

AKFEN REAL ESTATE INVESTMENT TRUST INC.

TURKISH REPUBLIC OF NORTHERN CYPRUS (K.K.T.C.)

GAZIMAĞUSA İSKELE, BAFRA LAND

PLOT NO. 23/2/1 AND 23/4

REAL ESTATE APPRAISAL REPORT

Report No: 2015-020-GYO-003

Appraisal Date: 31.12.2015

Date of Report: 08.01.2016



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	:	08. 01.2016
Report No	:	2014-020-GYO-003
Appraisal Date	:	01.10.2015-31.12.2015
Information Concerning the Property Subject to the Appraisal	:	"Forest" quality Real Estate in K.K.T.C., district of Gazimağusa, township of İskele, village of Bafra, Plan No: 1, Section No: XVI/1, Plot No: 23/2/1 + 23/4
Subject of Study	:	Determining the current market value of the remaining "Construction Right" time, in regards to the 49 duration agreement granted to "Akfen Real Estate Investment Trust Inc." between the dates of 30.12.2010 and 29.12.2059.
Land Area of the Real Estate Subject to the Appraisal	:	Determining the current market value of the remaining "Construction Right" time, in regards to the 49 duration agreement granted to "Akfen Real Estate Investment Trust Inc." between the dates of 30.12.2010 and 29.12.2059.
Land Area of Closed Spaces of the Real Estate Subject to the Appraisal	:	There are not any buildings on the plot.
Zoning Status of the Real Estate Subject to the Appraisal	:	Tourism Development Area

As of 31.12.2015

	Market Value of the Remaining Construction Right of the Real Estate (EURO)	Market Value of the Remaining Construction Right of the Real Estate (TL)
VAT Excluded	9.992.000	3.234.000
VAT Included	11.791.000	3.816.000

1-) The appraised value is the current value regarding the cash sale price.

2-) The VAT ratio has been established at 18%.

3-) The currency rates have been established at 1,-EURO = 3,0898-TL; 1,-GBP = 4,3249-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	:	Taner DÜNER
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 The Date, Number and Type of the Appraisal Report

Date of Report : 08.01.2016

Report Number : 2015-020-GYO-003

Type of Report : Appraisal report relative to the “Forest” quality real estate situated in the Northern Cyprus city of Gazimağusa, township of Iskele, village of Bafra, Plan No. 1, Section no. XVI/1, Plot no. 23/2/1 + 23/4, has been prepared for the purpose of determining the current market value of the construction rights, with regard to the real estate, in Turkish Lira currency.

1.2 Information Regarding the Responsible Appraiser that Prepared the Appraisal Report

Report Issued By : Certified Appraiser Taner DÜNER

Report Controlled By : Certified Appraiser Önder ÖZCAN

Responsible Appraiser : Responsible Appraiser Neşecan ÇEKİCİ

Capital Market Board Coverage : Yes

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

1.3 Date of Appraisal

On the date of 01.10.2015, the necessary procedures have been initiated for this appraisal report. Subsequently, the report has been concluded on the date 01.10.2015.

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 19.08.2015.

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 "Forest" quality real estate situated in the Northern Cyprus city of Gazimağusa, township of Iskele, village of Bafra, Plan No. 1, Section no. XVI/1, Plot no. 23/2/1 + 23/4, with an area of 167 Dunam, 3 Furrows, 1.200 Square Feet (corresponding to an area of 224.500 m2) has been prepared for the purpose of determining the current market value of the construction rights in Turkish Lira currency, in relation to the real estate, within the scope of the board regulations.

With reference to the 19.08.2015 dated request by Akfen Real Estate Investment Trust, an appraisal report has been prepared with regard to the property in question belonging to the "Forest Department, in representation of the Turkish Republic of Northern Cyprus Ministry of Agriculture and Natural Resources, which is responsible for the forest related works", in order to determine the value of the Construction Right with a duration of 49 years, that has been granted to AKFEN Real Estate Trade and Construction Inc, starting from the date of 30.12.2010; 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 agreements between Akfen Real Estate Trade and Construction Inc. and the Turkish Republic of Northern Cyprus Ministry of Agriculture and Natural Resources, which is responsible for the overseeing of the forests, have all been taken into account.

3 VALUE DEFINITIONS, DESCRIPTION OF APPRAISAL METHODS

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

3.1 Exemplary Comparison Approach

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

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

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

The Market Value Approach depends on the following assumptions:

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

3.2 Cost Approach

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

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



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

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

3.3 Revenue Discount Approach

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

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

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

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

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

4.1 General and Socio-economic Data

In accordance with the definitive results of the general census carried in the Turkish Republic of Northern Cyprus, on the date of 04.12.2011, the De-facto population of the country is established to be 294,396 and the De-jure population to be 286,257. The De-facto population indicates the population results obtained in regards to where the individual is counted, whereas the De-jure population indicates the population results obtained in regards to where the individual is registered. Permanent Residence is the place where an individual stays in a place for more than one year and for residing purposes.

De-jure population according to the cities: Nicosia (Lefkoşa): 94,824 – Famagusta (Gazimağusa) 69,741 – Kyrenia (Girne) 69,163 – Morphou (Güzelyurt) 30,037 and Trikomo (Iskele) 22,492. Pertaining to the Residential and Population count, these numbers indicate that, in the year of 2006, the district of Girne has had the largest growth rate of 19,4%, followed by Lefkoşa with 11,9%.

1st Stage Definitive results for the year of 2011 of the KKTC Residence and Population Count, according to the Residence Areas, has been provided below:

TURKISH REPUBLIC OF NORTHERN CYPRUS 2011 CENSUS				
DISTRIBUTION OF DE-JURE AND DE-FACTO POPULATION				
ACCORDING TO THE DISTRICTS				
	DE JURE	Distribution (%)	DE FACTO	Distribution (%)
TOTAL	286,257	100.0	294,396	100.0
LEFKOŞA (Nicosia)	94,824	33.1	97,293	33.1
GAZİMAĞUSA (Famagusta)	69,741	24.4	69,838	23.7
GİRNE (Kyrenia)	69,163	24.1	73,577	25.0
GÜZELYURT (Morphou)	30,037	10.5	30,590	10.4
ISKELE (Trimoko)	22,492	7.9	23,098	7.8

Source: KKTC Prime Ministry's Office State Planning Organization (<http://nufussayimi.org>)

COMPARISON OF THE DEFINITIVE RESULTS (DE-JURE) OF THE CENSUS FOR THE YEAR OF 2006 IN KKTC WITH THE DEFINITIVE RESULTS (DE-JURE) OF THE CENSUS FOR THE YEAR OF 2011 IN TERMS OF DISTRICTS					
	2006		2011		Growth rate in the De-jure population between the years of 2006 – 2011 (%)
	DE JURE	DISTRIBUTION (%)	DE JURE	DISTRIBUTION (%)	
TOTAL	256,644	100.0	286,257	100.0	11.5
LEFKOŞA (Nicosia)	84,776	33.0	94,824	33.1	11.9
GAZİMAĞUSA (Famagusta)	63,603	24.8	69,741	24.4	9.7
GİRNE (Kyrenia)	57,902	22.6	69,163	24.1	19.4
GÜZELYURT (Morphou)	29,264	11.4	30,037	10.5	2.6
İSKELE (Trimoko)	21,099	8.2	22,492	7.9	6.6

Source: KKTC Prime Ministry's Office State Planning Organization (<http://nufussayimi.org>)

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 I monetary policy'. For this purpose, many methods were implemented like interest discount, bond intake, property intake and funding of financial system, and activating credit mechanisms. Through

this kind of monetary policy, financial stabilization, and by stimulating consumption and investment, growth was aimed as a final goal to get rid of crisis.

