

Chapter 21

Turkey

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21.1 Introduction

Real estate was always considered to be a traditional investment choice in Turkey because of the unavailability of other investment alternatives, such as stocks and bonds, before the establishment of the Istanbul Stock Exchange (ISE) in 1986. According to the results of the 1994 Household Income Distribution Survey, the home ownership rate in Turkey was very high by international comparison, at 70.88 percent. In addition, most of household incomes are used for housing-related expenditures. However, despite the importance of real estate to Turkey, research and education in this field have been very limited. Education has developed as the need has arisen, while research has been carried out as the necessary data have become available. In

this paper, first, the background to the Turkish real estate market will be described. Then, the real estate professions, education and research in Turkey will be discussed.

21.2 Background

Since the 1950s, the migration of households from rural areas to the cities has increased the demand for housing in urban areas (Şenyapılı and Türel, 1996). The mortgage market has not been well developed in Turkey: buying a house therefore requires a large amount of capital. Lenders' requirements for a permanent income and high levels of equity led to development of slum houses on the outskirts of the cities. The limited amount of land available in the cities has also substantially increased in value. The supply of land has been increased by the development of new urban areas on the outskirts of the cities and by the legalisation of development on the previously unauthorised land where slum houses were located. Allowing the development of higher buildings in the inner cities has also increased densities.

The Housing Development Authority (HDA), established in 1984, has helped to increase housing production. It provides housing finance to co-operatives and other builders of multi-family housing units; sells housing units built on the Authority's land; and provides finance for housing units built on municipal land. 85 percent of the total amount of loans provided by the HDA have been taken by co-operatives. Through co-operatives, the HDA provides loans to individuals who purchase housing units that the co-operatives have built. There is a limit to the amount that can be borrowed, based on the size of the housing unit. These loans are medium to long term, 5- year or 10-year loans with relatively low interest rates.

Real estate investment trusts are new to Turkish investors. They were established only recently, after the preparation of the necessary regulations in 1995. The first real estate investment trust was offered in 1998. These trusts and their organising companies will increase the need for research into commercial real estate.

21.3 Property Professions

The property professions in Turkey can be divided into five categories: developers, appraisers, investors, brokers and property managers. Although some professional associations exist, their regulation and licensing are not well established except for development planners and real estate investment companies. There are special regulations regarding to the qualifications of the development planners and the real estate investment companies are regulated by the Capital Market Board of Turkey.¹

In Turkey, most developers are involved in housing projects. For example, according to the State Institute of Statistics (1997), in 1997 92.95 percent of fully and partially completed buildings (out of a total number of 58,028 buildings) were residential while only 6.15 percent were commercial or industrial. Housing therefore constitutes by far the major part of the new construction. Moreover, 105 of the 109 members of the Turkish Contractors' Association are involved in the development of residential and commercial properties. Türel (1996) examined some characteristics of the developers that are involved in residential development projects.² His sample consisted of small-scale builders, those that built residential properties as contractors for co-operatives receiving loans from the HDA, and large-scale developers constructing the satellite-city type of residential and commercial developments. He found that the majority of these builders were civil engineers or architects. 77 percent of the builders in his sample were involved in building properties for sale, while the rest were contractors for co-operatives or the state. Although one third of the builders purchased land by payment before construction, most of them acquired it by offering some of the units of the property to be constructed to the previous owner of the land.

According to Turkish law, development planners are required to have some qualifications. For example, in order to plan a development on land of up to 200 hectares, with a projected population of less than 10,000, planners must satisfy three conditions. They must have:

1. at least an M.Sc. degree in city and regional planning or urban design and a B.Sc. degree in city planning or architecture,
2. experience as a planner in public or private planning organisations, and
3. achieved success in urban planning competitions.

There are increased educational, experience and achievements requirements for planners of larger areas of land and more heavily populated areas.

Real estate brokers in Turkey are not required to have any special education or licence to undertake their profession: most of them consider real estate brokerage to be their secondary occupation. They have developed haphazardly, since the late 1970s, as small-scale entrepreneurs. In addition to arranging buying, selling or renting of property on behalf of a principal, in return for a fee or a commission, some also act as real estate investment consultants or experts in real estate appraisal.

