

AKFEN REAL ESTATE INVESTMENT TRUST INC.

CITY OF IZMIR, DISTRICT OF KONAK

BUILDING BLOCK NO. 7656, PLOT NO. 2

IZMIR IBIS HOTEL

Report No: 2016-020-GYO-010

Appraisal Date: 30.12.2016

Date of Report: 06.01.2017



REAL ESTATE CONSULTANCY AND APPRAISAL INC

i. APPRAISAL REPORT SUMMARY

Person/Entity Requesting the Appraisal	:	Akfen Real Estate Investment Trust Inc.
Institution Preparing the Report	:	Epos Real Estate Consultancy and Appraisal Inc.
Date of Report	:	06.01.2017
Report No	:	2016-020-GYO-010
Appraisal Date	:	30.12.2016
Information Concerning the Property Subject to the Appraisal	:	“10 Story Concrete Hotel Building, Including Basement Floors” real estate with an area of 629 m ² , located in the city of Izmir, district of Konak, Neighborhood of Alsancak, Section Plan No: 909, Block No: 7656, Plot No: 2
Subject of Study	:	Determining the current market value and the annual current lease value of the real estate for the remaining time of 49 years lease agreement
Land Area of the Real Estate Subject to the Appraisal	:	629 m ²
Land Area of Closed Spaces of the Real Estate Subject to the Appraisal	:	5.882,77 m ²
Zoning Status of the Real Estate Subject to the Appraisal	:	Building Area with a Commercial Option

As of 30.12.2016

	Market Value of the Remaining Construction Right for the Real Estate (Euro)	Market Value of the Remaining Construction Right for the Real Estate (TL)
VAT Excluded	12.210.000	45.048.000
VAT Included	14.408.000	53.157.000

	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	359.000	1.324.000
VAT Included	424.000	1.562.000

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 13.12.2016.

4-) This report has been prepared within the scope of the related Capital Market Legislation.

Names of the persons participating in the report

Certified Appraiser	:	Önder ÖZCAN
Certified Appraiser	:	Taner DÜNER
Responsible Appraiser	:	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 the Report : 06.01.2017

Report Number : 2016-020-GYO-010

Type of Report : Appraisal report relative to the “10 Story Reinforced Concrete Hotel Building Including Basement Floors” quality real estate with a surface area of 629m², situated in the city of Izmir, district of Konak, Neighborhood of Alsancak, Plan section no. 909, Block no. 7656, Plot no. 2, for the purpose of determining the current market value of the remaining duration of its 49 year lease rights and the current lease value in Turkish Lira currency.

1.2 Information Regarding the Responsible Appraiser that Prepared the Appraisal Report

Report issued by : Certified Appraiser Önder ÖZCAN

Report controlled by : Certified Appraiser Uzmanı Taner DÜNER

Responsible Appraiser : Responsible Appraiser Neşecan ÇEKİCİ

Capital Market Board Coverage : Yes

*** The hereby appraisal has been prepared in accordance with the scope of the Capital Market Legislations.**

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

This 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

The current Report has been prepared within the scope of the Capital Market Board arrangements.



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 / ISTANBUL

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 / ISTANBUL

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

The Appraisal report relative to the “10 Story Reinforced Concrete Hotel Building Including Basement Floors” quality real estate with a surface area of 629m², situated in the city of Izmir, district of Konak, Neighborhood of Alsancak, Plan section no. 909, Block no. 7656, Plot no. 2, has been prepared for the purpose of determining its sale and lease value.

Referring to the 06.09.2016 dated request by Akfen Real Estate Investment Trust, the property subject to this appraisal report belongs to the General Directorate of Foundations with a lease agreement of 49 years, on behalf of Akfen Real Estate Investment Trust. The potential revenue, with regard to its use or leasing, has been evaluated; moreover, there are no restrictive constraints in force exercised by the client. During the appraisal studies, the market research, the onsite surveys and the existing lease agreement, between Akfen Real Estate Investment Trust Inc. and the General Directorate of Foundations, have all been taken into account.

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

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 are 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. In this sense, the basic principle of the Cost Approach can be explained through the usage value, whereas the usage value is described as “Even though nobody desires or knows about its value, the goods have their real 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.

The studies and analysis that constitute the basis of the appraisal remain with the appraiser.

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

4.1 Genel ve Sosyo Ekonomik Veriler

According to the result of the Address Based Population Registration System (ADNKS) for the year of 2014, from the date of 31.12.2014, the population of Turkey is established to be 77.695.904, 50.17% of this number (corresponding approximately to 38.984.302) represents men and 49,83% (corresponding approximately to 38.711.602) represents women.

One of the most significant characteristics of the Turkish population is the fact that it is comprised of a young population, with the 0-14 year group constituting approximately 24.3% of the population. However, this number has been in continuous decline since the year of 1965 and the population of Turkey is gradually getting older. While the 0-14 age group constituted 41,9% of the population in the year of 1965, it represented 24,3% in the year of 2014.

The annual population growth rate in Turkey is 13,4th of a thousand. 91,8% of the population resides in cities and districts. The average age in Turkey is 30,7. According to the data obtained in 2014, 96,1% of the Turkish population is literate.

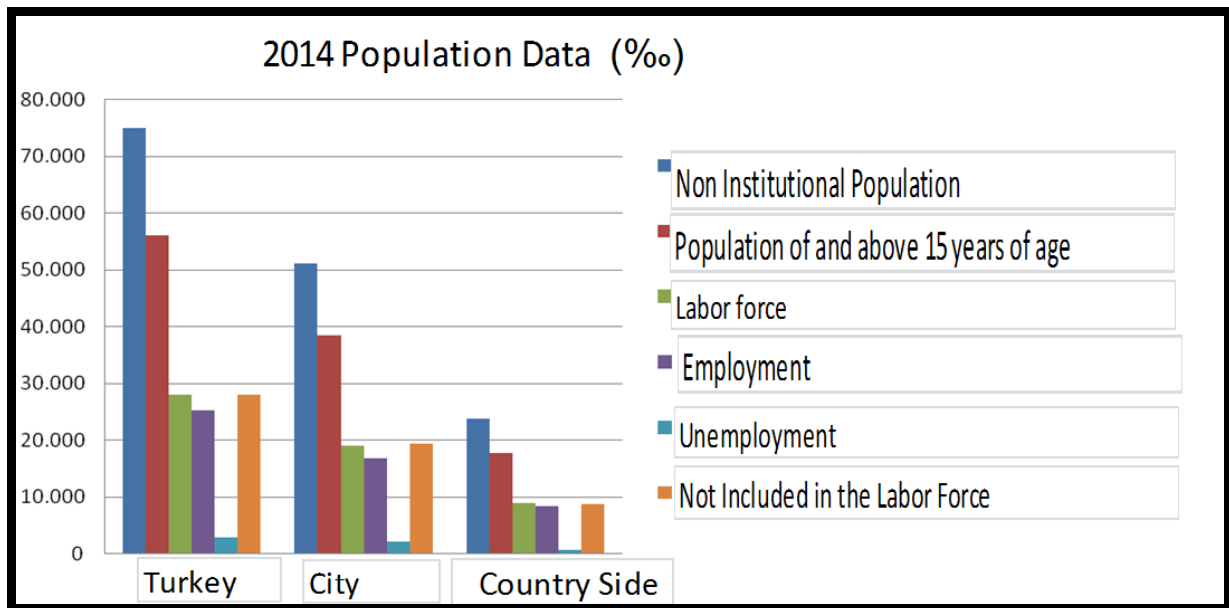
The 15-64 age group, which corresponds to the working age group, makes up 67,7% of the population (corresponding approximately to 52.640.512 people). When the ramifications of the employment into industries is observed, it is concluded that 51% represents services, 21,1% agriculture, 20,5% industry and 7,4% construction.

The analysis of the Turkish population information has been provided below in terms of Turkey in general, cities and country. The data with regard to the years 2013 and 2014 has been compared.

