4.6.2 District of Seyhan**



The District of Seyhan is the Central District of the City of Adana. The City of Adana, situated 40 km inland from the sea, spread on the both sides of the Seyhan River and includes the Districts of Seyhan and Çukurova on the west side and Yüreğir and Sarıçam on the east side. Seyhan is fully accepted within the city center of Adana and all district is served by Seyhan Municipality which is a lower-class municipality. Seyhan is home to the half (35%) of residents in the city of Adana. It is the fifth most populous metropolitan district in Turkey.

Together with being the first residential area of Adana, Seyhan is the center of administration, work and culture of the city. Historical

Tepebag Neighborhood and Buyuk Saat incorporate important structures such as Ulu Camii, Ramazanoglu Konagi and Sabanci Merkez Camii. Adana Culture and Art Center and Sabanci Culture Center, Seyhan Culture Center and Metropol Theater Hall are operating in the same district.

District of Seyhan is governed with three scaled center: central government, provincial administration and municipality.

Seyhan District Governorate is a branch of the central governing operating under the name of Adana Governorship. Seyhan district governor is the district administrator assigned by the Interior Ministry. Seyhan District Governance is functioning as the ministry's administrative committee.

Adana Provincial Special Administration's Seyhan directorate is the district branch office of Provincial Administration. Seyhan is represented with 11 members in the Adana City Council which has 61 members in total.

The only municipality of Seyhan district is the Seyhan Municipality, since the district is all within the Adana city center. Together with servicing to the whole Seyhan district; municipality is divided into the neighborhoods which are the smallest administration units. Seyhan is the only district without villages in Adana. Population of Seyhan was 779.232 in 2014 and has increased in every year since 2009. Because of the fact that the district has all of the central transportation areas; it has also a strategic importance. Shirpasa Airport, Adana Train Station and Intercity Bus Terminal are taking place in the borders of the city. Moreover, The Governorship and the Provincial Directorate of Security which are the most important institution of the city in administrative aspects are within the district borders.

#### **4.7 Information Regarding the Tourism Industry in Adana**

Total number of the hotels in the province of Adana and its districts is 122. (as of 2015). 45 of them are certified by the Ministry of Culture and Tourism. Of these hotels; 6 are 5-star, 15 are 4-star, 14 are 3-star, 4 are 2-star, 2 are boutique, 2 are special certified, 4 are motel and 1 of them is private hotel. Total bed capacity of these hotels is 7.131.

TYPE	NUMBER	BED CAPACITY
5 Star	6	2.350
4 Star	15	2.421
3 Star	14	1.541
2 Star	4	331
Boutique Hotel	2	196
Special Certified	2	92
Motel	4	250
Private Hotel	1	56
<b>Total</b>	<b>47</b>	<b>7.131</b>

***Distribution of the Accommodation Facilities with "Operation Certificate" issued by the Ministry of Culture and Tourism according to the Districts***

***(Source: Adana Provincial Culture and Tourism Directorate-2016)***

The number of the accommodation facilities certified by the municipalities is 77. Of these hotels; 35 are in Seyhan, 3 are in Ceyhan, 6 are in Kozan, 11 are in Karatas, 14 are in Yumurtalik, 2 are in Yuregir, 1 is in Aladag and 1 is in Tufanbeyli. Total number of rooms in these hotels is 2.153 and the bed capacity is 4.383.

DISTRICTS	NUMBER OF FACILITIES	NUMBER OF ROOMS	NUMBER OF BEDS
SEYHAN	35	941	1.627
CEYHAN	3	84	159
KOZAN	6	154	391
KARATAŞ	11	201	490
POZANTI	4	125	325
YUMURTALIK	14	211	578
YÜREĞİR	2	401	731
ALADAĞ	1	16	42
TUFANBEYLİ	1	20	40
<b>TOTAL</b>	<b>77</b>	<b>2.153</b>	<b>4.383</b>

***Distribution of the Accommodation Facilities Certified by the Municipalities according to the Districts***  
(Source: Adana Provincial Culture and Tourism Directorate-2016)

Total number of all rooms in Adana city and its districts is 122 and the bed capacity is 11.174.

TYPE	PCS	NUMBER OF BEDS
CERTIFIED BY THE MINISTRY	45	6.791
MUNICIPALITY BUSINESS LICENSED	77	4.383
<b>TOTAL</b>	<b>122</b>	<b>11.174</b>

***Distribution of the Accommodation Facilities in Adana***

***(Source: Adana Provincial Culture and Tourism Directorate-2016)***

Adana has recently begun to become an important centre in terms of the tourism sector. The facilities which generally offer services as convention and city hotels are available in the region. There are not many facilities in the region yet.

NAME OF THE FACILITY	NUMBER OF THE ROOMS	TYPE
HILTONSA ADANA	308	*****
SHERATON ADANA	240	*****
ANEMON ADANA	140	*****
SEYHAN	138	*****
SURMELI	159	****
RAMADA	113	****
SIRIN PARK	79	****
RIVA RESATBEY	68	****
KAYA PREMIUM	49	****
MASEL	46	****
ADANA PARK	50	***
GOLDEN DELUX	29	***

In addition to food & beverage divisions they also offer room/ breakfast service.



## 5 INFORMATION REGARDING THE REAL ESTATE SUBJECT TO APPRAISAL

### 5.1 Information Regarding Place, Location and Neighborhood of the Real Estate

The real estate is situated at Block: 585, Plot No: 2 before the Seyhan District Municipality, located at the Neighborhood of Çınarlı, Turhan Cemal Beriker Boulevard.

The real estate subject to this appraisal has a surface area of 2.213,00m<sup>2</sup> and is the real estate which is of "11 Story Reinforced Concrete Hotel and Land" quality, (1) independent part number and "Work Place" quality, (2) independent part number.

The real estate subject to the appraisal is reached, which is located at left side after going forward 1 km in the western direction in front of Sabancı Mosque.

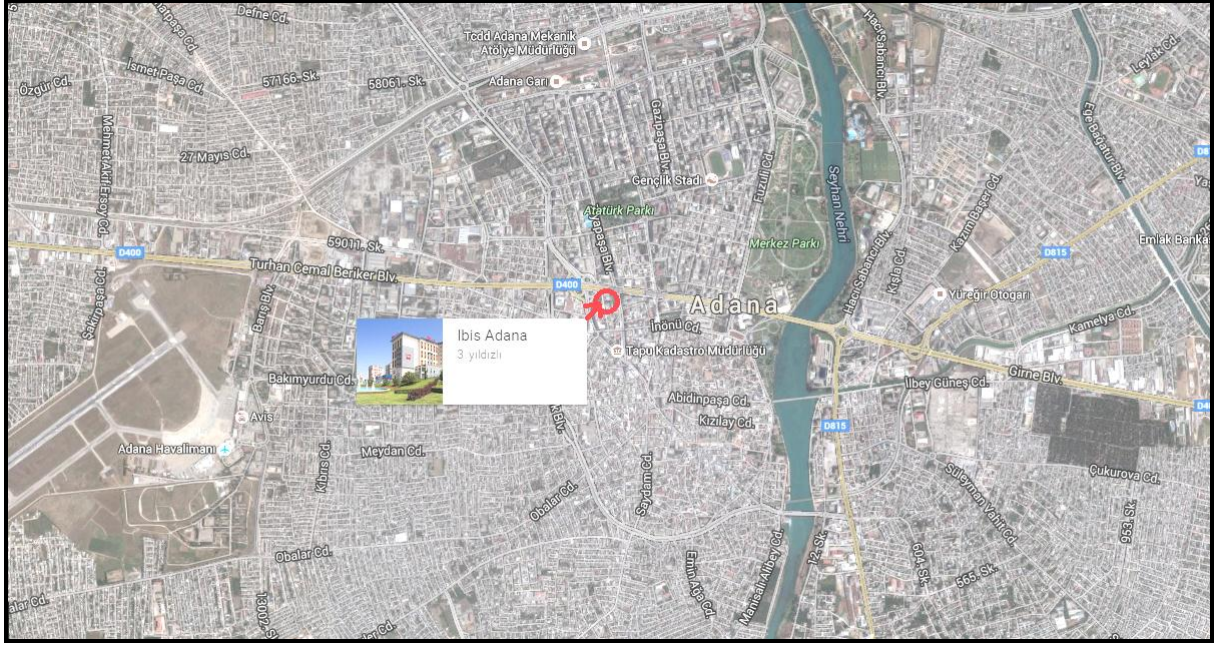
The real estate subject to the appraisal is located on the Boulevard and in a close proximity to the city center, and so its recognition and ad capability is high; it is located in a lively district of Adana, in terms of trade and industry.