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

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

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

- Global growth rate in 2015 was expected as 3,10 %. This rate fell 0,30 % of year 2014. It is also 0,20 % under of rate 3,30 %, which was stated in World Economic Outlook (WEO) report January 2015. Expectancy of decrease was revised compare to previous report.
- Expectancies of main countries and regions stayed indeterminate and unbalanced. Recovering of developed countries compare to recent years, and for developing economics and markets recession is foreseen again like previous 5 years. Some increasing market economies and growth of countries exported petrol represent weak hopes.
- Decreasing commodity price, reduced share capital increase negative risks of developing economies, pressure on market and financial market instability, and therefore Fed tightens financial conditions regarding developing countries considering expected increasing interest and worsening global economic outlook.

- Developed and developing countries have an important role as middle or long term alliances one of which has decrease in growth rate and one of which has modest recovering.
- Crisis leaved high rate of private and public deficit, financial sector weakness, low rate of investments for some developed countries having low growth rate. For developing countries, on the other hand, demographic transitions, investment explosions, revised growth in China, decrease in commodity price and reregulation of the market is required.
- Volatility was related with Greece debt meetings of Chinese authorities on June-July, sharp drop of Chinese stock market and policy incentives.
- Increasing policy interests of USA and worsening global outlook tightened more financial situation of developing countries since last spring. Dollar, bond and long-term local currency bond interests increased nearly 50-60 basis point and stock prices decreased, exchange rate devalorized or pressured.
- As a result of nuclear agreement with Iran and low global demand, petrol prices decreased. Falling production activity in China, investment explosion in mining sector decreased metal prices.
- Countries implemented flexible exchange regime and exported commodities lost large amount of money.
- Developing economies experienced more sharp loss. Major developed economy currencies experienced modest mobility.
- This global factors and country specific developments indicate relatively weaker revival compare to predicted amounts for 2015 and 2016 modest increase in growth expected for developed economies increase chance of loss for the next year. Developments of this year reflect a modest recovering of euro and returning of Japan to a positive growth, and additionally falling in petrol prices and devaluation of money for some conditions.
- Developments in developed economies, exporters –especially Norway and Canada- and in Asia excluding Japan (especially Korea and Taiwan region of China) unemployment decreases related to degrowth. However, growth in productivity is still weak even in USA where recovering is stronger.
- In 2016, some level of growth is expected in especially North America, however; expectations are still low considering falling investments, negative demography and weak productivity growth. Recently, decrease in petrol and other commodity prices must support demand of developed

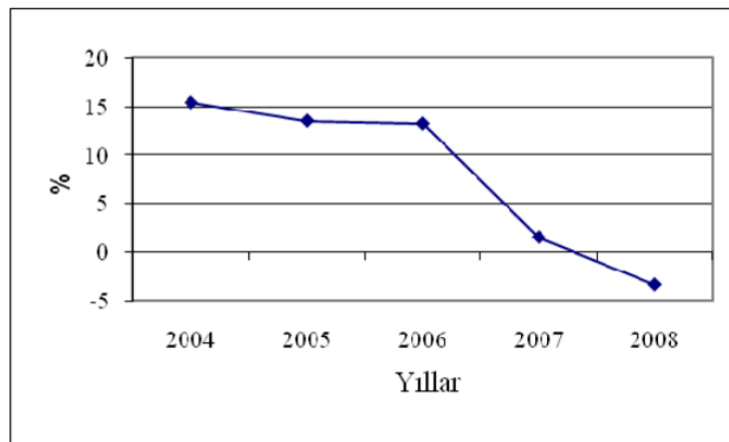
economies, which are exporters of net commodities. On the other hand, slowness in rising markets will indicate weaker importations.

- Revised fall in commodity prices will pressure inflation in developed economies in next months, and while revival is happening, expected development in core inflation will delay.
- Although core inflation stayed more stable, it is still under targeted amount of central bank. It is seen that inflation will be low towards falling unemployment and medium term weak growth.
- Growth expectancies are very different depending on regions and countries but outlook became weak generally considering consecutive 5 years that decrease was foreseen. This reflects a combination of factors.
- For the most developing market economies external conditions became harder. While money devaluation helps net exportation, depending on weak recoverings and medium level expectancies for medium level growth, it is expected that future drawl of developed economies will be more modest than prospected.
- Capital flows slowed down in rising markets in last quarters and rising USA currency politics from zero lower limit related with tightness of external financial conditions.
- Deceleration of growth in China is parallel to expectancies until now, however reflections in cross border are bigger than prospected. This reflected as lower imports to China and lower prices of commodities (especially metal). Devaluation of Greece by China, volatilities related to weakness in currencies of developing economies and increasing global risks caused sharp decreases in property prices throughout world.
- Rebound is expected for growth of rising markets and developing economies 2016.
- This reflects lower recession and relative normalization in 2015 for countries having economic trouble (Brazil, Russia, some countries in Latin America and in Middle East), and spill-over effect depending on stronger recovering in economic activities of developed economies and facilitating of sanctions for Islamic Republic of Iran.
- Decreasing growth is expected for China even if it is gradually. Weakness in commodity prices, slower global growth than expected and possibility of tighter global financial conditions become a burden to low-income countries. While Chinese authorities implement reforms towards decreasing financial infirmity strengthening role of market powers in economy, they confront tradeoffs in their projection of transition to growth depending on consumption without deceleration of activity.

- Some countries, especially the ones with rich sources, have wide current account deficit due to foreign direct investment. Correspondingly they are more vulnerable towards foreign financial shock.
- Risk balance is still downward. Low level of petrol and other commodities can constitute an upward demand for commodity importers in some level. However, this complicates the demand for commodity importers so some of them already confront with nervous initiation conditions.
- Vulnerability of rising markets in terms of continuing fall in commodity prices and sharp rise in American Dollar is still proceeding and this may force balance sheet of companies in some countries further.