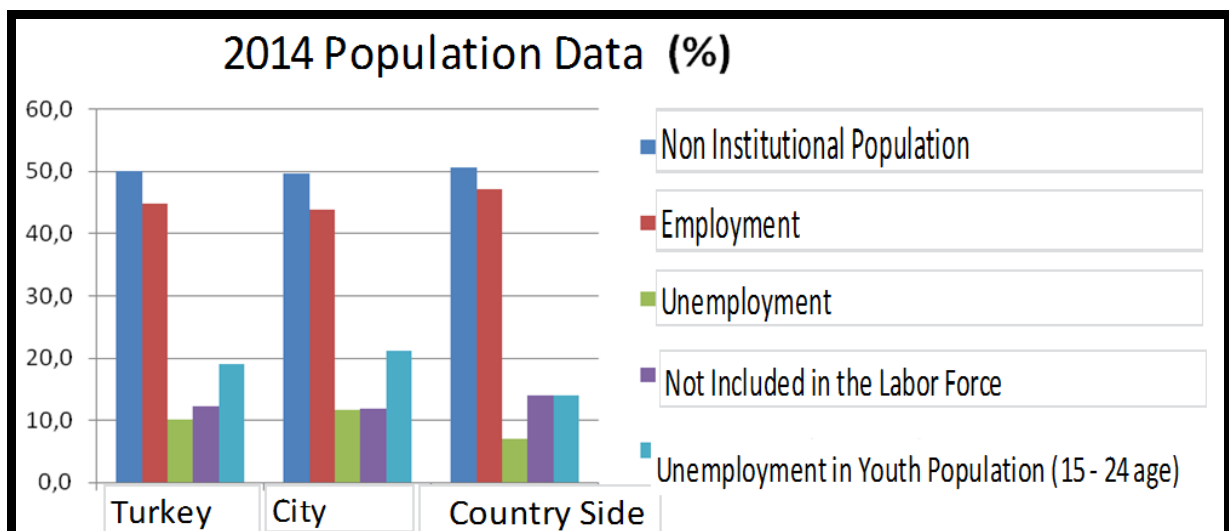
	TURKEY		URBAN		RURAL	
	2013	2014	2013	2014	2013	2014
Non institutional Population (000)	74.033	74.947	50.675	51.129	23.358	23.818
Population of and above 15 years of age (000)	55.169	56.084	37.916	38.372	17.253	17.712
Labor force (000)	27.323	28.036	18.418	19.056	8.905	8.980
Employment (000)	24.433	25.194	16.196	16.849	8.237	8.346
Unemployment (000)	2.890	2.841	2.223	2.207	668	634
Not Included in the Labor Force (000)	27.846	28.048	19.498	19.316	8.348	8.733
Participation in the Labor Force Rate (%)	49,5	50,0	48,6	49,7	51,6	50,7
Employment Rate (%)	44,3	44,9	42,7	43,9	47,7	47,1
Unemployment Rate (%)	10,6	10,1	12,1	11,6	7,5	7,1
Unemployment Rate excluding Agriculture (%)	12,9	12,3	12,3	11,9	15,5	14,1
Unemployment Rate in Young Population (15-24 age group) (%)	20,7	19,0	22,3	21,2	17,0	14,0

Population Data for the years of 2013 and 2014 (Source: Turkish Statistical Institute – TUIK)

When the data relative to the years of 2013 and 2014 is evaluated, it can be observed that the population, labor force and employment are on the rise for Turkey in general, as well as the cities and the country. Nonetheless, unemployment has also increased. While those that are not included in the labor force are in decline in the cities, this number has been noted to rise in the country side. In addition, the increase in participation in the labor force and the employment rates in the city, with regard to the overall rates, has drawn attention. The unemployment rate has been verified to increase in all of the three groups. Meanwhile, the unemployment rate among the young population in Turkey in general, together with the cities, is another important topic to consider.



Furthermore, a second comparison is an evaluation of the 2014 year population specified in the table on the basis of city and countryside. Here, similarity of the Turkey-wide charts and the city charts in terms of distribution draws attention.



In light of this data, the information regarding general economic overview and real estate industry will be conveyed.

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, labour force market, inflation and risks about them, there is no need to interest rate hike, although USA economy is strengthening and unutilized capacity in labour 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 debt 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.
- Deceleration 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.

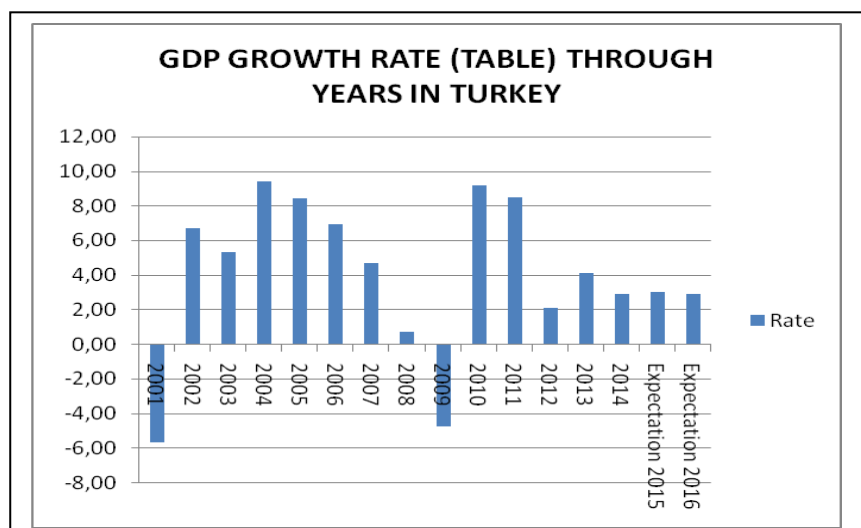
- Some countries, especially the ones with rich sources, have wide current account deficit due to foreign direct investment. Correspondingly they are more vulnerable towards foreign financial shock.
- Risk balance is still downward. Low level of petrol and other commodities can constitute an upward demand 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.

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%.

TURKEY GROWTH RATES (%)	
2001	-5,70
2002	6,70
2003	5,30
2004	9,40
2005	8,40
2006	6,90
2007	4,70
2008	0,70
2009	-4,80
2010	9,20
2011	8,50
2012	2,10
2013	4,10
2014	2,90
Expectation 2015	3,00
Expectation 2016	2,90

Source:TCBM and IMF REPORT



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.

Current deficit balance (current deficit/gross national product) expectations of IMF is -4-5% for 2015 and -4,7% for 2016. These rates were -4,2% and -4,8% in previous report.

IMF projected unemployment rate as 10,8% for this year and 11,6% for next year, which was 9,9% for last year.

TL decreased in value towards especially USA dollar and Euro significantly as a result of global instability and political, economic and other risks in Turkey. Since exchanges increased significantly, fixed exchange rate approach was seen in especially real estate sales. Exchange rates for 01.10.2015 dated and 20.11.2015 dated appraisal reports were investigated. Exchange rate was instable in this period and this instability continued after political elections of 2015. In this period average dollar exchange was 2.91 TL, and average euro exchange was 3.22 TL. Fixed exchange rate is preferred in especially real estate sector because of above-mentioned reasons. Preferred exchange rate is below the value in period of 01.10.2015 and 20.11.2015. For this reason, in the appraisal report, exchange rate on the date of 02.11.2015 in accordance with central bank data since it is nearest value to the current exchange value in the market.

Foreign market value is determined through selling rate of exchange was used, and for determining TL value buying rate of exchange was used.

On the date of 02.11.2015, buying rate of exchange was 1 USD=2,8035 TL, and 1 EURO=3,0898 TL.

On the date of 02.11.2015, selling rate of exchange was 1 USD=2,8085 TL, and 1 EURO=3,0954 TL.

4.4 General Status of the 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 was quite alive. This may

be thought as a kind of protection method of customers related to expectation of increasing demand.

It is evaluated that stabile 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.

4.5 Information Regarding The Tourism Industry

While Turkey closed the year of 2013 with 34.910.098 persons, it has closed the year of 2014 with an increase 5,5% in terms of foreign visitors corresponding 36.837.900 tourists.

Antalya became the first city in regards to foreign tourists visiting touristic centers, with a number of 11.9 million tourists. On the other hand, Istanbul has achieved a growth rate of 13% roughly. In Muğla the increase recorded approximately 2,5%; in Izmir there is a decrease corresponding almost 5%.

The revenue obtained in the Tourism industry, from the domestic and foreign tourists in the year of 2013, has increased 11,4%, thus reaching 32,3 billion dollars. The revenue obtained from foreign tourists in the year of 2013 has increased 13%, rising from 22,4 billion to 25,3 billion dollars. During the same time period, the revenue obtained from Turkish citizens living abroad and visiting the country has increased 6,4% and reached 6,7 billion dollars. (*Source: Mediterranean Touristic Hotels and Operators (AKTOB) Research Unit*) While Turkey has managed to be one of the 20 biggest economies in the world (G20), it is ranked at number 6 among the 10 touristic destinations.

According to the real estate report for the year of 2014, which Deloitte has prepared for Turkey, one interesting topic is the Tourism Strategy of the Ministry of Culture and Tourism for the year of 2023. The target visitor number is set for 63 million and the total planned revenue (from foreign visitors) is 86 billion dollars. The aim is to enter the top 5.

