

AKFEN REAL ESTATE INVESTMENT TRUST INC.

CITY OF KAYSERİ, DISTRICT OF KOCASİNAN

BUILDING BLOCK NO. 2420, PLOT NO. 9

KAYSERİ NOVOTEL AND IBIS HOTEL

Report No: 2016-020-GYO-004

Appraisal Date: 30.12.2016

Date of Report: 06.01.2017



REAL ESTATE CONSULTANCY AND APPRAISAL INC.

i. Appraisal Report Summary

Person/Entity Requesting the Appraisal	:	Akfen Real Estate Investment Trust Inc.
Institution Preparing the Report	:	Epos Real Estate Consultancy and Appraisal Inc.
Date of Report	:	06. 01. 2017
Report No	:	2016-020-GYO-004
Appraisal Date	:	30.12.2016
Information Concerning the Property Subject to the Appraisal	:	"Reinforced Concrete Hotel and Its Land" quality real estate in the city of Kayseri, district of Kocasinan, with the Block No: 2420, Plot No: 9 and a surface area of 11.035,40 m ² "
Subject of Study	:	Appraisal of the current value of the construction and annual lease value of the real estate
Land Area of the Real Estate Subject to the Appraisal	:	11.035,40 m ²
Land Area of Closed Spaces of the Real Estate Subject to the Appraisal	:	Novotel: 5.370,68 m ² Ibis Hotel: 5.627,85 m ² Total: 10.998,53 m ² (According to the Project and Current Status)
Zoning Status of the Real Estate Subject to the Appraisal	:	Tourism Facility Area

As of 30.12.2016

	Market Value of the Remaining Construction of the Real Estate (EURO)	Market Value of the Remaining Construction of the Real Estate (TL)
VAT Excluded	11.410.000	42.096.000
VAT Included	13.464.000	49.673.000

	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	510.167	1.882.000
VAT Included	602.000	2.221.000

- 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 EUR = 3,6894TL; 1 USD = 34721 TL –
- 4-) This report has been prepared within the scope of the related Capital Market Legislation.

Names of the persons participating in the report

Certified Appraiser	:	Serkan TANRIÖVER
Certified Appraiser	:	Önder ÖZCAN
Responsible Appraiser	:	Neşecan ÇEKİCİ



Declaration of Conformity

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

Assumptions

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



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

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1 REPORT INFORMATION

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

Date of Report : 06.01.2017

Report Number : 2016-020-GYO-004

Type of Report : Appraisal report relative to the “Reinforced Concrete Hotel and Its Land” quality real estate with a surface area of 11.035,40 m², situated in the city of Kayseri, district of Kocasinan, Block no. 2420, Plot no. 9, for the purpose of determining the current market value of the remaining construction right and the current lease of the real estate value in Turkish Lira currency.

1.2 Information Regarding the Responsible Appraiser that Prepared the Appraisal Report

Report Issued by :Certified Appraiser, Serkan TANRIÖVER

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

1.4 Reference Agreement

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

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

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



2 INTRODUCTORY INFORMATION CONCERNING THE COMPANY AND THE CLIENT

2.1 Introductory Information Concerning the Appraisal Company

Company Title : Epos Real Estate Consultancy and Appraisal Inc.

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

2.2 Introductory Information Concerning the Client

Client Title : Akfen Real Estate Investment Trust Inc.

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

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

The Appraisal report relative to the "Reinforced Concrete Hotel and Its Land" quality real estate, with a surface area of 11.035,40 m², situated in the city of Kayseri, district of Kocasinan, Block no. 2420, Plot no. 9, has been prepared for the purpose of determining its sale and lease value.

With reference to the 06.09.2016 dated request by Akfen Real Estate Investment Trust Inc., the property subject to this appraisal report belongs to the Chamber of Industry of Kayseri and has been allocated with a lease agreement, with the starting date of 20.08.2008, for the duration of 49 years, on behalf of Akfen Real Estate Investment Trust Inc.. The potential revenue, in regards to its use or leasing, has been evaluated; moreover, there are no restrictive constraints in force exercised by the client. During the appraisal studies, the market research, the onsite surveys and the existing lease agreements, which have been signed by Akfen Real Estate Investment Trust Inc. with the Chamber of Industry of Kayseri and the Accor Group, have all been taken into account.

3 VALUE DEFINITIONS, DESCRIPTION OF APPRAISAL METHODS

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

3.1 Exemplary Comparison Approach

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

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

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

The Market Value Approach depends on the following assumptions:

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

3.2 Cost Approach

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

Pursuant to this approach, it has been established that the value of the real estate consists of two different facts, namely land and buildings; in addition, it is acknowledged that the real estate has a significant remaining economic life span. Therefore, for this reason, it is taken into account that the value of the real estate will decrease in time due to physical wear and become out of date in terms of

functionality and economic status. In other words, this method concedes that the current value of a real estate can never be more than the cost of its reconstruction.

The appraisal process is calculated by the addition of the interest or gain that the current building possesses, if any, to the present reconstruction or reinstallation cost of the real estate in question, followed by the subtraction of the wear and tear ratio from the total cost and, finally, the addition of the land value. In this sense, the basic principle of the Cost Approach can be explained through the usage value, whereas the usage value is described as “Even though nobody desires or knows about its value, the goods have their real value”.

3.3 Revenue Discount Approach

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

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

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

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

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

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

4.1 General and Socio- economic Data

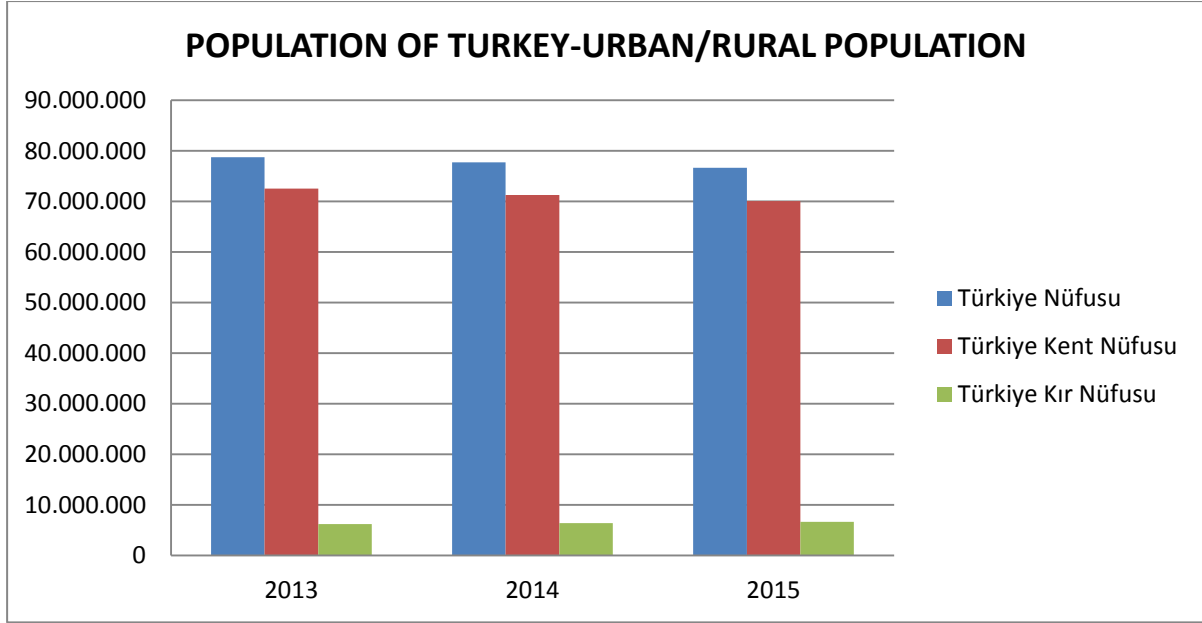
According to the 2015 results of the Address-Based Population Registration System (ADNKS), Turkey has a population of 78.741.053 people. In this population, 50,2% (39,511,191 people) are male, and 49,8% (39,229,862 people) are female.

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.

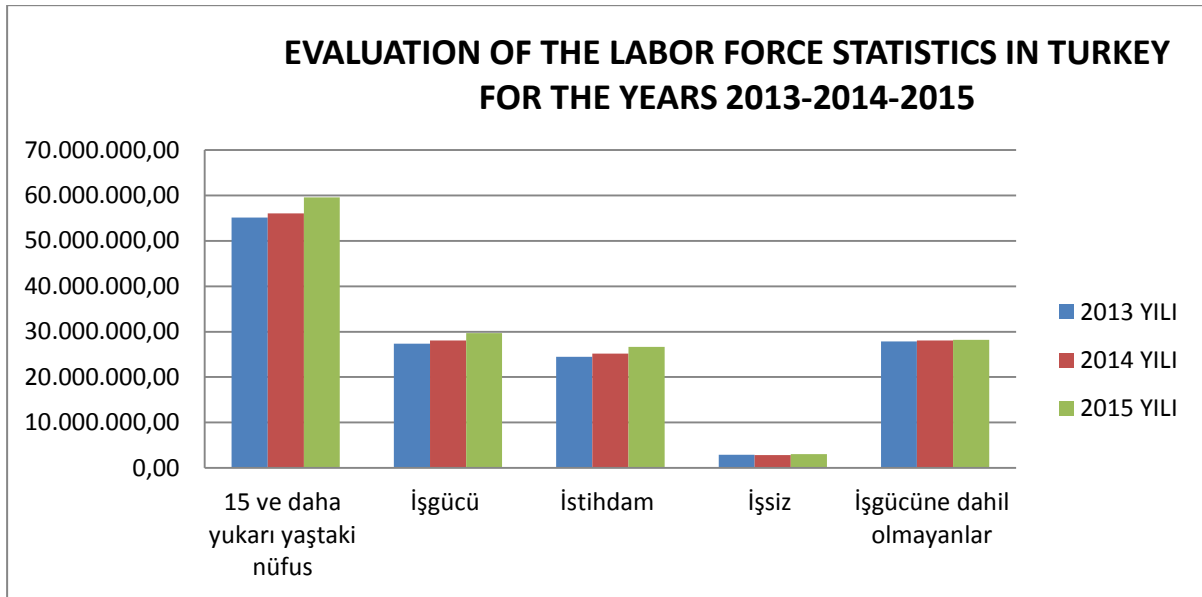
TURKEY			
Rows	2013	2014	2015
Rural Population in Turkey	6,633,451.00	6,409,722.00	6,217,919.00
Urban Population in Turkey	70,034,413.00	71,286,182.00	72,523,134.00
Population in Turkey	76,667,864.00	77,695,904.00	78,741,053.00
Population at the age of 15 and older	55,169,000.00	56,084,000.00	59,584,833.00
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.
- Deceleration of growth in China is parallel to expectancies until now, however reflections in cross border are bigger than prospected. This reflected as lower imports to China and lower prices of commodities (especially metal). Devaluation of Greece by China, volatilities related to weakness in currencies of developing economies and increasing global risks caused sharp decreases in property prices throughout world.
- Rebound is expected for growth of rising markets and developing economies 2016.
- This reflects lower recession and relative normalization in 2015 for countries having economic trouble (Brazil, Russia, some countries in Latin America and in Middle East), and spill-over effect depending on stronger recovering in economic activities of developed economies and facilitating of sanctions for Islamic Republic of Iran.