The first formal organisation for the real estate brokerage profession in Turkey was the Ankara Realtors' Organisation, which was established in 1991. However, not all brokerage firms in Ankara are members of the organisation, neither are they required to be members in order to become a real estate broker. Ankara brokers secured a chamber in Ankara Chamber of

Commerce in 1999. This implies that real estate brokerage has begun to be recognised as a profession in Ankara. However, this factor does not apply to the whole country.³

There are two types of real estate agencies in Turkey: individual real estate brokers and brokerage chains. Some individual real estate brokers are members of realtors' organisations. Since there is no statutory regulation of the real estate brokerage market, the realtor organisations try to regulate the market themselves. For example, members of the Ankara Realtors' Organisation are required to have taken some courses before they may act as a real estate broker. The courses include deed registration, land survey, real estate marketing, real estate law and city planning. Members are not allowed to undertake any other profession except that of real estate agent or real estate consultant. They are required to use standard types of contract. The level of fees to be charged is also determined by the organisation.

Hafizoğulları (1997) surveyed a randomly-selected sample of individual real estate brokers in Ankara. She found that only 11.3 percent of them had more than 10 years' experience while almost two-thirds of her sample had less than 6 years' experience. 86.8 percent of the brokers had another occupation apart from real estate brokerage. 12.2 percent of them worked alone, without any supporting personnel. These results indicate that real estate brokerage tends to be regarded as a second job rather than as a professional service in Turkey.

The "chain" real estate brokers are not the members of the Realtors Organisation. However, in order to become a member of a chain real estate company, they must take some courses offered by their parent company and pay a franchising fee. They provide a kind of multiple listing service. Each member gives all the information available to the central real estate database, which is regularly updated.

Two types of appraisal companies, government-supported and private, are engaged in real estate valuation and consulting. There are two government-supported appraisal companies. Both of these originally operated as special appraisal departments within the two public banks. They subsequently separated from their banks and became independent appraisal firms. These two companies are allowed to carry out real estate appraisal by the Capital Market Board of Turkey for the real estate investment companies traded in the ISE. There are no specific regulations controlling the formation of a private appraisal company. Some real estate brokers also act as property appraisers. They are not required to obtain a license or to hold any qualification in order to become an appraiser. There are a few companies that specialise in real estate appraisal and consulting. Private appraisers are usually architecture graduates and usually have an MBA degree.

As at December 1999, the stocks of eight real estate investment companies were traded on the ISE. The companies are allowed to invest in residential and commercial real estate and real estate development projects. Real estate investment companies formed the Association of the Real Estate Investment Companies, which now has twelve members, in 1999. They include the companies whose shares are traded on the ISE and those that are expected to be traded there in the future. The aims of the Association include giving direction to the real estate business; motivating the development of shopping centres, commercial properties and satellite cities; setting standards in terms of quality control, appraisal, finance and marketing in real estate (by co-ordinating with the government and the local management); and increasing inner-city rehabilitation and redevelopment plans.

The real estate investment companies are exempt from income taxes. Although all of them also invest in equities, they differ in terms of the composition of their real estate portfolios. Three of the currently listed companies concentrate on land development projects; one of them invests in shopping malls and commercial properties; another two companies invest in housing. The others do not invest in development projects but have buildings and land in their portfolios. Construction companies own two of the investment companies; a public bank owns one, and private banks own the others.

In general, properties are managed by their resident owners. Very few companies have been established to provide property management services. Construction firms have however established such companies after they have developed residential areas with multi-family housing units or commercial buildings. The firms usually act as a department of the construction company that built the residential or commercial properties, with the aim of satisfying current occupiers in order to increase the marketability of unsold apartments, houses, offices or shops. Their services include maintenance, security, landscaping and cleaning. However, there is no legal framework for the continued provision of these services.

21.4 Real Estate Programs at Universities

There are no special real estate departments or real estate specialities in the Turkish universities. Unfortunately, neither real estate finance nor property appraisal courses have been offered in any departments. However, several departments offer some courses related to real estate at undergraduate level. For example, a few economics departments offer urban economics courses as electives. The curricula of the city and regional planning departments, of which there are seven in Turkey, include many courses related to real estate. During the 1997-1998 academic year, 292 students graduated from the city and regional planning and urban design departments.

In general, the emphasis in the city and regional planning departments is on housing. Students are required to take an urban economics course. The principles of housing, housing research, and housing problems are examples of other courses that are offered in these departments. Land use and urban land policy are offered in addition to housing courses. In all of the city and regional planning departments, geographic information systems and neo-classical location theory courses are also taught.

Even though there are no real estate departments at either undergraduate or postgraduate levels, students of the Masters and Ph.D. programmes may specialise in real estate when writing their thesis. There were 283 theses on real estate subjects in the period between 1985 and 1997.⁴ Table 1 shows the classification of these theses according to degree and discipline. Theses were written in several disciplines, including city and regional planning, economics, public administration, management, architecture and law. Since there are no real estate departments in the universities, the faculty members supervising the theses are also listed in this table, with their discipline and title, in order to give an idea of the faculties involved.