4.6 Analysis of the Region Where the Real Estate is Located

4.6.1 The City of Izmir



Izmir is the third biggest metropolis of Turkey, as well as an important expo center and a seaport. Izmir, also called “The Pearl of the Aegean”, has been the cradle of many civilizations since its early days and continues to be a major metropolis of significant economic and social importance to Turkey, in the present day.

According to archaeological excavations performed in the area, the historical past of Izmir, the third major city of Turkey, goes back to 3000 B.C. The city of Izmir, where many civilizations ruled in the past, started gaining importance in Mediterranean and world trade since the 16th century. Not just an important city of the region, Izmir was a notable trade city of the Mediterranean and Europe, displaying an agitated chart throughout history. Turkey, being one of the first countries to implement railroad transportation, with the Izmir – Aydın and Izmir – Turgutlu lines entering into service between the years of 1856 and 1863, has helped the port city of Izmir, which had excellent opportunities at the time coupled with the entrepreneur spirit of its people, to become a trade center.

With the implementation of the Republic, Izmir put the emphasis on becoming a modern city and it still strives to improve on this characteristic.

The city of Izmir is situated in the bay area with the same name on a developing plain atop a 30 km bow and the low hills located on the coast, which grant the city a maritime climate. Due to its geographical location, the maritime climate is dominant within the borders.

A sub-type of the Mediterranean climate, the Aegean Coast is generally experienced in Izmir. In other words, summer is hot and dry as the Mediterranean coastal line and winter is warm, although it registers less rainfall than the Mediterranean. The highest average temperature in the city is observed in the month of July, with an average of 27.6 degrees, and the lowest temperature in the

month of January, with an average of 8.6 degrees. Izmir, with its population of 3.795.978, is one of the Turkish cities with highest population. While the official population of the city is 3.450.537, the population of its surrounding villages is 345.441. The city density is 316 people per km².

The city of Izmir is composed of 30 districts and 596 villages. The districts with the highest population are Karabağlar, Konak, Buca, Bornova, Bayraklı and Karşıyaka, respectively. The smallest district in terms of population is Karaburun. The largest district in terms of surface area is Bergama and the smallest is Balçova.

The moderate climate conditions, rich historical past and scenic beauty of the region have contributed for Izmir to become a tourism center. All sorts of tourism are practiced in the region, namely maritime, historical and archaeological, yacht tourism, thermal tourism, plains, hunting, as well as winter tourism, thus contributing with a significant share to the economy of the country.

Aside from being a touristic center, Izmir is presently a major cultural intersection as well, with its universities, museums, concert halls, cultural-art foundations, annual national and international festivals and rich media diversity. Izmir is a significant educational center of Turkey, with its above average schooling and education, in addition to its high standard educational institutions.

There are three public universities in the city, namely Aegean, Dokuz Eylül University and Izmir High Technology Institute. With Yaşar University, Gediz University, İzmir University and İzmir Economy University, the number of universities reaches seven.

While possessing an agricultural wealth that contributes with a rate of 3,8% of plant production and 6,1% of animal production, the city of Izmir is a prominent commercial and industrial center. Izmir notably contributes to the economy with its entrepreneur, hardworking and qualified population; there are 18 organized industry sites, 2 free trade areas, Small Industry Sites and Markets, ports, Technology Developing Areas, efficient drainage basins and expo areas.

4.7 District of Konak



Konak is a district center located within the Metropolis of Izmir. In the North of the district is the Izmir Bay area and the district of Bayraklı, in the East the district of Bornova, in the South the district of Karabağlar, in the Southeast the district of Buca and in the west the district of Balçova.

The city of Izmir is characterized with widely known artifacts from the antique ages and from the Ottoman era but it is known mostly for its Republic Period artifacts. Konak, being a center of culture, art and entertainment, constitutes a frequent stop for domestic and foreign tourists. Especially the Kemeraltı Market is a major contributor to the district economy and a serious promotion for the city of Izmir. The ancient city of Smyrna, located within the district of Konak, along with the Agora archaeological site left over from the Romans, are open for touristic visits. Furthermore, after Karşıyaka, Konak is famous for its Konak Plaza and the Konak Docks, which provides maritime transportation together with the other dock all over Izmir. The coastal road and the walkways are notably filled with people from all over Izmir.

Konak is an administrative, artistic, cultural and commercial center of Izmir.

The population of the district belongs to the city population. There are no villages or towns. The surface area of the district is 69 km².

In accordance with the Council of Ministers decision number 5747 that entered into effect during the month of March of 2008, 55 neighborhoods and 2 towns have been connected to the district of Karabağlar. As of 2008, there are 113 neighborhoods within the district of Konak.

The district has a total of 2.905 streets, 90 avenues, 19 boulevards and 14 plazas.

4.7.1 Information Regarding the Tourism Industry in Izmir and the Hotel Market

Tourism plays an important role in the economy of Izmir. Aside from sea and sun related seasonal tourism, there are innumerable other areas, such as expo and congress tourism, health tourism, cultural tourism and religious tourism.

When the facilities are inspected, within the scope of the standards, it is observed that the emphasis is on 3, 4 and 5 star hotels and on boutique hotels. The 4 and 5 star hotels have the largest room and bedding capacity.

TOURISM OPERATING AND INVESTMENT LICENSED ACCOMODATION FACILITIES AND THEIR ROOM and BEDDING CAPACITY IN TERMS OF DISTRICTS

DISTRICTS	FACILITIES WITH OPERATING LICENSE			FACILITIES WITH INVESTMENT CERTIFICATE			TOTAL			TOTAL (%)		
	NUMBER OF FACILITIES	NUMBER OF ROOMS	NUMBER OF BEDS	NUMBER OF FACILITIES	NUMBER OF ROOMS	NUMBER OF BEDS	NUMBER OF FACILITIES	NUMBER OF ROOMS	NUMBER OF BEDS	NUMBER OF FACILITIES	NUMBER OF ROOMS	NUMBER OF BEDS
ALIAĞA	2	80	160	0	0	0	2	80	160	0,9%	0,4%	0,4%
BALÇOVA	3	599	1.204	0	0	0	3	599	1.204	1,4%	3,0%	2,8%
BAYRAKLI	0	0	0	1	182	364	1	182	364	0,5%	0,9%	0,8%
BERGAMA	1	57	114	1	72	144	2	129	258	0,9%	0,6%	0,6%
BORNOVA	3	201	406	1	23	46	4	224	452	1,9%	1,1%	1,0%
ÇEŞME	41	3.172	6.750	23	1.382	3.712	64	4.554	10.462	29,6%	22,5%	24,3%
ÇİĞLİ	1	78	156	0	0	0	1	78	156	0,5%	0,4%	0,4%
DİKİLİ	6	286	583	4	988	2.710	10	1.274	3.293	4,6%	6,3%	7,6%
FOÇA	7	329	677	1	20	44	8	349	721	3,7%	1,7%	1,7%
GAZİEMİR	2	100	200	2	168	338	4	268	538	1,9%	1,3%	1,2%
KARABURUN	1	15	30	0	0	0	1	15	30	0,5%	0,1%	0,1%
KARŞIYAKA	1	15	30	1	42	84	2	57	114	0,9%	0,3%	0,3%
KEMALPAŞA	1	24	50	1	116	232	2	140	282	0,9%	0,7%	0,7%
KONAK	57	4.137	8.337	9	818	1.491	66	4.955	9.828	30,6%	24,5%	22,8%
MENDERES	11	2.571	5.392	4	953	2.066	15	3.524	7.458	6,9%	17,4%	17,3%
NARLIDERE	1	316	636	0	0	0	1	316	636	0,5%	1,6%	1,5%
ÖDEMiŞ	2	81	162	1	20	40	3	101	202	1,4%	0,5%	0,5%
SEFERİHİSAR	7	1.053	2.176	0	0	0	7	1.053	2.176	3,2%	5,2%	5,1%
SELÇUK	13	2.101	4.279	0	0	0	13	2.101	4.279	6,0%	10,4%	9,9%
TİRE	1	35	70	0	0	0	1	35	70	0,5%	0,2%	0,2%
TORBALI	2	109	218	0	0	0	2	109	218	0,9%	0,5%	0,5%
URLA	3	79	158	1	10	20	4	89	178	1,9%	0,4%	0,4%
TOTAL	166	15.438	31.788	50	4.794	11.291	216	20.232	43.079	100,0%	100,0%	100,0%

Source: İzmir Provincial Directorate of Tourism-2015

Detailed information with regard to the tourism related data of the city has been obtained from the Provincial Directorate of Tourism. According to this information, there are 216 licensed accommodation businesses with investment certificates in the city. In these facilities, there are a total of 20.323 rooms available with a capacity for 43.079 beds.