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

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

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

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

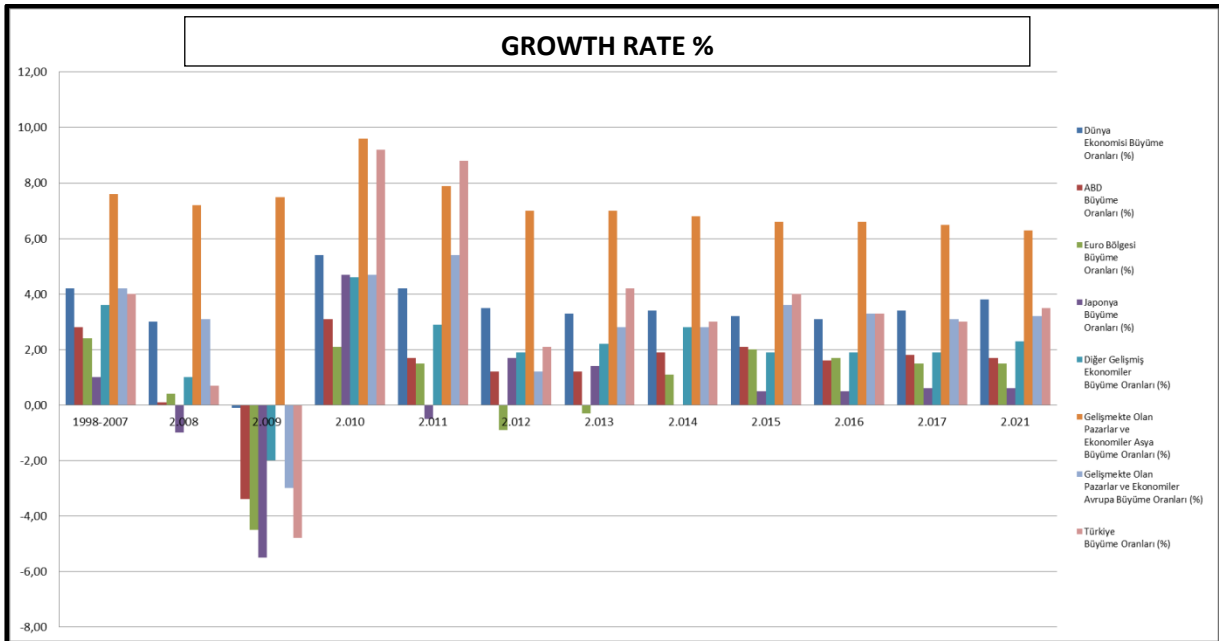
In 2016, Fed kept the interest rate intact at its meetings in January, March and April. In the meetings of June 2016 and September 2016, the US Federal Reserve Banks (Fed) announced that the interest rates would not be changed.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

4.3 Turkey Economic Outlook

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

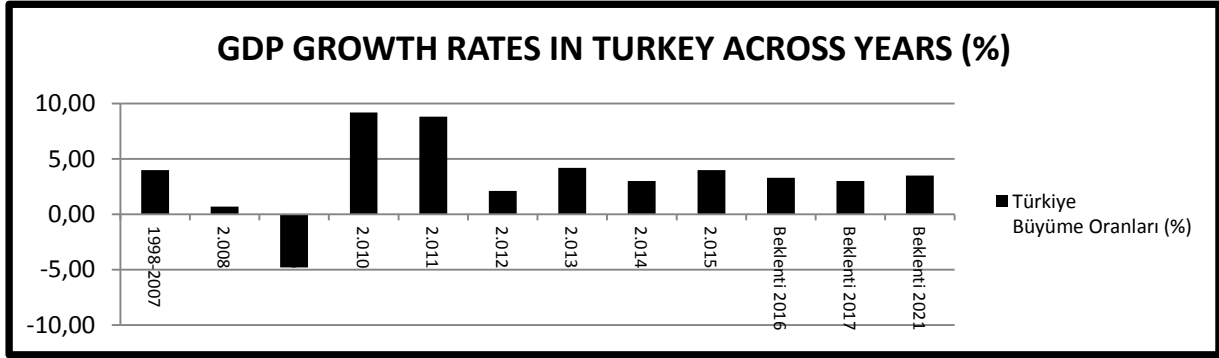
IMF argued that political uncertainty will decrease domestic demand and revised growth expectancies downwardly in its evaluation regarding Turkey economy in World Economic Outlook Report.

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

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

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

Source: Word Economic 2016 October World Overview Report



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

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

4.4 Overview of Real Estate Industry

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

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

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

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

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

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

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

- Urban renewal and related regulations,
- Continuing rural to urban migration,
- Effect of natural demand as a result of having young population,
- Changing nuclear family concept,
- Precautions for housing purchase and saving incentives to keep sector alive,

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

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

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

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

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

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

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

4.5 Information Regarding the Tourism Industry

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

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

Number of Visitors in Touristic Centers				
	2012	2013	2014	Change
Antalya	10.299.366	11.535.762	11 941 954	3,5
İstanbul	9.381.670	10.474.867	11.842.983	13,1
Muğla	3.009.342	3.222.315	3.302.688	2,5
İzmir	1.368.929	1.943.253	1.847.567	- 4,9
4 Cities Total	24.061.319	25.232.944	28.935.192	10,9
Turkey	31.782.832	34.910.098	36.837.900	5,5

Source: Turkish Hoteliers Federation (TUOFED) Tourism Report 2014-9.

The revenue obtained in the Tourism industry, from the domestic and foreign tourists in the year of 2014, has increased 6,2%, thus reaching 34,3 billion dollars. 81,5% of the revenue has been obtained from foreign, 18,5% of it has been obtained from Turkish citizens living abroad and visiting the country. Moreover, those revenues' 26 billion 2 million 950 thousand US Dollars is consisted of personal expenses and 8 billion 302 million 954 thousand US Dollars is packaged tour spendings.

(Source: Turofed Tourism Report 2014-9. Report)

While Turkey has managed to be one of the 20 biggest economies in the world (G20), it is ranked at number 6 among the leading 10 touristic destinations of the world in terms of number of the visitors according to the data of World Tourism Organization (UNWTO).

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

4.6 Analysis of the Region Where the Real Estate is Situated

4.6.1 The City of Kayseri

The city of Kayseri is located at the south of Central Anatolia, where the Toros Mountain Ranges come together, and the Central Kızılırmak Region. The area was designated Cappadocia (Kapadokya) during the classical ages, where the Silk Route passed through. The city is located between the 37° 45'N and 38° 18'N latitudes and between the 34° 56'E and 36° 58' longitudes. The city of Sivas is situated to the north and northeast, the city of Yozgat to the north, the city of Nevşehir to the west, the city of Niğde to the southwest and the cities of Adana and Kahramanmaraş to the south.

During the time period before the Law Regarding the Formation of Metropolitan Municipalities and Twenty Six Districts in Three Cities, Together with The Legislation to Apply Changes in Some Laws and Decrees (dated 06.12.2012, number 28489), with the number 6360, entered into effect, the number of districts, neighborhoods and villages, as well as their surface areas, have been addressed; therefore, accordingly, there are 49 municipalities, 426 neighborhoods and 394 villages. The ranking of districts with the most neighborhoods is; the District of Kocasinan with 96 neighborhoods and the district of Melikgazi with 83 neighborhoods, whereas the districts with the villages are Pınarbaşı with 111 and the district of Develi with 45 villages. With the Law number 6360 entering into effect and following the local elections on the date of 30.03.2014, the number of municipalities has increased to 17 – 1 Metropolitan and 16 district municipalities – Akkışla, Bünyan, Develi, Felahiye, Hacılar, İncesu, Kocasinan, Melikgazi, Özvatan, Pınarbaşı, Sarıoğlu, Sarız, Talas, Tomarza, Yahyalı and Yeşilhisar, as well as 820 neighborhoods.



The Location of the city of Kayseri and Its Districts

The total surface area of the province is of 16.917 km² and it has been observed that the physical population density, in the year of 2013, consists of 77. It must be made clear that, due to a population of 1.295.355 in the year of 2013, in comparison to the large surface area of the province, the physical density of the city has been considered low. The largest district of the city is the district of Pınarbaşı, with a surface area of 3.300km², occupying 19,52% of the total area of the province,

whereas the smallest district of the city is the district of Özvatan with a surface area of 200 km², constituting 1,18% of the province. The total ratio of the major districts (Kocasinan, Melikgazi, Hacilar, Talas and İncesu) of the city are 21,00%, even though the surface area ratio of each of these districts is low on the total area of the province. It has been clearly observed that, due to the land conditions, the physical, agricultural and urban density is low.

The total surface area of the city is of 1.691.700 hectare; 671.000 consist of cultivated areas, 668.700 of pasture areas, 108.000 of forested areas and 244.000 of miscellaneous areas. 39,66% of the total area consists of cultivated areas, 39,54% of pasture areas, 6,38% of forested areas and 14,41% of miscellaneous areas. The fact that the cities and districts occupy 14,42% of the total area of the province can be interpreted as an important element for potential development. The surface area of the province makes up 2,2% of the total surface area of the country and the elevation of the city from the sea is 1.054 m.

The important factors that affect the demand, with regard to residential and other real estate types, are demography and population development, together with income level and the tendency to save. For this reason, the demography and population developments, along with the tendencies with regard to the city, are primarily evaluated; afterwards, population calculations are made based on these tendencies and the assumptions used. When the population data is examined, it has been observed that the population in the city has increased during the years of 2008, 2009 and 2010, and then started to decline during the years of 2011 and 2012, finally ending up increasing once more in the year of 2013. In the year of 2007, the population of the city of Kayseri constituted 1,65% of the nation, which has reached to 1,69% during the year of 2013. (Chart Number 5) The growth rate in the city is above the average.

Years	Population Size		Kayseri Ratio (%)	Population Growth Rate (%)	
	Kayseri	Turkey		Kayseri	Turkey
2007	1.165.088	70.586.256	1,65	-	-
2008	1.184.386	71.517.100	1,66	16,4	13,1
2009	1.205.872	72.561.312	1,66	18,0	14,5
2010	1.234.651	73.722.988	1,67	23,6	15,9
2011	1.255.349	74.724.269	1,68	16,6	13,5
2012	1.274.968	75.627.384	1,69	15,5	12,0
2013	1.295.355	76.667.864	1,69	15,9	13,7

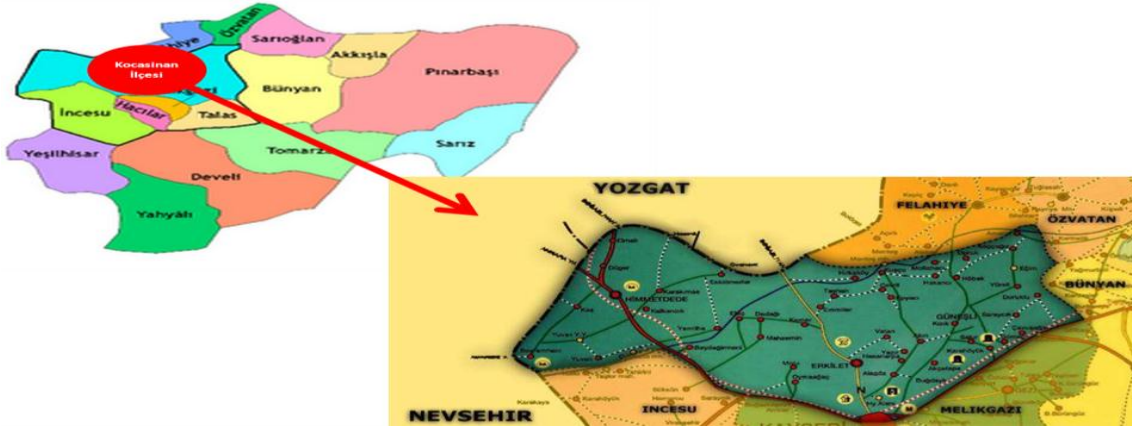
The share of the city of Kayseri with regard to the Population Size and Population Growth Rate

(Source: TUIK 2013)

The number of persons per km² in Turkey, throughout the years of 2007-2013, has been 92-100 and it has been noted that this number has been on the rise in recent years. When the population density of Kayseri was verified, it has been determined that, with 68-78 persons per km² during the year of 2007-2013, the city has been classified below the country average. The main reasons for this low density in the city are land related factors and, in comparison to Istanbul and other coastal cities, the distribution is more balanced.