4.3 The KKTC Economy

The Turkish Republic of Northern Cyprus could not continue the growth trend that it had managed between the years of 2003 – 2006; in the year of 2007, it had a real growth rate of 1,5%, while in the year of 2008, it suffered a shrinkage of 3,4%. Thus, the average real growth rate in the gross national income has been of 7,8% in the last five years, having reached 5,128,334,134.4 TL with the current price in the year of 2008. In the same year, the gross national income had an increase of 9,8% with the current prices and based on the USD, reached 3,995.6 million dollars with an increase of 11%. Therefore, the gross national income of 14.765 USD in the year of 2007 has reached to 16,158 USD in the year of 2008. When the real developments relative to the industries are observed, it has been noted that a real shrinkage has been the case in all industries, except for utilities, hotel management, restaurant management, transportation, communication, accepting houses, residential ownership, independent professions and services, as well as public services.



Source: State Planning Organization

It has been observed that the growth trend, which the KKTC had managed in the year of 2007, has declined in the following year, thus resulting in a decrease of 3.4% in the year of 2008.

The total sources consisting of the gross national income, along with the external deficit, have remained behind the shrinkage tendency due to the increase in the external deficit in the year of 2008, reaching 5,629,284,184.4 TL with the current prices by having a real recession of 0,8%. While the gross national income has made up 91.1% of the total sources in the year of 2008, the external deficit has made up 8,9% of the total sources with 500,950,050 TL. In the year of 2007, the gross national income has reached 93.5% of the total sources, with the external deficit making up 6.5%. It has been observed that, on account of the economic shrinkage suffered in the year of 2008, this situation has consequently affected the investments expenses negatively, displaying a shrinkage of 15.2%; at the same time, a real growth of 3.2% has been verified in relation to the total consumption. Thus, 21.8% of the total resources in the year of 2007 have been channeled to the total investments, whereas 78.2% went to the total consumption; afterwards, in the year of 2008, these rates have displayed some changes to the benefit of the total consumption, resulting in 18.6% and 81.4% respectively. The total consumption of 4,580,141,996.5 TL managed with the current prices and 29.8% of this amount comes from public consumption and 70.2% from private consumption. The ratio of the total investments in the gross national income has declined 20.5% in the year of 2008, when compared to 2007, while the total consumption ratio has increased to 89.3%. The public disposable income has displayed a real growth of 7.6% in the year of 2008, when compared to 2007, and has managed an amount of 1,105,639,508.1 TL with the current prices. Therefore, the 19.4% rate of the public disposable income within the gross national product in the year of 2007 has increased to 21.6% in the year of 2008. The private disposable income has suffered a recession of 6% in the year of 2008 and, moreover, its ratio within the gross national income has been 78.4%.

Number of Employed in the Tourism Industry												
Contents											A:Facility	B:Staff
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	A....	664	645	679	886	689	820	827	866	919	663	761
	B....	6.049	5.995	6.056	6.070	6.699	7.871	7.797	8.208	9.751	9.224	10.965
1. Touristic Accommodation Facilities ¹	A....	103	107	110	115	116	121	127	130	119	119	127
	B....	2.865	2.901	2.939	2.393	2.397	2.838	2.961	2.909	3.734	3.321	3.738
2. Other Accommodation Facilities ²	A....	13	13	13	11	12	12	12	12	11	15	15
	B....	49	35	36	25	36	38	25	26	24	43	47
3. Touristic Side Facilities ³	A....	385	365	388	588	407	509	515	537	627	360	450
	B....	1.333	1.257	1.218	1.846	1.951	2.264	2.313	2.341	2.304	1.953	3.016
4. Tourism and Travel Agencies	A....	142	140	148	155	135	157	156	165	137	144	143
	B....	518	488	549	488	416	471	400	408	326	340	346
5. Casinos	A....	21	20	20	17	19	21	17	22	25	25	26
	B....	1.284	1.314	1.314	1.318	1.899	2.260	2.098	2.524	3.363	3.567	3.818
¹ Including Hotel, Hotel Apartment and Others												
² Including Hostel and Resting Houses..												
³ After the year of 2008 only includes Restaurants												
Source: Department of Tourism Planning, State Planning Organization												

4.4 Analysis of the Region Where the Real Estate is Situated

4.4.1 Turkish Republic of Northern Cyprus (K.K.T.C.)

Cyprus is the third largest island in the Mediterranean, after Sicily and Sardinia. The island has a long history, dating back to 7000 B.C.; on the year 1571, it was conquered by the Ottomans and entered under Turkish rule. When the Ottoman Empire joined the Germans in the First World War, Cyprus was annexed by Britain in the year of 1925 and became a British Colony. In the year of 1960, Cypriot Turks and Greeks established the Republic of Cyprus. After a coup d'état in the year of 1974, as an attempt to connect the island to Greece, Turkey intervened. After this intervention, the island became separated into the Northern Cyprus, where the Cypriot Turks live, and the Southern Cyprus, where the Cypriot Greeks live. In the year of 1975, the Turkish Federal State of Cyprus was established and later, in the year of 1983, the Turkish Republic of Northern Cyprus (KKTC) was established. According to the data obtained in the year of 2011, the capital city of Lefkoşa (Nicosia) has a population of 286,257. The city is surrounded by Dipkarpaz (Rizokarpazo) to the north, Güzelyurt (Morphou) to the west and Akıncılar (Louroujina) to the south.



Map of Cyprus and KKTC

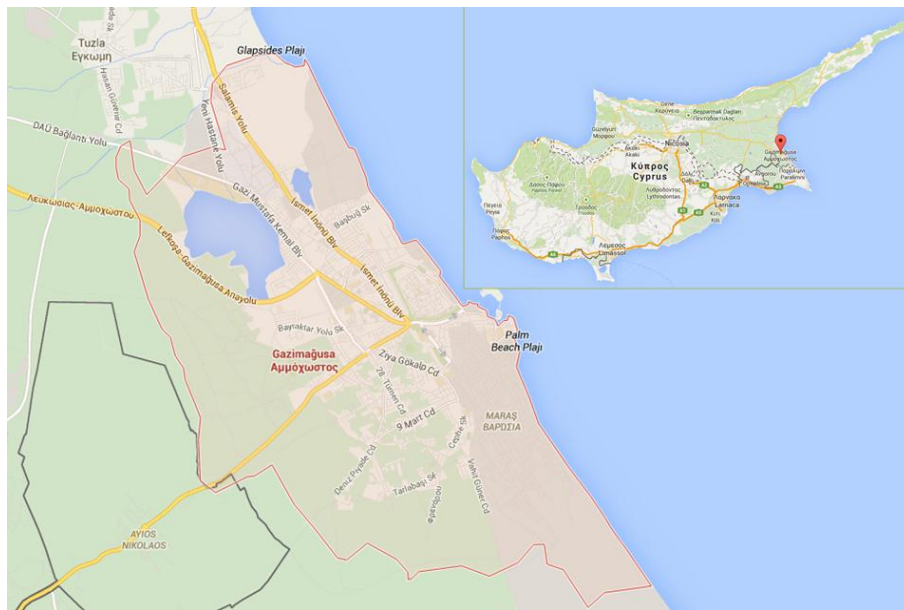
57% of the lands in the KKTC are of an agricultural nature. Considering that there are no sufficient water sources, irrigation is done by modern irrigation systems. In terms of industry, Cyprus has a small scale production that is typically seen on islands. There are significant advances in the areas of food, construction and textile.

