

**AKFEN REAL ESTATE INVESTMENT TRUST INC.**

**CITY OF ISTANBUL – DISTRICT OF TUZLA**

**TUZLA IBIS HOTEL APPRAISAL REPORT**

**Report No: 2016-020-GYO-001**

**Date of Appraisal: 30.12.2016**

**Date of Report: 06.01.2017**



**REAL ESTATE CONSULTANCY AND APPRAISAL INC.**

# i. APPRAISAL REPORT SUMMARY

<b>Person/Entity Requesting the Appraisal</b>	:	Akfen Real Estate Investment Trust Inc.
<b>Institution Preparing the Report</b>	:	Epos Real Estate consultancy and Appraisal Inc.
<b>Date of Report:</b>	:	06.01.2017
<b>Report No</b>	:	2016-020-GYO-001
<b>Date of Appraisal</b>	:	30.12.2016
<b>Information Concerning the Property Subject to the Appraisal</b>	:	Hotel in the city of Istanbul, district of Tuzla, Quarter of "Aydınlı", Section No: G22B1C3C, Plot No: 4599 with a surface area of 4.687,64 m <sup>2</sup>
<b>Subject of Study</b>	:	Determination Of The Current Market Value.
<b>Land Area of the Real Estate Subject to the Appraisal</b>	:	4.687,64 m <sup>2</sup>
<b>Zoning Status of the Real Estate Subject to the Appraisal</b>	:	Hotel and Congress Center Area

As of 30.12.2016

	<b>Market Value of the Real Estate (EURO)</b>	<b>Market Value of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>13.490.000</b>	<b>49.770.000</b>
<b>VAT Included</b>	<b>15.918.000</b>	<b>58.729.000</b>

	<b>Annual Rental Value of the Real Estate (TL)</b>	<b>Annual Rental Value of the Real Estate (EURO)</b>
<b>VAT Excluded</b>	<b>1.406.000</b>	<b>381.000</b>
<b>VAT Included</b>	<b>1.659.000</b>	<b>450.000</b>

- 1-)The appraised value is the current value regarding the cash sale price.
- 2-) The VAT ratio has been established at 18%.
- 3-) The currency rates have been established at 1,-Euro = 3,6894 TL , -EUR= 1,0626-USD.
- 4-) This report has been prepared within the scope of the related Capital Market Legislation.

## Names of the persons participating in the Appraisal

<b>Certified Appraiser</b>	:	Özgür ÇAKICI
<b>Certified Appraiser</b>	:	Önder ÖZCAN
<b>Responsible Appraiser</b>	:	Neşecan ÇEKİCİ



## **Declaration of Conformity**

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

## **Assumptions**

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

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

## ii. TABLE OF CONTENTS

1	REPORT INFORMATION .....	1
1.1	The Date, Number and Type of the Appraisal Report .....	1
1.2	Information Regarding the Responsible Appraiser that Prepared the Appraisal Report .....	1
1.3	Date of Appraisal .....	1
1.4	Reference Agreement .....	1
1.5	Statement Whether the Report Has Been Prepared Within the Scope of the Board Arrangements for the Purpose of the Appraisal .....	1
2	INTRODUCTORY INFORMATION CONCERNING THE COMPANY AND THE CLIENT: .....	2
2.1	Introductory Information Concerning the Appraisal Company .....	2
2.2	Introductory Information Concerning the Client .....	2
2.3	The Scope of the Client's Demand and the Applied Limitations, If Any .....	2
3	VALUE DEFINITIONS, DESCRIPTION OF APPRAISAL METHODS .....	3
3.1	Exemplary Comparison Approach (Market Value Approach) .....	3
3.2	Cost Approach .....	4
3.3	Revenue Discount Approach .....	4
4	ECONOMIC CONDITIONS, DATA OF REAL ESTATE INDUSTRY AND ANALYSIS OF THE AREA WHERE THE REAL ESTATE IS LOCATED .....	5
4.1	General and Socio-Economic Data .....	5
4.2	Global Economic Overview .....	7
4.3	Turkey Economic Outlook .....	13
4.4	Overview of Real Estate Industry .....	15
4.5	Information Regarding the Tourism Industry .....	17
4.6	Analysis Of The Area Of The Real Property .....	19
4.6.1	Analysis of the Region Where the Real Estate is Situated .....	19
4.6.2	District of Tuzla .....	20
4.6.3	Information Regarding the Real Estate Industry in Tuzla and the Hotel Market .....	21
5	INFORMATION IN REGARD TO THE REAL ESTATE SUBJECT TO THE APPRAISAL .....	23



5.1	Information in Regard to the Location, Site and Environment of the Real Estate .....	23
5.2	Information with Regard to the Land Registry of the Real Estate.....	25
5.2.1	Investigation of the Land Registry of the Real Estate .....	25
5.2.2	Changes Occurred in the Land Registry of the Real Estate within Last Three Years .....	26
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 ..	27
5.3	Inspection of the Zoning Information of the Real Estate .....	28
5.3.1	Plan, License, Diagram and Similar Documents with Regard to the Real Estate.....	28
5.3.2	Building Inspection Institution and Maintenance .....	28
5.3.3	Changes that Have Occurred in the Legal Status (Changes in the Zoning Plan, Nationalization, etc.) of the Real Estate within the Last Three Years .....	28
5.3.4	Opinion Whether the Necessary Permit and Documents Pursuant to the Legislation are Accurate and Complete.....	29
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 .	29
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.....	29
5.4	Physical Characteristics of the Real Estate .....	30
5.4.1	Inspections Performed Within the Premises of the Real Estate.....	31
6	FACTORS AFFECTING AND DETERMINING THE VALUE OF THE REAL ESTATE .....	33
6.1	Factors that Limit or Negatively Affect the Appraisal Process .....	33
6.2	Swot Analysis.....	33
6.3	Exemplary Share Rate in the Projects that Will Be Performed According to the Revenue Sharing and Flat for Land Methods.....	34
6.4	Methods and Eligibility Motives Employed in the Appraisal of the Real Estate .....	34
6.4.1	Exemplary Approach.....	34
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 .....	34

6.4.2	Cost Approach.....	36
6.4.3	Revenue Discount Approach / Development Approach.....	37
6.4.4	Value of the Real Estate According to the Rent Income.....	39
6.4.5	Lease Value Analysis and the Data Employed .....	41
6.4.6	Empty Land and Project Values of the Terrain Where the Project is Being Developed ...	41
6.4.7	Most Effective and Most Productive Use Analysis .....	41
6.4.8	Appraisal Analysis of Common or Divided Parts.....	41
7	EVALUATION OF ANALYSIS RESULTS .....	42
7.1.1	Alignment of Different Appraisal Methods and Analysis Results, together with the Explanation of the Method and the Reasons Used for this Purpose .....	42
	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. ....	42
7.2	Explanation of the Motives Pursuant to the Minimum Information for Not Including Certain Aspects in the Report.....	43
7.3	Information Concerning the Last Three Appraisal of the Real Estate Carried Out by the Company .....	43
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.....	43
8	OUTCOME.....	44
8.1	The Concluding Sentence of the Appraiser .....	44
8.2	Final Appraisal .....	44
9	APPENDIX .....	45



## **1 REPORT INFORMATION**

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

**Date of Report** :06.01.2017

**Report Number** :2016-020-GYO-001

**Type of Report** :Appraisal report relative to the hotel project constructing in the city of Istanbul, district of Tuzla, Quarter of Aydınlı, Plot no. 4599, for the purpose of determining the current market value in Turkish Lira currency.

### **1.2 Information Regarding the Responsible Appraiser that Prepared the Appraisal Report**

**Report Issued by** :Certified Appraiser Özgür ÇAKICI

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

**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 10.10.2016, the necessary procedures have been initiated for this appraisal report. Subsequently, the report has been concluded on the date of 06.01.2017.

### **1.4 Reference Agreement**

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

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

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 hotel Project planned situated in the city of Istanbul, district of Tuzla, Quarter of Aydınlı, Plot no. 4599, has been prepared for the purpose of determining its current market value in Turkish Liras currency.

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



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

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

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

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

The appraisal analysis 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.