4.6.2 The District of Kocasinan

The district of Kocasinan is located in the midst of the districts of Melikgazi, Hacilar, Talas and İncesu, as well as the Kayseri center.



The Location of the Kocasinan District

The district of Kocasinan has been founded from the division of the city of Kayseri in the year of 1989, within the rich historical past of the city. The State Highway coming from the direction of Sivas follows the Sivas Avenue and then the Düvenönü and Osman Kavuncu Avenues, connecting to the Ankara Freeway and the Boğazköprü, which roughly draws the borders of the district of Kocasinan to the north.

In accordance with the data obtained from the Address Based Population Registration System for the year of 2015, the total population of the district is 388.364. Moreover, this district has the highest number of neighborhoods in the city of Kayseri.

DISTRICTS	Surface Area (Km ²)	Ratio (%)	Municipality (number)	Neighborhood (number)	Village (number)
Kocasinan	721	4,26	5	96	25
Melikgazi	700	4,15	2	83	1
Akkışla	440	2,60	3	13	5
Bünyan	1.310	7,74	8	32	24
Develi	1.843	10,90	5	37	45
Felahiye	410	2,42	3	9	9
Hacılar	621	3,67	1	10	2
İncesu	860	5,08	1	27	7
Özvatan	200	1,18	2	11	4
Pınarbaşı	3.300	19,52	3	17	111
Sarıoğlu	710	4,20	6	16	18
Sarız	1.410	5,33	2	13	35
Talas	650	3,84	1	21	12
Tomarza	1.452	8,58	3	11	47
Yahyalı	1.310	7,74	2	16	28
Yeşilhisar	980	5,79	1	14	21
TOTAL	16.917	100,00	49	426	394

The surface area of the city of Kayseri in terms of its districts and the distribution of the number of neighborhoods (Source: TÜİK 2013)

The demand for residential and other facilities in the district of Kocasinan is on the rise and it is estimated that this demand will continue to persist in the near future. Furthermore, positioning of office blocks, work centers and residences in the area is being discussed. The district of Kocasinan is among the districts of Kayseri where urban development is gaining speed.

4.6.3 Information Regarding the Tourism Industry in Kayseri and the Hotel Market

It has been observed that the city of Kayseri is situated in a potentially important region for tourism, in terms of area and its characteristics, and that this potential is not fully benefitted from. The number of visitors recorded in the accommodation facilities for the year of 2015 is 264.144 local, 38.067 foreign, which makes a total of 302.211 visitors.

TESİSLERE GELİŞ, GECELEME,ORTALAMA KALIŞ SÜRESİ VE DOLULUK ORANININ İLLERE VE İLÇELERE GÖRE DAĞILIMI (2014)													
Number of Arrivals, Nights Spent,Average Lenght of Stay and Occupancy Rates of Establishments by Provinces and Districts													
İLLER Provinces	İLÇELER Districts	TESİSE GELİŞ SAYISI Number of Arrivals			GECELEME Nights Spent			ORTALAMA KALIŞ SÜRESİ Average Length of Stay			DOLULUK ORANI(%) Occupancy Rate		
		YABANCI Foreigner	YERLİ Citizen	TOPLAM Total	YABANCI Foreigner	YERLİ Citizen	TOPLAM Total	YABANCI Foreigner	YERLİ Citizen	TOPLAM Total	YABANCI Foreigner	YERLİ Citizen	TOPLAM Total
KAYSERİ													
	Kocasinan	18 688	148 789	167 477	32 708	202 367	235 075	1.8	1.4	1.4	4.87	30.15	35.02
	Merikgazi	6 868	87 292	94 160	11 005	128 244	139 249	1.6	1.5	1.5	1.99	23.15	25.14
	Toplam	25 556	236 081	261 637	43 713	330 611	374 324	1.7	1.4	1.4	3.57	26.98	30.55

Kayseri Year of 2014 Visitors Profile and Accommodation Information

The total number of overnight stays in the city of Kayseri, together with the number of visitors that check into the country and stay overnight has increased in the year of 2014 in regards to foreign visitors; nevertheless, the number of visitors with Turkish citizenship has declined. However small, the number of visitors to the city during the year of 2013, both local and foreign, has had an increase. It has been observed that the number of visitors that stay overnight in the city have made up 7,48% of the total number of overnight stays during the year of 2012 and 9,19% during the year of 2013. Furthermore, it has been noted that the overnight stays in the city are not low and, together with increasing the number of facilities and improving winter tourism conditions, it is possible that the city can double its number of visitors in the short term, thus distributing the total number of visitors within the year.

Increasing the internal and external tourism revenues is closely related to the number of facilities and quality of the service provided in these facilities. There are 20 hotels in the city with tourism operating documents, 12 hotels with tourism investment documents, 22 hotels with municipality documents and 4 public facilities closely located to Mount Erciyes; making a total of 58 operating hotels within the city limits. These 58 hotels, presently providing services in the city, have a capacity of 3475 rooms and 6968 bedding.

From 12 of the hotels with investment documents, one of them is a 3 Star Hotels, four of them are 4 Star Hotels, one of them is a 5 Star Hotel and six of them are boutique hotels. It has been determined

that the hotels with investment documents are providing services with a capacity of 1101 rooms and 2290 bedding. From 20 of the hotels with investment documents, two of them are 2 Star Hotels, nine of them are 3 Star Hotels, five of them are 4 Star Hotels, two of them are 5 Star Hotels and 2 of them are boutique hotels. It has been determined that the hotels with investment documents are providing services with a capacity of 1568 rooms and 3187 bedding. Moreover, it has been established that the 4 public facilities situated around Mount Erciyes are providing services with a capacity of 119 rooms and 340 bedding.

Number of Rooms and Bedding in the Hotels Operating within the Kayseri City Limits				
Facilities		Number	Number of Rooms	Bedding Capacity
With Tourism Operating Documents		20	1.568	3.187
With Tourism Investment Documents		12	1.101	2.290
Public Facilities at Mount Erciyes		4	119	340
With Municipality Documents		22	687	1.151
Total		58	3.475	6.968
Number of Rooms and Bedding in the Hotels Operating with Operating Permits within the Kayseri City Limits				
No.	Name of the Hotel	Number of Stars	Number of Rooms	Bedding Capacity
1	Erciyes Prestij Hotel	4 Stars	108	216
2	Erkara Hotel	4 Stars	132	264
3	Taş Plas Hotel	3 Stars	96	192
4	ASR Marmara	4 Stars	72	176
5	Kuloğlu Hotel	4 Stars	171	342
	Total			
Number of Rooms and Bedding of the Hotels with Operating Documents within the Kayseri City Limits				
No.	Name of the Hotel	Number of Stars	Number of Rooms	Bedding Capacity
1	Grand Eras	4 Stars	100	200
2	City One Hotel	4 Stars	100	200
3	Erciyes Grand Eras	4 Stars	55	118
4	Novotel	4 Stars	96	192
5	Mirada Del Lago	4 Stars	105	229
6	Mirada Del Monte	3 Stars	40	96
7	Nüzhet Otel	3 Stars	52	108
8	İbis Hotel	3 Stars	160	320
9	Almer Hotel	3 Stars	75	150
10	Altın Saray	3 Stars	66	135
11	Ayata Hotel	3 Stars	37	74
12	Bent Hotel	3 Stars	40	80
13	Grand Ülger	3 Stars	33	66
15	Lifos Hotel	3 Stars	42	84

Information with Regard to the Accommodation Facilities in the City of Kayseri

It has been observed that the city has a touristic potential due to its historical and natural characteristics; moreover, the fact that it is located in the Cappadocia Region is acknowledged as a major advantage. Mount Erciyes and its surrounding areas provide countless opportunities, especially for winter tourism, while the city itself as a whole provides opportunities in the areas of congress, cultural and religious tourism. The Tourism Plan of the Erciyes Region, with a scale of 1/25.000, will make it possible for the development of facilities for the accommodation of 4750 visitors and picnic spaces for 110.500 people, as well as a ski track and respective auxiliary facilities.

Source: Appraisal and Predictions Report for the Real Estate Industry in the City of Kayseri, GYODER, 2014

The 4 and 3 Star hotels in the district have been examined and special company prices have been obtained. The company prices in relation to the hotels in the city of Kayseri have been provided in the table below.

NAME OF THE HOTEL	STARS	TOTAL NUMBER OF ROOMS	TOTAL BEDDING CAPACITY
City One Hotel	4 STARS	100	200
Mirada Del Lago	4 STARS	105	264
Nüzhet Hotel	3 STARS	54	
Almer Hotel	3 STARS	75	
Ayata Hotel	3 STARS	49	86
Bent Hotel	3 STARS	40	90
Grand Ülger	3 STARS	33	
Lifos Hotel	3 STARS	42	

It has been noted that the special prices given for companies vary between 30 – 108 Euros, breakfast included.

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 subject to the appraisal is situated at the address of Pervane Neighborhood, Kocasinan Boulevard No:161, Kayseri. According to the land registry information, it is registered in the city of Kayseri, district of Kocasinan, Neighborhood of Pervane, Section No: 349, Block No: 2420, Plot No:9. The plot contains two operating hotels, the 4 Star Novotel and the 3 Star Ibis Hotel.

To reach the real estate, one enters the Kayseri center coming from the Ankara direction and follows the Osman Kavuncu Boulevard and then the Park Boulevard, reaching the city center where the Governor Building and the Palace of Justice, as well as the Hilton Hotel are located. From the center, on the right, one follows the direction towards the Istasyon Avenue and continues for approximately 1 km, then taking the right to the Kocasinan Boulevard. The real estate subject to the appraisal is on the left of the avenue, after about 1,25 km. The real estate is situated at the Kocasinan Boulevard and the Mustafa Kemal Paşa Boulevard intersection, right next to the Chamber of Industry of Kayseri. The boulevard in question is a significant main road of the city center. The real estate is at a distance of approximately 3,5 – 4 km to the Kayseri Airport. Access to the region is easy by public transportation. The airport can be reached from the Mustafa Kemal Paşa Boulevard.

On the western side of the real estate is the Chamber of Industry of Kayseri and on the eastern side is an empty land belonging to the Chamber of Commerce of Kayseri, with a façade to the Kocasinan Boulevard. At the northern façade of the real estate (back façade) passes the state railway that connects the Ankara – Kayseri – Sivas line. In the plots that are towards the north of the railroad, there is an ongoing construction comprised of residential blocks for the last 1-2 years. There is the Provincial Bank, the District Governorship of Kocasinan, the Mevlana Mosque, the Nuh Mehmet Küçükçalık Anatolian High School, as well as the KASKI Building in the vicinity of the real estate.