On account of its natural landscape and rich history, the KKTC is an important destination in the Mediterranean; moreover, on the grounds that casinos are outlawed in Turkey, numerous touristic

facilities operate in the KKTC. Furthermore, with its 7 universities, there are many students originating from Turkey and abroad, which result in a further improvement of the KKTC economy.

4.4.2 The District of Gazimağusa (Famagusta)

Just as it occurred in all of Cyprus, in general, the year of 1974 constituted a turning point for the city of Gazimağusa (Famagusta) as well. The city used to have a population of 41.000 before the year of 1974 and was a significant commerce and tourism center, with the largest port of the island. Between the years of 1974 – 1986, immigrants from the southern part of the island and from Turkey started to arrive, initiating a period of a post-war process of reconstruction and renovation. During this period, with the closing of the most dynamic area of Maraş (Varosia), urban development slowed down significantly. The construction of the Eastern Mediterranean University, in the year of 1986, had an important impact in the socioeconomic structure of the city and added a new population of university students and workers. As a consequence, it has contributed to the change of the development of the city towards the north-northeast, which was previously towards south. This has resulted in a major structuring, especially in the regions of Sakarya, Karakol, Baykal, North of salamis road and Tuzla.



Location of the City of Gazimağusa (Famagusta)

In the year of 2000, the population of the city surpassed 30.000; besides being a historical port city and a regional center, it had the opportunity to become a university city as well. The current location of the city of Gazimağusa, with regard to the current conditions, is the continuation of a historical mission. Even today, the fact that Cyprus is a divided island does not affect the city of Gazimağusa. The city harboring the largest port of the KKTC and the Free Port, thusly constitutes a port city not only in the economic area but also in the areas of communication, science, technology, culture and



such similar fields. According to the data relative to the year of 2011, the total population of the city is 69,741.

4.4.3 Real Estate Market Analysis OF KKTC

The increase of the initiatives for peace in the Turkish Republic of Northern Cyprus have lead to a considerable expectation, in regards to the development of the real estate market in the island; to this extent, it is expected that the real estate industry will benefit the most, in the event of a peace environment. Taking into consideration that the prices on the Southern Side are 3 times higher than the prices in the KKTC, many believe that an eventual peace environment will contribute to the increase in the prices in the North. Even though this situation may point to a major potential, the fact that the KKTC is not recognized in the international arena and that there are sanctions in force, as well as the unresolved ownership issues with the Greeks, result in a certain hesitation in coming to the KKTC, on behalf of foreign investors, with the exception of individual buyers. In addition, the fact that the KKTC has an excess of residential buildings, with its population of 300.000, also constitutes a negative factor.

However, in spite of all these negative factors, KKTC is still a major potential waiting to be discovered and will decidedly shine through with the resolution of its problems.

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 open address of the real estate is Locality of Bafra, Section no: XVI, Plot no: 23/2/1 + 23/4 İskele / Gazimağusa / KKTC. The real estatesubject to the appraisal study is situated in the Bafra Tourism Center area of the district of Iskele, in the city of Gazimağusa. In order to reach the real estatein question, from the Ercan Airport, one follows the direction towards Gazimağusa – İskele Bafra, thusly arriving at the Tourism Center.

Within the scope of the 30.06.2006 dated “1st Stage Decree for Bafta and Its Surroundings”, the region has been declared a Tourism Center and, therefore, became desirable. There are numerous allocated and leased lands to companies, with the purpose of the development of projects in the area; however, it has been observed that these projects have not been realized yet and that there is a certain inertia.

The Kaya Artemis Hotel and The Göçtur Hotel are situated at a distance of approximately 300 m from the real estatesubject to the appraisal. Currently, there are existing hotel projects in the area, some of which are still under construction. The construction of the Limak Babylon Resort Hotel, located in the plot next to the real estatein question, is still in its basic construction phase. The Nuh’un Gemisi Hotel, situated at a distance of approximately 2,5 km from the real estatein question, has started to operate in the year of 2011.

The real estate subject to the appraisal has a façade of roughly 350 m to the coast line. Although a two way highway has been constructed in order to access the region, the fact that it is at a distance of almost 70 km to the Ercan Airport is negatively affecting the demand in the area. The hotel subject to the appraisal is at a distance of 20 km to the city center of Iskele, 72 km to the Ercan Airport and 45 km to the city center of Gazimağusa.



The Location of the Land Subject to the Appraisal



The Location of the Real Estate in Question and Satellite Image of Its Surroundings

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

Township	:	Iskele
Village or Town	:	Bafra
Neighborhood	:	- I -
Locality	:	- I -
Section No	:	XVI
Block No	:	- I -
Plot No	:	23/2/1+23/24
Surface Area	:	167 dunam, 3 furrow, 1200 square feet (*)
Type	:	Forest
Lessor	:	Forest Department, representing the Turkish Republic of Northern Cyprus (KKTC) Ministry of Agriculture and Natural Resources, which is responsible for the forest related works.
Lessee	:	Akfen Real Estate Trade and Construction Inc.
Duration of Lease	:	49 Years; Starting Date: 30.12.2010-29.12.2059
Annual Lease Value	:	52.047 \$
Lessee ID Page	:	27
Share or Right	:	All
File No	:	D-468/06, D-891/014, D-253/011, D-468/014

(*) Dunam, Furrow and Square Foot are used as area measurement units in the KKTC. 1 dunam = 1.337, 8037800057044 m²; 1 furrow = 334,4509400013988 m²; 1 square foot = 0.09290304 m². In addition, 1 dunam = 4 furrows; 1 furrow = 3.600 m² (The corresponding number in Turkish measurement units is 224.528 m²)

5.2.1 Investigation of the Land Registry of the Real Estate

It is not possible to conduct an inspection at the KKTC Land Registry and Cadastral Offices. To investigate the existing restrictions on the immovable, only the owner or an authorized

representative with a proper power of attorney issued at a notary can obtain an “Immovable/Asset Inspection Document” from the related department. The “Immovable/Asset Inspection Document”, obtained from the KKTC Land Registry and Cadastral Office of Gazimağusa, has been submitted to us and, in accordance with this document dated 05.11.2015, there are no restrictions present concerning the real estate in question.

The Immovable/Asset Inspection Document has been enclosed herewith.

There is a 2006 dated lease agreement with the duration of 49 years, in regards to the plot subject to the appraisal study, signed between Akfen Real Estate Trade and Construction Inc. and the KKTC Ministry of Finance State Estate and Equipment Department. The lease’s starting and ending, pursuant to this agreement, along with the annual lease values have been recorded at the land registry and cadastral office. In accordance with this agreement, the lease start date is 01.05.2006 and the ending date is 30.04.2055, with the annual lease value of 90.931 USD. The related “LAND REGISTRY AND CADASTRAL DEPARTMENT STATE TREASURY ASSET LEASE DOCUMENT” has been enclosed herewith. It has been noted that this situation continues to be valid.