### **3.3 Revenue Discount Approach**

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

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

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

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

## 4 ECONOMIC CONDITIONS, DATA OF REAL ESTATE INDUSTRY AND ANALYSIS OF THE AREA

### WHERE THE REAL ESTATE IS LOCATED

#### 4.1 General and Socio-Economic Data

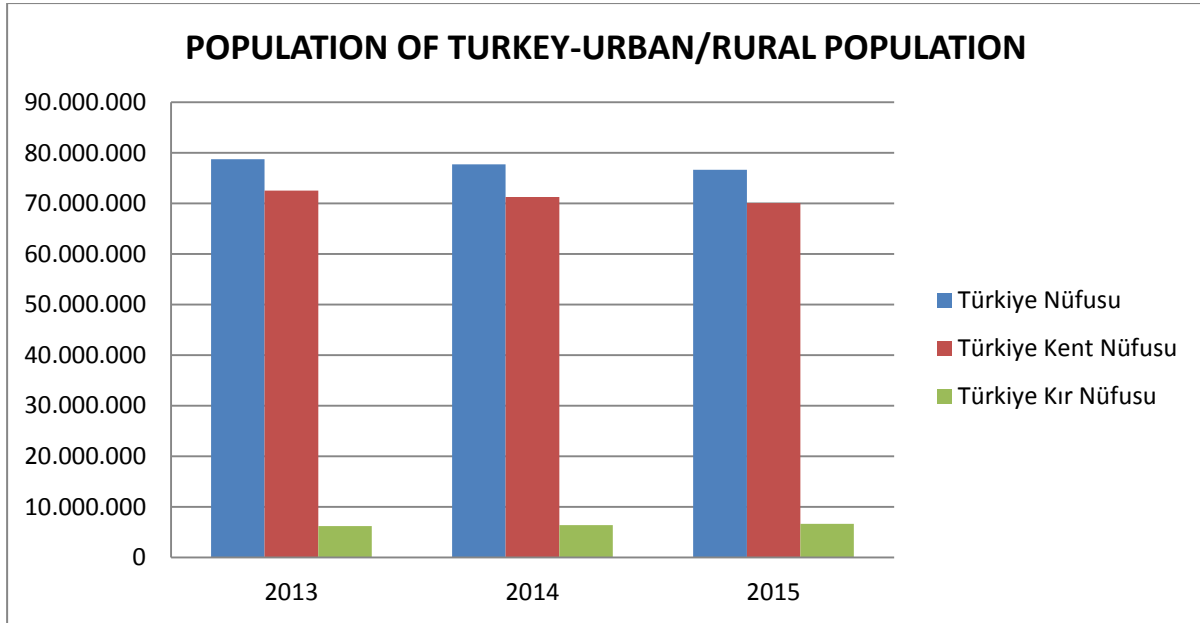
According to the 2015 results of the Address-Based Population Registration System (ADNKS), Turkey has a population of 78.741.053 people. In this population, 50,2% (39,511,191 people) are male, and 49,8% (39,229,862 people) are female.

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

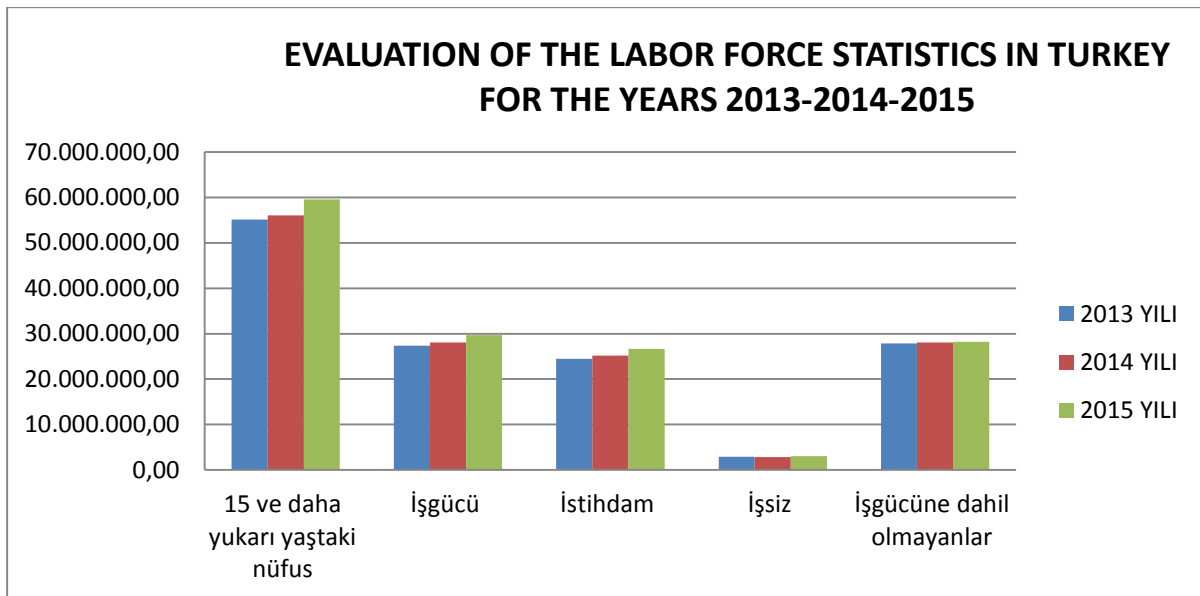
TURKEY			
Rows	2013	2014	2015
Rural Population in Turkey	6,633,451.00	6,409,722.00	6,217,919.00
Urban Population in Turkey	70,034,413.00	71,286,182.00	72,523,134.00
Population in Turkey	76,667,864.00	77,695,904.00	78,741,053.00
Population at the age of 15 and older	55,169,000.00	56,084,000.00	59,584,833.00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

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

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



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



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

## 4.2 Global Economic Overview

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

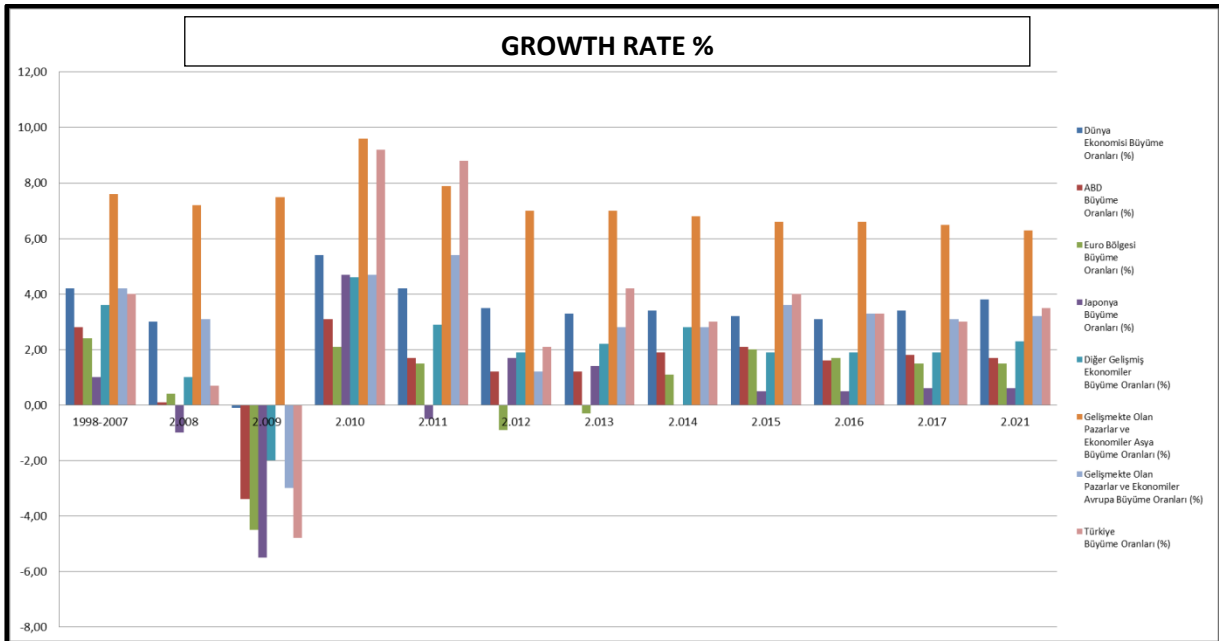
In 2016, Fed kept the interest rate intact at its meetings in January, March and April. In the meetings of June 2016 and September 2016, the US Federal Reserve Banks (Fed) announced that the interest rates would not be changed.