The real estate subject to the appraisal is at a distance of 1,5 km to the Radison Blu Hotel, which has started to operate recently (1,5 – 2 months), the Forum Kayseri Shopping Mall and the Kayseri Metropolitan Municipality. In addition, it is at a distance of about 2,5 km to the Courthouse, the Governorship, the Hilton Hotel and the city center.



The Location of the Real Estate (Novotel and Ibis Hotel) Subject to the Appraisal



Surrounding Area of the Real Estate Subject to the Appraisal and the 3-D Image of the Area

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

		Main Real Estate	Right of Construction
City	:	Kayseri	Kayseri
District	:	Kocasinan	Kocasinan
Neighborhood	:	Pervane Neighborhood	Pervane Neighborhood
Section No	:	349	349
Block No	:	2420	2420
Plot No	:	9	9
Surface Area	:	11.035,40 m ²	-
Owner	:	Chamber of Industry of Kayseri	Akfen Real Estate Investment Trust Inc.
Type	:	Reinforced Concrete Hotel and Its Land	"Right of Construction" for the duration of 49 Years registered at the volume no: 56, page no: 5913, block no: 2420, plot no: 9
Land Title Date	:	17.08.2007	17.08.2007
Roll No	:	17645	17645
Volume No	:	56	56
Page No	:	5913	5919

The real estate subject to the appraisal is registered at the Land Registry of Kocasinan, **Neighborhood of Pervane, volume no 56, page no 5913**. It consists of a "Reinforced Concrete Hotel and Its Land" and belongs to the "Chamber of Industry of Kayseri".

The real estate has been allocated an independent and permanent construction for the duration of 49 years, on behalf of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., and has been annotated so in the same land registry book (**Neighborhood of Pervane, volume no: 56**) page no: **5919**. The land registry information on both pages has been provided at the table below.

5.2.1 Investigation of the Land Registry of the Real Estate

According to the inspections performed, concerning the related pages of the land title book at the Land Registry Office for the district of Kocasinan, on the date of 26.12.2016 10:31 local time, in relation to the real estate subject to the appraisal, have been provided below. The document has been enclosed herewith.

Appurtenance Rights Section (Neighborhood of Pervane, volume no: 56, page no: 5913)

- The “right of construction” has been allocated independently and permanently. Surface area of 11.035,40 m², Starting Date: 20.08.2008, Duration: 49 Years, Owner/Lessor: Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. dated 17.08.2007 and Roll No: 17645.

Annotations Section (Neighborhood of Pervane, volume no: 56, page no: 5919)

- There is a 26.09.2008 dated lease agreement with the Roll no: 25040 for the amount of 20.000.740,60 TL on behalf of Tamaris Turizm A.Ş. With regard to the 24.09.2008 dated letter with the number 11039 from the 6th Notary of Istanbul, there is a lease annotation for 12 years. (Starting Date: 25.09.2008, Duration: 12 Years).
- The duration of the lease agreement has been extended for another 13 years, by making an addition to the 26.09.2008 dated annotation with the Roll number 25040, for the lease annotation of 12 years, with the 10.10.2008 dated new annotation with the Roll no: 25726; thus making a total of 25 years of lease. The lease annotation has been renewed. (Duration: 13 years, Amount: 23.111.332,6 TL, Starting Date: 10.10.2008, Ending Date: 07.10.2021).

Pledges Section (Neighborhood of Pervane, volume no: 56, page no: 5919)

- First degree mortgage In favor of Credit Europe Bank, for the amount of 173.052.185,00 EURO, at an annual interest rate of 7,20, until its release is announced.
- Considerations: This mortgage is joint with the plots found at Block No: 774, Plot No: 55 in the Zeytinburnu Neighborhood / Istanbul, Block No: 3198, Plot No: 67 in the Osmangazi Altınova Neighborhood / Bursa, Block No: 5020, Plot No: 2 in the Şehitkamil Yaprak Neighborhood / Gaziantep, Block No: 404, Plot No: 39 in the Esenyurt Yakuplu / Istanbul, Block No: 1843, Plot No: 5 in the Akyurt Balıkhisar Neighborhood / Ankara and Block No. 585, Plot No: 2 with Independent Sections 1 and 2 in the Seyhan Çınarlı Neighborhood / Adana.

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

There are no buying or selling activities with regard to the real estate, within the last three years.

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 real estate subject to the appraisal has an independent and permanent “Right of Construction” for the duration of 49 years, on behalf of Akfen Real Estate Investment Trust Inc.; there is a 25 years lease annotation and a 1st degree mortgage on the “Right of Construction” of Akfen Real Estate Investment Trust Inc. for the amount of 173.052.185,00 Euro, on behalf of Credit Europe Bank.

Regarding the mortgage recorded under real estate liens section obtained as the guarantee of project Financial Syndication Credits provided in the year of 2015, based on the letter received from the mortgagee Credit Bank Europe dated 27.12.2016, mortgage established on the real estate is related to investment credit to be used in the financing of the 8 hotels operating under the brand names of “IBIS” and “NOVOTEL” by ACCOR Group and one another still under construction which will be operating under the name of “IBIS” after its complement pursuant to the agreement made between Akfen Real Estate Investment Trust INC. and the ACCOR SA. Letter in question is provided in the attachment of the report. Credit Bank’s letter on this is also enclosed herewith.

Pursuant to the 1st 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 during 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 to provide 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 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.”

Pursuant to the Capital Market Board Regulations and the Article 22 of the Communiqué Regarding the Real Estate Investment Trusts Principles, there are no obstacles to prevent the “Construction Right” on the plot subject to the appraisal to be included in the Real Estate Investment Trusts portfolio.

5.3 Inspection of the Zoning Information of the Real Estate

According to the inspections carried out at the Kayseri Kocasinan Municipality Zoning and Urbanism Directorate, on the date of 16.11.2016 dated zoning status, the zoning status of the real estate has been described below:

The real estate subject to the appraisal, within the scope of the “Implementary Development Plan”, with the registry date of 28.11.2008 and the scale of 1/1000, is included under the “Tourism Facility Area” legend. Construction conditions are;

Example: 0,90 – Setback Distances: Front Garden 30,00 m, Side Gardens 5,00 m each, Back Garden 10,00 m.

Zoning Status and Map has been enclosed herewith.

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

Approved Architectural Project: There is a 11.02.2008 dated approved architectural project. Pursuant to the project, the total enclosed area corresponds to 10.998,53 m².

Construction Permit: “Construction Permit” covering an area of 11.064,00 m² that consists of; one “Hotel and Similar Accommodation Facility”, dated 06.03.2008, number 1/28, with an enclosed area of 9.628,00 m²; one “Common Area (For the Purpose of Shelter in the Building)” with an enclosed area of 1.238,00 m² and an additional area of 198,00 m² to be used as “Water Storage Tank”.

Occupancy Permit. “Occupancy Permit” covering an area of 11.064,00 m² that consists of; one “Hotel and Similar Accommodation Facility”, dated 27.03.2008, number 1/37, with an enclosed area of 9.628,00 m²; one “Common Area (For the Purpose of Shelter in the Building)” with an enclosed area of 1.238,00 m² and an additional area of 198,00 m² to be used as “Water Storage Tank”.

Conforming to the inspections carried out onsite, there are no differences to be found between the ongoing situation and the legal situation. The current building is effectively in accordance with the 27.03.2009 dated “Occupancy Permit” with the number 1/37.

5.3.2 Building Inspection Institution and Maintenance

Hotel license is dated 06.03.2008 and the city of Kayseri has been included in building inspection legislation since 01.01.2011.

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

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

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

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

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

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

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

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

5.4 Physical Characteristics of the Real Estate

5.4.1 Structural Construction Characteristics of the Real Estate

The real estate subject to this appraisal study “Reinforced Concrete Hotel and Its Lands” is located in the city of Kayseri, district of Kocasinan, Neighborhood of Pervane, Block no: 2420, Plot no: 9, with a surface area of 11.035,40 m².

There is an existing building on the plot, which has been constructed in two blocks, in a partially attached manner and reinforced concrete; these two blocks are currently operating as the NOVOTEL and IBIS Hotel. The block corresponding to the NOVOTEL consists of a basement floor + ground floor + 5 regular floors, whereas the block corresponding to the IBIS hotel consists of a basement floor + ground floor + 8 regular floors. In relation to the Kocasinan Boulevard, where the plot has a façade to, the NOVOTEL part is placed more to the front than the IBIS Hotel part.

The real estate subject to the appraisal is appraised in two parts as the NOVOTEL and the IBIS Hotel; the NOVOTEL is a 4 Stars Hotel, while the IBIS Hotel is a 3 Stars Hotel.

With regard to the real estate subject to the appraisal study, a construction permit has been obtained for an area of 11.064,00 m²; pursuant to the aforementioned permit, the enclosed surface area specified in the architectural project is of 10.998,53 m². Since the real estate has been constructed in accordance with the architectural project, the appraisal report has been based on the enclosed surface area.

The total construction area corresponds to 10.998,53 m². The NOVOTEL construction area has 5.370,68 m², while the IBIS Hotel construction area has 5.627,85 m². There are 96 rooms at the Novotel, while there are 160 at the Ibis Hotel.

According to the approved architectural project and the onsite inspection performed, the following facilities are located on the basement floor of the block used as the NOVOTEL, such as the water pressure room and administrative offices, staff dining hall, W.C.'s, laundry, medium tension room, UPS room (Unlimited Power Supply), technical atelier and storage, kitchen preparation section and dry goods storage, fitness center and infirmary. These areas are common spaces for the two, the NOVOTEL and the IBIS Hotel. The ground floor of the NOVOTEL is comprised of the reception area, lobby, restaurant, bar, foyer area, conference rooms, W.C.'s, luggage room, security rooms, administrative offices; the 1st, 2^d, 3rd, 4th and 5th regular floors are comprised of the rooms. Even though the rooms in the NOVOTEL may have different characteristics, in reality there are two types of rooms; the first of these are the standard rooms, which have a surface area of 24,00 m², and the second one is the suite room with a surface area of 50,19 m². Having 20 standard rooms on the first floor and 18 standard and 1 suite on the remaining 2nd, 3rd, 4th and 5th floors, making 19 rooms on each floor, the NOVOTEL has a total of 96 rooms.

The basement floor of the IBIS Hotel consists of cold stores, boiler rooms, machine rooms and water storage tanks; these constitute the common spaces shared between the NOVOTEL and IBIS Hotel. The ground floor of the IBIS Hotel is comprised of the reception area, lobby, restaurant, bar, W.C.'s and administrative offices; the 1st, 2nd, 3rd, 4th, 5th, 6th, 7th and the 8th floors are comprised of the rooms, 20 on each, making a total of 160 rooms. The Ibis Hotel has two types of rooms available for service, with surface areas of 16,57 m² and 16,08 m², as well as 4 disabled rooms and standard rooms with varying characteristics.