The real estate subject to the appraisal is located within a distance of approximately 250m to the Seyhan Municipality, 400m to Directorate of Land Registry, and 3km to the Sakirpasa Airport.

The plot subject to the appraisal has not a regular geometrical shape; however, it is even in terms of topography. Borders of the real estate are definite. There is a 3-star Ibis Hotel on the real estate as of the appraisal date.

Transportation to the real estate in question is provided by public transportation and private vehicles so its accessibility is easy due to its location.





***Neighborhood of the Real Estate Subject to the Appraisal and Update Satellite Image***



***Location of the real estate subject to the appraisal***

## 5.2 Land Register Information of the Real Estate

<b>City</b>	:	Adana	Adana
<b>District</b>	:	Seyhan	Seyhan
<b>Neighborhood</b>	:	Çınarlı	Çınarlı
<b>Section No</b>	:		
<b>Block No</b>	:	585	585
<b>Plot No</b>	:	2	2
<b>Surface Area</b>	:	2.213,00m <sup>2</sup>	2.213,00m <sup>2</sup>
<b>Independent Section No</b>	:	1	2
<b>Owner</b>	:	Akfen Real Estate Investment Trust Inc.	Akfen Real Estate Investment Trust Inc.
<b>Nature</b>	:	11-Storeyed Concrete Hotel Building and the Land	Workplace
<b>Land Title Date</b>	:	23.10.2012	23.10.2012
<b>Journal No</b>	:	33811	33811
<b>Volume No</b>	:	36	36
<b>Page No</b>	:	3547	3548

The real estates subject to the appraisal are registered at the Directorate of Land Registry of the district of Seyhan, **Cınarlı Neighborhood, volume no.36, page.3548.**

The title deed information of both independent sections is given in the table above and the restrictions on them are given below.



### **5.2.1 Investigation of the Land Registry of the Real Estate**

The following restrictions are about the real estate subject to the appraisal according to the land register, presented in attachment, dated 18.10.2016, in the investigation carried out on the related pages of the land register dated 18.10.2016 as of 10:08 in the Title Deeds Registry Office of District of Seyhan.

#### **For the Independent Section No.1; and 2**

##### **In Digit of the Remarks;**

\* Registered Management Plan dated 23.10.2012 No. 33811: 22.10.2012 (Date of Commencement: 22.10.2012 Expiration Date: 22.10.2012- Duration:- )

##### **In Digit of the Securities;**

-There is a mortgage of **173.052.185,00.-Euro** Degree: 1 in favor of Credit Bank Europe

*Mortgage in question is joint with the properties mentioned below:*

- Istanbul Zeytinburnu Neighborhood 774 Block, 55 Block, Bursa Osmangazi Altinova Neighborhood 3198 Block, 67 Plot, Gaziantep Sehitkamil Yaprak Neighborhood, 5020 Block, 2 Plot, Istanbul Esenyurt Yakuplu Neighborhood, 404 Block, 39 Plot, Ankara Akyurt Balikhisar Neighborhood, 1843 Block, 5 Plot, Trabzon Yomra Kasustu/Cumhuriyet 209 Block, 12 Plot, Kayseri Kocasinan Pervane Neighborhood, 2420 Block, 9 Plot independent sections.

Title deed sample is enclosed herewith.

### **5.2.2 Changes that Have Occured in the Land Registry of the Real Estate within Last Three Years**

For the real estate subject to appraisal, there are not any transactions in last three years.

### **5.2.3 Opinion Whether There Is an Obstacle In Including the Investment Trust Portfolio in Terms of Land Title Records to the Real Estate Within the Scope of the Capital Market Legislation**

A First Degree Joint Mortgage is available on the real estate subject to this appraisal in favor of Credit Bank Europe amounted 173.052.185,00 EURO .

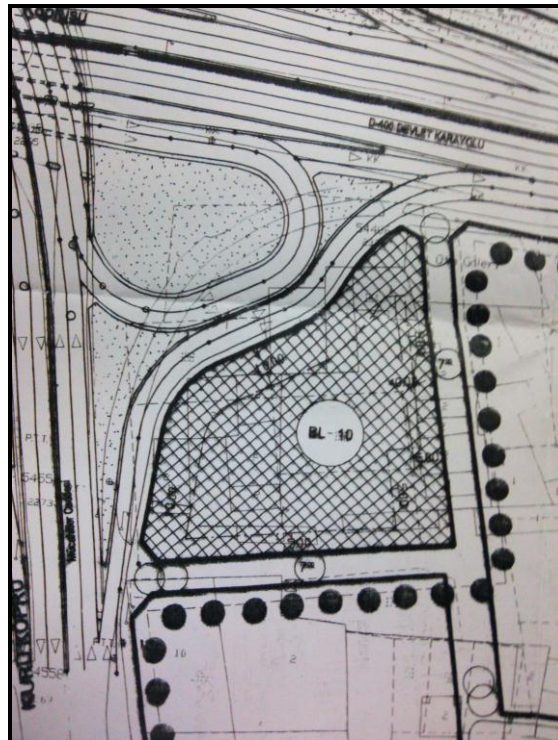
Regarding the mortgage recorded under real estate liens section obtained as the guarantee of project Financial Syndication Credits provided in the year of 2015, based on the letter received from the mortgage Credit Bank Europe dated 27.12.2016, mortgage established on the real estate is related to investment credit to be used in the financing of the 8 hotels operating under the brand names of "IBIS" and "NOVOTEL" by ACCOR Group and one another still under construction which will be operating under the name of "IBIS" after its complement pursuant to the agreement made

between Akfen Real Estate Investment Trust INC. and the ACCOR SA. Letter in question is provided in the attachment of the report. Credit Bank's letter on this is also enclosed herewith.