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

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

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

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



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

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

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

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



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

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

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

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

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

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

### **4.3 Turkey Economic Outlook**

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

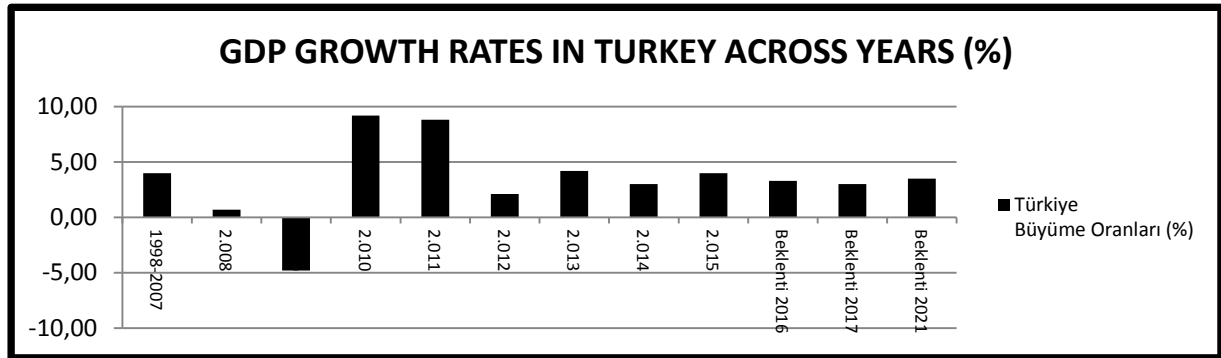
IMF argued that political uncertainty will decrease domestic demand and revised growth expectancies downwardly in its evaluation regarding Turkey economy in World Economic Outlook Report.

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

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

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

Source: Word Economic 2016 October World Overview Report



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

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

#### 4.4 Overview of Real Estate Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





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

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

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

## 4.6 Analysis Of The Area Of The Real Property

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

Istanbul is the Turkey's most populous, economically leading city, the cultural and financial center and with 14.2 million populations is the largest city that is 1st in Europe and 5th in the world ranking according to the population.

It consists of Catalca Peninsula in the West and Kocaeli Peninsula in the East. The city consists of Black Sea in the North, Marmara Sea in the South and Bosphorus in the middle, and it is the Neighbor of Districts Saray from Tekirdag in the northwest, Cerkezkoy, Corlu from Tekirdag in the west, Marmara Ereglisi from Tekirdag in the southwest, Kandira from Kocaeli in the northeast, Korfez from Kocaeli in the east and Gebze from Kocaeli in the southeast.



*Istanbul City Map*

Studies have revealed that the city's history dates back to the year B.C 6500. Istanbul is a transcontinental city and while its part in Europe was called the European side or Rumeli Side, its part in Asia was called the Anatolian Side. Istanbul Walls constituted the western boundary of Istanbul, located on a peninsula formed by Marmara Sea at three sides, the Bosphorus and the Golden Horn in the history as the first. The city, expanded 4 times by construction of the walls moved to westward further at every time during the development and the growth process, has 40 districts.

Total Population of Istanbul is 14.657.434 people according to the Population Census Results of the Address Based Population Registration System (ABPRS) for the year 2015 which were prepared by Turkey Statistical Institute (TSI).

Istanbul has become the center of economic life in Turkey as it is a crossroads of land and sea trade routes and its strategic location. The city is also the largest industrial center.

The city meets an important part of industrial employment in Turkey. It has approximately 38% of an industrial area. Today, Istanbul has more than half of the Turkey's production and 45% of trade volume. In addition, Istanbul is one of the popular tourism centers due to its redundancy of historical monuments and works and having the Bosphorus.

#### 4.6.2 District of Tuzla

Tuzla is the southernmost district of the city of Istanbul, consisting of a medium density population district; it houses the largest shipyard and the only Formula 1 Race Track in all of Turkey.

The district of Pendik is located to the north and west and the district of Gebze to the east, while the Sea of Marmara is to the south, with a coastal line of 13km. The average altitude above sea level is 25 – 30 m. The cape of Tuzla to south stands out. The land is generally hilly. The altitude reaches 250 – 300 m in the towns of Akfırat and Orhanlı. The highest point is the town of Akfırat.



*The map of Tuzla*

Until the end of the 1980's, fishing and farming were the major industries in the district. However, with the development of industrialization, farming lost its significance. Today, the district of Tuzla houses shipyards, as well.

The ITU Marine Faculty is located in the center of the district, the Tuzla Infantry School to the northwest and the Military Academy to the south. Furthermore, the Sabancı University, the Okan University, the Gedik University, the Medeniyet University, the Süleyman Şah University and the Piri Reis University are all situated in Tuzla, as well as the Koç Private Highschool and Sabancı College.

It is possible to state that the economy of Tuzla is alive and developed. Besides the ship construction industry, companies such as the Arçelik Assan Alarko, which contributes significantly to the economy of the country, are also located within the district.

Many industry and commercial businesses, together with substantial ateliers and subsidiary companies, provide employment to the district residents.

An area of 1.283.608 m<sup>2</sup> is used for ship construction industry in Tuzla since the year of 1978.

The Tuzla Organized Industry Area, the Tuzla Organized Leather Industry and Independent Area, the Tuzla Organized Chemists Industry Area, the Tuzla Organized Varnish Paint Industry and the Tuzla Organized Marble-Cutter Industry contribute greatly to the economy of the country and provide employment to many citizens.

According to the Address Based Population Registry System (ADNKS) prepared by the Turkish Statistical Institute (TUIK) for the year of 2015, the population of Tuzla is 234.372.

#### 4.6.3 Information Regarding the Real Estate Industry in Tuzla and the Hotel Market

With regard to the real estate industry in Tuzla, aside from the residential and boutique hotels, the Tuzla Shipyard and the İcmeler Thermal Springs affect the markets; furthermore, the market is predominantly residential. As a result of the detailed surveys performed in the district of Tuzla, it has been concluded that there are “business hotel” concept hotels recently operating under an international brand name and some of them are still under construction. This situation shows Tuzla shipyard and thermal spring region has a tourism potential. However, number of the hotels situated in the region is still insufficient; furthermore, hotels nearby are mostly boutique hotels and usually provide services to passengers, personnel and captains from the ships that arrive to the shipyard for repairs or maintenance.

NAME OF THE HOTEL	NUMBER OF STARS	TOTAL NUMBER OF ROOMS
Chatto Residence	BOUTIQUE	29
Radisson Blu Tuzla	5 STARS	249
Double Tree By Hilton	3 STARS	84
Tuzla Town Hotel	BOUTIQUE	23
Lounge İstanbul	BOUTIQUE	20
Elexia	Mix Used Type Project which has a Hotel Project. It is still under Construction	108

The Special Company prices in these hotels per room vary between 40- 68 Euro, breakfast included.

Another important factor that affects the region is the İcmeler/Tuzla thermal springs, which has been attracting visitors to the area for many years. For instance, the Thermal İstanbul Project constructions are underway by the Ak İnşaat construction company. The Project in question is under thermal hotel concept with a different target audience than the current



market. The Tuzla Thermal Facilities, situated approximately 300 m southeast of the real estate subject to the appraisal are restored and their historical fabric has been kept. Nearby the facilities “Double Tree by Hilton”, belonging to Hilton Group with a capacity of 84 rooms has been constructed and recently begun operating. On account of its location being close to the E-5 highway and the Sabiha Gökçen Airport, the real estate subject to the appraisal is of a nature that can address the shipyard and the airport. Moreover, it is estimated that the 2nd landing track for Sabiha Gokcen Airport and Okan University being constructed close by the property in question will both positively affect the region.

## 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 located in the city of Istanbul, district of Tuzla, Quarter of Aydıntepe, southwest of the İcmeler intersection on the D-100 land road.

To reach the real estate, one takes the right exit for the Rauf Orbay Avenue at the İcmeler intersection, on the D-100 land road towards Gebze, following the avenue for approximately 100 m; the plots subject to the appraisal are located on the right side of the road.