The types of rooms and their respective distribution on the floors have been provided in the tables below:

NOVOTEL	1st Floor	2nd Floor	3rd Floor	4th Floor	5th Floor	Total
Standard Room	15	10	10	10	13	58
Standard Incorporable Room				1		1
Standard Room with Bathtub	2	2	2	2	2	10
Standard Incorporable Room with Bathtub		2	2	1		5
Twin Room		2	2	2	2	8
Twin Incorporable Room	1	2	2	2	1	8
Suite		1	1	1		3
Incorporable Suite					1	1
Disabled Room	1					1
Incorporable Disabled Room	1					1
Total	20	19	19	19	19	96

IBIS OTEL	1 st Floor	2 nd Floor	3 rd Floor	4 th Floor	5 th Floor	6 th Floor	7 th Floor	8 th Floor	Total
Standard Room	12	13	13	13	14	14	14	14	107
Standard Incorporable Room	3	2	2	2	2	2	2	2	17
Room with Desk Bed	2	2	2	2	2	2	2	2	16
Incorporable Room with Desk Bed	2	2	2	2	2	2	2	2	16
Disabled Room		1	1	1					3
Incorporable Disabled Room	1								1
Total	20	20	20	20	20	20	20	20	160

The interior construction characteristics of the Novotel and the Ibis Hotel are provided below:

Structural and Interior Construction Characteristics of the Novotel and the Ibis Hotel	
Total Area	According to the architectural project and current status: 10.998,53 m ² According to the Construction Permit and Occupancy Permit: 11.064,00 m ² (Novotel 5.370,68 m ² and Ibis Hotel 5.627,85 m ²)
Age	5 Years
Construction Type	Concrete
Roof System	Terrace Roof
Manner	Attached Manner
Number of Floors	<u>Novotel</u> : 7 story (Basement + Ground Floor + 5 Regular Floor) <u>Ibis Otel</u> : 10 story (Basement + Ground Floor + 8 Regular Floor)
Exterior Façade	Front and back façades are partially glass, partially sinterflex and the remaining areas are a special acrylic paint.
Electricity	Grid Connection
Heating System	Central
Water	Grid Connection
Sewage	Grid Connection
Elevator	Available (2 Elevators)
Ventilation System	Available
Fire Escape	Available
Fire Extinguisher System	Available
Car Park	Available (Open)
Flooring	Wall to wall carpet, ceramic and granite
Walls	Satin paint, ceramic tile, laminate and wall paper
Joineries	Exterior joineries are made of aluminum, while the interior joineries are wood
Ceilings	Suspended Ceiling
Heating	Central
Illumination	Wall lamps, chandelier, stand lamps, spot lightening and fluorescent
Exterior Façade	Front and back façades are partially glass, partially sinterflex and the remaining areas are a special acrylic paint.

Both the Novotel and the Ibis Hotel are partially covered with glass and sinterflex on the front and back façades, while the remaining spaces are painted with acrylic paint. The side façades of the building have been painted with a special acrylic paint. The building entrances are accessed through large spacious doors, which have been covered with a canopy. There are no rooms at the entrance (ground) floor in neither of the hotels. Additionally, there is a common space between the buildings that serves as a service hall; in this area, there is a staircase that enables the passage to and from the buildings, as well as a service elevator.

5.4.2 Inspections Performed Within the Premises of the Real Estate

- Novotel and Ibis Hotel consist of a building block that has been constructed in an attached manner; these two operate as two separate hotels.
- Novotel consists of basement floor + ground floor + 5 regular floors and has a total of 7 floors, while Ibis hotel consists of basement floor + ground floor + 8 regular floors and has a total of 10 floors.

Floor Areas (m ²)	Novotel	Ibis Hotel
Basement Floor	945,83	447,28
Ground Floor	875,7	686,73
1 st Regular Floor	707,71	561,73
2 nd Regular Floor	710,36	561,73
3 rd Regular Floor	710,36	561,73
4 th Regular Floor	710,36	561,73
5 th Regular Floor	710,36	561,73
6 th Regular Floor	-	561,73
7 th Regular Floor	-	561,73
8 th Regular Floor	-	561,73
	5.370,68	5.627,85

- The hotels are situated in a central area of the city, close to important arterial roads, public agencies and institutions. The hotels are easily accessible.
- The buildings have customer and service elevators, as well as fire alarm and extinguisher systems, ventilation, heating and air conditioning systems.
- The car park area in the hotel is a shared space, used in common by both of the hotels. Moreover, there is only an existing open car park available. Closed car park is not available.
- The circumference of the hotel is encompassed with a concrete wall and barbed wire of 1,00 and 1,50 m altitude.
- There is a substation, as well as a portable generator on the plot.
- The empty areas of the plot that are not within the building are covered in concrete; there are partially green spaces. There is no closed car park. The majority of the open spaces of the hotels are used for open car park. There is a car park with a capacity for 113 vehicles. Moreover, there is an ornamental pool.
- Other items of note, which have been detected in the area and, thusly, have been included in the appraisal report, are the substation building, concrete spaces, landscape works, and concrete wall encompassing the plot, sentry box and ornamental pool. The cost of external and miscellaneous works has been included as an additional cost to the calculations made according to the cost approach.



- The visitor entries to the facilities are made from different entrances through the ground floor. Moreover, there is a service section reserved for staff, which enables the passage between the buildings on each floor.
- The glass clad area with an area of 30,00 m² at the back façade of the hotel subject to the appraisal does not pose a problem in the legal status of the building, although it is not included in the architectural project, on the grounds that it is of a portable quality and does not affect the support of the building.

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 Hotels have high visibility and marketing capabilities due to their location.
- The facilities are situated at the intersection of main arteries. Transportation and accessibility opportunities are ample. The airport is at a distance of 3,5 – 4 km.
- The city of Kayseri is developing at a steady pace in terms of urbanism.
- The city of Kayseri is an industrially and commercially developed and still developing city.
- The Lessee are the hotel facilities that are operated under 2 different brands (NOVOTEL and IBIS Hotel) by the international hotel operating company Accor Group; the lease agreement with a duration of 25 years has been recorded in the land registry book.

Weaknesses

- The car park area is a common area used by both hotels and there is no closed car park within the facilities. Only an open car park is available.

Opportunities

- There are no 3 or 4 Star Hotels with similar characteristics in the vicinity of the real estate subject to the appraisal that has been recently constructed and operated under a known brand.
- It has been noted that the new headquarters of the Chamber of Commerce of Kayseri will be constructed in the plot east of the real estate.

Threats

- The Rodison Blu Hotel, which is located at a distance of 1,5 km to the real estate subject to the appraisal, has started to operate in the last 1,5 – 2 months.
- Decrease in the transfer of grants to developing countries is expected after US Central Bank had ended monetary easing. This situation may have negative impacts in real estate market in general.

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

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

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

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

6.4.1 Exemplary Approach

As a result of the surveys performed in the vicinity of the real estate, no other recently sold exemplary hotels with a similar location, nature and structuring conditions to that of the real estate subject to the appraisal have been found. However, it has been noted there have been sales of lands close to the real estate subject to the appraisal, with commercial zoning, in recent years (2008 and 2013).

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

The exemplary lands with commercial and residential zoning that have been sold and are still for sale have been provided in the chart below:

EXAMPLE	Location	Characteristics	Area (m ²)	Price (TL)	Unit Price per m ² (TL)	Source
1	Yeni Pervane Quarter. Back side of real estate	residential zoning land, E=1.5 lot with structuring condition	8135	10.000.000	1.229	Turgem Real Estate 0352 222 00 10
2	Near to real estate on main road,land On Galericiiler junktion	residential +commercial area	700	2.400.000	3.428	Büyükince Real Estate 0352 232 87 87
3	Near to boulevard	commercial area E=1.00	1538	2.400.000	1.560	Turgem Emlak 0352 222 00 10
4	Near to real estate 150 m to boulevard land	commercial area E=1.00	905	1.095.000	1.209	Owner 0533 652 42 34
Statement	Between the area where the property is located and boulevard faced plots' unit value is 1.500 TL and 2.000 TL. It was declared to be in between. Kalkan Emlak 0352 222 00 10					
Statement	Between the area where trade's land, is located and boulevard faced plots' unit value is 1.500 TL/m ² . It was declared to be in between, was declared. Talas Emlak 0352 437 30 37					

- 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 properties with the most similarities have been chosen and the example evaluation table has been prepared.

LAND EXAMPLE EVALUATION TABLE								
	E1		E2		E3		E4	
Area (m ²)	835	m ²	700	m ²	1538	m ²	905	m ²
Demanded Price (TL)	10.000.000		2400.000		2.400.000		1.095.000	
Bargain Price (TL)	9.000.000		2.160.000		2.160.000		985.000	
Location Correction (+-%)	-3%		0%		-10%		-10%	
Surface Area Correction (+-%)	0%		10%		10%		10%	
Zoning Status Correction (+-%)	10%		10%		10%		10%	
Corrected Unit Price	1328	TL/m ²	2777	TL/m ²	1264	TL/m ²	1089	TL/m ²
Example Average	1.614							TL/m ²

- As a result of the surveys performed, it has been noted that the land stock with “Tourism Facility Zoning” in the same area as the real estate subject to the appraisal is limited and that it has been difficult to find a comparable concrete example with similar structural characteristics that has been sold recently.
- As a consequence, from the research and interviews carried out in the area, the appraisal with regard to the plot has been conducted by taking into account the above provided examples; moreover, the total price of the property has been estimated to be 1.400 TL m².
- 1/3 of the unit price per m² of the land value has been determined as bare ownership and 2/3 as the lease right value for the duration of 49 years of lease.
- The total lease right for the duration of 49 years has been calculated by comparing the remaining lease duration, on the date that this report has been prepared, to the total duration time and determining the price per m² of the right of construction.

Unit Price per m ² Land Value of the Remaining Time for the Right of Construction* (TL)	885 TL
Size of the Land (m ²)	11.035,4 m ²
Total Land Value (TL)	9.767.605 TL
Total Land Value (Euro)	2.647.478 €
Unit Land Value (TL)	1.600 TL
Right of Construction Value Rate	2/3
Remaining Time for Right of Construction (YEARS)	40,66
Unit Price per m ² Land Value of the Remaining Time for the Right of Construction * (TL)	885 TL
* When the remaining time value resulting from the right of construction of the land is calculated, for the right of construction value of the land, it has been employed as 2/3 at the first step. Afterwards, the remaining time from the right of construction is calculated in order to determine the current unit value of the land for the right of construction.	
Unit Land Value of the Remaining Time for the Right of Construction	=(Unit Land Value x The coefficient of the right of construction for 49 years x The remaining time from the right of construction)
Unit Land Value of the Remaining Time for the Right of Construction	=(1.600 TL x 2/3 x 40,66 /49)

Professional Opinion of the Appraiser:

Taking into account the factors relative to the real estate subject to the appraisal, such as its location, the area of the plot, zoning status with tourism facility, formation of its vicinity, existence of two hotel buildings on the plot that are operational and bring in revenue, possessing all the required legal permits and classifications, legal status and the prices of the surrounding real estate examples, the land unit sale value has been estimated to be **1.600 TL/m²**. On the other hand, the price of the land per m² of the remaining time for the right of construction has been calculated as 885 TL.

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.