Table 1: Classification of Real Estate Theses by Discipline

Discipline	Type of Thesis			Faculty Members				Total
	Master	Ph.D.	Total	Full Prof.	Assoc. Prof.	Assist. Prof.	Instructor	
City and Regional Planning	57	12	69	19	9	7	2	38
Architecture	52	15	67	30	14	2	2	49
Management	35	7	42	13	7	5	1	26
Economics	30	7	37	15	6	6	0	27
Law	16	3	19	9	5	1	0	15
Civil Engineering	10	2	12	3	3	0	1	7
Public Administration	8	1	9	2	1	2	0	5
Geography	8	0	8	1	0	1	0	2
Landscape Architecture	5	2	7	3	4	0	0	7
Other*	12	1	13	4	4	3	1	12
Total	233	50	283	100	53	28	7	188

*The theses in other category are from several disciplines: three in environmental engineering, three in agricultural engineering, two in industrial engineering, three in sociology, one in psychology and one in statistics.

Table 2 shows the grouping of these theses into major real estate subjects using the *Journal of Real Estate Literature* classification system. As Table 2 indicates, the number of real estate theses has increased over the years. Almost a quarter of the theses concerned "Real Estate Business/Industry".

“Government policy/planning” is another major subject area, probably because the majority of the theses were written in city planning and architecture departments. “Institutions” appears to be another popular subject. There were only two studies in the subject area of “Type of Contract/Transaction.” The lack of popularity of this subject may be due to the absence of a mortgage market, mortgage-backed securities or options in Turkey.

Table 2: Classification of Theses about Real Estate, 1985 – 1997

based on the Classification System of *Journal of Real Estate Literature*

<div>Years</div> <div>Subject</div>	85	86	87	88	89	90	91	92	93	94	95	96	97*	total
Theory/Methods	0	0	0	1	0	3	2	1	0	0	2	3	2	14
Type of Real Estate	0	2	0	2	3	3	5	2	9	7	9	7	2	51
Type of Contract/Transaction	0	0	0	0	0	0	0	0	1	0	0	1	0	2
Real Estate Business/Industry	1	1	0	2	1	3	7	6	6	9	12	11	8	67
Type of Decisions	0	1	0	0	4	0	1	5	2	4	2	3	1	23
Government Policy/Planning	0	2	2	2	4	1	4	4	5	7	8	5	6	50
Institutions	0	3	3	3	2	2	4	3	2	6	2	2	5	37
Macro Trends/Market Analysis	1	2	3	1	0	3	0	1	2	5	2	2	0	22
Real Estate Law	0	1	0	1	3	1	0	3	1	1	3	3	0	17
Total	2	12	8	12	17	16	23	25	28	39	40	37	24	283

*Because of the unavailability of the list of all of the theses defended during 1997, these numbers do not include all of the theses during 1997.

Table 3 presents a more detailed classification of the topics of Master and Ph.D. theses for the period 1985 to 1997, using the detailed classification system of *Journal of Real Estate Literature*. The hedonic and spatial analyses are applications of theory, classified in “Theory Methods”. The majority of theses are about housing and housing policy (120 and 330 respectively). In addition to residential housing, there is research about the development of vacation houses in coastal areas. A great deal of research about homebuilding during the 1990s investigated the impact of the HDA. Land use controls in several parts of Turkey, the problem of slum houses, government policies about slum houses, and the affordability of housing by low-income households have all been extensively examined. Municipal authorities, co-operatives and the HDA are included in the “Institutions” category in order to take into consideration the special characteristics of the Turkish housing system. Housing co-operatives have become very important in increasing the supply of housing, especially since the HDA was established. Research on housing co-operatives ranges from their cost accounting and their organisa-

tional structures to their impact on housing supply. Most of the studies listed on Table 3 are very descriptive. Because of the unavailability of data, survey methods were used and the data were often collected by using questionnaires.

Table 3: Detailed Classification of Theses about Real Estate

based on the Classification System of *Journal of Real Estate Literature*.