The Tuzla thermal springs historical facilities are situated at a distance of relatively 300 m to the southeast of the real estate. The facilities have been restored and Double Tree By Hilton Hotel with the capacity of 84 rooms has been constructed. About 150 m to the southeast, the Thermal Istanbul Healthy Living and Detox Center are still under construction. Since the İcmeler thermal springs is one of its kind in the city of Istanbul, there are numerous tourism facilities, timeshare projects and thermal springs hotels being constructed in the area.



*Location of the Real Estate Subject to the Appraisal*





*Vicinity of the Real Estate Subject to the Appraisal and the Current Satellite Image of the Area*

The plot subject to the appraisal is located considerably close to the Tuzla shipyards, at a distance of roughly 800 m to the Tersaneler Avenue. The real estate is at a distance of 3 km to the Neomarin and Pendorya Shopping Malls, located at the Tuzla Tersane intersection, 6,5 km to the Pendik Marina, 12 km to the Courthouse of the Anatolian side and 13 km to the Sabiha Gökçen Airport.

The Tuzla Gisbir Hospital and the Tuzla Shipyards, along with the Thermal İstanbul and Innovia Suites projects are found in the vicinity of the real estate in question.

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

City	:	Istanbul
District	:	Tuzla
Quarter	:	Aydınlı
Town	:	-
Locality	:	-
Section No	:	18
Block No	:	-
Plot No	:	4599
Surface Area	:	4.687,64 m <sup>2</sup>
Owner	:	Akfen Real Estate Investment Trust Inc.
Type	:	Land
Title Deed Date	:	16/07/2013
Roll No	:	10896
Volume No	:	239
Page No	:	23588

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

Pursuant to the 02.11.2016 dated title deed sample, obtained from the TAKBIS portal of the Land Registry Cadastral Office General Directorate, the following restrictions have been observed on the share owned by AKFEN GYO INC. with regard to the real estate subject to the appraisal.

#### Statements Section

09.07.1976 dated Accessory annotation with the Roll no. 5543

#### Annotations Section

Contract annotation on behalf of TEDAŞ for a term of 99 years, with an amount of 1 TL, Dated 29.01.2004 and Roll no. 1503

#### Pledge Rights Section of the Real Estate

1 st degree mortgage with an amount of 173.052.185 Euro on behalf of Credit Europe Bank N.V., Dated 26.02.2015 and roll no 2965



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

- While 425990/468764 share of the plot of the real estate subject to appraisal was belonged to Akfen GYO INC and, 21387/234382 of it was registered to the Treasury, the share owned by the Treasury had been bought by Akfen GYO INC for 1.924.830 TL on 07.01.2015 and Akfen GYO INC has become the only owner of the plot.
- With regard to the real estate subject to the appraisal; after the abandonment of the plot 3558 with an area of 142,67 m<sup>2</sup>, plot 3590 with an area of 159,3 2 and plot 3624 with an area of 125,77 m<sup>2</sup>, belonging to the Treasury, for the purpose of road and green spaces, they have been unified with the Section 18, Plot 3623 with an area of 4.259,9 m<sup>2</sup>, belonging to AKFEN GYO INC.; thus making up the Section no. G22B1C2C Plot 4599 with an area of 4.687,64 m<sup>2</sup>, of which the Treasury and AKFEN GYO INC. are the shareholders. (Registry Date: 26.06.2014 with the Roll no. 9695)
- It has been observed that, before the unification process, the plot 3623, owned by Akfen GYO INC., had been in the ownership of Seyfettin Polat Steel Plate Ind. and Trade. Co. Ltd., which had been sold and later registered under the name of Akfen Real Estate Investment Trust Inc. on the date of 16.07.2013 with the Roll no. 10896.
- It has been observed that, before the unification process, the plot 3623, owned by Akfen GYO INC., used to have a surface area of 6.375,00 m<sup>2</sup>, which was subjected to a Development Readjustment Share (DOP) of abandoning 1.597,08 m<sup>2</sup> to the road, 343.07 m<sup>2</sup> to park areas and 204,95 m<sup>2</sup> to park areas, constituting a total surface area of 2.115,51 m<sup>2</sup>; therefore, it has been noted that, after the abandonment, the plot in question has been registered with a total surface area of 4.259,90 m<sup>2</sup>, on the date of 16.07.2013, Roll no. 10896.
- It has been observed that, before the unification process, the plot 3623, owned by Akfen GYO INC., was classified as “Hascan Flour and Semolina Factory 7 Story Stone Building with a Garden” and it has been noted that, on the date of 09.07.2013, it has been reclassified and registered as “Land” with the Roll no. 10543.

### **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**

The accessory annotation on the statements section has been allocated for the old Sinangil Flour Factory and with the demolition of the factory, the aforementioned annotation became void; however, it still has not been canceled from the land registry book.

The contract annotation on behalf of TEDAŞ has been made due to the cables passing below or above the plot; on that account, it is symbolic in nature and does not pose any real restrictions.

With regard to the mortgage stated on the pledges section of the real estate; the mortgage, according to 07.12.2015 dated letter from the Credit Europe Bank N.V and pursuant to the agreement between Akfen Real Estate Investment Trust Inc. and Accor Group, corresponds to the warrant of the project Financial Sendication Credit provided in the year of 2015 with the aim of providing the investment credit that will be used to finance 8 hotels under the brand names of “IBIS” and “NOVOTEL” operated by ACCOR Group and 1 other hotel that will be operated under the name of “IBIS” after the complement of its ongoing construction. The letter of Credit Bank Europe in question has been enclosed herewith.

Pursuant to the 1<sup>st</sup> clause of the Article number 30 of the Communiqué Regarding the Real Estate Investment Trusts Principles, published in the 28.05.2013 dated official gazette of the Capital Market Board, Real Estate Investment Trusts can only institute mortgage, hypothecate or other limited rights on the assets in the portfolio throughout the purchase of real estates, real estate projects and rights with regard to a real estate, for the purpose of referring to the financing of these actions or of providing credit for investments.

Pursuant to the related article of the Communiqué in question, the mortgages on the real estate do not constitute an obstacle for the real estate to be included in the real estate investment trust portfolio, within the scope of the Capital Market regulations.

Pursuant to the Communiqué in question and within the scope of the capital market regulations, there are no obstacles that prevent the real estate from being included in the real estate investment trusts portfolio.

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

According to the zoning status letter dated 28.12.2016 obtained from Tuzla Municipality Zoning and Urbanism Directorate; current zoning status of the real estate is included in the “Hotel and Congress Area” on plot no: 4599 with the approval date of 03.01.2003- 21.006.2011 with a scale of 1/1000 within the scope of “In between Tuzla E-5 Highway and Railway Industry Lane Transition Implementary Development Plan” under the structuring conditions of TAKS:0,40 KAKS:2,25 Hmax:Free.

The zoning status letter obtained from Tuzla Municipality Zoning and Urbanism Directorate has been enclosed herewith.

Area included in the prevent allowed in accordance with the zoning status of the plot is 10.546,785 m<sup>2</sup> and 4.639,05 m<sup>2</sup> of the area included in the prevent used in the hotel Project. The rest of the area included in the prevent which is 5.908,14 m<sup>2</sup> has been left as the reserve hotel, Office and commercial area.

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

Pursuant to the surveys performed on the proceedings file in the Tuzla Municipality Zoning and Urbanism Directorate archives, architecture project numbered 1350 and 20.02.2015 dated and building licence numbered 110/15 with the date of 02.03.2015 and occupancy permit 31.08.2016 dated and 251/16 numbered belonged to hotel have been found.

#### 5.3.2 Building Inspection Institution and Maintenance

Building Inspection of the hotel is conducted by the Etik Yapı Denetim INC. Operating in the address of Talatpasa Avenue Duru Street no:2 floor:5 Gultepe/ Kagithane/ Istanbul.