COST TABLE (LAND + BUILDING)

	INDOOR PLACES			UNIT COSTS (EURO)			AMORTISED COST
	NOVOTEL	İBİS OTEL	TOPLAM İNŞAAT ALANI	NOVOTEL	İBİS OTEL	TOPLAM MALİYET	10%
Basement Floor	945,83	447,28	1.393,11	450,00	450,00	626.900	564.210
Ground Floor	875,70	686,73	1.562,43	1.100,00	1.000,00	1.650.000	1.485.000
1st Floor	707,71	561,73	1.269,44	1.100,00	1.000,00	1.340.211	1.206.190
2nd Floor	710,36	561,73	1.272,09	1.100,00	1.000,00	1.343.126	1.208.813
3rd Floor	710,36	561,73	1.272,09	1.100,00	1.000,00	1.343.126	1.208.813
4th Floor	710,36	561,73	1.272,09	1.100,00	1.000,00	1.343.126	1.208.813
5th Floor	710,36	561,73	1.272,09	1.100,00	1.000,00	1.343.126	1.208.813
6th Floor		561,73	561,73		1.000,00	561.730	505.557
7th Floor		561,73	561,73		1.000,00	561.730	505.557
8th Floor		561,73	561,73		1.000,00	561.730	505.557
TOTAL	5.370,68	5.627,85	10.998,53			10.674.805	9.607.324
Land Value							2.647.478
TOTAL VALUE							12.254.802

(*) 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 27.03.2009. The appraisal has been conducted by taking into consideration the age and physical status of the real estate.

(***) An approximate cost has been established for costs such as field concrete, barbed wire encompassing the plot, arrangement of open car park, etc.

6.4.3 Cost Discount / Development Approach

Considering that the real estate subject to this appraisal study is a property that brings in revenue, the revenue approach method has not been employed. The NOVOTEL and the IBIS Hotel projections have been presented separately.

NOVOTEL PROJECTION:

- NOVOTEL consists of 96 rooms.
- It has been estimated that the occupancy rate of the hotel in the year of 2017 will be of 580% and that this rate will increase until the year of 2030, which will then reach 80%, thus continuing in this manner, in the following years.
- It has been assumed that the hotel will be operating 365 days a year.
- The hotel prices have been calculated based on the room-breakfast system. Taking into account the performance of the hotel in the previous year, along with the surveys performed in regard to the tourism industry in the area, it has been estimated that the average price for a room will be 38 EUR, in the year of 2017. Moreover, it has been anticipated that this price will increase based on the inflation in the Euro Zone (2,5%) annually
- Considering the performance of the facility, it has been assumed that the room revenues will constitute 68 % of the total revenue, whereas the total department revenues will be around 33 %.
- The gross operating profit has been calculated by subtracting the department and operating expenses from the total revenues. It has been determined that the Gross Operating Profit (GOP) in the hotel will be of 25% in the year of 2017 and that it will remain this way in the following years. Moreover, it has been anticipated that this price will increase based on the inflation in the Euro Zone (2,5%) annually, and it will leads to % 41 at the end of the property right.

IBIS HOTEL PROJECTION:

- The hotel subject to the appraisal consists of 160 rooms.
- It has been estimated that the occupancy rate of the hotel in the year of 2017 will be of 61% and that this rate will increase until the year of 2023, which will then reach 70%, thus continuing in this manner, in the following years and it will finally leads to 77%, and will survive operating 77 %.
- It has been assumed that the hotel will be operating 365 days a year.
- The hotel prices have been calculated based on the room-breakfast system. Taking into account the performance of the hotel in the previous year, along with the surveys performed in regard to the tourism industry in the area, it has been estimated that the average price for a room will be 32 EUR, in the year of 2017. It has been estimated that the average price for a room will be 32 EUR, in the year of 2018., it has been estimated that the average price for a room will be 33 EUR, in the year of 2019, it has been estimated that the average price for a room will be 36 EUR, in the year of 2020, it has been estimated that the average price for a room will be 40 EUR, in the year of 2021, it has been estimated that the average price for a room will be 126 EUR, in the year of 2057.
- Moreover, it has been anticipated that this price will increase based on the inflation in the Euro Zone (2,5%) annually
- Considering the performance of the facility, it has been assumed that the room revenues will constitute 84% of the total revenue, whereas the total department revenues will be around 16%.
- The gross operating profit has been calculated by subtracting the department and operating expenses from the total revenues. It has been determined that the Gross Operating Profit (GOP) in the hotel will be of 35 % in the year of 2017. It has been determined that the Gross Operating Profit (GOP) in the hotel will be of 35 % in the year of 2018, It has been determined that the Gross Operating Profit (GOP) in the hotel will be of 36 % in the year of 2019, It has been determined that the Gross Operating Profit (GOP) in the hotel will be of 37 % in the year of 2020. It will reach to 49 % in the year of 2057.

General Assumptions (for the NOVOTEL and the IBIS Hotel)

- It has been agreed upon that the aforementioned real estate tax will be of 22.385 Euro for the year of 2016 and that it will increase at a rate of 3% annually.
- According to the information obtained from Akfen Real Estate Investment Trust Inc., it has been acknowledged that the insurance value for the year of 2017 will be of 10.770 Euro and that it will remain so, on account of the estimation made that there will not be any increases in the insurance premium by Akfen Real Estate Investment Trust Inc. in the following years.
- Furniture Fixture Renovation Reserve has been obtained by reason of the agreements executed with ACCOR; as a result, it has been determined that the rate will consist of 3,5% of the annual gross revenue.
- The annually paid Construction Right value has been agreed upon by the construction right agreement signed between Akfen Real Estate Investment Trust Inc. and the Chamber of Industry of Kayseri.
- Pursuant to the lease agreement between Akfen Real Estate Investment Trust Inc. and the Chamber of Industry of Kayseri, it has been agreed upon that the annual “Right of Construction” value will be of 50.000 USD (40.000 Euro) annually for the year of 2014 (the first 5 years will not be paid); additionally, throughout the years of 2019 and 2023, it will be of 105.000 USD (84.000 Euro); in the year of 2024, it will be of 140.000 USD (112.000 Euro) and from the year of 2025 onwards, it will increase 1.400 USD (1.120 Euro) and, thusly, continue in this manner.
- When the 49 years lease is terminated, the facilities will be transferred back to the Chamber of Industry of Kayseri.
- In the appraisal study, the 10 year Eurobond interest rate of 7,21 % has been employed as the “Risk Free Revenue Rate”. (In this appraisal study, the most ready 10 year EURO base Eurobond revenue rate has been employed as the risk free revenue rate.)
- The discount rate has been determined as 11,54% in the Projection.
- In the course of the studies, the exchange rate for 1 EUR has been acknowledged at 3,6894 TL, in accordance with the 13.12.2016 dated buying rate exchange of the Central Bank of Turkey.
- It has been assumed that all payments are made in cash.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- A more realistic net present value has been calculated considering the mid-year factor (0,5) in net present value calculations.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.



Novotel Cashflow

CASH FLOW DISCOUNT TABLO																						
Name of the Hotel																						
Land Area (m2)																						
Total Construction Area (m2)																						
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Date	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030	31.12.2031	31.12.2032	31.12.2033	31.12.2034	31.12.2035	31.12.2036	31.12.2037	31.12.2038
Agreement Duration																						
REVENUES																						
ROOM REVENUES																						
Annual Average Occupancy , %	58%	59%	60%	63%	64%	66%	68%	69%	71%	72%	74%	75%	77%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Average Room Price, EUR	38	40	42	44	46	49	51	54	55	56	58	59	61	62	64	65	70	72	73	75	77	79
Total Room Revenues	772.282	829.187	888.059	973.516	1.042.636	1.116.663	1.216.409	1.302.774	1.362.050	1.424.023	1.488.816	1.556.557	1.627.381	1.742.581	1.786.146	1.830.800	1.960.666	2.009.682	2.059.924	2.111.422	2.164.208	2.218.313
DEPARTMENT REVENUES																						
Total Department Revenues	371.839	399.238	427.584	468.730	502.010	537.653	585.678	627.261	655.802	685.641	716.837	749.454	783.554	839.021	859.996	881.496	944.024	967.625	991.815	1.016.611	1.042.026	1.068.077
TOTAL REVENUES	1.144.121	1.228.425	1.315.643	1.442.246	1.544.646	1.654.316	1.802.087	1.930.035	2.017.852	2.109.664	2.205.654	2.306.011	2.410.934	2.581.602	2.646.142	2.712.296	2.904.690	2.977.307	3.051.740	3.128.033	3.206.234	3.286.390
EXPENSES																						
DEPARTMENT EXPENSES																						
Total Department Expenses	679.293	712.763	746.584	758.946	812.831	839.834	911.811	976.549	993.741	1.038.957	1.056.453	1.104.522	1.154.777	1.236.523	1.267.436	1.299.122	1.353.629	1.387.470	1.422.156	1.457.710	1.494.153	1.531.507
Net Department Revenues	464.828	515.662	569.058	683.300	731.815	814.482	890.276	953.486	1.024.110	1.070.707	1.149.201	1.201.489	1.256.157	1.345.079	1.378.706	1.413.174	1.551.061	1.589.837	1.629.583	1.670.323	1.712.081	1.754.883
OPERATING EXPENSES																						
Genel Yönetim Giderleri	80.088	85.990	92.095	100.957	108.125	115.802	126.146	135.102	141.250	147.676	154.396	161.421	168.765	180.712	185.230	189.861	203.328	208.411	213.622	218.962	224.436	230.047
Pazarlama	17.162	18.426	19.735	21.634	23.170	24.815	27.031	28.951	30.268	31.645	33.085	34.590	36.164	38.724	39.692	40.684	43.570	44.660	45.776	46.920	48.094	49.296
Enerji	80.088	85.990	92.095	100.957	108.125	115.802	126.146	135.102	141.250	147.676	154.396	161.421	168.765	180.712	185.230	189.861	203.328	208.411	213.622	218.962	224.436	230.047
Total Operating Expenses	177.339	190.406	203.925	223.548	239.420	256.419	279.323	299.155	312.767	326.998	341.876	357.432	373.695	400.148	410.152	420.406	450.227	461.483	473.020	484.845	496.966	509.390
GROSS OPERATING PROFIT	287.489	325.256	365.134	459.752	492.394	558.063	610.953	654.330	711.343	743.709	807.324	844.058	882.462	944.931	968.554	992.768	1.100.834	1.128.355	1.156.564	1.185.478	1.215.115	1.245.492