Taking into account that the above mentioned 2006 dated agreement was ruled void by the High Court, a new lease agreement for the duration of 49 years has been signed on the date of 31.12.2010, between the Forest Department, representing the Turkish Republic of Northern Cyprus (KKTC) Ministry of Agriculture and Natural Resources, which is responsible for the forest related works. Pursuant to this new agreement, the starting date of the lease has been determined to be 30.12.2010 and the ending date 29.12.2059, together with the lease value for the 1st year at 52.047,44 USD. Nonetheless, it has been noted that this new agreement, with a duration of 49 years, has not been registered at the Land Registry and Cadastral Office.

5.2.2 Changes that have Occured in the Land Registry of the Real Estate within the Last Three Years

Except for Akfen Gyrimenkul Ticareti ve İnşaat A.Ş., there are no buying or selling activities with regard to the immovable, within the last three years, executed by a different person, institution or agency.

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 forest land subject to the appraisal has been first leased for the duration of 49 years with the 2006 dated lease agreement signed between Akfen Gayimenkul Ticareti ve İnşaat A.Ş. and the KKTC Ministry of Finance State Estate and Equipment Department. In accordance with the terms and conditions of this agreement, the starting date of the agreement had been set for the date of 01.05.2006 and the ending date for the 30.04.2055, with a lease value of 90.931 USD for the 1st year.

Pursuant to the decree given by the High Administrative Court, with the numbers YIM 38/2006 and 39/2009, the agreement between Akfen Real Estate Trade and Construction Inc. and the State Estate and Equipment Department had been ruled void and, in accordance with the decision that the land should be leased within the scope of the “19/2003 dated Transfer and Lease of Low Forested Lands”, the agreement has been terminated by the KKTC Ministry of Finance State Estate and Equipment Department for the reason that the land in question is of a forest land quality.

Following this, a new lease agreement for the duration of 49 years has been signed on the date of 30.12.2010, between Akfen Real Estate Trade and Construction Inc. and the Forest Department, representing the Turkish Republic of Northern Cyprus (KKTC) Ministry of Agriculture and Natural Resources, which is responsible for the forest related works. According to this lease agreement, **the starting date for the lease has been set for 31.12.2010 and the ending date for 29.12.2059, with a lease value of 52.047,44 USD for the 1st year.**

In this lease agreement, the title of the lessee has been written erroneously as “**Akfen Turizm İnşaat ve Ticaret A.Ş.**”; this situation has been remedied with an additional “NAME CHANGE AGREEMENT” and corrected as “**Akfen Real Estate Trade and Construction Inc.**”.

Pursuant to the new lease agreement signed between the Forest Department Directorate and Akfen Real Estate Trade and Construction Inc. on the date of 30.12.2010, the contents of the **Article number 3** found under the **OTHER CONDITIONS** on the 2nd page have been provided below:

3. The lessor and the lessee have agreed upon the specified date and/or durations, with regard to the construction and completion of the touristic facility project. The lessee’s planning approval and incentive documents will be obtained from the related agencies within 12 (twelve) months, at most, after the signature of the agreement. In the case of failure to obtain these documents, the aforementioned agreement will be terminated.

The Lessee will obtain the construction permit of the touristic facility project from the related agencies within 12 (twelve) months after the signature of the agreement, at most, and will start the construction of the facility within 4 (four) months, at most, after obtaining the construction permit; moreover, the Lessee will complete the construction within 48 (forty eight) months. However, in the case of a delay caused by any public agency during the time period required to obtain the necessary documents to start the construction, both parties have agreed upon that the above mentioned dates will be set back.

The Lessee will complete;

- a. 25% of the Project within 28 (twenty eight) months following the date of obtaining the construction permit.

- b. 50% of the Project within 36 (thirty six) months following the date of obtaining the construction permit.
- c. 75% of the Project within 44 (forty four) months following the date of obtaining the construction permit.
- d. 100% of the Project within 52 (fifty two) months following the date of obtaining the construction permit.

The Lessee agrees that within 6 (six) months, at most, after the date of notifying the related official authorities with regard to the completion of the construction of the tourism investment, the necessary operating permit and/or licenses will be obtained from the Tourism and other related Ministries and/or Agencies and the facility will be subsequently put into service.

Pursuant to the **Article number 5** found under the **OTHER CONDITIONS** on the 2nd page, the contents have been provided below:

- 5. All the specified and/or estimated time and duration for the payment of the lease values, pursuant to the herein agreement, the start and completion of the construction, along with the obtaining of the necessary permits required to put the facility into service, constitute the essence of this agreement.

The time period given to the Lessee to obtain the Planning Approval, Incentive Document and Construction Permit mentioned in the **Article Number 3**, under the **OTHER CONDITIONS** section mentioned above, has been extended;

- Until the date of 30.06.2012 with the 30.12.2011 dated 2nd Additional Lease Agreement
- Until the date of 31.12.2013 with the 28.12.2012 dated 3rd Additional Lease Agreement
- Until the date of 10.02.2014 with the 31.10.2014 dated 4th Additional Lease Agreement
- Until the date of 15.09.2015 with the 29.04.2015 dated 5th Additional Lease Agreement

In the agreement, taking building license after this date bound to the condition of applying to the license until 15th of September and to the demolishment of the old buildings taking place on the land.

The duration extended with the 5th additional agreement has ended on 15.09.2015 and until this date buildings taking place on the land had been demolished and on 14.09.2015 the application for the building permit on the land was made. The application letter has been enclosed herewith.

Old buildings on the land was demolished and application for the building licence for the new construction has been made. According to this; conditions for obtaining the building licence were met. Obtaining building licence is expected and there are not any time limitations for the recruitment of the building licence according to the last agreement.



The lease agreement signed on 30.12.2010 between the KKTC Forest Department Directorate and Akfen Real Estate Trade and Construction Inc., together with its 2nd, 3rd, 4th and 5th additional agreements, have been enclosed herewith.

A definitive planning approval has been granted in regards to the touristic facility project that has been decided for the development on the plot by the KKTC Ministry of Internal Affairs City Planning Department with the approval number of 2013 BAF 11, valid until the date of 26.12.2016. Document in question has been enclosed herewith.

Agreement signed with the forest department related to the last extension of the Bafra's building licence is enclosed herewith. According to this agreement, deadline for the application of the building licence has been extended to 15.09.2015. On the date of 14.09.2015 application for the The lease value receipt relative to the payments effected by Akfen Real Estate Trade and Construction Inc. to the KKTC Forest Department between the years of 2015 – 2016, corresponding to an amount 60.338,60 USD, has been enclosed herewith. For this reason, no obstacle has been found that prevents the real estate from being included in the Real Estate Investment Trusts portfolio, within the scope of the Capital Market Board regulations, in terms of “**land registry records**”.