Security, pledge on the assets in the portfolio and other limited real rights may be allocated only for the financing of the transaction, or in order to provide credit for investments during the purchase of real estates of Real Estate Investment Partners, Real Estate projects and Rights based on Real Estate according to 1. Clause of 30. Article in Notification of Principles related to Real Estate Investment Partners published in official gazette dated 28.05.2013 of Capital Markets Board. In accordance with the relevant articles of the said notification, securities on the real estate does not constitute an obstacle in taking the portfolio of Real Estate Investment Partners within the frame of capital market legislation.

### 5.3 Inspection of the Zoning Information of the Real Estate

Considering the examinations carried out in Development Directorate of Adana Metropolitan Municipality; the real estate in question remains in the legend of the "**Central Business Area**" within the scope of the "Master Development Plan" with a scale of 1/5.000 approved by the Council Decree of Adana Metropolitan Municipality on 14.02.2013 and No. 40, and in the legend of "House+ **Trading Area**" TAKS=0,40 Block, 10 -Storeyed (Building Height max. 30,75 m. and floor height max. 3,00 m.), back pull distance max. 30,75 m. and floor height max. 3,00 m), with back pull from the front 10m, backs and sides 5m, mania criteria =62,20m, Ground Level= 22.90m under housing conditions, in accordance with the "Master Development Plan" with a scale of 1/5.000 approved by the Council Decree of Adana Metropolitan Municipality on 14.02.2013 and No. 40.



### **5.3.1 Plan, License, Diagram and Similar Documents with Regard to the Real Estate**

As a result of the inspection of the zoning documents of the real estate subject to the appraisal in the Archives of the Directorate of the Land Registry of Seyhan on 16.12.2016;

**Approved Architectural Project:** There is an existing architectural project approved on 28.12.2011. The total enclosed area is 9.047,00m<sup>2</sup> according to the project issued for the 1 Basement Floors+ Ground Floor+ 11 Storey Floors.

**Construction Permit:** There is a "Construction Permit" for the real estate subject to the appraisal and issued for a total enclosed area of 9.047m<sup>2</sup> comprised of a "Hotel with a surface area of 5.911m<sup>2</sup> and a Similar Guest House", and " Workplace within a Building with a surface area of 622m<sup>2</sup>" and "Common Area with a surface area of 2.514m<sup>2</sup>".

**Occupancy Permit:** There is a "Construction Permit" for the real estate subject to the appraisal and issued for a total enclosed area of 9.047m<sup>2</sup> comprised of a "Hotel with a surface area of 5.911m<sup>2</sup> and a Similar Guest House", and " Workplace within a Building with a surface area of 622m<sup>2</sup>" and "Common Area with a surface area of 2.514m<sup>2</sup>" dated 25.04.2012 and No. 3/20.

The documents abovementioned are given in the attached report.

Conforming to the inspections carried out on site, there are no differences found between the ongoing situation and the legal situation. The current building is in accordance with the "Approved Architectural Project" dated 28.12.2011.

### **5.3.2 Building Inspection Institute and Maintenance**

The real estate subject to this appraisal is subject to the Law dated 29.06.2001, No. 4708 regarding Building Inspection for the inspection of the building in the course of the construction process, which will be performed by the Pegasus Yapı Denetim Limited Şirketi, operating in the address of Guzelyalı Mah. 81106 Sok. No:4 Cukurova/ADANA.

### **5.3.3 Changes that Have Occurred in the Legal Status (Changes in the Zoning Plan, Nationalization, etc.) of the Real Estate within the Last Three Years Changes that Have Occurred within the Last Three Years**

Pursuant to the information obtained from the Seyhan Municipality Zoning and Urbanism Directorate, it has been established that a change in the legal status of the real estate in the last three years is out of the question.

However, the real estate has passed into common hold and independent part numbered 1 has been registered as "11 storey concrete hotel and the land" and independent part numbered 2 as "Workplace".

#### **5.3.4 Opinion Whether the Necessary Permit and Documents Pursuant to the Legislation are Accurate and Complete**

All of the necessary permits and licenses, such as the Zoning Status Document, the Approved Architectural Project, the Construction Permit and Occupancy Permit required by the Turkish Law, have been obtained in full, with regard to the real estate subject to the appraisal.

#### **5.3.5 Opinion Whether There Is an Obstacle in Including the Investment Trust Portfolio in Terms of Zoning Information to the Real Estate within the Scope of the Capital Market Legislation**

There are no changes in the structuring conditions and the current zoning status of the plot where the real estate subject to this appraisal is located. The buildings presently found on the plot have the required approved architectural project, construction permit and occupancy permit; therefore, there are no obstacles that prevent the real estate from being included in the Real Estate Investment Trust portfolio in terms of zoning information, within the scope of the Capital Market Board regulations.

#### **5.3.6 Statement that the Detailed Information, along with the Value in Question Regarding the Project, are Completely in Connection with the Project and that, in the case of Executing a Different Project, the Resulting Value Might Vary**

The appraisal study in question is not carried out within the scope of the "project evaluation".

### **5.4 Physical Characteristics of the Real Estate**

#### **5.4.1 Structural Construction Characteristics of the Real Estate**

The real estates subject to the appraisal are (1) detached section "11-Storeyed Concrete Hotel and the Land" and (2) detached section with a nature of "Workplace" located in the city of Adana, District of Seyhan, Neighborhood of Cinarli, at Block 585, Plot No. 2, with a surface area of 2.213,00m.

There is a single block structure which is used as IBIS Hotel on the plot, in a separate disposition, as a concrete frame structure. The Block which is used as Ibis Hotel has been built as is 2 Basement Floors + Ground Floor + 8 Storey Floors.

The construction permit for the IBIS Hotel subject to this appraisal has been taken for 9,047m<sup>2</sup> and the total enclosed area is totally 9,047.00m<sup>2</sup> according to the approved architectural project. The enclosed area specified in the appraisal study has been taken as a basis due to the fact that the real estate was built in accordance with the approved architectural project.

IBIS Hotel subject to the appraisal is a 3-star accommodation facility, comprised of 165 rooms.

According to the approved architectural project and the inspections performed on site;

2. basement Floor; composed of water tanks, pumping station, parking area, technical room, 2 shelters and heating center.

1. basement floor; composed of laundry room, clean laundry room, dirty laundry room, parking area, store house.

**Ground Floor;** composed of fire alarm room, purchasing office, garbage room, dry garbage room, system room, commercial area, 1 shop.

**1. Storey Floor;** composed of personnel cafeteria, child care room, general manager room, vice general manager room, players room, archive, bar, 2 changing rooms, service hall, electricity room, kitchen, restaurant, terrace, 2 WCs and baggage room.

**2. Storey Floor;** composed of 2 conference rooms, 15 rooms and 2 WCs.

**3. 4. 5. 6. 7. 8. Storey Floors;** each has 25 rooms (1 room reserved for the disabled customers at the 2nd floor), composed of 1 terrace and 1 laundry room, 165 rooms in total.

