

AKFEN REAL ESTATE INVESTMENT TRUST INC.

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

GİRNE KARAOĞLANOĞLU

PLOT NO. 91/5, MERIT PARK HOTEL

REAL ESTATE APPRAISAL REPORT

Report No: 2015-020-GYO-002

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	:	2015-020-GYO-002
Appraisal Date	:	01.10.2015 - 31.12.2015
Information Concerning the Property Subject to the Appraisal	:	5 Star Hotel situated at the open address of Locality of Kervansaray, Karaoğlanoğlu, Mersin 10, Girne (Kryrenia) / Turkish Republic of Northern Cyprus (KKTC), registered at the land registry records at township of Girne, Town or Village of Karaoğlanoğlu, Locality of Kuzguncuk, Section No: XII, Plan No: 10 E1 E2, Plot No: 91/5, with a surface area of 30 Dunam, 1 Furrow, 2000 Square Feet (40.654,37 m2)
Subject of Study	:	Determining the current market value of the right of construction and the annual lease
Land Area of the Real Estate Subject to the Appraisal	:	40.654,37 m2
Land Area of Closed Spaces of the Real Estate Subject to the Appraisal	:	31.860 m2
Zoning Status of the Real Estate Subject to the Appraisal	:	Tourism

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	74.535.000	230.300.000
VAT Included	87.951.000	271.752.000

	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	5. 507.000	17.016.000
VAT Included	6.498.000	20.079.000

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-002

Type of Report : Appraisal report relative to the 5 Star Hotel situated at the open address of Locality of Kervansaray, Karaođlanođlu, Mersin 10, Girne (Kryrenia) / Turkish Republic of Northern Cyprus (KKTC), registered at the land registry records at township of Girne, Town or Village of Karaođlanođlu, Locality of Kuzguncuk, Section No: XII, Plan No: 10 E1 E2, Plot No: 91/5, with a surface area of 30 Dunam, 1 Furrow, 2000 Square Feet (40.654,37 m2), for the purpose of determining the current market value of the construction right and the current lease value in Turkish Lira currency.

1.2 Information Regarding the Responsible Appraise 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 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, this report has been concluded on the date of 08.01.2016.

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 5 Star Hotel, owned by the KKTC Ministry of Finance State Estate and Equipment Department, situated at the open address of the Locality of Kervansaray, Karaoğlanoğlu, Mersin 10, Girne (Kryrenia) / Turkish Republic of Northern Cyprus (KKTC), registered at the land registry records at township of Girne, Town or Village of Karaoğlanoğlu, Locality of Kuzguncuk, Section No: XII, Plan No: 10 E1 E2, Plot No: 91/5, with a surface area of 30 Dunam, 1 Furrow, 2000 Square Feet (40.654,37 m²), has been herewith prepared for the purpose of determining its remaining construction right value and the current lease value, with regard to the 19.08.2015 dated request by Akfen Real Estate Investment Trust Inc., which has been assigned the Right of Construction for the duration of 49 years with the starting date set for 01.08.2003.

There are no restrictive constraints in force exercised by the client. Throughout the appraisal studies, the market research, the onsite surveys and the existing lease agreement between Akfen Real Estate Investment Trust Inc. and the KKTC Ministry of Finance State Estate and Equipment Department, as well as the 15.05.012 dated lease agreement signed between Akfen Real Estate Trade and Construction Inc. and Voyager Kıbrıs Limited have all been taken into account.

3 VALUE DEFINITIONS, DESCRIPTION OF APPRAISAL METHODS

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

3.1 Exemplary Comparison Approach

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

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

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

The Market Value Approach depends on the following assumptions:

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

3.2 Cost Approach

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

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



value of the real estate will decrease in time due to physical wear and become out of date in terms of functionality and economic status. In other words, this method concedes that the current value of a real estate can never be more than the cost of its reconstruction.

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

3.3 Revenue Discount Approach

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

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

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

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

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

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

4.1 General and Socioeconomic 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 of 294,396 and the De-jure population to be of 286,257. The De-facto population indicates the population results obtained with regard to where the individual was counted, whereas the De-jure population indicates the population results obtained with regard 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, 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 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

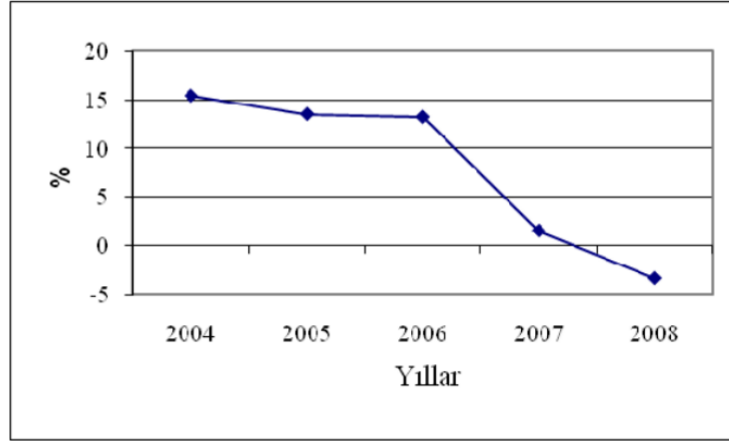
the other hand, demographic transitions, investment explosions, revised growth in China, decrease in commodity price and reregulation of the market is required.