In a breakdown of the accommodation capacity, the central district of Konak (30% facilities, 24% rooms, 22% bedding capacity) and the major touristic district of Çeşme (29% facility, 22,5% rooms, 24,3% bedding capacity) are the most significant ones. Following these are the districts of Menderes, Selçuk and Dikili, the sum of which does not reach the number of facilities in either of the districts of Konak or Çeşme.

5 INFORMATION IN REGARD TO THE REAL ESTATE SUBJECT TO THE APPRAISAL

5.1 Information in Regard to the Location, Site and Environment of the Real Estate

The real estate is situated at Plan Section no: 909, Block no: 7656, Plot No:2, before the Customs Directorate of Izmir, located at the Neighborhood of Alsancak, Atatürk Boulevard

The real estate subject to this appraisal has a surface area of 629,00 m² and is of a “10 Story Reinforced Concrete Hotel Building Including Basement Floors” quality.

The real estate in question is located on the left side of the avenue, 50m after turning towards the direction to the docks at the intersection right in front of the Alsancak Train Station, at the entrance of the district of Alsancak from Bornova. On account of having a façade to the 1472th street, which is a street high in demand connecting the Kıbrıs Şehitleri Avenue that comes from the direction of the Train Station of Alsancak and the Alsancak Stadium to the 1st Cordon, the real estate has high publicity capabilities; in addition, it is situated in an area that is in close proximity to the Customs Directorate and the Port area, thus being densely populated by companies that operate in these aforementioned areas. The Train Station of Alsancak, the Customs Directorate, the City Port, the 1st Cordon and Kıbrıs Şehitleri Avenue are all in the vicinity of the real estate; therefore, it is a widely known area of the city of Izmir.

The real estate subject to this appraisal has high accessibility due to its location, having easy access by private vehicles and public transportation.

The location of the Real Estate subject to the appraisal



The location of the Real Estate subject to the appraisal



Vicinity of the Real Estate subject to the appraisal and its current satellite image

5.2 Information with Regard to the Land Registry of the Real Estate

City	:	İzmir
District	:	Konak
Neighborhood	:	Alsancak
Section No.	:	909 plan
Block No.	:	7656
Plot No.	:	2
Surface Area	:	629,00m ²
Owner	:	General Directorate of Foundations
Nature	:	10 Story Concrete Building including Basement Floors
Land Title Date	:	08.07.2013
Journal No.	:	14368
Volume No.	:	485
Page No.	:	4453

The real estate subject to the appraisal is registered at the Directorate of Land Registry of the district of Konak, with the **Alsancak Neighborhood Volume No. 485, page 4453** (continuing at the volume number 489, page 4903).

It has been established that there is a “*Lease Annotation*” on the real estate for the duration of 49 years, on behalf of Akfen Real Estate Investment Trust Inc.

5.2.1 Investigation of the Land Registry of the Real Estate

According to the information (TAKBIS document) obtained in regards to the real estate from the TAKBIS portal, connected to the Land Registry Directorate of the District of Konak, by our company on the date of **22.10.2015, at 11:24**, the due inspection has been performed on the land title registries of the real estate and the following restrictions have been noted.

Annotations Section

- Pursuant to the journal no: 3272, dated 15.02.2011, there is a “lease agreement against a value of 19.488.000.- TL (Lease Annotation for the duration of 49 years on behalf of Akfen Real Estate Investment Trust Inc. starting from the date of 16.12.2010)”

5.2.2 Changes that Have Occurred in the Land Registry of the Real Estate within the Last Three Years

There are no buying or selling activities with regard to the real estate, within the last three years. However, the quality of the real estate has changed into “10 Story Concrete Hotel Building, Including Basement Floors” almost 2 (two) months after the occupancy permit with the operation dated 08.07.2013 with journal no. 14368.

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

Pursuant to the subparagraph “a” of the Article number 22 of the communiqué, with regard to the real estate investment trusts principles of the Capital Market Board regulations, the Real Estate Investment Trusts “can purchase, sell, lease, lease out and pledge to purchase or sell all sorts of real estate, such as land, plot, building, office building, shopping mall, hotel, logistic centers, warehouse, park and hospitals, for the purpose of achieving gross profit or lease revenue.”

It has been observed that the property subject to the appraisal report has a “Lease Annotation” for the duration of 49 years on behalf of Akfen Real Estate Investment Trusts Inc.

In accordance with the article of the aforementioned communiqué, there are no obstacles that prevent the real estate from being included in the investment trusts portfolio, within the scope of the Capital Market Board regulations.

5.3 Inspection of the Zoning Information of the Real Estate

With the zoning status approval certificate emitted by the Municipality of the District of Konak, Zoning and Urbanism Directorate, the zoning information relative to the real estate subject to the appraisal has been evaluated.

According to the zoning status certificate and the information obtained from the Zoning and Urbanism Directorate, enclosed herewith;

Pursuant to the 24.01.1985 dated and up to date zoning status, with a scale of 1/1000, the real estate subject to the appraisal is in the Housing Area with Commercial Purpose on a condition of 8 story attached construction. The Official Zoning Status documents are enclosed herewith.

According to the Plan Notes (Commercial Purpose Housing Area);

Zemin katta konut yapılamaz. House, market, Office, retailing, entertainment areas, touristic facilities, hotels and mhotels, regional public institutions ad multi-storey car parking areas can be constructed. House Cannot be constructed in the ground floor.

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

According to the inspection of zoning archive of the real estate at Municipality of Konak Zoning and Urbanism Directorate; documents’ chronology is as follows:

DATE	NUMBER	TYPE OF DOCUMENT	SURFACE AREA (M ²)	EXPLANATION
19.07.2011	-	ARCHITECTURAL PROJECT	5.882,77	MUNICIPALITY ARCHIVE APPROVED PROJECT
28.04.2011	1	CONSTRUCTION PERMIT	760,00	COMMON AREA
29.09.2011	80	İKSA LICENCE	5.760,00	HOTEL
10.10.2011	80	CONSTRUCTION PERMIT	5.760,00	HOTEL WITH OR WITHOUT RESTAURANT
10.10.2011	1/2011	LICENCE FOR CHANGE IN THE CONSTRUCTION SUPERVISOR	760	Common area
03.05.2013	169	OCCUPANCY PERMIT	5.760,00	HOTEL

Architectural Project with Approval: There is an existing architectural project with the date of 19.07.2011. According to the project prepared for the hotel building with 2 basement floors + ground floor + 7 normal floors, the total enclosed area is of 5.882,77m². (As stated in the License and Occupancy Permit, the building has an area of 5.760m²; moreover, the difference between the two given values consists of the areas containing staircases and such other areas which are not included in the comparable.)

Construction Permit: It has been noted that, within the zoning documents pertaining to the plot area: the 07.04.2011 dated Construction Permit with the number 1, with a surface area of 17.927,00m², for the purpose of “Shoring”; the 28.04.2011 dated Construction Permit with the number 1, with a surface area of 760,00m², for the purpose of “Common Areas” due to “Shoring”; lastly, the 29.09.2011 and 10.10.2011 dated “Construction Permits” with the number 80, granted for the “hotel with a surface of 5.760m²” and the “hotel with the surface area of 5.760m² with and without a restaurant”, respectively. Both of the permits have been granted for the same building, having been stated in their description sections of the older permit that they have been granted for one building and, in the same section of the recently granted permit, it is stated that the hotel has been divided into independent sections within (since they have not been registered at the Land Registry, they cannot be evaluated as independent sections legally) and that the permits have been granted with this in consideration. Moreover, it has been observed that another permit has been granted with the date of 10.10.2011 and number 1/2011 for the reason of “Change in the Construction Supervisor”.

Occupancy Permit: It has been determined that, within the zoning documents pertaining to the plot, there are the 02.05.2013 and 03.05.2013 dated “Occupancy Permits” with the number 169 granted for “hotel with the area of 5.760m²” and “hotel with the area of 5.760m² with and without restaurant”, respectively.

Conforming to the inspections carried out on site, there are no differences to be found between the ongoing situation and the legal situation. The current building is effectively in accordance with the 19.07.2011 dated “Approved Architectural Project”.

5.3.2 Building Inspection Institution and Maintenance

The real estate subject to this appraisal is liable to inspection under the 29.06.2001 dated Law Regarding Building Inspection with the number 4708, for the inspection of the building in the course of the construction process, which will be performed by the Kordon Yapı Denetim Limited Şirketi, operating in the city of İzmir, found at the address of Güneşli Mahallesi, Eski İzmir Caddesi, No: 12/B Yağhaneler / İzmir.