CASH FLOW DISCOUNT TABLO																						
Name of the Hotel																						
Land Area (m2)																						
Total Construction Area (m2)																						
Year	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40				
Date	31.12.2039	31.12.2040	31.12.2041	31.12.2042	31.12.2043	31.12.2044	31.12.2045	31.12.2046	31.12.2047	31.12.2048	31.12.2049	31.12.2050	31.12.2051	31.12.2052	31.12.2053	31.12.2054	31.12.2055	31.12.2056	20.08.2057			
Agreement Duration																						
REVENUES																						
ROOM REVENUES																						
Annual Average Occupancy , %	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Average Room Price, EUR	84	86	88	91	93	95	101	103	106	108	111	114	120	123	126	129	132	132	135	139		
Total Room Revenues	2.357.867	2.416.814	2.477.234	2.539.165	2.602.644	2.667.710	2.818.499	2.888.961	2.961.185	3.035.215	3.111.095	3.188.873	3.352.690	3.436.508	3.522.420	3.610.481	3.700.743	3.793.261	3.793.261	3.793.261	2.592.062	
DEPARTMENT REVENUES																						
Total Department Revenues	1.135.269	1.163.651	1.192.742	1.222.561	1.253.125	1.284.453	1.357.055	1.390.981	1.425.756	1.461.400	1.497.935	1.535.383	1.614.258	1.654.615	1.695.980	1.738.380	1.781.839	1.826.385	1.826.385	1.826.385	1.248.030	
TOTAL REVENUES	3.493.136	3.580.465	3.669.976	3.761.726	3.855.769	3.952.163	4.175.554	4.279.943	4.386.941	4.496.615	4.609.030	4.724.256	4.966.949	5.091.122	5.218.401	5.348.861	5.482.582	5.619.647	5.619.647	5.619.647	3.840.092	
EXPENSES																						
DEPARTMENT EXPENSES																						
Total Department Expenses	1.584.394	1.624.003	1.664.604	1.706.219	1.748.874	1.792.596	1.844.048	1.890.149	1.937.402	1.985.837	2.035.483	2.086.371	2.136.599	2.190.014	2.244.764	2.300.883	2.358.406	2.417.366	2.417.366	2.417.366	1.651.867	
Net Department Revenues	1.908.743	1.956.461	2.005.373	2.055.507	2.106.895	2.159.567	2.331.506	2.389.794	2.449.539	2.510.777	2.573.547	2.637.885	2.830.350	2.901.109	2.973.636	3.047.977	3.124.177	3.202.281	3.202.281	3.202.281	2.188.226	
OPERATING EXPENSES																						
Genel Yönetim Giderleri	244.520	250.633	256.898	263.321	269.904	276.651	292.289	299.596	307.086	314.763	322.632	330.698	347.686	356.379	365.288	374.420	383.781	393.375	393.375	393.375	268.806	
Pazarlama	52.397	53.707	55.050	56.426	57.837	59.282	62.633	64.199	65.804	67.449	69.135	70.864	74.504	76.367	78.276	80.233	82.239	84.295	84.295	84.295	57.601	
Enerji	244.520	250.633	256.898	263.321	269.904	276.651	292.289	299.596	307.086	314.763	322.632	330.698	347.686	356.379	365.288	374.420	383.781	393.375	393.375	393.375	268.806	
Total Operating Expenses	541.436	554.972	568.846	583.067	597.644	612.585	647.211	663.391	679.976	696.975	714.400	732.260	769.877	789.124	808.852	829.073	849.800	871.045	871.045	871.045	595.214	
GROSS OPERATING PROFIT	1.367.306	1.401.489	1.436.526	1.472.439	1.509.250	1.546.982	1.684.295	1.726.403	1.769.563	1.813.802	1.859.147	1.905.626	2.060.473	2.111.985	2.164.784	2.218.904	2.274.376	2.331.236	2.331.236	2.331.236	1.593.011	



Ibis Hotel Cash Flow

Name of the Hotel																						
Land Area (m2)																						
Total Construction Area (m2)																						
Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Date	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030	31.12.2031	31.12.2032	31.12.2033	31.12.2034	31.12.2035	31.12.2036	31.12.2037	31.12.2038
Agreement Duration																						
REVENUES																						
ROOM REVENUES																						
Annual Average Occupancy Rate , %	61%	62%	63%	65%	66%	67%	70%	71%	73%	74%	76%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%
Average Room Price, EUR	32	33	36	40	42	44	46	49	50	51	54	56	57	59	60	62	65	67	68	70	72	74
Total Room Revenues	1.139.968	1.191.837	1.334.276	1.512.179	1.619.544	1.734.531	1.892.948	2.027.348	2.119.592	2.216.033	2.405.363	2.514.807	2.577.677	2.642.119	2.708.172	2.775.876	2.935.543	3.008.931	3.084.154	3.161.258	3.240.290	3.321.297
DEPARTMENT REVENUES																						
Total Department Revenues	217.137	227.016	254.148	288.034	308.485	330.387	360.562	386.161	403.732	422.102	458.164	479.011	490.986	503.261	515.842	528.738	559.151	573.130	587.458	602.144	617.198	632.628
TOTAL REVENUES	1.357.105	1.418.853	1.588.423	1.800.213	1.928.028	2.064.918	2.253.510	2.413.509	2.523.324	2.638.135	2.863.527	2.993.817	3.068.663	3.145.379	3.224.014	3.304.614	3.494.694	3.582.061	3.671.612	3.763.403	3.857.488	3.953.925
EXPENSES																						
DEPARTMENT EXPENSES																						
Total Department Expenses	678.552	686.157	755.086	841.241	885.726	916.615	919.432	984.712	1.029.516	1.076.359	1.129.833	1.181.241	1.210.772	1.241.041	1.272.067	1.303.869	1.333.776	1.367.121	1.401.299	1.436.331	1.472.240	1.509.046
Net Department Expenses	678.552	732.696	833.338	958.972	1.042.302	1.148.303	1.334.078	1.428.797	1.493.808	1.561.776	1.733.694	1.812.577	1.857.891	1.904.339	1.951.947	2.000.746	2.160.917	2.214.940	2.270.314	2.327.071	2.385.248	2.444.879
OPERATING EXPENSES																						
Genel Yönetim Giderleri	94.997	99.320	111.190	126.015	134.962	144.544	157.746	168.946	176.633	184.669	200.447	209.567	214.806	220.177	225.681	231.323	244.629	250.744	257.013	263.438	270.024	276.775
Pazarlama	20.357	21.283	23.826	27.003	28.920	30.974	33.803	36.203	37.850	39.572	42.953	44.907	46.030	47.181	48.360	49.569	52.420	53.731	55.074	56.451	57.862	59.309
Enerji	94.997	99.320	111.190	126.015	134.962	144.544	157.746	168.946	176.633	184.669	200.447	209.567	214.806	220.177	225.681	231.323	244.629	250.744	257.013	263.438	270.024	276.775
Total Operating Expenses	210.351	219.922	246.206	279.033	298.844	320.062	349.294	374.094	391.115	408.911	443.847	464.042	475.643	487.534	499.722	512.215	541.677	555.219	569.100	583.327	597.911	612.858
GROSS OPERATING PROFIT	468.201	512.773	587.132	679.939	743.458	828.241	984.784	1.054.704	1.102.693	1.152.865	1.289.847	1.348.535	1.382.249	1.416.805	1.452.225	1.488.530	1.619.240	1.659.721	1.701.214	1.743.744	1.787.338	1.832.021
Name of the Hotel																						
Land Area (m2)																						
Total Construction Area (m2)																						
Year	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41			
Date	31.12.2039	31.12.2040	31.12.2041	31.12.2042	31.12.2043	31.12.2044	31.12.2045	31.12.2046	31.12.2047	31.12.2048	31.12.2049	31.12.2050	31.12.2051	31.12.2052	31.12.2053	31.12.2054	31.12.2055	31.12.2056	20.08.2057			
Agreement Duration																						
REVENUES																						
ROOM REVENUES																						
Annual Average Occupancy Rate , %	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	77%	
Average Room Price, EUR	77	79	81	83	85	88	92	94	96	99	101	104	108	111	114	117	120	123	126			
Total Room Revenues	3.494.599	3.581.964	3.671.513	3.763.301	3.857.383	3.953.818	4.142.933	4.246.506	4.352.669	4.461.486	4.573.023	4.687.349	4.894.802	5.017.172	5.142.601	5.271.166	5.402.946	5.538.019	5.674.313	3.784.313		
DEPARTMENT REVENUES																						
Total Department Revenues	665.638	682.279	699.336	716.819	734.740	753.108	789.130	808.858	829.080	849.807	871.052	892.828	932.343	955.652	979.543	1.004.032	1.029.132	1.054.861	720.822			
TOTAL REVENUES	4.160.237	4.264.243	4.370.849	4.480.120	4.592.123	4.706.926	4.932.063	5.055.365	5.181.749	5.311.293	5.444.075	5.580.177	5.827.145	5.972.824	6.122.144	6.275.198	6.432.078	6.592.880	4.505.135			
EXPENSES																						
DEPARTMENT EXPENSES																						
Total Department Expenses	1.536.256	1.574.662	1.614.029	1.654.380	1.695.739	1.738.133	1.762.623	1.806.689	1.851.856	1.898.152	1.945.606	1.994.246	2.082.508	2.066.389	2.187.935	2.242.633	2.298.699	2.356.166	1.610.047			
Net Department Expenses	2.623.981	2.689.580	2.756.820	2.825.740	2.896.384	2.968.794	3.169.440	3.248.676	3.329.893	3.413.141	3.498.469	3.585.931	3.744.637	3.906.434	3.934.210	4.032.565	4.133.379	4.236.714	2.895.088			
OPERATING EXPENSES																						
Genel Yönetim Giderleri	291.217	298.497	305.959	313.608	321.449	329.485	345.244	353.876	362.722	371.790	381.085	390.612	407.900	418.098	428.550	439.264	450.245	461.502	315.359			
Pazarlama	62.404	63.964	65.563	67.202	68.882	70.604	73.981	75.830	77.726	79.669	81.661	83.703	87.407	89.592	91.832	94.128	96.481	98.893	67.577			
Enerji	291.217	298.497	305.959	313.608	321.449	329.485	345.244	353.876	362.722	371.790	381.085	390.612	407.900	418.098	428.550	439.264	450.245	461.502	315.359			
Total Operating Expenses	644.837	660.958	677.482	694.419	711.779	729.574	764.470	783.582	803.171	823.250	843.832	864.927	903.208	925.788	948.932	972.656	996.972	1.021.896	698.296			
GROSS OPERATING PROFIT	1.979.144	2.028.623	2.079.338	2.131.322	2.184.605	2.239.220	2.404.971	2.465.095	2.526.722	2.589.890	2.654.637	2.721.003	2.841.430	2.980.647	2.985.277	3.059.909	3.136.407	3.214.817	2.196.792			



Risk Free Revenue Rate	7,21%	7,21%	7,21%
Risk Premium	3,97%	4,33%	4,69%
Discount Rate	11,18%	11,54%	11,90%
NET CURRENT VALUE (Euro)	13.669.652	13.086.610	12.542.369
NET APPROXIMATE CURRENT VALUE (Euro)	13.670.000	13.090.000	12.540.000
NET APPROXIMATE CURRENT VALUE (TL)	50.434.000	48.294.000	46.265.000

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

According to the Lease conditions documents submitted to our company by Akfen GYO A.Ş.;

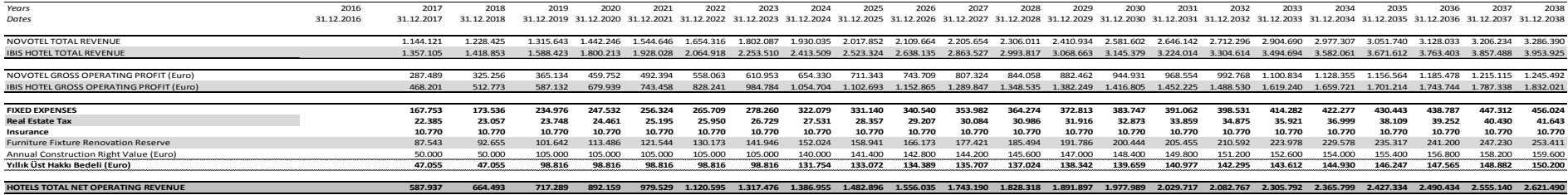
- For the hotel subject to this appraisal study, for which Akfen Real Estate Investment Trust Inc. has a “Construction Right”, it has been established that, for the annual lease amount, the international hotel operating company Accor Group will pay 22% (twenty two) of its gross profit to the Novotel Hotel, 25% (twenty five) of its gross profit to the Ibis Hotel or the amount higher than 70% of its adjusted gross profit (AGOP) for the year of 2015. Pursuant to the agreement terms, from the year of 2016 onwards, the share ratio of the adjusted gross profit (AGOP) has been established at 72,5%.
- The Adjusted Gross Operating Profit (AGOP) has been calculated by subtracting a ratio of 4% operator share, which will be paid to ACCOR, from the gross operating profit (GOP) and a ratio of 4% Furniture Fixture and Renovation Reserve from the gross revenue.