Room types and their allocation per floor are given in the tables below:

IBIS HOTEL	2 <sup>nd</sup> Floor	3 <sup>rd</sup> Floor	4 <sup>th</sup> Floor	5 <sup>th</sup> Floor	6 <sup>th</sup> Floor	7 <sup>th</sup> Floor	8 <sup>th</sup> Floor	Total
Double Room	-	4	4	4	4	2	2	20
Twin Adjoinable Room	-	2	2	2	2	4	4	16
Standard Room	13	15	16	16	17	19	19	115
Standard Adjoinable Room	-	2	2	-	-	-	-	4
Standard Room with Desk/Bed	-	1	1	1	-	-	-	3
Adjoinable Room with Desk/Bed	1	-	-	2	2	-	-	5
Disabled Room	1	1	-	-	-	-	-	2
Adjoinable Disabled Room	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>165</b>



Interior Construction Characteristics of the Ibis Hotel are as follows:

Interior Construction Characteristics of the Ibis Hotel	
<b>Total Area</b>	According to the Architectural Project and current status: 9,047.00m <sup>2</sup> According to the Construction Permit and Occupancy Permit: 9,047.00m <sup>2</sup>
<b>Age</b>	3 yrs
<b>Construction Type:</b>	Reinforced Concrete
<b>Roofing System:</b>	Ibis Hotel: Terrace Roof, Aluminum jointed sinter flex
<b>Disposition</b>	Detached Building
<b>Number of Floors</b>	<b>Ibis Hotel:</b> 11 Storeyed (2 Basement Floors + Ground Floor + 8 Storey Floors) <b>Workplace:</b> 2 ( Basement Floor + Ground)
<b>Exterior Facade</b>	The front and the rear facade are covered with glass, sinter flex in some places and the remaining areas are covered with special acrylic paint.
<b>Electricity</b>	City Grid
<b>Heating system</b>	Central Heating System
<b>Water</b>	City Grid
<b>Sewerage</b>	City Grid
<b>Elevator</b>	Ibis Hotel: Available (2 pcs.)
<b>Ventilation System</b>	Available
<b>Fire Escape</b>	Available
<b>Fire Extinguisher System</b>	Available
<b>Car Park</b>	Available (Open) (Closed)
<b>Flooring</b>	Wall to wall carpet, laminate parquet, ceramics, epoxy
<b>Walls</b>	Satin paint, ceramic tile and wall paper
<b>Joinery</b>	Exterior Joineries are made of aluminum, while the interior ones are
<b>Ceilings</b>	Suspended ceiling
<b>Heating</b>	Central Heating System
<b>Illumination</b>	Wall lamps, chandeliers, lamp shades, spot lights and fluorescent luminaries

#### **5.4.2 Inspections Performed Within the Premises of the Real Estate**

- The real estate in question is located in the city of Adana, district of Seyhan, Neighborhood of Cinarli, Block No: 585, Plot No: 2 with a surface area of 2,213.00m<sup>2</sup>.
- The structure is located in a central position close to the main arteries and state institutions and organizations. The transportation is easily provided. The real estate subject to the appraisal is located in a busy region in terms of the trade and the industry.
- The plot in question is located on Turhan Cemal Beriker Boulevard.
- The real estate subject to the appraisal has a significant visibility and ad capability due to its close distance to the city center and state institutions and organizations.
- The plot subject to the appraisal has an uneven rectangle shape in geometrical terms but it is even in terms of topography.
- The Ibis Hotel is an active hotel offering service with its 165 rooms in a 3-star concept.
- The starting date of operations of the Ibis Hotel subject to the appraisal is 03.09.2012..
- Inside the building, there are customer and service elevators, fire alarm and extinguishing systems, air conditioning with the heating and cooling systems.
- At the Ibis Hotel, there is an open and closed parking lot since the car park areas are shared in general.
- The north and west facade of the plot have a guard above the concrete and other facades are surrounded by iron guards.
- Areas of the plot out of the building are covered partly with the paving stone and partly the green spaces. A majority of the Hotels' garden area is being used as a parking lot. 32 parking garages, 8 parking lots with a total capacity for 40 vehicles.
- The independent real estate section No.1 used as Ibis Hotel has 165 rooms and offers service as 3- star hotel. There are 5 elevators in the hotel.
- The independent real estate section No.2 used as a Workplace comprises of two floors.
- Other external and miscellaneous works determined on the site and included within the appraisal are; concrete areas, landscape work, concrete wall, security cabin. External and miscallenous works have been added as an additional cost into the calculations made in the cost approach analysis.
- The hotel building is situated at the east façade, in the north-south direction of the plot and has been built as a 11-storeyed concrete building, in a detached manner, 2 basement floors+ ground floor + 8 Storey Floors and and it has a gross enclosed area of 9,047.00m<sup>2</sup> in total.

The Hotel Block- According to the Approved Architectural Project		
Independent Section No	Floor	Area (m <sup>2</sup> )
Common Building Area	2. Basement Floor	1.149,66
Common Building Area	1 <sup>st</sup> Basement Floor	1.086,80
Independent Section No.1:	Ground Floor	295,84
Independent Section No.1:	1. Storey Floor	853,47
Independent Section No.1:	2. Storey Floor	853,47
Independent Section No.1:	3. Storey Floor	693,76
Independent Section No.1:	4. Storey Floor	693,76
Independent Section No.1:	5. Storey Floor	693,76
Independent Section No.1:	6. Storey Floor	693,76
Independent Section No.1:	7. Storey Floor	690,53
Independent Section No.1:	8. Storey Floor	690,53
Independent Section No.2	1 <sup>st</sup> Basement Floor	62,86
Independent Section No.2	Ground Floor	589,24
Total Building Area (m <sup>2</sup> )		9.047,44

## **6 FACTORS AFFECTING AND DETERMINING THE VALUE OF THE REAL ESTATE**

### **6.1 Factors that Limit or Negatively Affect the Appraisal Process**

The title deed photocopy for the independent section No.2 has not been acquired in the appraisal study in question but land registration and restrictions are given in attachment. Also, a business license for the property in question is seen.

### **6.2 SWOT Analysis**

#### **Strengths**

- The hotel has high recognition and marketing capacity due to its location.
- The Facility is situated at the intersection of the main arterial roads and has a variety of access and transportation options.
- In its close proximity, there are real estates and hotels which are intensively used for trading purposes.
- The hotel subject to the appraisal is being operated under a brand meeting the same standards all over the world.

#### **Weaknesses**

- Reception taking place in the upper flat of the entrance due to the quality of the real estate,
- Accessibility of the real estate is lower compared with the Plot No. 1 to which the real estate has a facade.
- Commercial visibility and perceptibility of the real estate as independent section No.2 having the nature of a "Workplace" is low.

#### **Opportunities**

- The zoning function is "House+ Trade".
- The hotel which has been already active for about 3 years ago is an area that is preferred to stop since it is located in a very immediate distance to the airport, city center and state institutions and organizations.
- The region has obtained a new appearance with the new junction arrangement at the north of the real estate in question.

#### **Threats**

- There is a new hotel which can offer service in a similar concept in close proximity of the real estate subject to the appraisal.
- Decrease in the transfer of grants to developing countries is expected after US Central Bank had ended monetary easing. This situation may have negative impacts in real estate market in general.

### **6.3 Exemplary Share Rate in the Projects that Will Be Performed According to the Revenue Sharing and Flat for Land Methods**

Revenue Sharing and Flat for Land Methods have not been employed throughout this appraisal study.

### **6.4 Methods and Eligibility Motives Employed in the Appraisal of the Real Estate**

Since the real estate subject to this appraisal study is an operating Hotel generating revenue, the Revenue Approach and Cost Approach Methods have been employed. In the Cost Approach Method, the “Land value” has been determined according to the Exemplary Approach.

#### **6.4.1 Exemplary Approach**

As a result of the surveys performed in the vicinity of the real estate, no other recently sold exemplary land with a similar location, nature and structuring conditions to that of the real estate subject to the appraisal have been found.