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

Pursuant to verbal information obtained from the Konak Municipality of the District of Konak, 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.

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 hotel 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 estate subject to this appraisal study is located in the city of Izmir, district of Konak, Neighborhood of Alsancak, Block no: 7656, Plot no: 2, with a surface area of 629,00 m², consisting of a “ 10 Story Concrete Hotel Building Including the Basement Floors”. There is a concrete building, on the plot, with 10 stories composed of 2 basement floors + ground floor + 7 normal floors, operating as IBIS Hotel. As reported by the project, the enclosed area of the building is of 5.882,77 m². (As stated in the License and Occupancy Permit, the building has an area of 5.760 m² and the difference between the two given values consists of the areas containing staircases, which are not included in the comparable.)

The IBIS Hotel subject to this appraisal study is a 3 star accommodation facility, comprised of 140 rooms.

According to the approved architectural project and the inspections performed on site, the building has been constructed in the following manner;

2nd Basement Floor: According to the project, it covers an area of 595,73 m² which is composed of shelter, central heating system, pumping room and water tanks, hall and electric board room. In the central heating and the pumping rooms, the floors are covered with epoxy material, whereas the other sections are covered with ceramics. The interior doors are made of metal.

1st Basement Floor: According to the project, it covers an area of 311,42 m² which is composed of offices, workshops, storing areas of numerous departments, men and women locker rooms and W.C's, hall and staff dining hall. Walk-in Coolers have been observed in some of the storages. All of the floors in this area are covered in ceramics and the doors are made of metal.

Ground Floor: According to the project, it covers an area of 595,6 m² which is composed of a kitchen area, reception, restaurant, conference room, luggage room, general manager room, procurement office, bar, W.C's, fire alarm room, waste storing rooms and electric board room. On this floor, the restaurant has a flooring of laminate parquet, while the conference room is covered with wall to wall carpet. In the remainder of the areas, the floors are covered with ceramics. The interior doors are made of wood and the restaurant and reception area façades are covered with aluminum joinery window walls.

1st and 2nd Floors: According to the project, they cover an area of 626,90 m² which is composed of a hall, electric board room, laundry, service hall, fire escape halls and 20 rooms. One of the rooms, in each floor, is reserved for disabled customers and, therefore, is slightly larger than the other rooms, having an area of 15,88 m². The remainder of the rooms vary between 13,26 m² and 14,69 m². The flooring in the rooms is covered with laminate parquet and the bathroom areas, inside the rooms,

are covered with ceramics both on the floor and the walls. The halls are covered with wall to wall carpets, while the other areas are covered with ceramics.

3rd and 7th Floors: According to the project, they cover an area of 627,70 m² which is composed of a hall, electric board room, laundry, service hall, fire escape halls and 20 rooms. The areas of the rooms vary between 13,26 m² and 14,69 m². The flooring in the rooms is covered with laminate parquet and the bathroom areas, inside the rooms, are covered with ceramics both on the floor and the walls. The halls are covered with wall to wall carpets, while the other areas are covered with ceramics.

4th, 5th and 6th Floors: According to the project, they cover an area of 627,70 m² which is composed of a hall, electric board room, laundry, service hall, fire escape halls and 20 rooms. The areas of the rooms vary between 13,26 m² and 14,69 m². The flooring in the rooms is covered with laminate parquet and the bathroom areas, inside the rooms, are covered with ceramics both on the floor and the walls. The halls are covered with wall to wall carpets, while the other areas are covered with ceramics.

There are 3 elevators in the building, of which 2 are the customer elevators and 1 is the staff elevator. The customer elevators operate between the ground floor and the 7th floor, whereas the staff elevator operates between the 1st basement floor and 7th floor.

IBIS HOTEL	1 st Floor	2 nd Floor	3 rd Floor	4 th Floor	5 th Floor	6 th Floor	7 th Floor	Total
Standard Rooms	19	19	20	20	20	20	20	138
Disabled Rooms	1	1	-	-	-	-	-	2
Total	20	20	20	20	20	20	0	140

Interior Construction Characteristics of the Ibis Hotel and the Restaurant Building are as follows:

Structural and Interior Construction Characteristics of the Ibis Hotel	
Total Area	Ibis Hotel; <u>According to the Architectural Project and current status: 5.882,77m²</u> <u>According to the Construction Permit and Occupancy Permit: 5.760,00m²</u>
Age	2
Construction Type	Concrete
Roofing System	Terrace Roof Aluminum Joinery Sinterflex
Disposition	Attached Building
Number of Floors	10 Story (2 Basement + Ground Floor + 7 Normal Floors)
Exterior Façade	Ground Floor is covered with glass, sinterflex is used in some places and the remainder floors are sinterflex
Electricity	City Grid
Heating System	Central Heating System
Water	City Grid
Sewerage	City Grid
Elevator	3 elevators (2 customer, 1 staff)
Ventilation System	Available
Fire Escape	Available
Fire Extinguisher Systems	Available
Car Park	None
Flooring	Wall to wall carpet, laminate parquet, ceramics, epoxy
Walls	Satin paint, ceramic tile and wall paper
Joinery	Exterior Joineries are made of aluminum, while the interior ones are made of wood
Ceilings	Suspended ceiling
Heating	Central Heating
Illumination	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 subject to the appraisal is located in the city of Izmir, district of Konak, Neighborhood of Alsancak, Section no: 7656, Plot no: 2, with a surface area of 629 m2.
- The structure is easily accessible and situated in a central location, in close proximity of major arterial roads, public agencies and institutes. Additionally, the real estate subject to the appraisal is located in an active area, in terms of commerce.
- The plot in question has a façade of approximately 25 m on the Atatürk Avenue and 23 m on the 1472th Street.

- The real estate subject to the appraisal has a significant capacity for recognition and publicity, on account of the busy location it is situated in.
- The ownership of the land of Ibis Hotel belongs to the General Directorate of Foundations and has been leased for the duration of 49 years to Akfen Real Estate Investment Trust Inc. with a lease agreement.
- The plot subject to the appraisal has a geometric irregular shape; however, it has a flat topographical formation.
- The plot subject to the appraisal contains an operating 3 star hotel building with a capacity for 140 rooms, providing services under the name Ibis Hotel.
- The starting date of operations of the Ibis Hotel is 24.06.2013.
- The hotel building has been projected as a concrete, detached structure with 2 basement + ground floor + 7 normal floors, making a total of 10 floors and has been constructed according to this project, with a gross enclosed area of 5.882,77 m2.

Floors	Floor Surface Areas (m ²)
2 nd Basement Floor	595,73
1 st Basement Floor	311,42
Ground Floor	595,62
1 st Normal Floor	626,90
2 nd Normal Floor	626,90
3 rd Normal Floor	627,70
4 th Normal Floor	623,60
5 th Normal Floor	623,60
6 th Normal Floor	623,60
7 th Normal Floor	627,70
	5.882,77

- Inside the Ibis Hotel, there are customer and staff elevators, fire alarm and extinguisher systems, as well as ventilation, heating and air conditioning systems.
- The Ibis Hotel does not have an open or closed car park.
- The Building covers the whole plot area. Since the whole plot is occupied, there is no mention of garden or a park.
- The customer entrances to the Ibis Hotel are through the ground floor and on the south.

6 FACTORS AFFECTING AND DETERMINING THE VALUE OF THE REAL ESTATE

6.1 Factors that Limit or Negatively Affect the Appraisal Process

There are no limiting or negatively affecting factors hindering the appraisal studies in question.

6.2 Swot Analysis

Strengths

- The ownership belongs to the General Directorate of Foundations with a “Lease Agreement” on behalf of Akfen Real Estate Investment Trust Inc. for the duration of 49 years.
- The “Lease Agreement” that is valid until the year of 2059 has been annotated in the land registry book.
- The hotel has high recognition and marketing capacity due to its location.
- The Hotel facility is situated at the intersection of arterial roads and has a variety of access options. It is located roughly between the Alsancak Train Station and the Alsancak Port, approximately at a distance of 200m from each.
- Its surroundings constitute an important commercially active area, with governmental agencies, docks and commercial real estates in its vicinity, as well as the Kıbrıs Şehitleri Avenue, which can be qualified as a shopping avenue.
- The hotel subject to this appraisal study is operated under an international brand name that provides the same quality service worldwide.

Weaknesses

- On account of the infrastructure of the area being old, there are considerable problems in supporting the commercial density of the district. There are particularly challenging problems related to traffic and parking in the area.
- Since the plot area is relatively small, there has not been an opportunity to include a car park within or outside the hotel, as well as a landscape area.