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

- With regard to the plot no. 3623 that was in the ownership of AKFEN GYO INC. before the unification process, alteration to the comprehensive zoning plan with a scale of 1/5000 has been suspended with the *25.11.2011 dated court order docket no: 2010/2370*.
- Afterwards, on the grounds that it has been concluded that the claimants do not have the necessary capacity to object to the decision of the court, in regards to the alterations to the comprehensive zoning plan with a scale of 1/5000, the non-suit has been decreed with the date of 24.02.2012 and decree no: 2012/293; the court decision in relation to the comprehensive zoning plan with a scale of 1/5000 remains effective.
- With regard to the real estate subject to the appraisal; after the abandonment of the plot 3558 with an area of 142,67 m<sup>2</sup>, plot 3590 with an area of 159,3 2 and plot 3624 with an area

of 125,77 m<sup>2</sup>, belonging to the Treasury, for the purpose of road and green spaces, they have been unified with the Section 18, Plot 3623 with an area of 4.259,9 m<sup>2</sup>, belonging to AKFEN Real Estate Investment Trust INC.; thus making up the Section no. G22B1C2C Plot 4599 with an area of 4.687,64 m<sup>2</sup>, of which the Treasury and AKFEN Real Estate Investment Trust INC. are the shareholders. (Registry Date: 26.06.2014 with the Roll no. 9695)

- While 425990/468764 share of the plot of the real estate subject to appraisal was belonged to Akfen GYO INC and, 21387/234382 of it was registered to the Treasury, the share owned by the Treasury had been bought by Akfen GYO INC for 1.924.830 TL on 07.01.2015 and Akfen GYO INC has become the only owner of the plot.

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

Considering the approval of the architecture Project and building license of the hotel Project subject to appraisal, all of the permits and documents necessary according to the legislations are accurate and complete.

**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**  
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.” Therefore, there are no obstacles that prevent the inclusion of the real estate subject to the appraisal as a land in the Real Estate Investment Trusts portfolio.

#### **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**

Detailed Information and plans are completely in connection to this project in question and in case of executing a different project the resulting value might vary.

#### 5.4 Physical Characteristics of the Real Estate

Indoor construction characteristics of the hotel construction are as follows:

Ibis Hotel's Structural and Indoor Construction Characteristics	
Total Area	10.965,28 m <sup>2</sup>
Age	Newly Completed
Structural Type	Ferroconcrete
Disposition	Detached Building
Number of the floors	16 floored (3 Basement+ Ground+ 11 normal floors+ Attic)
Electricity	City grid
Heating System	Fan Coil (its maontage is ongoing)
Water	City grid
Sewer System	City grid
Elevators	4 (3Customers, 1 Staff) Besides; 1 Elevator between parking lot- lobby
Ventilation System	Available
Fire Escape	Available
Fire extinction system	Available
Parking Area	Closed Parking lot with a capacity of 11 cars
Generator	Existing (640 KVA)
Ground	Screed
Wall	Gypsum plaster
Joinery	Alumium profile
Illumination	Flouresan

#### 5.4.1 Inspections Performed Within the Premises of the Real Estate

- The real estate subject to appraisal is the 3 star Ibis Hotel located in the city of Istanbul, Tuzla district.
- The hotel has been constructed as 16 storyed in total consisting of 2 basement+ ground+ 11 normal floors+ attic floor.
- Closed area of the hotel according to its project is 10.965,28 m<sup>2</sup> in total.
- There are 200 rooms in total consisting of 147 standard rooms, 35 standard rooms with twin beds, 16 combinable rooms and a disabled room in the hotel.
- Besides, there are a cafe-bar, restaurant with the capacity of 100 persons, 1 big meeting room (for 100 persons), 2 combinable meeting rooms (for 10 and 12 persons.)
- According to the approved architecture project and site-evaluation building is structured as follows;

Floor	Construction Area(m <sup>2</sup> )	Volumes
3. Basement Floor	1.145,32	Parking lot for 11 cars, air conditioner operator room, toilet water tank, fuel tank, technical manager's room, 2 stores, heating central, electricity room
2. Basement Floor	1.219,25	Sanctuary, network room, generator room, store, laundry room, staff changing rooms, WC, garbage room, cold store, staff cafeteria
1. Basement Floor	1.120,14	Restaurant, café-bar, lobby, office, reception, luggage room, men-women-disabled WC, kitchen, garbage room, scullery, store
Ground Floor	809,14	Meeting rooms, men-women- disabled WC, foyer, furniture store, management offices general manager's room, service room
1. Floor	639,41	4 twin rooms, 10 standard rooms, 4 combinable twin rooms, 1 disabled room, electricity room
2. Floor	553,65	3 twin rooms, 12 standard rooms, 2 combinable standard rooms, 1 disabled room, laundry room, electricity room
3. Floor	546,00	3 twin rooms, 14 standard rooms, 2 combinable rooms, electricity room
4. Floor	541,54	3 twin rooms, 13 standard rooms, 2 combinable standard rooms, electricity room, ironing room
5. Floor	528,62	3 twin rooms, 13 standard rooms, 2 combinable standard rooms, electricity room, ironing room
6. Floor	528,62	3 twin rooms, 15 standard rooms, electricity room, laundry room
7. Floor	528,62	3 twin rooms, 15 standard rooms, electricity room, laundry room
8. Floor	528,62	3 twin rooms, 15 standard rooms, electricity room, laundry room
9. Floor	528,62	3 twin rooms, 15 standard rooms, electricity room, laundry room
10. Floor	528,62	3 twin rooms, 15 standard rooms, electricity room, laundry room
11. Floor	536,40	4 twin rooms, 4 combinable twin rooms, 10 standard rooms, electricity room, laundry room
Attic	564,84	Elevator operating room, elevator platform
Roof	117,87	-
<b>TOTAL</b>	<b>10.965,28</b>	<b>200 Rooms</b>

- The construction of the hotel has been completed and furnished
- Floor coverings are ceramic in wet areas, carpets in rooms and corridors, laminated parked in some surfaces' areas



- Mechanical and electrical installations, of hotel have been completed and hotel has 1 generator, 2 air handling units, 2 chiller groups.
- Fire staircase and fire system (fire hose, fire detector and sprinkler system) have been completed
- The furnishing is completed in the hotel interior
- The exterior of the hotel is covered with stone.
- The hotel has not opened yet, and as of the date of the appraisal, preparations for the opening of the hotel have been continued.

## **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 plot is closely situated to the D-100 land road and has a facade to the İcmeler intersection, thus having a high visibility.
- The fact that it is located in the vicinity of the Tuzla shipyards increases the opportunities for the plot to be used in a functional manner.
- The area where the real estate is situated is easily accessible by private vehicle or public transportation.
- The infrastructure works in the area where the real estate is situated have been completed.

#### **Weaknesses**

- The land is located far from the business centers of Istanbul.

#### **Opportunities**

- The region has a development potential in connection to factors such as the increase of passenger capacity at the Sabiha Gökçen Airport.
- It is estimated that the new projects that will take place in the area will animate the area where the plot is located.
- Because İcmeler constitute the only thermal springs in the city of Istanbul, it is estimated that development in this area will help to increase the touristic potential of the region.

#### **Threats**

- International chain hotels newly operating and timeshare accommodations and hotel quality projects under construction in the vicinity of the hotel Project subject to appraisal are creating a serious rate of bed supply and pose a threat
- If the stagnation in the markets and the rapid increase in the exchange rates continue, there could be negative effects on the tourism sector.



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

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

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

On account of the fact that the type of the real estate subject to appraisal study is an ongoing hotel construction on the land and there is a rental agreement signed between Akfen GYO INC. and ACCOR Group, cost and income methods have been chosen.

#### 6.4.1 Exemplary Approach

Information with regard to lands for sale in the vicinity of the property in question has been examined.