Subjects	Years			total
	85-89	90-93	94-97	
000 Theory/Methods				
010 Hedonic Theory	0	0	1	1
020 Spatial/Location Theory	1	6	6	13
100 Type of Real Estate				
120 Housing	5	9	11	25
120 Summer houses (vacation)	1	2	4	7
130 Apartments	0	0	2	2
140 Office Buildings	0	1	2	3
150 Shopping Centers/Retail Space	1	5	2	8
160 Hotels/Motels	0	1	2	3
170 Industrial	0	0	1	1
190 Other (elderly)	0	1	1	2
200 Type of Contract/Transaction				
220 Mortgages	0	0	1	1
270 Mortgage Backed Securities	0	1	0	1
300 Real Estate Business/Industry				
310 Appraisal/Valuation/Consulting	1	4	3	8
320 Brokerage	0	1	4	5
330 Development/Homebuilding	3	12	26	41
350 Corporate	1	0	0	1
360 Property Management	0	1	1	2
370 Syndications/REIT/Partnerships	0	2	2	4
390 Architecture/Title Insurance	0	2	4	6
400 Type of Decisions				
410 Investment/Valuation	1	0	1	2
423 Housing Finance	2	6	7	15
440 Sale-Leaseback	1	1	0	2
470 Location	1	1	2	4
500 Government Policy/Planning				
510 Land Use Controls/Zoning	4	9	15	28
520 Eminent Domain	0	2	0	2
530 Property Taxes	0	0	2	2
560 Other (housing policy)	6	3	9	17
600 Institutions				
600 Municipalities	1	2	2	5
600 Co-operatives	10	7	8	25
600 Housing Development Authority	0	2	1	3
630 Banks	0	1	3	4

Subjects	Years			
	85-89	90-93	94-97	total
700 Macro Trends/Market Analysis				
710 Demographics/Population	4	2	6	12
720 Cycles	0	1	0	1
730 Economic Base/Input-Output	3	3	3	9
800 Real Estate Law	5	5	7	17
Total	51	93	139	283

21.5 Real Estate Research Centres

There is only one real estate research centre in Turkey: The Centre for Housing Research at the Middle East Technical University, Faculty of Architecture. It was established in 1986 in order to co-ordinate housing-related research activities at the university. It aims to develop research projects on various aspects of housing, such as housing supply, housing finance, and housing acquisition. Creating a database for housing research is also among the Centre's objectives. Its current research projects include: economic effects of housing investment; unauthorised home building; the impact of multi-family housing production on urban development; and the role of family characteristics, gender issues and social groups on desired housing characteristics.

21.6 Journals

No scientific journal focuses specifically on Turkish real estate markets. However, the journal *M.E.T.U. Journal of the Faculty of Architecture*, published by the Faculty of Architecture at the Middle East Technical University, does so.⁵ It is a biannual, refereed publication, first published in 1981. It publishes papers contributing to the development of knowledge in human-environment relations, design and planning. It accepts both theoretical and applied papers, with the emphasis mainly on urban planning and urban development rather than real estate finance and investment. The submission of papers to this journal is open to anyone, not just members of the Faculty of Architecture at Middle East Technical University.

21.7 Conclusion

Most of the real estate research in Turkey is concentrated on housing and housing policy. Compared to U.S. real estate research, real estate research in Turkey has been focused mostly on planning, land development and housing policy and less on real estate finance and investment. Research in the field of

commercial real estate and REITs is very limited. However, the development of research in these areas is expected, following the recent establishment of real estate investment companies in Turkey.

Currently, there are no real estate departments in the Turkish universities. However, some universities are planning to establish departments in this field. No real estate finance courses are offered in any university at present but there are plans to offer them as elective courses in some management departments.

The education and licensing of the real estate professions have also been developing.

The availability of data is the major problem for real estate researchers in Turkey. For example, there is no house value index. Only rents, prices of utilities and maintenance costs are reflected as housing expenses in the Turkish Consumer Price Index calculations. However, improvements in the availability of data are expected in the future. One step in this improvement process, at the end of 1998, was the initiation of efforts by the State Institutes of Statistics to construct a hedonic house value index.

The chronic high inflation experienced over the last three decades is another obstacle to the development of a mortgage market in Turkey. The absence of a properly functioning mortgage market has reduced the importance of real estate finance. The emphasis has therefore been on urban and land planning and development. However, recent research has shown that a high level of inflation not only restricts the creation of a properly functioning mortgage market but also influences the behaviour of returns from real estate in Turkey (Önder, 2000).

NOTES

¹ The Capital Market Board of Turkey is like the U.S. Securities and Exchange Commission.

² His sample consisted of 246 house builders in twelve cities that responded to the questionnaire that was sent by mail.

³ Ankara Realtors Organization has been the head office of the Union of Realtors Association in Turkey. There are fourteen members of this union. All of the members are the realtors associations formed in fourteen cities in Turkey, Adana, Adapazari, Ankara, Antalya, Bursa, Denizli, Icel, Istanbul, Izmir, Konya, Samsun, Usak, Tekirdag and Yalova. There is no specific requirement to form a realtors' organization. The founding members of the organization have to apply to the city governor in order to form this association.

⁴ The figures on Year 1997 do not include all of the theses defended during 1997.

⁵ The Faculty of Engineering and Architecture in three universities (Cukurova, Gazi and Selcuk Universities) have their journal. However, the emphasis in these journals is on architecture rather than urban planning or regional science.

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