Opportunities

- With the start of Cruise ships arriving at the Alsancak Port, more tourists are visiting the area.
- With the Urban Renewal plans going into effect, the old damp and dirty looking buildings are becoming modernized and the commercial quality of the area is increasing significantly.
- The Land Registry offices of the central districts of İzmir will move to the old Tekel Warehouse, which is still under renovations; however, this move will have a positive impact on the commercial activities.



Threats

- The fact that the infrastructure has difficulties supporting the current traffic and density subsequently originates the risk of failing to completely support the increasing traffic in the future.
- ABD Merkez Bankasının parasal genişlemeye son vermesinin ardından gelişmekte olan ülkelere olan fon transferlerinin azalması beklenmektedir. Bu durumun genel olarak gayrimenkul piyasasına negatif etkileri olabilir.



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.


Hotels in Vicinity Within the Scope of Market Surveys


WYNDAM HOTEL (*****)	
	
Location	İnciraltı / Balçova
Opening Date	August, 2013
Number of Rooms	219
Number of Beds	333
Room Size	26 -35, 60-90
The Capacity of Meeting Room	900 person
The Capacity of Car Park	220



RAMADA PLAZA İZMİR (****)	
 	
Location	Konak
Opening Date	2014
Number of Rooms	207
Number of Beds	414
Room Size	21-27
The Capacity of Meeting Room	200+ person
The Capacity of Car Park	-

MÖVENPICK HOTEL (*****)	
 	
Location	Konak
Opening Date	2008
Number of Rooms	185
Number of Beds	254
Room Size	22-42
The Capacity of Meeting Room	300 person
The Capacity of Car Park	Contractual

KAYA PRESTIGE HOTEL (****)	
	
Location	Konak
Opening Date	1992
Number of Rooms	142
Number of Beds	284
Room Size	20 - 55
The Capacity of Meeting Room	7 room
The Capacity of Car Park	10


DOUBLE TREE BY HILTON (****)	
	
Location	Konak
Opening Date	-
Number of Rooms	126
Number of Beds	-
Room Size	-
The Capacity of Meeting Room	-
The Capacity of Car Park	-

ANEMON HOTEL (****)	
 	
Location	Konak
Opening Date	-
Number of Rooms	118
Number of Beds	236
Room Size	17-40
The Capacity of Meeting Room	400 person
The Capacity of Car Park	-

EGE PALACE HOTEL (****)	
 	
Location	Alsancak
Opening Date	1993
Number of Rooms	116
Number of Beds	191
Room Size	24
The Capacity of Meeting Room	350 person
The Capacity of Car Park	40

RENAISSANCE HOTEL / MARRIOTT (****)	
	
Location	Konak
Opening Date	2003
Number of Rooms	110
Number of Beds	143
Room Size	32-60
The Capacity of Meeting Room	-
The Capacity of Car Park	25

ANEMON İZMİR (****)	
	
Location	Konak
Opening Date	1997
Number of Rooms	98
Number of Beds	120
Room Size	22-28
The Capacity of Meeting Room	150 person
The Capacity of Car Park	-

WALK IN HOTEL (***)	
	
Location	Konak
Opening Date	-
Number of Rooms	37
Number of Beds	74
Room Size	20-35
The Capacity of Meeting Room	-
The Capacity of Car Park	-

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

Since the real estate subject to this appraisal study is a revenue generating 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.

6.4.1 Exemplary Approach

As a result of the surveys performed in the vicinity of the real estate, no other recently sold exemplary hotels 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

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

EXAMPLE	Location	Characteristics	Surface Area (m ²)	Price	Unit m ² Price (TL)	Source
1	Aynı bölge	Alsancak, Quarter, on branch road 175 m ² commercial land	175	4.250.000	24.285,71	Altıntaş Real Estate 0 544 456 68 46
2	Aynı bölge	Alsancak Quarter 2800 m ² commercial land	2.800	24.000.000	8.571,43	Ayvalık Real Estate 0 537 881 06 62
3	Aynı bölge	Alsancak Quarter 147 m ² commercial + tourism land	147	1.350.000	9.183,67	Okur Real Estate 0 532 464 16 73
4	Aynı bölge	Alsancak Quarter 175 m ² arsa tourism + commercial land	175	1.400.000	8.000,00	Birlik Real Estate 0 532 731 51 36
5	Aynı bölge	Near Konak Fair	450	10.000.000	22.222,22	Reality World 0 533 253 12 86

- 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.

LAND EXAMPLES EVALUATION TABLE

	Example 1	Example 2	Example 3	Example 4	Example 5
Area (m ²)	175 m ²	2800 m ²	147 m ²	175 m ²	450 m ²
Price Asked (TL)	4.250.000	24.000.000	1.350.000	1,400.000	10.000.000
Room for Negotiation	10%	10%	10%	10%	10%
Bargain Price (TL)	3.825.000 TL	12.390.240 \$	5.232.291 \$	3.102.747 \$	549.822 \$
Location Correction (+-%)	15%	15%	15%	15%	15%
Zoning Status Correction (+-%)	20%	15%	20%	20%	25%
Surface Area Correction (+-%)	10%	-0%	10%	10%	-10%
Total Correction Factor	45%	20%	45%	45%	50%
Corrected Price per Unit (TL)	31.693	9.257	11.985	10.400	30.000
Average	18.675 TL/m²				

- As a result of the surveys performed, it has been noted that the zoned land stock (8 story buildings) in the same area as the real estate subject to the appraisal is limited and there are no concrete land examples that can compare to the plot subject to the appraisal. Consequently, from the research and interviews carried out in the area, the appraisal with regard to the plot has been conducted by taking into account the above provided examples and the total price of the property has been estimated to be **18.675TL/m²**
- 1/3 of the unit price per m2 of the land value has been determined as bare ownership and 2/3 as the lease right value for the duration of 49 years of lease.
- The total lease right for the duration of 49 years has been calculated by comparing the remaining lease duration, on the date that this report has been prepared, to the total duration time and determining the price per m2 of the right of construction.

Price per Unit Land Value of the Remaining Time for the Right of Construction*	10.771 TL
Size of the Land	629,0 m ²
Total Land Value (TL)	6.774.942 TL
Total Land Value (Euro)	2.188.713 €
Unit Land Value	18.675 TL
Right of Construction Value Rate	2/3
Remaining Time for Right of Construction (YEARS)	42,39
Price per Unit Land Value of the Remaining Time for the Right of Construction *	10.771 TL
<p>* When the remaining time value resulting from the right of construction of the land is calculated, for the right of construction value of the land, it has been employed as 2/3 at the first step. Afterwards, the remaining time from the right of construction is calculated in order to determine the current unit value of the land for the right of construction.</p>	
Unit Land Value of the Remaining Time for the Right of Construction	=(Unit Land Value x The coefficient of the right of construction for 49 years x The remaining time from the right of construction)
Unit Land Value of the Remaining Time for the Right of Construction	=(18.675 TL x 2/3 x 42,39 /49)

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 tourism 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 **18.975 TL/m²**. On the other hand, the price of the land per m² of the remaining time for the right of construction has been calculated as **10.771.-TL**.

It is one of the outcomes of the market surveys that over the amounts that the lands are for sale have approximately 15% bargain rate parallel to the irregular increases in 2015 exchange rates .

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) (*)		COST WITH DEPRECIATION (EURO) (**)
FLOORS	IBIS HOTEL TOTAL CONSTRUCTION AREA (m ²)	IBIS HOTEL	TOTAL COST	DEPRECIATION RATE (6%)
2 ND Basement Floor	595,73	400	238.292	223.994
1 ST Basement Floor	311,42	400	124.568	117.094
Ground Floor	595,62	1.000,00	595.620	559.883
1 ST Normal Floor	626,92	1.000,00	626.920	589.305
2 ND Normal Floor	626,92	1.000,00	626.920	589.305
3 RD Normal Floor	627,7	1.000,00	627.700	590.038
4 TH Normal Floor	623,6	1.000,00	623.600	586.184
5 TH Normal Floor	623,6	1.000,00	623.600	586.184
6 TH Normal Floor	623,6	1.000,00	623.600	586.184
7 TH Normal Floor	627,7	1.000,00	627.700	590.038
TOTAL CONSTRUCTION COST	5.882,81		5.338.520	5.018.209
External Miscellaneous Works (***) (€)				45.000
TOTAL STRUCTURE VALUE (€)				5.063.209
LAND VALUE (€)				1.833.047
TOTAL VALUE (€)				6.896.256
TOTAL VALUE (TL)				25.443.046

(*) 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 02.05.2013. The appraisal has been conducted by taking into consideration the age and physical status of the real estate.