##### **6.4.1.1 Definitions and Sale Value of the Similar Sales Examples that Has Been Based Upon During the Appraisal and the Reasons Why They Have Been Employed**

A similar hotel which was sold in the city of Adana and still on sale has not been found.

The exemplary lands that are still for sale have been provided in the chart below:

#### Land Examples

<b>Example 1</b>	Emek Quarter	At the intersection of Cemal Çeliker Bolulevard Barış Boulevard( worse location) MİA zoned land	2072	8.500.000	4102	GEZER REAL ESTATE 0322 239 34 36
<b>Example 2</b>	Gazipaşa Quarter	Worse location E:2,4 commercila I zoned land	635	2.700.000	4252	Mehmet Emin 0532 510 26 50
<b>Example 3</b>	Cemalpaşa Quarter	Near Cevat Yurdakul Street E:2,4 MİA zoned land	602	4.000.000	6645	Özay Eker Real Estate 0322 224 20 68
<b>Example 4</b>	Çınarlı Quarter	2. parcel toZiyapaşa Boulevard E:2,4 comercial zoned land	961	5.000.000	5203	Piramit RealEstate 0322489 02 71

	<b>Example 1</b>		<b>Example 2</b>		<b>Example 3</b>		<b>Example 4</b>	
<b>Area (m<sup>2</sup>)</b>	2.072	m <sup>2</sup>	635	m <sup>2</sup>	602	m <sup>2</sup>	961	m <sup>2</sup>
<b>Demanded Price (TL)</b>	8.500.000		2.700.000		4.000.000		5.000.000	
<b>Bargain Price (TL)</b>	8.075.000		2.295.000		3.800.000		4.750.000	
<b>Unit Price (TL/m<sup>2</sup>)</b>	-30%		-35%		-25%		-30%	
<b>Location Correction (+-%)</b>	-20%		-20%		-20%		-20%	
<b>Surface Area Correction (+-%)</b>	5846	TL/m <sup>2</sup>	5602	TL/m <sup>2</sup>	9153	TL/m <sup>2</sup>	7414	TL/m <sup>2</sup>
<b>Zoning Status Correction (+-%)</b>	7.004							

- Possible bargain rates, purchase sale expenses and real estate agent commissions on the sale prices of the properties that are for sale have been taken into consideration.
- As a result of the surveys performed, it has been noted that the zoned land stock as "House+ Trading Area" in the same area with the real estate subject to the appraisal is considerably limited and there are no concrete land examples that can compare to the plot subject to the appraisal.
- The estate agent firms interviewed during the field surveys have been informed that the land in question can have a unit price between 6.500 – 7.000 TL/m<sup>2</sup> thanks to its location to the airport, state institutions and organizations and the city center.
- Consequently, from the research and interviews carried out in the area, the land value of the plot subject to the appraisal is estimated to be **7.000.-TL/m<sup>2</sup>** considering the examples abovementioned.

Unit Land Value	7.000
Size of the Land	2.213
Total Land Value (TL)	15.491.000
Total Land Value (Euro)	4.198.786
Total Approximate Land Value (Euro)	4.191.000,00

**Professional Opinion of the Appraiser:**

Taking into account the factors relative to the real estate subject to the appraisal, such as its location, the area of the plot, zoning status with accommodation facility, formation of its vicinity, existence of two hotel buildings on the plot that are operational and bring in revenue, possessing all the required legal permits and classifications, legal status and the prices of the surrounding real estate examples, the land unit sale value has been estimated to be **7.000 TL/m<sup>2</sup>**.

Example	Location	Charactersitics	Area (m <sup>2</sup> )	Rent (TL)	Rent Per Unit (TL)	Source
<b>Example 1</b>	Stadyum Street	On Ziyapaşa Boulevard in new building, 200 m <sup>2</sup> gorund 200 m <sup>2</sup> basement shop	400	15.000	37,50	Platin Real Estate 0533 517 53 52
<b>Example 2</b>	Çınarlı Mahallesi	On Ziyapaşa Boulevard	210	5.000	23,81	Sertaş Real Estate 0322 235 93 17
<b>Example 3</b>	Çınarlı Mahallesi	At the interseption of Ziyapaşa Bolulevard and Atatürk Street (annual rent)	230	75.000	27,17	İsa İlhan 0551 411 73 33

### Shop Rental Examples

**SHOP EXAMPLES EVALUATION TABLE**

	Example 1		Example 2		Example 3	
Area (m <sup>2</sup> )	400	m <sup>2</sup>	210	m <sup>2</sup>	230	m <sup>2</sup>
Demanded Rental (TL)	15.000		5.000		6.250	
Bargain Price (TL)	12.750		4.750		6.000	
Location Correction (+-%)	10%		5%		5%	
Surface Area Correction (+-%)	0%		0%		0%	
Corrected Rental per Unit	29	TL/m <sup>2</sup>	21	TL/m <sup>2</sup>	25	TL/m <sup>2</sup>
Example Average	25,0					

- Possible bargain rate on the rental prices of the properties subject to the tenancy, rental expenses and real estate agent commissions have been taken into consideration.
- **Professional Opinion of the Appraiser:**

Taking into account the factors relative to the real estate subject to the appraisal, having a nature of workplace, such as its location, the area, formation of its vicinity, existence of the hotel building yielding money on the plot, which are operational, possessing all the required legal permits and classifications, legal status and the prices of the surrounding real estate examples, workplace rental value has been estimated to be **25 TL/m<sup>2</sup>/month**. In that case, monthly rental value for the real estate having a nature of a workplace is estimated to be **16.300 TL/month**



### 6.4.2 Cost Approach

The building cost values in this analysis, with the cost generation approach, the technical specifications of the buildings, the material and labor quality that has been employed during the construction of the buildings, the construction values of the buildings that have similar characteristics in the market, the industry experience relative to similar hotel costs and the construction costs in relation to the real estate subject to the appraisal submitted by Akfen Real Estate Investment Trust Inc. have been taken into consideration.

ENCLOSED AREAS		UNIT COSTS (EURO)(*)		AMORTIZED COST (EURO) (**)
IBIS HOTEL TOTAL CONSTRUCTION AREA (m <sup>2</sup> )		IBIS HOTEL	TOTAL COST	Amortization Rate (2%)
2 <sup>nd</sup> Basement Floor	1149,66	430	494.354	474.580
1 <sup>st</sup> Basement Floor	1149,66	430	494.354	474.580
Ground Floor	885,08	1.000	885.080	849.677
1. Storey Floor	853,47	1.000	853.470	819.331
2. Storey Floor	853,47	1.000	853.470	819.331
3. Storey Floor	693,76	1.000	693.760	666.010
4. Storey Floor	693,76	1.000	693.760	666.010
5. Storey Floor	693,76	1.000	693.760	666.010
6. Storey Floor	693,76	1.000	693.760	666.010
7. Storey Floor	690,53	1.000	690.530	662.909
8. Storey Floor	690,53	1.000	690.530	662.909
<b>Total Construction Cost:</b>	<b>9.047,44</b>		<b>7.736.828</b>	<b>7.427.354</b>
External Miscellaneous Works (***) (€)				180.000
<b>TOTAL STRUCTURE VALUE (€)</b>				<b>7.607.354</b>
<b>UNIT LAND VALUE (€)</b>				<b>1.897</b>
<b>LAND SURFACE AREA (m<sup>2</sup>)</b>				<b>2.213</b>
<b>TOTAL LAND VALUE (€)</b>				<b>4.198.786</b>
<b>LAND+ STRUCTURE VALUE (€)</b>				<b>11.806.000</b>

(\*) The total construction cost value has been calculated by scrutinizing the verified construction cost information taken from Akfen Real Estate Investment Trust Inc. together with our industry experience in relation to the similar hotel costs.