#### 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

##### LAND EXAMPLES

EXAMPLE	Location	Characteristics	Area (m <sup>2</sup> )	Price (USD)	Unit price per m <sup>2</sup> (USD)	Source
<b>Emsal 1</b>	Tuzla, it is located near to property second parcel to D-100 road (1055, 1509, 1060 parcel)	TAKS: 0,40, E: 1,60 Commercial area	1.400	7.350.000 TL (2.113.040 \$)	5.250 TL	Hasan Deveci 0 555 892 89 79
<b>Emsal 2</b>	Tuzla, it is located near to property in front of railway (6770 parcel)	Emsal: 1,60, housing area	7.464	14.928.000 \$	2.000 \$	Murat Emir 0 532 236 01 59
<b>Emsal 3</b>	In Pendik, Güzelyalı, very near to Guzelyali coast (4275 parcel)	Emsal: 1,60, Comercial + Service Area	5.991	22.750.000 TL (6.540.363 \$)	3.797 TL	Metar İnş. A. Ş. 0 533 472 22 01
<b>Emsal 4</b>	Tuzla Aydıntepe D-100'roadsided (8744 ada 4 parcel)	Emsal: 1,75, Service transformation area	1.318	3.650.000 € (3.878.434 \$)	2.769 €	Remax Box 0 533 474 72 45
<b>Emsal 5</b>	In Tuzla İçmeler Near to E-5	TAKS: 0,30 H: 9,50, Commercial area	400	2.250.000 TL (646.849 \$)	5.625 TL	Yüksel Emlak 0 506 389 03 19
<b>Emsal 6</b>	Tuzla İçmeler E-5 Roadside next to Paşabahçe and Assan (4058 parcel)	Emsal: 1,75 Commercial area	20.500	40.000.000 \$	1.951 \$	Mustafa Karaman 0 532 424 54 80

- 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.
- The abandonment processes of all the lands that are provided in the table above have been done and net surface areas have been inquired.
- According to the interviews carried out onsite with the real estate agents, the unit price per m<sup>2</sup> of the lands that have a facade to the D-100 land road vary between 1.800 USD /m<sup>2</sup> – 2.500 USD/m<sup>2</sup>.
- USD buying rate of the Central Bank of Turkey on the date of 13.12.2016: 3,4721 TL

#### **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 Hotel and Congress area, its proximity to the İçmeler thermal springs and the example values gathered from the vicinity, the unit price value of the land has been provided in the table below.

A Comparable Table with regard to the land subject to the appraisal is provided below:

**LAND EXAMPLE APPRAISAL TABLE**

	Example 1	Example 2	Example 3	Example 4	Example 5	Example 6
Area (m <sup>2</sup> )	1400 m <sup>2</sup>	7464 m <sup>2</sup>	5991 m <sup>2</sup>	1318 m <sup>2</sup>	400 m <sup>2</sup>	20500 m <sup>2</sup>
Price Asked (USD)	2.113.040 \$	14.928.000 \$	6.540.363 \$	3.878.434 \$	646.849 \$	40.000.000 \$
Room for Negotiation	-20%	-17%	-20%	-20%	-15%	-20%
Bargain Price (TL)	1.690.432 \$	12.390.240 \$	5.232.291 \$	3.102.747 \$	549.822 \$	32.000.000 \$
Unit m <sup>2</sup> Sales Value (\$/m <sup>2</sup> )	1.207 \$/m <sup>2</sup>	1.660 \$/m <sup>2</sup>	873 \$/m <sup>2</sup>	2.354 \$/m <sup>2</sup>	1.375 \$/m <sup>2</sup>	1.561 \$/m <sup>2</sup>
Location Correction (+-%)	10%	10%	10%	0%	10%	0%
Zoning Status Correction (+-%)	8%	12%	5%	8%	12%	8%
Surface Area Correction (+-%)	-5%	0%	0%	-5%	-10%	5%
Total Correction Factor	13%	22%	15%	3%	12%	13%
Corrected Price per Unit (USD)	1.364 \$/m <sup>2</sup>	2.025 \$/m <sup>2</sup>	1.004 \$/m <sup>2</sup>	2.425 \$/m <sup>2</sup>	1.540 \$/m <sup>2</sup>	1.764 \$/m <sup>2</sup>
<b>Average</b>	<b>1.687 \$/m<sup>2</sup></b>					

For the plot subject to the appraisal, exemplary approach has been employed and unit price of **1.687 USD/m<sup>2</sup>** (~1.587 EURO /m<sup>2</sup>) has been calculated. (It has been accepted as 1EURO=1,10626 USD; 1 USD =0,94 EURO.)

The value of the real estate, employing the exemplary approach has been estimated at 1.587 EURO/m<sup>2</sup> X 4.687,64 m<sup>2</sup> = **7.439.285- EURO ≈ 7.440.000 EURO**.

## 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.

INDOOR PLACES		UNIT COSTS (EURO)(*)	
İBİS OTEL TOTAL CONSTRUCTION AREA (m <sup>2</sup> )		UNIT COSTS (EURO)(*) (€)	TOTAL COSTS (**)
3 <sup>rd</sup> Basement Floor	1.145,32	430	492.488
2 <sup>ND</sup> Basement Floor	1.219,25	430	524.278
1 <sup>st</sup> Basement Floor	1.120,14	430	481.660
Ground Floor	809,14	1.000	809.140
1 <sup>st</sup> Regular Floor	639,41	1.000	639.410
2 <sup>nd</sup> Regular Floor	553,65	1.000	553.650
3 <sup>rd</sup> Regular Floor	546,00	1.000	546.000
4 <sup>th</sup> Regular Floor	541,54	1.000	541.540
5 <sup>th</sup> Regular Floor	528,62	1.000	528.620
6 <sup>th</sup> Regular Floor	528,62	1.000	528.620
7 <sup>th</sup> Regular Floor	528,62	1.000	528.620
8 <sup>TH</sup> Regular Floor	528,62	1.000	528.620
9 <sup>th</sup> Regular Floor	528,62	1.000	528.620
10 <sup>th</sup> Regular Floor	528,62	1.000	528.620
11 <sup>th</sup> Regular Floor	536,40	1.000	536.400
Loft	564,84	200	112.968
Roof	117,87	100	11.787
TOTAL CONSTRUCTION COST	10.965,28		8.421.040
External Miscellaneous Works (***) (€)			100.000
TOTAL STRUCTURE VALUE (€)			8.521.040
UNIT LAND VALUE (€)			1.587
LAND AREA (m <sup>2</sup> )			4.687,94
LAND VALUE(€)			7.439.761
TOTAL VALUE(€)			15.961.000
TOTAL VALUE(TL)			58.887.000 TL

(\*) 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 30.06.2010. The appraisal has been conducted by taking into consideration the age and physical status of the real estate.

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

### 6.4.3 Revenue Discount Approach / Development Approach

#### CASHFLOW CALCULATION FOR THE HOTEL PROJECT

##### Assumptions:

Hotel Project subject to appraisal was projected as a 3 stars city hotel with 200 rooms and the Project assumptions were evaluated in this scope in the appraisal study.

##### In the appraisal study;

- It is accepted that hotel construction hotel will start to operate on 1th of February, 2017.
- It is assumed that the price of the rooms will be in room-breakfast system. According to the surveys done in tourism sector and the hotels in the region, it is assumed that the price of the room will be 40 EURO in its first year in service and this price will increase to 45 EURO in 2018, to 50 EURO in 2019, and rate of the annual increase of the room prices will be 5% until the year of 2022 and the rate will be 2,5% in the following years.
- It is assumed that occupancy rate will be average of 50% in 2017 and will reach to 62% in 2020 and will increase 2% annually in the following years.
- Since the hotel will be exempt from property tax until 2022 it is assumed that property tax would not be paid until 2022; property tax would be 18.939 EURO in 2022 and will raise annually 3 % in the following years.
- It is assumed that 3,5% of the hotel incomes would be kept as the renewal reserve of the furniture and fixtures.
- In the appraisal study long-term Euro bond is taken as 7,21% - "risk free return rate". Discount rate is foreseen as 11,54%.
- It is assumed that the whole payments would be in cash.
- VAT and taxes have not been included in the studies.
- Building insurance is accepted as 9.011 EURO according to the information taken from AKFEN INC. For the year of 2017. It is assumed that the insurance value would be fixed in terms of the years.
- A more realistic net present value has been provided through taking the mid-year factor (0,5) into account in net present value calculations.

Discount cashflow table prepared according to the above mentioned assumptions is shown below.