(***) Costs for façade illumination, environmental planning, 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 not been employed.

IBIS HOTEL PROJECTION:

- The hotel subject to the appraisal has a capacity for 140 rooms.
- It has been estimated that the occupancy rate of the hotel in the year of 2017 will be of 79% and that this rate will increase until the year of 2019, which will then reach 85%, thus continuing in this manner, 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 45 EUR, in the year of 2017; 61 Euro in 2020 and moreover, it has been anticipated that this price will increase based on the inflation in the Euro Zone (2,5%) annually in the following years.
- Considering the performance of the facility, it has been assumed that the room revenues will constitute 81,90% of the total revenue, whereas the total department revenues will be around 18,10%.
- 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 41,23% in the year of 2016 and that it will reach 51,88% in the year of 2018, which will then stabilize in the following years.
- Since the owner is the General Directorate of Foundations, real estate tax is not applicable.
- Furniture Fixture Renovation Reserve has been obtained by reason of the agreements executed with ACCOR; as a result, it has been determined that the rate will consist of 3,5% of the annual gross revenue.
- Annual lease value (land) has been accepted regarding the lease agreement between AKFEN INC. And General Directorate of Foundations.
- Pursuant to the lease agreement between Akfen Real Estate Investment Trust Inc. and the General Directorate of Foundations, it has been agreed upon that the annual "Lease" value will be of 28.080.-TL TL for the duration of the first three years; additionally, between the 4th and the 15th year, it will be of 301.860TL and between the 16th and 49th years, it will be 480.000TL and increased based on the producer price index (PPI – UFE) of the previous year.

According to the Foundations General Directorate Izmir Regional Directorate 25.08.2015 dated notification, new-term lease value is determined following the agreement as 29.435 TL monthly (353.220 TL annually). In light of this, the lease value has been calculated based on the Euro currency and it has been acknowledged that the increase in the following years will happen on a rate of 2,5%.

- When the 49 years lease is terminated, the facilities will be transferred to the General Directorate of Foundations.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- 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.)
- The discount rate has been determined as 11,18% in the Projection.
- In the course of the studies, the exchange rate for 1 EUR has been acknowledged at 3,6894 TL, in accordance with the 13.12.2016 dated buying rate exchange of the Central Bank of Turkey.
- It has been assumed that all payments are made in cash.
- A more realistic net present value has been obtained through adding mid-year factor (0,5) into net present value calculations.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.



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EXPENSES																																											
DEPARTMENT EXPENSES																																											
Total Department Expenses	872,779	887,192	936,155	892,285	981,513	1,095,279	1,122,661	1,150,728	1,179,496	1,208,983	1,364,128	1,386,231	1,433,187	1,469,017	1,505,742	1,570,421	1,609,681	1,649,929	1,691,172	1,733,451	1,873,798	1,920,643	1,968,659	2,017,875	2,068,322	2,177,174	2,231,604	2,287,394	2,344,579	2,403,193	2,534,088	2,597,440	2,662,376	2,728,936	2,797,159	2,944,539	3,018,153	3,099,606	3,170,947	3,250,220	3,456,396	3,542,806	2,572,224

Net Department Revenues	1,098,845	1,234,769	1,394,212	1,761,745	1,937,919	2,162,541	2,216,605	2,272,020	2,328,821	2,387,041	2,699,361	2,760,695	2,829,713	2,900,456	2,972,967	3,100,670	3,178,187	3,257,642	3,339,083	3,422,560	3,699,664	3,792,155	3,886,959	3,984,133	4,083,736	4,298,657	4,406,123	4,516,276	4,629,183	744,913	5,003,355	5,128,438	5,256,649	5,388,066	5,522,767	5,813,757	5,959,101	6,108,078	6,260,780	6,417,300	6,624,377	6,994,986	5,078,655
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OPERATING EXPENSES		2015		2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1992		1991		1990		1989		1988		1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703	
Total Operating Expenses	285.885	307.684	337.503	364.834	423.318	472.364	484.194	496.258	508.706	521.424	588.336	603.044	618.120	633.573	649.413	677.308	694.241	711.597	729.387	747.622	806.152	828.356	849.065	870.291	892.048	938.996	962.470	986.532	1,011.195	1,036.475	1,059.929	1,120.252	1,148.259	1,176.965	1,206.389	1,269.953	1,301.702	1,334.244	1,367.600	1,401.796	1,490.712	1,527.980	1,109.377																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								

GROSS OPERATING PROFIT	812,960	927,084	1,056,309	1,376,910	1,514,601	1,690,157	1,732,411	1,775,772	1,820,115	1,865,618	2,105,025	2,157,651	2,211,592	2,266,882	2,323,554	2,423,362	2,483,946	2,546,045	2,609,696	2,674,938	2,891,512	2,963,799	3,037,894	3,113,842	3,191,688	3,359,661	3,443,653	3,529,744	3,617,988	3,708,437	3,910,425	4,008,186	4,108,391	4,211,100	4,316,378	4,543,804	4,657,399	4,773,834	4,893,180	5,015,510	5,333,665	5,467,066	5,969,274
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TOTAL EXPENSES	1,337,882	1,381,749	1,470,679	1,407,582	1,627,161	1,804,479	1,849,229	1,895,086	1,942,114	1,990,305	2,231,502	2,335,222	2,393,242	2,452,711	2,513,667	2,617,657	2,682,736	2,749,443	2,813,817	2,887,901	3,108,686	3,186,482	3,265,331	3,346,602	3,429,906	3,603,031	3,692,745	3,784,701	3,878,957	3,975,569	4,183,326	4,287,547	4,394,374	4,503,872	4,616,107	4,850,065	4,970,955	5,094,867	5,221,877	5,352,062	5,677,304	5,818,874	4,337,766
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Report No: 2016-020-GYO-010

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

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

- 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, according to the **25.05.2010** dated lease agreement signed between Akfen Real Estate Investment Trust Inc. and the General Directorate of Foundations, is managed by the international hotel operating company ACCOR Group. In the appraisal study, it has been assumed that the hotel will be operated within the terms of the current concept, in the course of the duration of the “lease agreement”.
- It has been assumed that the facility will be operating 365 days a year.
- The annually paid lease value (land) has been accepted in accordance with the lease agreement signed between AKFEN Real Estate Investment Trust Inc. and General Directorate Of Foundations.
- Pursuant to the lease agreement between Akfen Real Estate Investment Trust Inc. and the General Directorate of Foundations, it has been agreed upon that the annual “Lease” value will be of 28.080.-TL TL for the duration of the first three years; additionally, between the 4th and the 15th year, it will be of 301.860TL and between the 16th and 49th years, it will be 480.000TL and increased based on the producer price index (PPI – UFE) of the previous year. According to the Foundations General Directorate Izmir Regional Directorate 25.08.2015 dated notification, new-term lease value is determined following the agreement as 29.435 TL monthly (353.220 TL annually). In light of this, the lease value has been calculated based on the Euro currency and it has been acknowledged that the increase in the following years will happen on a rate of 2,5%.
- 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.
- Since the owner is the General Directorate of Foundations, real estate tax is not applicable.
- 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 1,09% by adding a 7,21% “Risk Premium” to the 2,88% to the Risk Free Revenue.

- In the course of the studies, the exchange rate for 1 EUR has been acknowledged at 3,6894 TL, in accordance with the 13.12.2016 dated buying rate exchange of the Central Bank of Turkey.
- It has been assumed that all payments are made in cash.
- A more realistic net present value has been obtained through adding mid-year factor (0,5) into net present value calculations.
- 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.