(\*\*) The date of completion of the construction of the real estate subject to the appraisal is 03.09.2012. The appraisal has been conducted by taking into consideration the age and physical status of the real estate.

(\*\*\*) Costs for the wire fences over the concrete wall, parking lot area landscaping etc, have been roughly estimated.

#### **6.4.3 Cost Discount/ Development Approach**

Considering that the real estate subject to this appraisal study is a property that brings in revenue, the revenue approach method has been employed.

##### **Ibis Hotel Projection:**

- The hotel subject to the appraisal has a capacity for 165 rooms.
- It has been estimated that the occupancy rate of the hotel will be 65% in the year of 2017 and that this rate will increase each year until 2019, and reach to 72% in the year of 2026 and it will be operated with this occupancy rate of 82% in the following years.
- It has been assumed that the hotel will be operating 365 days a year.
- The hotel prices have been calculated based on the room-breakfast system. Taking into account the performance of the hotel in the previous year, along with the surveys performed in regard to the tourism industry in the area, it has been estimated that the average price for a room will be 31 EURO, in the year of 2016. The average price of the room will be lead to 45 Euro in the year of 2023, and the room price will be lead to 50 Euro in the year of 2026.
- Considering the performance of the facility, it has been assumed that the room revenues will constitute 73,95% of the total revenue, whereas 26,05% of the other revenues.
- The gross operating profit has been calculated by subtracting the department and operating expenses from the total revenues. It has been determined that the Gross Operating Profit (GOP) in the hotel will be of 43,40% in the year of 2016 and increase to 47,09% in 2026.
- It has been assumed that a rental value will be obtained from the independent section No.2 which is used as a commercial shop area. It has been calculated that the shop's rental value will be 53.000 Euro in total for the year of 2017.
- 3. It has been assumed that the rental income of the operators will increase annually at the rate of 3%.
- According to the information obtained from Akfen Real Estate Investment Trust Inc., it has been acknowledged that a real real estate tax shall be paid for the commercial area until 2018, and a real real estate tax shall be paid for both the commercial section and the hotel as of 2018; and it will increase at the rate of 3% in the following years.
- It has been determined that the Furniture Fixture Renewal Reserve will be 3,5% of the annual gross revenue.
- The capitalization rate of the terminal value of the facility has been acknowledged as 6 %.
- In the appraisal study, the 10 year Eurobond interest rate of 7,21 % has been employed as the "Risk Free Revenue Rate". (In this appraisal study, the most-ready 10 year EURO base Eurobond revenue rate has been employed as the risk free revenue rate.)
- Discount rate has been determined as 11,90 % in the Projection.

- It has been assumed that all payments are made in cash.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.
- Through adding mid-year factor (0,5) to the net present value calculations, a more realistic net present value has been obtained.

# CASH FLOW DISCOUNT TABLE

Name of the Hotel	IBIS OTEL ADANA
Land Area (m2)	2.213,00
Total Constrction Area (m2)	9.047,44

Year	0	1	2	3	4	5	6	7	8	9	10
Date	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026
Agreement Year	4	5	6	7	8	9	10	11	12	13	14
<b>REVENUES</b>											
<b>ROOMS REVENUES</b>											
Annual Average Occupancy (%)		70%	72%	74%	75%	75%	75%	80%	80%	80%	80%
Average Room Price (EURO)		32	34	35	37	39	40	42	43	44	45
Total Room Revenues		1.349.040	1.451.904	1.562.612	1.681.761	1.765.849	1.809.995	2.023.560	2.074.149	2.126.003	2.179.153
<b>DEPARTMENT REVENUES</b>											
Total Department Revenues		475.220	511.455	550.454	592.426	622.047	637.598	712.829	730.650	748.916	767.639
<b>TOTAL REVENUES</b>		<b>1.824.260</b>	<b>1.963.359</b>	<b>2.113.066</b>	<b>2.274.187</b>	<b>2.387.896</b>	<b>2.447.594</b>	<b>2.736.389</b>	<b>2.804.799</b>	<b>2.874.919</b>	<b>2.946.792</b>
<b>EXPENSES</b>											
<b>DEPSRTMENT EXPENSES</b>											
Total Department Expenses		903.009	899.268	889.706	873.458	917.131	940.060	1.050.979	1.077.253	1.104.185	1.131.789
<b>Net Department Expenses</b>		<b>921.251</b>	<b>1.064.092</b>	<b>1.223.359</b>	<b>1.400.729</b>	<b>1.470.765</b>	<b>1.507.534</b>	<b>1.685.411</b>	<b>1.727.546</b>	<b>1.770.735</b>	<b>1.815.003</b>
<b>OPERATING EXPENSES</b>											
Total Operating Expense		291.882	284.687	306.395	329.757	346.245	354.901	396.776	406.696	416.863	427.285
<b>GORSS OPERATING PROFIT</b>		<b>629.370</b>	<b>779.405</b>	<b>916.965</b>	<b>1.070.971</b>	<b>1.124.520</b>	<b>1.152.633</b>	<b>1.288.634</b>	<b>1.320.850</b>	<b>1.353.871</b>	<b>1.387.718</b>
<b>FIXED EXPENSES</b>											
Real Estate Tax		2.131	2.195	11.128	11.462	11.806	12.160	12.525	12.900	13.287	13.686
Insurance		15.277	15.277	15.277	15.277	15.277	15.277	15.277	15.277	15.277	15.277
Furniture Fixture Renovation Reserve		63.849	68.718	73.957	79.597	83.576	85.666	95.774	98.168	100.622	103.138
Annual Construction Right Value (Land)	0	0	0	0	0	0	0	0	0	0	0
Total Fixed Expenses	0	81.257	86.190	100.362	106.335	110.659	113.103	123.575	126.345	129.187	132.101
<b>TOTAL EXPENSES</b>		<b>1.276.147</b>	<b>1.270.144</b>	<b>1.296.463</b>	<b>1.309.551</b>	<b>1.374.035</b>	<b>1.408.063</b>	<b>1.571.331</b>	<b>1.610.295</b>	<b>1.650.234</b>	<b>1.691.175</b>
<b>NET OPERATING REVENUE</b>		<b>548.112</b>	<b>693.215</b>	<b>816.603</b>	<b>964.636</b>	<b>1.013.861</b>	<b>1.039.530</b>	<b>1.165.059</b>	<b>1.194.505</b>	<b>1.224.685</b>	<b>1.255.617</b>
Akfen 3rd Party Lease Reveue		57.420	59.143	60.917	62.744	64.627	66.565	68.562	70.619	72.738	74.920
<b>END OF TERM VALUE</b>	8,00%										17.047.509
<b>CASH FLOW</b>		<b>605.532</b>	<b>752.358</b>	<b>877.519</b>	<b>1.027.380</b>	<b>1.078.488</b>	<b>1.106.096</b>	<b>1.233.621</b>	<b>1.265.124</b>	<b>1.297.423</b>	<b>18.378.046</b>
<b>CUMULATIVE CASH FLOW</b>		<b>548.112</b>	<b>1.241.328</b>	<b>2.057.930</b>	<b>3.022.566</b>	<b>4.036.427</b>	<b>5.075.957</b>	<b>6.241.016</b>	<b>7.435.521</b>	<b>8.660.206</b>	<b>9.915.823</b>