Year Date	0 31.12.2016	1 31.12.2017	2 31.12.2018	3 31.12.2019	4 31.12.2020	5 31.12.2021	6 31.12.2022	7 31.12.2023	8 31.12.2024	9 31.12.2025	10 31.12.2026
<b>INCOMES</b>											
<b>ROOM INCOMES</b>											
Annual Occupancy Rate, %	50%	55%	58%	62%	63%	65%	66%	67%	68%	70%	
Average Room Price, EUR	40	45	50	53	55	58	59	61	62	64	
<b>Total Room Incomes</b>	<b>1.338.333</b>	<b>1.806.750</b>	<b>2.117.000</b>	<b>2.376.150</b>	<b>2.544.857</b>	<b>2.725.541</b>	<b>2.849.554</b>	<b>2.979.208</b>	<b>3.114.762</b>	<b>3.256.484</b>	
<b>DEPARTMENT INCOMES</b>											
<b>Total Department Incomes</b>	<b>283.889</b>	<b>357.022</b>	<b>388.325</b>	<b>419.321</b>	<b>416.702</b>	<b>427.847</b>	<b>444.728</b>	<b>464.963</b>	<b>486.119</b>	<b>508.237</b>	
<b>TOTAL INCOMES</b>	<b>1.622.222</b>	<b>2.163.772</b>	<b>2.505.325</b>	<b>2.795.471</b>	<b>2.961.558</b>	<b>3.153.388</b>	<b>3.294.282</b>	<b>3.444.171</b>	<b>3.600.881</b>	<b>3.764.721</b>	
<b>EXPENSES</b>											
<b>DEPARTMENT EXPENSES</b>											
<b>Total Department Expenses</b>	<b>750.683</b>	<b>943.838</b>	<b>997.621</b>	<b>1.037.469</b>	<b>976.645</b>	<b>1.035.706</b>	<b>1.081.595</b>	<b>1.130.808</b>	<b>1.182.259</b>	<b>1.236.052</b>	
<b>Net Department Incomes</b>	<b>871.539</b>	<b>1.219.935</b>	<b>1.507.705</b>	<b>1.758.002</b>	<b>1.984.914</b>	<b>2.117.682</b>	<b>2.212.687</b>	<b>2.313.364</b>	<b>2.418.622</b>	<b>2.528.669</b>	
<b>OPERATING EXPENSES</b>											
General Management Expenses	146.000	194.740	212.953	223.638	222.117	236.504	230.600	241.092	252.062	263.530	
Marketing	24.333	32.457	37.580	41.932	44.423	47.301	49.414	51.663	54.013	56.471	
Energy	137.889	183.921	200.426	209.660	207.309	220.737	197.657	206.650	216.053	225.883	
<b>Total Operating Expenses</b>	<b>308.222</b>	<b>411.117</b>	<b>450.959</b>	<b>475.230</b>	<b>473.849</b>	<b>504.542</b>	<b>477.671</b>	<b>499.405</b>	<b>522.128</b>	<b>545.885</b>	
<b>GROSS BUSINESS PROFIT</b>	<b>563.317</b>	<b>808.818</b>	<b>1.056.746</b>	<b>1.282.772</b>	<b>1.511.064</b>	<b>1.613.140</b>	<b>1.735.016</b>	<b>1.813.959</b>	<b>1.896.494</b>	<b>1.982.785</b>	
<b>FIXED COSTS</b>											
Property Tax	0							18.939	19.508	20.093	20.696
Insurance	9.011	11.545	11.545	11.545	11.545	11.545	11.545	11.545	11.545	11.545	
Renewal Fund	56.778	75.732	87.686	97.841	103.655	110.369	115.300	120.546	126.031	131.765	
<b>Total Fixed Costs</b>	<b>65.789</b>	<b>87.277</b>	<b>99.231</b>	<b>109.386</b>	<b>115.200</b>	<b>121.914</b>	<b>145.784</b>	<b>151.599</b>	<b>157.669</b>	<b>164.006</b>	
<b>TOTAL EXPENSES</b>	<b>1.124.694</b>	<b>1.442.231</b>	<b>1.547.811</b>	<b>1.622.085</b>	<b>1.565.693</b>	<b>1.662.161</b>	<b>1.705.050</b>	<b>1.781.811</b>	<b>1.862.056</b>	<b>1.945.943</b>	
<b>NET BUSINESS INCOME</b>	<b>497.528</b>	<b>721.541</b>	<b>957.515</b>	<b>1.173.385</b>	<b>1.395.865</b>	<b>1.491.227</b>	<b>1.589.232</b>	<b>1.662.360</b>	<b>1.738.825</b>	<b>1.818.779</b>	
<b>End of the Period Value</b>											<b>20.713.869</b>
<b>NET CASHFLOW</b>	<b>497.528</b>	<b>721.541</b>	<b>957.515</b>	<b>1.173.385</b>	<b>1.395.865</b>	<b>1.491.227</b>	<b>1.589.232</b>	<b>1.662.360</b>	<b>1.738.825</b>	<b>22.532.648</b>	
<b>CUMULATIVE CASHFLOW</b>	<b>497.528</b>	<b>1.219.069</b>	<b>2.176.584</b>	<b>3.349.969</b>	<b>4.745.834</b>	<b>6.237.061</b>	<b>7.826.292</b>	<b>9.488.652</b>	<b>11.227.478</b>	<b>33.760.126</b>	
<b>AKFEN RENT OBTAINED</b>											
RENT OVER IBISOTEL INCOME	243.333	389.479	501.065	698.868	740.390	788.347	823.570	861.043	900.220	941.180	
Share of the Operator	64.889	86.551	100.213	111.819	118.462	126.136	131.771	137.767	144.035	150.589	
Reserve of the Furniture Fixures Renewal	16.222	43.275	75.160	111.819	118.462	126.136	131.771	137.767	144.035	150.589	
NOVOTEL OTEL AGOP	409.875	577.143	749.167	900.264	1.083.019	1.156.739	1.250.752	1.307.661	1.367.160	1.429.366	
<b>USED RENTAL INCOME OF IBIS HOTEL</b>	<b>409.875</b>	<b>577.143</b>	<b>749.167</b>	<b>900.264</b>	<b>1.083.019</b>	<b>1.156.739</b>	<b>1.250.752</b>	<b>1.307.661</b>	<b>1.367.160</b>	<b>1.429.366</b>	
Property Tax	0	0	0	0	0	0	18.939	19.508	20.093	20.696	
Insurance	9.011	11.545	11.545	11.545	11.545	11.545	11.545	11.545	11.545	11.545	
Reserve of Furniture Fixture Renewal 5%	811	2.164	3.758	5.591	5.923	6.307	6.589	6.888	7.202	7.529	
<b>RENTAL CASHFLOW</b>	<b>400.053</b>	<b>563.434</b>	<b>733.864</b>	<b>883.128</b>	<b>1.065.551</b>	<b>1.138.887</b>	<b>1.213.679</b>	<b>1.269.721</b>	<b>1.328.321</b>	<b>1.389.596</b>	
<b>INVESTMENT COST</b>	<b>0</b>										
<b>Value of the end of the period</b>											<b>17.369.948</b>
<b>NET CASHFLOW</b>	<b>400.053</b>	<b>563.434</b>	<b>733.864</b>	<b>883.128</b>	<b>1.065.551</b>	<b>1.138.887</b>	<b>1.213.679</b>	<b>1.269.721</b>	<b>1.328.321</b>	<b>18.759.544</b>	

<b>Risk Free Revenue Rate</b>	<b>7,21%</b>	<b>7,21%</b>	<b>7,21%</b>
<b>Risk Premium</b>	<b>3,97%</b>	<b>4,33%</b>	<b>4,69%</b>
<b>Discount Rate</b>	<b>11,18%</b>	<b>11,54%</b>	<b>11,90%</b>
<b>NET CURRENT VALUE (Euro)</b>	<b>14.823.293</b>	<b>14.474.007</b>	<b>14.135.264</b>
<b>NET APPROXIMATE CURRENT VALUE (Euro)</b>	<b>14.820.000</b>	<b>14.470.000</b>	<b>14.140.000</b>
<b>NET APPROXIMATE CURRENT VALUE (TL)</b>	<b>54.677.000</b>	<b>53.386.000</b>	<b>52.168.000</b>

According to those assumptions and operating model and with operating projection; project value has been calculated as 14.470.000 EURO (53.386.000 TL)

#### 6.4.4 Value of the Real Estate According to the Rent Income

On the land owned by Akfen INC. Ibis Hotel project had been developed with a capacity of 200 rooms and rented by Accor Group after signing the rent agreement on 1th of May, 2014 and the duration of the agreement is 25+/-10 years. Cost of the rent according to the agreement is as follows:

- In the opening year: It is that of the bigger one of the followings: 85% of the adjusted gross business profit or 15% of the total net revenue (guaranteed minimum rent cost)
- In the fiscal year following the opening year the annual rent will be the bigger one of the followings: 18% of the of the total net revenue (guaranteed minimum rent cost), 85% of the AGOP.
- In the second fiscal year the annual rent will be the bigger one of the followings: 20% of the of the total net revenue (guaranteed minimum rent cost), 85% of the AGOP.
- Starting with the beginning of the third fiscal year the annual rent would be either 85% of the adjusted gross business profit (AGOP) or 25% of the total net revenue (guaranteed minimum rent cost).