LEASE REVENUES CASHFLOW OF TTHE HOTEL

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	44	
	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	31.12.2027	31.12.2028	31.12.2029	31.12.2030	31.12.2031	31.12.2032	31.12.2033	31.12.2034	31.12.2035	31.12.2036	31.12.2037	31.12.2038	31.12.2039	31.12.2040	31.12.2041	31.12.2042	31.12.2043	31.12.2044	31.12.2045	31.12.2046	31.12.2047	31.12.2048	31.12.2049	31.12.2050	31.12.2051	31.12.2052	31.12.2053	31.12.2054	31.12.2055	31.12.2056	31.12.2057	31.12.2058	16.09.1959	
AKFEN OBTAINED LEASE																																													
LEASE OBTAINED FROM IBIS HOTEL REVENUE	492.906	530.490	582.592	663.507	729.858	814.455	834.817	855.687	877.079	899.006	1.014.372	1.029.732	1.065.725	1.092.368	1.119.677	1.167.773	1.196.967	1.226.891	1.257.564	1.289.003	1.393.365	1.428.199	1.463.904	1.500.502	1.538.015	1.618.958	1.659.432	1.700.918	1.743.440	1.787.026	1.884.361	1.931.470	1.979.756	2.029.250	2.079.982	2.189.574	2.244.313	2.300.421	2.357.932	2.416.880	2.570.193	2.634.448	1.912.719		
Operator Share	78.865	84.878	93.215	106.161	116.777	130.313	133.571	136.910	140.333	143.841	162.300	166.357	170.516	174.779	179.148	186.844	191.515	196.303	201.210	206.240	222.938	228.512	234.225	240.080	246.082	259.033	265.509	272.147	278.950	285.924	301.498	309.035	316.761	324.680	332.797	350.332	359.090	368.067	377.269	386.701	411.231	421.512	306.035		
Furniture Fixture and Renovation Reserve	78.865	84.878	93.215	106.161	116.777	130.313	133.571	136.910	140.333	143.841	162.300	166.357	170.516	174.779	179.148	186.844	191.515	196.303	201.210	206.240	222.938	228.512	234.225	240.080	246.082	259.033	265.509	272.147	278.950	285.924	301.498	309.035	316.761	324.680	332.797	350.332	359.090	368.067	377.269	386.701	411.231	421.512	306.035		
IBIS HOTEL AGOP	475.042	549.063	630.663	844.326	928.759	1.036.411	1.062.321	1.088.879	1.116.101	1.144.003	1.290.809	1.323.079	1.356.156	1.390.060	1.424.812	1.486.014	1.523.165	1.561.244	1.600.275	1.640.282	1.773.085	1.817.412	1.862.848	1.909.419	1.957.154	2.060.156	2.111.660	2.164.452	2.218.563	2.274.027	2.397.887	2.457.834	2.519.280	2.582.262	2.646.818	2.786.277	2.855.934	2.927.332	3.000.515	3.075.528	3.270.622	3.352.388	2.433.973		
USED IBIS HOTEL LEASE REVENUE	492.906	549.063	630.663	844.326	928.759	1.036.411	1.062.321	1.088.879	1.116.101	1.144.003	1.290.809	1.323.079	1.356.156	1.390.060	1.424.812	1.486.014	1.523.165	1.561.244	1.600.275	1.640.282	1.773.085	1.817.412	1.862.848	1.909.419	1.957.154	2.060.156	2.111.660	2.164.452	2.218.563	2.274.027	2.397.887	2.457.834	2.519.280	2.582.262	2.646.818	2.786.277	2.855.934	2.927.332	3.000.515	3.075.528	3.270.622	3.352.388	2.433.973		
Real Estate Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Insurance	16.624	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472	14.472		
Renovation Cost	3.943	4.244	4.661	5.308	5.839	6.516	6.679	6.845	7.017	7.192	8.115	8.318	8.526	8.739	8.957	9.342	9.576	9.815	10.061	10.312	11.147	11.426	11.711	12.004	12.304	12.952	13.275	13.607	13.948	14.296	15.075	15.452	15.838	16.234	16.640	17.517	17.955	18.403	18.863	19.335	20.562	21.076	15.302		
Annual Lease Value (Land)	95.739	98.133	100.586	103.101	105.678	108.320	111.028	113.804	116.649	119.565	122.554	173.913	178.261	182.717	187.285	191.967	196.767	201.686	206.728	211.896	217.194	222.623	228.189	233.894	239.741	245.735	251.878	258.175	264.629	271.245	278.026	284.977	292.101	299.404	306.889	314.561	322.425	330.486	338.748	347.216	355.897	364.794	373.914		
LEASE CASH FLOW	376.599	432.214	510.944	721.446	802.770	907.103	980.142	933.758	977.963	1.002.774	1.145.668	1.126.376	1.154.898	1.184.132	1.214.097	1.270.233	1.302.350	1.335.271	1.369.014	1.403.602	1.530.273	1.568.891	1.608.476	1.648.049	1.690.637	1.786.998	1.832.035	1.878.197	1.925.514	1.974.014	2.090.314	2.142.933	2.196.669	2.252.152	2.308.818	2.439.727	2.501.082	2.563.971	2.628.432	2.694.505	2.879.692	2.952.046	2.030.285		
CUMULATIVE CASH FLOW	376.599	808.813	1.319.757	2.041.203	2.843.973	3.751.076	4.681.218	5.634.975	6.612.939	7.615.713	8.761.381	9.887.797	11.042.655	12.226.787	13.440.884	14.711.116	16.013.467	17.348.738	18.717.752	20.121.354	21.651.626	23.220.518	24.838.993	26.478.042	28.168.680	29.955.678	31.787.712	33.665.910	35.591.424	37.565.438	39.655.751	41.798.685	43.995.553	46.247.705	48.556.523	50.996.350	53.497.332	56.061.304	58.689.736	61.384.240	64.163.932	67.015.978	69.246.263		

Risksiz Getiri oranı	7,21%	7,21%	7,21%
Risk Primi	2,52%	2,88%	3,24%
İndirgeme Oranı	9,73%	10,09%	10,45%
NET BUGÜNKÜ DEĞER (Euro)	10.568.097	10.090.947	9.647.709
NET BUGÜNKÜ YAKLAŞIK DEĞER (Euro)	10.570.000	10.090.000	9.650.000
NET BUGÜNKÜ YAKLAŞIK DEĞER (TL)	38.997.000	37.226.000	35.603.000

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 cash flow value. The annual lease value of the real estate has been calculated by reducing the 1st year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel is **359.000.- EURO (1.324.000-Turkish Liras)**. The discount rate has been determined to be of 10,09 %.

Date	31.12.2016	31.12.2017
Annual Lease Revenue	0	376.599

Net Current Value of the Annual Lease Value (EURO)	359.000
Net Current Value of the Annual Lease Value (TL)	1.324.000

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

The appraisal study in question does not enter the scope of “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

The hotel named IBIS HOTEL is operating on the plot as a whole; thus, common or divided areas are out of the question.

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 Example Comparison Method.

The total value in the cost method, including the construction rights on the land, has been calculated at approximately **6.896.256 EURO (25.443.046 TL)**

As a result of the reduction of the potential revenue of the structure on the plot that will be generated during the remainder of the 49 years of the lease agreement, in accordance with the revenue discount approach, the net current value of the HOTEL has been calculated to be **14.330.000.-Euro (52.187.000.-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 **10.090.000.-Euro (37.226.000.-TL)**. The final value of the hotel has been calculated to be **12.210.000.-Euro (45.048.000.-TL)**, based on the approximate arithmetic average of the value calculated by both of the methods.

The lease value of the real estate, since the date of 31.12.2015, has been calculated by taking into consideration the average cash flow of the first year, in accordance with the revenue discount approach and the lease revenue. The annual lease value of the real estate has been calculated by reducing the annual average net cash flow to the day when the appraisal study is performed. Pursuant to this calculation, the annual lease value has been determined to be **359.000.-Euro (1.324.000- 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. In addition, 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 1st model the revenue obtained by operating the real estate without a brand name has been calculated and in the 2nd 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

There have not been any other appraisal studies performed by our company, with regard to the real estate subject to this appraisal analysis.

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 rights and benefits in connection with the Section No: 7656, Plot No. 2, to be employed as right of the real estate (lease rights), 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 Assessment

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, façades 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

	Market Value of the Remaining Construction Right for the Real Estate (Euro)	Market Value of the Remaining Construction Right for the Real Estate (TL)
VAT Excluded	12.210.000	45.048.000
VAT Included	14.408.000	53.157.000

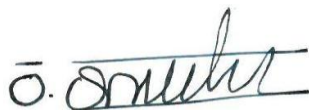
	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	359.000	1.324.000
VAT Included	424.000	1.562.000

- 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 on 13.12.2016.
 - 4-) While exchanging TL currency value reached in the appraisal report in question to the foreign currency selling rate of exchange has been used.
 - 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 Licence No:401431



Önder ÖZCAN
Certified Appraiser
SPK Licence No:402145



Neşecan ÇEKİCİ
Responsible Appraiser
SPK Licence No:400177





9 APPENDIX

1. Title Deed Photocopies
2. Approved Restrictions Document
3. Approved Zoning Status Document
4. Construction Licenses/Permits
5. Occupancy Permit
6. Architectural Project, Condition and Floor Plans
7. Construction Right Agreement
8. Hotel Lease Agreement
9. Business Starting and Operating License/Permit
10. Tourism Investment Document
11. Insurance Policies
12. Photographs
13. Backgrounds
14. SPK Certificate Samples