<b>Risk Free Revenue Rate</b>	<b>7,21%</b>	<b>7,21%</b>	<b>7,21%</b>
<b>Risk Premium</b>	<b>3,61%</b>	<b>3,97%</b>	<b>4,33%</b>
<b>Discount Rate</b>	<b>10,82%</b>	<b>11,18%</b>	<b>11,54%</b>
<b>NET CURRENT VALUE (Euro)</b>	<b>13.155.446</b>	<b>12.843.757</b>	<b>12.541.599</b>
<b>NET APPROXIMATE CURRENT VALUE (Euro)</b>	<b>13.160.000</b>	<b>12.840.000</b>	<b>12.540.000</b>
<b>NET APPROXIMATE CURRENT VALUE (TL)</b>	<b>48.553.000</b>	<b>47.372.000</b>	<b>46.265.000</b>

#### 6.4.4 Value of the Real Estate with Regard to the Lease Revenue

According to the additional Lease conditions documents submitted to our company by Akfen Real Estate Investment Trust Inc.;

- *The Accor Group shall pay the rental amount that must be paid each year for the hotel of which appraisal study has been completed and which is in the ownership of Akfen Real Estate Investment Trust Inc.; more than twenty-five (25%) for the Ibis Hotel and seventy percent (70%) of the Adjusted Gross Operating Profit (AGOP) in 2016. Pursuant to the terms of the agreement, sharing rate of the adjusted gross operation income (AGOP) has been accepted as 72,5% as of 2016.*
- The Adjusted Gross Operating Profit (AGOP) has been calculated by subtracting a ratio of 4% operator share, which will be paid to ACCOR, from the gross operating profit (GOP) and a ratio of 4% Furniture Fixture and Renovation Reserve from the gross revenue.

***Adjusted Gross Operating Profit = Gross Operating Profit – Accor Fee + Furniture and Fixture Renovation Reserve.***

- The hotel subject to the appraisal study is owned by Akfen Real Estate Investment Trust Inc. and managed by the international hotel operating company ACCOR Group.
- It has been assumed that the facility will be operating 365 days a year.
- The renovation expenses, which will be met by the investor for the lease of the hotel, have been based on the ratio of 5% of the renovation expenses calculated in the lease alternative. It has been assumed that the renovation expenses shall be met by the Lessee.
- It has been assumed that a rental value will be obtained from the independent section No.2 which is used as a commercial shop area. It has been calculated that the shop's rental value will be 53.000 Euro in total for the year of 2016.
- 3. It has been assumed that the rental income of the operators will increase annually at the rate of 3%.

- According to the information obtained from Akfen Real Estate Investment Trust Inc., it has been acknowledged that a real real estate tax shall be paid for the commercial area until 2018, and a real real estate tax shall be paid for both the commercial section and the hotel as of 2018; and it will increase at the rate of 3% in the following years.
- The capitalization rate in determination of terminal value of the hotel has been determined as 6%.
- The lease revenue generated in relation to the hotel leased out to the Accor Group has been guaranteed with a lease agreement for the duration of 25 years. It has been assumed that the risk premiums in obtaining the lease revenue will be low for Akfen Real Estate Investment Trust Inc. and therefore, it has been calculated accordingly. The discount rate has been estimated at 8% by adding a 7,21 % “Risk Premium” to the 3,24 % to the Risk Free Revenue.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.
- Through adding the mid-year factor (0,5) into net present value calculations, a more realistic net present value has been obtained.

<b>AKFEN OBTAINED LEASE</b>										
LEASE OBTAINED FROM IBIS HOTEL REVENUE	456.065	490.840	528.266	568.547	596.974	611.898	684.097	701.200	718.730	736.698
Operator Share	72.970	78.534	84.523	90.967	95.516	97.904	109.456	112.192	114.997	117.872
Furniture Fixture Renovation Reserve	72.970	78.534	84.523	90.967	95.516	97.904	109.456	112.192	114.997	117.872
<b>IBIS HOTEL AGOP</b>	<b>350.486</b>	<b>451.193</b>	<b>542.242</b>	<b>644.551</b>	<b>676.779</b>	<b>693.699</b>	<b>775.549</b>	<b>794.938</b>	<b>814.811</b>	<b>835.182</b>
<b>USED IBIS HOTEL LEASE REVENUE</b>										
	456.065	490.840	542.242	644.551	676.779	693.699	775.549	794.938	814.811	835.182
Real Estate Tax	2.131	2.195	11.128	11.462	11.806	12.160	12.525	12.900	13.287	13.686
Insuracne	15.277	15.277	15.277	15.277	15.277	15.277	15.277	15.277	15.277	15.277
Renovation Cost	3.649	3.927	4.226	4.548	4.776	4.895	5.473	5.610	5.750	5.894
Yıllık Üst Hakkı Bedeli (Arsa)	0	0	0	0	0	0	0	0	0	0
<b>LEASE CASH FLOW</b>	<b>0</b>	<b>435.008</b>	<b>469.441</b>	<b>511.611</b>	<b>613.264</b>	<b>644.921</b>	<b>661.366</b>	<b>742.275</b>	<b>761.151</b>	<b>800.325</b>
Akfen 3rd Party Lease Revenue	57.420	59.143	60.917	62.744	64.627	66.565	68.562	70.619	72.738	74.920
<b>END OF TERM VALUE</b>	<b>6,00%</b>									<b>14.952.102</b>
<b>CASH FLOW</b>	<b>0</b>	<b>492.428</b>	<b>528.584</b>	<b>572.527</b>	<b>676.009</b>	<b>709.547</b>	<b>727.932</b>	<b>810.837</b>	<b>831.770</b>	<b>15.827.347</b>
<b>CUMULATIVE CASH FLOW</b>	<b>0</b>	<b>435.008</b>	<b>904.450</b>	<b>1.416.060</b>	<b>2.029.324</b>	<b>2.674.245</b>	<b>3.335.611</b>	<b>4.077.886</b>	<b>4.839.037</b>	<b>6.419.859</b>

<b>Risk Free Revenue Rate</b>	<b>7,21%</b>	<b>7,21%</b>	<b>7,21%</b>
<b>Risk Premium</b>	<b>2,52%</b>	<b>2,88%</b>	<b>3,24%</b>
<b>Discount Rate</b>	<b>9,73%</b>	<b>10,09%</b>	<b>10,45%</b>
<b>NET CURRENT VALUE (Euro)</b>	<b>11.022.330</b>	<b>10.745.866</b>	<b>10.478.111</b>
<b>NET APPROXIMATE CURRENT VALUE (Euro)</b>	<b>11.020.000</b>	<b>10.750.000</b>	<b>10.480.000</b>
<b>NET APPROXIMATE CURRENT VALUE (TL)</b>	<b>40.657.000</b>	<b>39.661.000</b>	<b>38.665.000</b>

#### 6.4.5 Lease Value Analysis and Taxes Employed

The lease value of the construction right subject to the appraisal has been calculated taking into consideration the revenue discount method and the average net cash flow value for the first year on the basis of the lease revenue. The annual lease value of the real estate has been calculated by reducing the 1<sup>st</sup> year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel is **424,000.- EURO (1.564.000 Turkish Liras)**. The discount rate has been determined to be of 10,02%.