5.3 Inspection of the Zoning Information of the Real Estate

Pursuant to the inspections performed at the KKTC Ministry of Internal Affairs City Planning Department on 12.11.2015, where a preliminary permit is granted for any structuring in the KKTC, as well as to the 10.11.2015 dated zoning status obtained from this agency with the number ŞPD0.00107/100-14/612;

As opposed to the zoning system in Turkey, structuring is possible with decrees instead of zoning plans, in the KKTC. Furthermore, the areas are separated in these decrees and a multi zoning right is possible for structuring in these said areas.

According to the 30.06.2006 dated 1st Stage Decree for Bafra and Its Surroundings, with a scale of 1/2500, the real estate in question is included in the legend of “Tourism Development Area”. Pursuant to the paragraph (d) of the decree in question;

(i) Within the marked areas, designated as “Tourism Development Areas” in the 1st Stage Decree for Bafra and Its Surroundings Development Decisions Map, which contain roads, water, electricity, waste facility and such similar infrastructures, pursuant to the terms set out in the paragraph (d) of the 2nd clause of the Article number 11, developments within the scope of the project prepared for development and/or an allotment project, for the purpose of construction and/or completing the Combined Accommodation Facilities that consist of Hotel, Apartment Hotel and Touristic Bungalow type structures; these can be constructed on the condition that they comply with the terms and

conditions set out in Article number 30, together with the projects that have obtained a Construction Right and/or a visa from the chamber of engineers before the date when this decree went into force.

(ii) Within the marked areas, designated as “Tourism Development Areas” in the 1st Stage Decree for Bafra and Its Surroundings Development Decisions Map, which contain roads, water, electricity, waste facility and such similar infrastructures, pursuant to the terms set out in the paragraph (d) of the 2nd clause of the Article number 11, developments within the scope of the project prepared for the development and/or an allotment project, for the purpose of construction and/or completing the Combined Accommodation Facilities that consist of Hotel, Apartment Hotel and Touristic Bungalow type structures; these can be constructed on the condition that these do not exceed the Total Construction Area Ratio of 0.35/1 and the Construction Lot Coverage Area Ratio of 20% (37 feet); for Hotels and Apartment Hotels, the limit for the Max. Building Floor Number is 3 (three), Building Total Height is 11,10 m (37 feet); for Bungalow buildings, Max Building Floor number is 1 (one) and the Building Total Height is 5,10m.

(iii) However, on the condition that no alteration is made to the building floor number, the building and land ratio, in the event of existing environmental factors to be protected and/or precautions to be taken and/or the facility needing an open space, the building can be gathered up and permitted to be raised further. In a situation like this, the maximum number of floors must not exceed 8 (eight).

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

There is no construction permit or approved architectural project with regard to the planned development project on the plot in question by Akfen GYO.

5.3.2 Changes that Have Occured in the Legal Status (Changes in the Zoning Plan, Expropriation, etc.) of the Real Estate within the last Three Years

A change in the legal status of the real estate in the last 3 years is out of the question.

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

The land subject to the appraisal has been leased for the duration of 49 years, with the 30.12.2010 dated lease agreement signed between the KKTC Forest Department Directorate and Akfen Real Estate Trade and Construction Inc. The starting date of the agreement is 30.12.2010 and the ending date is 29.12.2059. According to the lease agreement, a definitive planning approval with the number 2013 BAF 11, valid until the date of 26.12.2016, has been obtained from the KKTC Ministry of Internal Affairs City Planning Department; however, a project approval or construction permit have not yet been obtained.

5.3.4 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

No alteration has been found in the current zoning status and the structuring conditions of the real estate subject to the appraisal. For this reason, there are no obstacles preventing the real estate from being included in the Real Estate Investment Trusts portfolio, within the Capital Market board regulations and in terms of zoning information.

The legal process with regard to the project that is being developed with the 30.12.2010 dated lease agreement, between Akfen Real Estate Trade and Construction Inc. and the KKTC Forest Department Directorate, in relation to the land and the detailed information concerning this process, has been provided under the article 5.2.3 of this report.

5.3.5 Statement that the Detailed Information, alongwith 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 Constuction Within the Premises of the Real Estate

On the real estate subject to the appraisal, Değerleme konusu taşınmaz üzerinde herhangi bir yapı yoktur parsel üzerinde daha önce mevcut olan yapılar yıkılmış olup arsa üzerinde yıkılmış olan yapılara ait molozlar vardır.

5.4.2 Inspections Performed Within the Premises of the Real Estate

- The real estatesubject to the appraisal is situated in the district of Iskele, township of Bafra, “Tourism Investments Area”.
- Has a total surface area of 167,83 Cyprus Dunam (Corresponding to 224.500 m2 according to Turkish measurement units).
- The plot has a very slight east-west inclination (almost flat) and an almost rectangular shape.
- The real estateis the 1st plot on the coast line and has a façade of approximately 350 m to the sea.
- Buildings on the plot were demolished; there are not any buildings on the plot.
- The plot is surrounded with barbed wire. There is a signpost saying “AKFEN GAYRİMENKUL TİCARETİ VE İNŞAAT A.Ş – BAFRA HOTEL CONSTRUCTION.” However, there are no activities on the plot with regard to the development project.
- To the north of the plot, the Limak Babylon Resort Hotel is still in a basic construction phase.



- To the further north of the Limak Babylon Hotel, the Kaya Artemis Hotel is operational and providing services.
- All roads leading to the real estate are covered with asphalt.

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

Strenghts

- The real estatesubject to the appraisal is situated in the Bafra region, which has been declared as being a “Tourism Development Area”.
- In the event of the investments planned for the area actually becoming materialized, the region will develop into a primary touristic spot.
- In terms of its surface area, the plot is suitable for all kinds of touristic projects; in addition, the plot has multiple building zoning right.
- The plot has an almost flat ground and a regular rectangular shape.
- The plot is situated as a 1st plot to the coast and has a façade of 350m.
- The “Lease Agreement” that is valid until the year of 2059 has been registered at the Land Registry Cadastral Office, on behalf of Akfen Real Estate Trade and Construction Inc.

Weaknesses

- The real estateis located far from the Ercan Airport and from centers such as Lefkoşa, Girne and Gazimağusa (Nicosia, Kyrenia and Famagusta).
- The Ercan Airport is not an International airport, thus the number of tourists is limited.
- The region has been declared “Tourism Investment Area” in the year of 2006; however, most of the projects that have been planned for the allocated lands have not yet started. Taking this fact into account, the desired speed has not yet been achieved.
- The land does not have sale or transfer capability in the free market.

Opportunities

- There are many investments planned in the region where the real estateis situated. In the case of these projects materializing, the region will improve in demand.
- In the case of a positive result from the Cyprus Discussions the investments planned in the area would speed up.

Threats

- There are many lands in the region that have been allocated in long term agreements, for the purpose of tourism investments, although most of these have not been materialized.
- 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.
- The KKTC economy has slowed down in recent years. It has a fragile political and economic structure.