Tenant will create a reserve fund towards the renovation of beginning FF&E items. Reserve in question will correspond to below stated costs.

- First fiscal year; 1% of the total net revenue;
- Second fiscal year; 2% of the total net revenue;
- Third fiscal year; 3% of the total net revenue;
- From fourth fiscal year to 15th fiscal year: 4% of the total net revenue.
- Starting with 16th fiscal year: 5% of the total net revenue



AKFEN RENT OBTAINED										
RENT OVER IBISOTEL INCOME	243.333	389.479	501.065	698.868	740.390	788.347	823.570	861.043	900.220	941.180
Share of the Operator	64.889	86.551	100.213	111.819	118.462	126.136	131.771	137.767	144.035	150.589
Reserve of the Furniture Fixures Renewal	16.222	43.275	75.160	111.819	118.462	126.136	131.771	137.767	144.035	150.589
NOVOTEL OTEL AGOP	409.875	577.143	749.167	900.264	1.083.019	1.156.739	1.250.752	1.307.661	1.367.160	1.429.366
<b>USED RENTAL INCOME OF IBIS HOTEL</b>	<b>409.875</b>	<b>577.143</b>	<b>749.167</b>	<b>900.264</b>	<b>1.083.019</b>	<b>1.156.739</b>	<b>1.250.752</b>	<b>1.307.661</b>	<b>1.367.160</b>	<b>1.429.366</b>
Property Tax	0	0	0	0	0	0	18.939	19.508	20.093	20.696
Insurance	9.011	11.545	11.545	11.545	11.545	11.545	11.545	11.545	11.545	11.545
Reserve of Furniture Fixture Renewal 5%	811	2.164	3.758	5.591	5.923	6.307	6.589	6.888	7.202	7.529
<b>RENTAL CASHFLOW</b>	<b>400.053</b>	<b>563.434</b>	<b>733.864</b>	<b>883.128</b>	<b>1.065.551</b>	<b>1.138.887</b>	<b>1.213.679</b>	<b>1.269.721</b>	<b>1.328.321</b>	<b>1.389.596</b>
<b>INVESTMENT COST</b>	<b>0</b>									
<b>Value of the end of the period</b>										<b>17.369.948</b>
<b>NET CASHFLOW</b>	<b>400.053</b>	<b>563.434</b>	<b>733.864</b>	<b>883.128</b>	<b>1.065.551</b>	<b>1.138.887</b>	<b>1.213.679</b>	<b>1.269.721</b>	<b>1.328.321</b>	<b>18.759.544</b>
<b>CUMULATIVE CASHFLOW</b>	<b>400.053</b>	<b>963.487</b>	<b>1.697.351</b>	<b>2.580.479</b>	<b>3.646.030</b>	<b>4.784.917</b>	<b>5.998.596</b>	<b>7.268.317</b>	<b>8.596.637</b>	<b>9.986.233</b>

<b>Risk Free Revenue Rate</b>	<b>7,21%</b>	<b>7,21%</b>	<b>7,21%</b>
<b>Risk Premium</b>	<b>2,88%</b>	<b>3,24%</b>	<b>3,61%</b>
<b>Discount Rate</b>	<b>10,09%</b>	<b>10,45%</b>	<b>10,82%</b>
<b>NET CURRENT VALUE (Euro)</b>	<b>12.816.903</b>	<b>12.505.196</b>	<b>12.203.082</b>
<b>NET APPROXIMATE CURRENT VALUE (Euro)</b>	<b>12.820.000</b>	<b>12.510.000</b>	<b>12.200.000</b>
<b>NET APPROXIMATE CURRENT VALUE (TL)</b>	<b>47.298.000</b>	<b>46.154.000</b>	<b>45.011.000</b>

#### 6.4.5 Lease Value Analysis and the Data Employed

Considering that there are no structures on the land, no lease value analysis has been conducted.

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

Rental value of the real estate subject to appraisal has been calculated taking the average of net cash flow values in its first year into consideration and according to revenue discount approach and rental income. Through reducing the average value of annual cash flow of the year 2017 into the day of appraisal; annual rental value of real estate has been found. According to this calculation annual rental value of the hotel has been estimated as 381.000.- EURO (1.406.000 - TL).

	31.12.2016	31.12.2017
Annual Rental Value	0	400.053
Net Present Value of Annual Rent (EURO)	381.000	
Net Present Value of Annual Rent (TL)	1.406.000	

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

When factors such as location, formation and conditions of its surroundings, along with the zoning status, are taken into consideration, it is thought that the hotel Project being constructed on the plot will provide the most effective and productive use.

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

There are no common or divided parts of the real estate subject to appraisal.



## 7 EVALUATION OF ANALYSIS RESULTS

### 7.1.1 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. The total value in the cost method, including the land, has been calculated as **15.961.000 EURO (58.887.000 TL)**.

As a result of the discount of the potential revenue to be generated by the structure on the plot, in accordance with the revenue discount approach, the net current value of the HOTEL has been calculated as **14.470.000 EURO (53.386.000 TL)**.

The amount determined to be paid to the Akfen Real Estate Investment Trust Inc. by the Accor Group, with the use of lease revenue discount method, is **12.510.000 EURO (46.154.000 TL)**.

The values obtained by use of the revenue discount approach and lease revenue discount method comply with each other. There is nearly 15% difference between the values obtained by use Cost analysis method and the other two methods. And, this is a tolerable difference. Values obtained by use of 3 methods support each other. The real estate subject to the appraisal constitutes a revenue generating property and, therefore, the values are calculated with the use of the revenue discount approach and lease revenue discount method. The final value of the hotel is found as **13.490.000 EURO (49.770.000.-TL)** which is the arithmetic mean of the values calculated by use of these two 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 **381.000.- EURO (1.406.000-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.

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

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



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

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

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

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

For the real estate subject to appraisal there is an appraisal studies numbered 2014-020-GYO-001 ; and 2015-020-001.

## **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**

Within the capital market regulations, there are no obstacles preventing the inclusion of the real estate subject to the appraisal in the portfolio as a building

## 8 OUTCOME

### 8.1 The Concluding Sentence of the Appraiser

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

### 8.2 Final Appraisal

The totality of the characteristics that can affect the value of the real estate, such as the location, the style of formation of its surroundings, the infrastructure and means of transportation, façades looking over to the avenue and street, as well as the area and its position, 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 Real Estate (EURO)	Market Value of the Real Estate (TL)
VAT Excluded	13.490.000	49.770.000
VAT Included	15.918.000	58.729.000

	Annual Rental Value of the Real Estate (TL)	Annual Rental Value of the Real Estate (EURO)
VAT Excluded	1.406.000	381.000
VAT Included	1.659.000	450.000

- 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 on 13.12.2016.
  - 4- ) 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.

Özgür ÇAKICI  
Certified Appraiser  
CML Certificate No:400335



Önder ÖZCAN  
Certified Appraiser  
CML Certificate No:402145



Neşecan ÇEKİCİ  
Responsible Appraiser  
CML Certificate No:400177





## **9 APPENDIX**

1. Title Deed Photocopies
2. Title Deed Registry Sample
3. Approved Zoning Status
4. Project Cover Page
5. Layout Plan Sample
6. Construction Permit Document
7. Written Document Given By Bank
8. Contract of Lease
9. Photographs
10. Curriculum Vitae
- 11.SPK License Samples