Date	31.12.2016	31.12.2017
Annual Lease Revenue	0	444.628
Net Present value of Annual Lease (Euro)	424.000	
Net Present value of Annual Lease (Euro)	1.564.000	

#### 6.4.6 Empty Land and Project Values of the Terrain Where the Project is Being Developed

The appraisal study in question is not carried out within the scope of the “project evaluation”.

#### 6.4.7 Most Effective and Most Productive Use Analysis

It has been appraised that the current use of the real estate in question (as a hotel), in accordance with the zoning status and structuring conditions, consists of the most effectively appropriate and productive use for the property.

#### 6.4.8 Appraisal Analysis of Common or Divided Parts

There is a hotel (independent section No.1) which is in service under the name of IBIS HOTEL and a workplace (independent section No.2) on the plot. Both the structure values in the Cost Approach and the revenue projections in the Revenue Approach have been individually calculated for this hotel and shop.



## **7 APPRAISAL OF ANALYSIS RESULTS**

### **7.1 Alignment of Different Appraisal Methods and Analysis Results, together with the Explanation of the Method and the Reasons Used for this Purpose**

On the grounds that the real estate subject to this appraisal study consists of a property operating as a revenue bringing hotel, the Revenue Approach and Cost Approach Methods have been employed. In the Cost Approach Method, the "Land value" has been determined according to the Exemplary Approach.

The total value including the land according to the cost method has been calculated at **11.806.000.- EURO (43.557.000.-TL)**.

The net HOTEL value of today calculated by reducing the potential income of the structure located on the plot to accumulate during 10 years in accordance with the revenue discount approach, the net current value of the HOTEL has been calculated to be **12.840.000.-EURO (47.372.000.-TL)**. The amount determined to be paid to the Akfen Real Estate Investment Trust Inc. by the Accor Group, with the use of the lease revenue discount method, is **10.750.000.-EURO (39.661.000.-TL)**. The final value of the hotel has been calculated to **11.795.000.-EURO (43.520.000.-TL)** based on the approximate arithmetic average of the value calculated by both of the methods.

The lease value of the real estate has been calculated taking into consideration the revenue discount method and the average net cash flow value for the first year on the basis of the lease revenue as of 30.12.2016. The annual lease value of the real estate has been calculated by reducing the 1<sup>st</sup> year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel is **424.000.- EURO (1.564.000- TL)**.

During the course of the appraisal study, the revenue discount approach and cost approach have both been applied, in terms of revenue capitalization and lease revenues. The real estate subject to the appraisal constitutes a revenue generating property and, therefore, the values calculated with the use of the revenue approach and lease value analysis result in more accurate values, concerning this sort of properties. Therefore, the value calculated through the use of the cost method has been ruled out in the final appraisal value.

In the cost discount method, from the total revenue that the real estate will generate, the gross operating revenue and net operating revenues have been calculated, respectively.

In the discount model pursuant to the lease revenue, the lease revenues have been evaluated and the calculations have been made in accordance with the value obtained. Different discount rates have been employed in both models. Since there is a guaranteed lease revenue in the lease revenue analysis, the risk premium is lower.

While the value of the real estate according to the revenue discount approach was being determined, in the 1<sup>st</sup> model the revenue obtained by operating the real estate without a brand name has been calculated and in the 2<sup>nd</sup> model the revenue obtained by operating by leasing it out to a brand (Accor) has been calculated. Both models are methods that are exercised in the market and, thusly, the final appraisal has been determined by calculating the average of their outcome.

#### **7.2 Explanation of the Motives Pursuant to the Minimum Information for Not Including Certain Aspects in the Report**

There is no information that has not been included in the minimum information.

#### **7.3 Information Concerning the Last Three Appraisal of the Real Estate Carried Out by the Company**

For the real estate subject to appraisal 2014-O20-GYO-009 numbered 02.01.2015 dated appraisal report has been prepared and it has been revised on 02.12.2015 with report no. 2014-O20-GYO-REV-009 and on 08.12.2015 with report no. 2014-O20-GYO-REV2-009, and on the date of 08.01.2016 with report no 2015-020-GYO-009 by our company.

#### **7.4 Opinion Whether There Is Any Obstacle in Including the Real Estate, the Real Estate Project and the Rights and Benefits with Regard to the Real Estate in the Real Estate Investment Trusts Portfolio within the Scope of the Capital Market Legislation**

There are no obstacles to prevent the real estates subject to the appraisal located at Block No: 585, Plot No. 2, being included in the portfolio as "hotel+ workplace"(building) within the scope of the Capital Market Board Regulation.

## 8 OUTCOME

### 8.1 The Concluding Sentence of the Appraiser

I hereby agree with the effective and productive use analysis of the appraiser, together with all of the aspects mentioned in the report.

### 8.2 Final Appraisal

The totality of the characteristics that can affect the value of the real estate, such as the location, the style of formation of its surroundings, the infrastructure and means of transportation, facades looking over to the avenue and street, the area and its position, the construction form of the structure, its system, the materials used in its construction and the craftsmanship quality, fixture status, ventilation – illumination – landscape status, have all been carefully taken into account and a detailed market research has been conducted in the area. Correspondingly, the value of the real estate subject to this appraisal report has been presented in the following chart:

**As of 30.12.2016**

	<b>Annual Market Value of the Real Estate (EURO)</b>	<b>Annual Market Value of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>11.795.000</b>	<b>43.520.000</b>
<b>VAT Included</b>	<b>13.920.000</b>	<b>51.350.000</b>

	<b>Annual Lease Value of the Real Estate (EURO)</b>	<b>Annual Lease Value of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>424.000</b>	<b>1.564.000</b>
<b>VAT Included</b>	<b>500.000</b>	<b>1.850.000</b>

- 1- ) The appraised value is the current value regarding the cash sale price.
- 2- ) The VAT ratio has been established at 18%.
- 3- ) The currency rates have been established at 1,-Euro 3,6894 TL
- 4- ) Selling rate of exchange has been used while the value in TL currency reached in the real estate appraisal report in question was being exchanged in foreign currency.
- 5- ) This report has been prepared within the scope of the related Capital Market Legislation.

We respectfully submit our expert report representing the situation and our appraisal.

Taner DÜNER

Certified Appraiser

SPK Certificate no: 401431



Önder ÖZCAN

Certified Appraiser

SPK Certificate no: 402145



Neşecan ÇEKİCİ

Responsible Appraiser

SPK Certificate no: 400177



## **9 APPENDIX**

1. Title Deed Photocopies
2. Approved Restrictions Document
3. Letter of Security
4. Approved Zoning Status Document
5. Architectural Project
6. Building Licenses
7. Occupancy Permit
8. Accotel Lease Terms Sheet
9. Business Starting and Operating License/Permit
10. Tourism Business Document
11. Tourism Investment Document
12. Photographs
13. Backgrounds
14. Capital Markets Board of Turkey (CMB) Licences' Documents