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

Despite the fact that the real estate has been registered in the KKTC land registries as a “Forest”, for the reason that it is situated in the “Tourism Development Area” in Bafra and that it possesses suitable structuring conditions in its zoning plan for touristic project development, it has been considered as a “zoned land” and, therefore, the Exemplary Approach method has been employed.

6.4.1 Exemplary Approach

The real estate subject to the appraisal has a “KKTC State Treasury Asset” status and, in relation to the article number 8 of the “Lease and Transfer of Low Forested Areas” law with the number 19/2003, it has been leased to Akfen Real Estate Trade and Construction Inc. for the duration of 49 years. The start and ending dates for the lease, as well as the purpose of the leasing, have been explained in detail in the report.

There are similar leased out Treasury land examples within the “Tourism Development Area”. Considering that the purchase and sale of these lands is out of the question, which have been leased for the duration of 49 years (forty nine) in terms of the independent market conditions, they do not possess current independent market value. The annual lease value is determined by the public agency that is responsible for the leasing.

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 land examples found in the same area as the real estate subject to the appraisal, which are for sale, have been provided below. The British Pound is used in Real Estate sales in the KKTC. The examples do not possess similar characteristics with the real estate in question; however, taking into account the previously explained reasons, it has been difficult to provide examples and, therefore, the information provided below is purely for exemplary purposes.

LAND EXAMPLE TABLE

EXAMPLE	Location	Characteristics	Area	Desired Price (£)	Price Unit Per Dunam (£)	Source
Example 1	Located in Iskele Bosphorus Region, sea front nearby Kaya Artemis	Tourism zoning Example : 0,35	12 Dunam (16 Dunam according to Turkish measurement)	300.000	25.000	BATI ESTATE 0533 875 51 89
Example 2	Located in the Hotels Area- behind Pine Bay Otel	Tourism zoning	20 Dunam (According to Cyprus measurement)	1.000.000	50.000	QURAL ESTATE 0392 366 02 12 0548 871 11 04
Example 3	Located in Iskele Bafra Region 800 m west of Kaya Artemis	Far distance from the sea- appropriate for out hotel structure	34 Dunam (Cyprus measurement)	380.000	11.176	EMLAK ESTATE 0392 365 05 42 0548 850 05 42
Example 4	Bafra Tourism Area, nearby Kaya Artemis Otel	Tourism zoning- close to the land in question but in a worse condition- road façade	17 Dunam 3 Furrow (Cyprus measurement)	552.000	32.000	ULUTAN CYPRUS 0548 860 65 88
Example 5	Bafra Center	Far from the sea- road façade	7 Dunam (Cyprus measurement)	175.000	25.000	LAND OWNER 0548 880 01 11

- -In this study, the 02.11.2015 dated exchange rates of the Central Bank of Turkey have been used. 1 British Pound (GBP) = : 4,3249 TL, 1 Euro = 3,0898 TL.
- As a result of the inspections performed, it has been noted that many Treasury lands with similar characteristics and structuring conditions to those of the plot subject to the appraisal have been leased for long term durations, for the purpose of "Tourism Facility Investments"; however, an inertia period has been observed, as many of the projects concerning these lands have not been developed and the investments have been left unfulfilled.
- Since these allocated lands in question cannot be purchased-sold or their lease agreements transferred in the independent market, the real estate does not have an exemplary value.

- A more accurate and realistic appraisal of the current Market Value of the real estate will be possible through the use of the Revenue Discount Approach only when a project is realized on the plot. It is possible to develop a hotel project, in terms of zoning conditions; nevertheless, the revenue sharing models and structuring conditions in the KKTC are different from those in Turkey. Conforming to the information obtained from Akfen GYO, there currently are no projects developed on the land. For this reason, we could not perform the conversion from the project development method to land value. The exemplary comparison method has been the only method employed to determine a value.
- In spite of all these negative factors, by taking into account the residentially zoned and up for sale examples, it has been concluded that the full ownership value of the land value of the plot subject to this appraisal report could be of 23.000€ / KKTC Dunam.
- 1/3 of the unit price per dunam of the land value has been determined as bare ownership and 2/3 as the right of construction (lease right for the duration of 49 years).
- 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 value of the right of construction. **According to this;**

Price per Unit Land Value of the Remaining Time for the Right of Construction*	19.268
Size of the Land	167,83
Total Land Value (EURO)	3.233.775
Total Land Value (TL)	9.991.717
Unit Land Value	32.194
Right of Construction Value Rate	2/3
Remaining Time for Right of Construction (YEARS)	43,99
Price per Unit Land Value of the Remaining Time for the Right of Construction *	19.268
<p>* When the remaining time value resulting from the right of construction of the land is calculated, for the right of construction value of the land, it has been employed as 2/3 at the first step. Afterwards, the remaining time from the right of construction is calculated in order to determine the current unit value of the land for the right of construction.</p> <p>Unit Land Value of the Remaining Time for the Right of Construction</p> <p>Price per Unit Land Value of the Remaining Time for the Right of Construction*</p> <p>Size of the Land</p>	
	<p>=(Unit land Value x The coefficient of the rightt of construction for 49 years x Remaining time from the right of construction)</p> <p>=(34.993 € x 2/3 x 43,99 /49)</p>

Professional Opinion of the Appraiser:

Jointly with positive factors taken into account, such as the fact that the plot subject to appraisal is situated in the region that has been declared as a "Tourism Development Area", surface area, multiple zoning right for the purpose of tpurism facility, that it is the 1st plot to the coast line with a façade of approximately 350m, the formation of its surroundings, that it is situated in an area opened for development and by considering the exemplary values regarding the real estates in the vicinity, **the value of 1 Dunam has been determined to be of 23.000 British Pound** according to the KKTC measurement units (Real Estates prices in the KKTC are determined by using the British Pound); **this value is later converted to Euro and Turkish Lira**, to calculate the land value of the remaining lease right (construction right) of the 49 years lease agreement.

6.4.2 Coast Approach

Since there are not ay buildings on the plot, the Cost Approach Method has not been employed in this appraisal study.

6.4.3 Cost Discount/ Development Approach

This method has not been employed since no project has been developed nor any information, project documents, construction permit, etc, have been sent to our company.

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

Lease Revenue is out of the question, considering that there are no developed projects on the real estatesubject to the appraisal.

6.4.5 Lease Value Analysis and Taxes Employed

Lease value analysis has not been employed in this appraisal study.

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

This method has not been employed since no project has been developed nor any information, project documents, construction permit, etc, have been sent by AKFEN Gayrimenkul Ticarreti ve İnşaat A.Ş. to our company.

6.4.7 Most Effective and Most Productive Use Analysis

It has been evaluated that, in the event that the touristic facility project is developed as it had been pledged in the lease agreement, it will be effectively and productively operated.

6.4.8 Appraisal Analysis of Common or Divided Parts

Common or Divided areas on the plot subject to the appraisal are out of the question.