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

- The “Construction Right” of the hotel subject to this appraisal study belongs to Akfen Real Estate Investment Trust Inc. and the hotel is being operated by the international hotel operating company Accor Group. It has been assumed that the hotel will be operated according to the current concept, throughout the duration of the “Construction Right”.
- It has been assumed that the hotel will be operating 365 days a year.
- Pursuant to the lease agreement between Akfen Real Estate Investment Trust Inc.. and the Chamber of Industry of Kayseri, it has been agreed upon that the annual “Right of Construction” value will be of 40.000 Euro annually for the year of 2014 (the first 5 years will not be paid); additionally, throughout the years of 2019 and 2023, it will be of 84.000 Euro; in the year of 2024, it will be of 112.000 Euro and, from the year of 2025 onwards, it will increase 1.120 Euro (1.400 USD) and, thusly, continue in this manner.
- The renovation expenses, which will be met by the investor for the lease of the hotel, have been based on the ratio of 5% of the renovation expenses calculated in the lease alternative.
- It has been acknowledged that a joint real estate tax will be paid for both of the hotels. Pursuant to the information obtained from Akfen Real Estate Investment Trust Inc., real estate tax is be of 22.763 for the year of 2016 and that it will increase at a rate of 3% annually.
- According to the information obtained from Akfen Real Estate Investment Trust Inc., it has been acknowledged that the insurance value for the year of 2016 will be of 13.395,81 Euro and that it

will remain so, on account of the estimation made that there will not be any increases in the insurance premium by Akfen Real Estate Investment Trust Inc.in the following years.

- The lease revenue generated in relation to the hotel leased out to the Accor Group has been guaranteed with a lease agreement for the duration of 25 years. It has been assumed that the risk premiums in obtaining the lease revenue will be low for Akfen Real Estate Investment Trust Inc. and, therefore, it has been calculated accordingly. The discount rate has been estimated at 8% by adding a 4,80% “Risk Premium” to the 3,20% to the Risk Free Revenue.
- In the course of the studies, the exchange rate for 1 EUR has been acknowledged at 3,0898 TL, in accordance with the 02.11.2015 dated buying rate exchange of the Central Bank of Turkey.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- A more realistic net present value has been calculated considering the mid-year factor (0,5) in net present value calculations.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.



Years	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
Dates	31.12.2039	31.12.2040	31.12.2041	31.12.2042	31.12.2043	31.12.2044	31.12.2045	31.12.2046	31.12.2047	31.12.2048	31.12.2049	31.12.2050	31.12.2051	31.12.2052	31.12.2053	31.12.2054	31.12.2055	31.12.2056	20.08.2057
NOVOTEL TOTAL REVENUE	4,934.136	5.580.465	3.669.976	3.761.726	3.855.766	3.952.163	4.175.554	4.279.943	4.386.941	4.496.615	4.609.330	4.724.256	4.866.949	5.091.122	5.218.401	5.348.861	5.482.582	5.619.647	3.840.092
IBIS HOTEL TOTAL REVENUE	4.160.232	4.264.243	4.370.849	4.480.120	4.592.123	4.706.926	4.932.063	5.055.365	5.181.749	5.311.293	5.444.075	5.580.177	5.827.145	5.971.824	6.122.144	6.275.198	6.432.078	6.592.880	4.505.135
NOVOTEL GROSS OPERATING PROFIT (Euro)	1.367.306	1.401.489	1.436.526	1.472.439	1.509.250	1.546.982	1.684.295	1.726.403	1.769.563	1.813.802	1.859.147	1.905.626	2.060.473	2.111.985	2.164.784	2.218.904	2.274.376	2.331.236	1.593.011
IBIS HOTEL GROSS OPERATING PROFIT (Euro)	1.979.144	2.028.623	2.079.338	2.131.322	2.184.605	2.239.220	2.404.971	2.465.095	2.526.722	2.589.890	2.654.637	2.721.003	2.841.430	2.980.647	3.085.277	3.059.909	3.136.407	3.214.817	2.196.792
FIXED EXPENSES	473.047	482.348	491.855	501.574	511.509	521.667	540.174	550.998	562.066	573.386	584.965	596.808	617.045	629.642	642.530	655.717	669.210	683.018	551.107
Real Estate Tax	42.892	44.179	45.504	46.869	48.275	49.724	51.215	52.752	54.334	55.964	57.643	59.373	61.154	62.988	64.878	66.824	68.829	70.894	73.021
Insurance	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770	10.770
Furniture Fixture Renovation Reserve	267.808	274.565	281.429	288.465	295.676	303.068	318.767	326.736	334.904	343.277	351.859	360.655	371.793	387.238	396.910	406.842	417.013	427.438	292.083
Annual Construction Right Value (Euro)	161.000	162.400	163.800	165.200	166.600	168.000	169.400	170.800	172.200	173.600	175.000	176.400	177.800	179.200	180.600	182.000	183.400	184.800	186.200
Yilik Ist Hakkı Bedeli (Euro)	151.517	152.835	154.152	155.470	156.788	158.105	159.423	160.740	162.058	163.375	164.693	166.010	167.328	168.645	169.963	171.280	172.598	173.916	175.233
HOTELS TOTAL NET OPERATING REVENUE	2.873.403	2.947.763	3.024.009	3.102.187	3.182.346	3.264.535	3.549.091	3.640.500	3.734.219	3.830.306	3.928.820	4.029.821	4.284.858	4.462.988	4.507.532	4.623.096	4.741.573	4.863.035	3.238.696

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Risk Free Revenue Rate	7,21%	7,21%	7,21%
Risk Premium	2,88%	3,24%	3,61%
Discount Rate	10,09%	10,45%	10,82%
NET CURRENT VALUE (Euro)	10.174.183	9.725.439	9.307.979
NET APPROXIMATE CURRENT VALUE (Euro)	10.170.000	9.730.000	9.310.000
NET APPROXIMATE CURRENT VALUE (TL)	37.521.000	35.898.000	34.348.000

6.4.4 Lease Value Analysis and the Data Employed

The lease value of the construction right subject to the appraisal has been calculated taking into consideration the revenue discount method and the average cash flow value. The annual lease value of the real estate has been calculated by reducing the 1st year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel is **510.167.- EURO (1.882.000- TL)**. The discount rate has been determined to be of 10,45.%

Date	31.12.2016	31.12.2017
Annual Lease Revenue	0	538.790
Net Current Value of the Annual Lease Value (EURO)	510.167	
Net Current Value of the Annual Lease Value (TL)	1.882.000	

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

The appraisal study in question does not enter the scope of “project evaluation”.

6.4.6 Most Effective and Most Productive Use Analysis

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

6.4.7 Appraisal Analysis of Common or Divided Parts

There are two hotels operating separately on the plot, under the names NOVOTEL and IBIS Hotel. In accordance with the Cost Approach and the revenue projections in the Revenue Approach, both of the structure values have been calculated separately for each of the hotels. However, on the grounds that the ownership of the real estate belongs to the Chamber of Industry of Kayseri, that Akfen Real Estate Investment Trust Inc. has a construction right on the totality of the real estate for the duration of 49 years and that the transfer or assignment of this right, wholly or partially, is out of the question; the right of construction value of the entire real estate has been appraised accordingly.

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

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

The total value in the cost method, including the land, has been calculated **12.254.802 Euro (45.213.000 TL)**.

As a result of the discount of the potential revenue of the structure on the plot that will be generated during the remainder of the 49 years of the lease agreement, in accordance with the revenue discount approach, the net current value of the HOTEL has been calculated to **13.090.000.- Euro (48.294.000.- TL)**. The amount determined to be paid to the Akfen Real Estate Investment Trust Inc. by the Accor Group, with the use of the lease revenue discount method, is **9.730.000.- Euro (35.898.000.- TL)**. The final value of the hotel has been calculated to be **11.410.000.- Euro (42.096.000.- TL)**, based on the approximate arithmetic average of the value calculated by both of the methods.

The lease value of the real estate, since the date of 31.12.2016, 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 **510.162,- Euro (1.882.000,- TL)**.

During the course of the appraisal study, the revenue discount approach and cost approach have both been applied, in terms of revenue capitalization and lease revenues.

The real estate subject to the appraisal constitutes a revenue generating property and, therefore, the values calculated with the use of the revenue approach and lease value analysis result in more accurate values, concerning this sort of properties. In addition, the value calculated through the use of the cost method has been ruled out in the final appraisal value.

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

In the discount model pursuant to the lease revenue, the lease revenues have been evaluated and the calculations have been made in accordance with the value obtained. Different discount rates

have been employed in both models. Since there is a guaranteed lease revenue in the lease revenue analysis, the risk premium is lower.

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

The insurance policy belonging to the real estate subject to the appraisal study has been supplied by Akfen Real Estate Investment Trust Inc. and has been enclosed herewith. Accordingly, it has been noted that the insurance value of the real estate is 5.987.500 Euro.

6.6 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.

6.7 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 study dated 31.12.2014 numbered 2014-020-005; and the report has been revised on 02.12.2015 with no. 2014-020-GYO-REV-005 and on 08.12.2015 with no. 2014-020-GYO-REV2-005. On 08.01.2015, 2015-020-GYO-005 numbered appraisal study has been issued.

6.8 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

The “Karkas Hotel and Its Land” real estate, subject to the appraisal report, located in the city of Kayseri, District of Kocasinan, Block No: 2420, Plot No: 9, with a surface area of 11.035,40 m², has been allocated on behalf of Akfen Real Estate Investment Trust Inc. with an independent and permanent “Right of Construction” for the duration of 49 years, with the starting date of 20.08.2008; moreover, it has been noted that there are no obstacles for the inclusion of the “Right of Construction + Building” of the real estate subject to this appraisal in the Real Estate Investment Trusts portfolio, within the scope of the Capital Market Regulations.

7 OUTCOME

7.1 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.

7.2 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, the area and its position, the construction form of the structure, its system, the materials used in its construction and the craftsmanship quality, fixture status, ventilation – illumination – landscape status, have all been carefully taken into account and a detailed market research has been conducted in the area. Correspondingly, the value of the real estate subject to this appraisal report has been presented in the following chart.

As of 30.12.2016

	Market Value of the Remaining Construction of the Real Estate (EURO)	Market Value of the Remaining Construction of the Real Estate (TL)
VAT Excluded	11.410.000	42.096.000
VAT Included	13.464.000	49.673.000

	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	510.167	1.882.000
VAT Included	602.000	2.221.000

- 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 EUR = 3,6894 TL 13.12.2016 dated.
- 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.

Serkan TANRIÖVER
Certified Appraiser
SPK License No:401162



Önder ÖZCAN
Certified Appraiser
SPK License No:402145



Neşecan Çekici
Responsible Appraiser
SPK License No:400177





8 APPENDIX

1. Title Deed Photocopies
2. Approved Restrictions Document
3. Approved Zoning Status Document
4. Construction Licenses/Permits
5. Occupancy Permit
6. Floor Plans
7. Mortgage Letter
8. Construction Right Agreement
9. Accotel Operating Agreement
10. Business Starting and Operating License/Permit
11. Tourism Operating Document
12. Tourism Investment Document
13. Insurance Policies
14. Photographs
15. Backgrounds
16. License Certificates