7 APPRAISAL OF ANALYSIS RESULTS

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

The real estate subject to the appraisal has a “KKTC State Treasury Asset” status and, in relation to the article number 8 of the “Lease and Transfer of Low Forested Areas” law with the number 19/2003, it has been leased to Akfen Real Estate Trade and Construction Inc. for the duration of 49 years. The start and ending dates for the lease, as well as the purpose of leasing, have been explained in detail in the report.

There are similar leased out Treasury land examples within the “Tourism Development Area”. Considering that the purchase and sale of these lands is out of the question, which have been leased for the duration of 49 years (forty nine) in terms of the independent market conditions, they do not possess current independent market value. The annual lease value is determined by the public agency that is responsible for the leasing.

As a result of the inspections performed, it has been determined that many of these lands that have been allocated through the use of a long term lease agreement, for the purpose of “Tourism Facility Investment”, still have not had their projects developed or the investments fulfilled; moreover, it has been noted that there is a certain inertia in the area. Since the allocated lands in question cannot be purchased-sold or their lease agreements transferred in the independent market, the real estate does not have an exemplary value.

For an accurate and realistic appraisal of the current market value of the immovable, the use of the Revenue Discount/Development Approach in the case of a development on the plot, together with the Exemplary Comparison Approach, will yield the best results. However, since the calculation of the revenue sharing models and structuring conditions utilized in the KKTC differ from those in Turkey, the development approach has not been employed. Moreover, according to the information obtained from Akfen GYO, there are currently no projects being developed on the land. For this reason, we could not perform the conversion from the project development method to land value. The exemplary comparison method has been the only method employed to determine a value.

In spite of all these negative factors, the examples that have residential and touristic zoning in the area have been taken into account throughout the value appraisal. (Real Estate pricings are based on the British Pound in the KKTC)

It has been concluded that the full ownership value of the land value of the plot subject to this appraisal report could be of 23.000 £/KKTC Dunam. 1/3 of the unit price per dunam of the land value



has been determined as bare ownership and 2/3 as the right of construction (lease right for the duration of 49 years).

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 value of the right of construction.

7.2 Explanation of the Motives Pursuant to the Minimum Information for not Including Certain Aspects in the Report

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

7.3 Information Concerning the Last Three Appraisal of the Real Estate Caried Out By the Company

For the real estate subject to appraisal, on 31.12.2014, 2014-020-GYO-003 numbered report has been prepared by our company.

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

The legal process with regard to the project that is being developed with the 30.12.2010 dated lease agreement, between Akfen Real Estate Trade and Construction Inc. and the KKTC Forest Department Directorate, in relation to the land and the detailed information concerning this process, has been provided under the article 5.2.3 of this report.

The “Right of Construction” for the real estate in question belongs to Akfen Real Estate Trade and Construction Inc. for the duration of 49 years; it has been noted that while Akfen Real Estate Investment Trust Inc. had the 99986% of the shares of Akfen Real Estate Trade and Construction Inc. (the 31.03.2013 dated Ordinary Meeting of the General Assembly List of Participants has been enclosed herein) and on the date of 10.12.2014 the remaining 0,00014% of its shares had been purchased by Akfen Real Estate Investment Trust Inc., possessing 100% of the shares of Akfen Real Estate Trade and Construction Inc. The related notification by the Public Disclosure Platform has been enclosed herein.

According to the Article number 28, paragraph “d” of the Principles Communiqué Regarding Real Estate Investment Trusts of the Capital Market Board;

Real Estate Investment Trusts can join in companies that are founded in Turkey and make up at least 75% of the total assets of the values of the rights based on the real estate or real estates, which are included in the financial tables of the company that is going to be joined in.

Pursuant to the paragraphs “l” and “n” of the aforementioned Article, real estate investment trusts cannot have more than 5% of the capital or the voting right in any company. The total sum of the total assets for the trusts, within the scope of this paragraph, cannot exceed more than 10%. Aside from the investment funds shares, they cannot invest in capital market vessels that are not dealt with in the stock market or in the organized markets outside of the stock market; it is obligatory that the purchase and sale of the capital market vessels must be executed through Stock Market channels.

However, pursuant to the 2nd clause of the Article number 28 of the aforementioned Communiqué; the “l” and “n” paragraphs of the 1st clause of the Article number 22 of this Communiqué cannot be applied in the investments to participations effected within the scope of this article.

Hereunder, in the participations within the scope of the Article number 28 of the Communiqué in question, companies that are not dealt with in the stock market or in organized markets outside the stock market have been given the opportunity to make an investment; moreover, with regard to the investments in these companies, it has been allowed that the capital and voting rights can exceed the 5% limit, as well as granting permission for the total assets to exceed 10%.

For this reason, there are no obstacles for the 100% shares of Akfen Gayrimenkul Yatırımları ve İnşaat A.Ş. to belong to Akfen Real Estate Investment Trust Inc. and included in the portfolio of the Real Estate Investment Trust.

Nevertheless, on account of the issue of “Value of the rights based on the real estate or real estates making up at least 75% of the total assets that are in the financial table of the company that will be joined in” being outside the scope of this appraisal study, there have been no studies made concerning the compliance with this provision.

8 OUTCOME

8.1 The concluding Sentence of the Appraiser

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

8.2 Final Appraisal

The totality of the characteristics that can affect the value of the immovable, 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 fact that it is situated within an area designated as a Tourism Development Area and possessing a multiple zoning right, have all been carefully taken into account. In addition, a detailed market research has been conducted in the area. Correspondingly, the value of the remaining time of the right of construction agreement has been presented in the following chart.

As of 31.12.2015

	Market Value of the Remaining Construction Right of the Real Estate (TL)	Market Value of the Remaining Construction Right of the Real Estate (EURO)
VAT Excluded	9.992.000	3.234.000
VAT Included	11.791.000	3.816.000

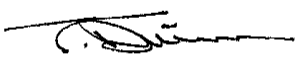
- 1) The appraised value is the current value regarding the cash sale price.
- 2-) The VAT ratio has been established at 18%.
- 3-) The currency rates have been established at 1,-EURO = 3,0898-TL; 1,-GBP = 4,3249-TL.
- 4-) This report has been prepared within the scope of the related Capital Market Legislation.

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

Taner DÜNER

Certified Appraiser

CML Certificate No:401431



Önder ÖZCAN

Certified Appraiser

CML Certificate No:402145



Neşecan ÇEKİCİ

Responsible Appraiser

CML Certificate No:400177





9 APPENDIX

1. Land Registry and Cadastral Office of State Treasury Asset Lease Document
2. Construction Right Agreement and Additional Agreements
3. Name Change Document
4. Asset Inspection Document of the Immovable
5. Zoning Status Document
6. Construction Application Letter
7. The 31.03.2013 dated Ordinary Meeting of the General Assembly List of Participants and Public Disclosure Platform Notice
8. Land Lease Payment Collection Receipt for the Period of 2015- 2016
9. Photographs
10. Backgrounds
11. SPK License Samples