- 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 devalued 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.
- Declaration 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 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 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% for 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 the 78.2% 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 increase 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 managed an amount of 1,105,639,508.1 TL with the current prices. Therefore, the 19.4% rate of public disposable income within the gross national product in the year of 2007 has increased to 21.6% in the year of 2008. Private disposable income suffered a recession of 6%in the year of 2008, and 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 The 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 Dikarpaz (Rizokarpazo) to the north, Güzeyurt (Moprhou) to the west and Akıncılar (Louroujina) to the south.



Map of Cyprus and KKTC

57% of the lands in 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 Girne (Kyrenia)

The city of Girne (Kyrenia) is situated in the north of Cyprus, the third largest island in the Mediterranean, and spans a surface area of 50 km². The Girne Mountain Ranges, located to the south of the city, start from the vicinity of Kayalar town to the west and stretch all the way to the Yedikonuk town to the east.



Location of Girne (Kyrenia)

The history of the town of Girne goes back as far as the 10th century B.C. The city bears the signs of its historical past, as it once was the center of one of the ten Cyprian Kingdoms that ruled the island, which makes Girne the perfect spot for an ideal and rare touristic destination for a holiday in the Mediterranean. With its historical texture preserved, its port in the shape of a horse shoe and the surrounding restaurants, bars and small hotels, it provides a unique atmosphere for its visitors.

The typical Mediterranean climate is dominant in the city of Girne, with long and dry summers, while winters are short and rainy. The city has been growing rapidly in recent years. According to the data obtained, the population of the city is of 69.163.

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 APPRAISAL

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

The real estate Merit Hotel, subject to the appraisal, is situated in the Locality of Kervansaray, Karaoğlu / Girne. The area can be accessed from the Ercan Airport by taking the road towards the direction of Lefkoşa, then taking the exit at the Gönyeli Intersection for Girne / Güzelyurt and following this road for 6 – 7 km. The real estate subject to the appraisal is situated in the Turkish Republic of Northern Cyprus, the city of Girne, township of Karaoğlu, Locality of Kuzguncuk, Section no: XII, Plot No: 91/5. Furthermore, the real estate consists of a 5 Star Hotel and Casino located on the right side of the road, on the coast. The building has been constructed on approximately 40 dunams of land overlooking the coast. It is at a distance of approximately 400-500m to the Girne – Güzelyurt Highway, 6 – 7 km to the Girne City Center, 27-28 km to the city of Lefkoşa (Nicosia) and 50 km to the Ercan Airport.



Location of Merit Hotel

The majority of the 5 Star hotels in the KKTC are situated around the city of Girne, close to the area where the real estate is located. These facilities operate for 365 days a year and mostly provide

services in the hostel system. The highest occupancy is achieved during the months of June, July and August.

In the KKTC, the Casinos in the hotels constitute an important factor that keeps the occupancy high, even during the winter season. All 5 Star hotels, along with some smaller ones, contain a Casino. While the tourists who visit the area during summer season do so for the purpose of sea side tourism, during winter, spring and fall seasons it has been observed that the Casino customers and congress customers make use of the hotels.

The area where the real estate is situated is called the Locality of Kervansaray, which takes its name from the Residential area with the same name. Single story or duplex villa projects can be found alongside the road, as well as some touristic restaurants. The area is developing in terms of Resort Hotel and Casino Tourism.

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

Township	:	Girne
Village or Town	:	Karaoğluanoğlu
Locality	:	Kuzguncuk
Section No	:	XII
Map No	:	10 E1 E2
Plot No	:	91/5
Land Title No	:	31
Surface Area	:	30 Dunam, 1 Furrow, 2000 Square Feet (*)
Type	:	Empty Land (**)
Lessor	:	The KKTC Ministry of Finance, State Estate and Equipment Department (***)
Lessee	:	Akfen Real Estate Trade and Construction Inc.
Duration of Lease	:	49 Years; Starting Date: 01.08.2003-31.07.2052
Annual Lease Value	:	Filed in the folder with the number D-294/2008

(*) 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 40.654,37 m²)

(**) The land subject to the appraisal has been designated as “Empty Land” within the KKTC owner system.

(***) The ownership of these lands belongs to the KKTC Ministry of Finance and has been leased to the Akfen Gayrimenkul Ticareti ve İnşaat A.Ş between the dates of 01.08.2003 and 31.07.2052.

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 real estate, only the owner or an authorized representative with a proper power of attorney issued at a notary can obtain an “Real estate/Asset Inspection Document” from the related department.

The “Real estate/Asset Inspection Document” dated 23.11.2015, obtained from the KKTC Land Registry and Cadastral Office of Gazimağusa, has been submitted to us and, in accordance with this document, the following restrictions apply, relative to the real estate in question;

- 15.11.2015 dated 1st degree mortgage for the amount of 42.000.000 Euro in favor of Fiba Bank,
- 16.11.2015 dated 2nd degree mortgage for the amount of 21.000.000 Euro in favor of Credit Europe Bank

The 23.11.2015 dated Real estate Asset Inspection Document obtained from the Land Registry and Cadastral Office and mortgage official notes have been enclosed herewith.

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

No changes have been made to the land registry of the real estate subject to the appraisal, in the last three years.

The stages with regard to the real estate have been provided briefly for information;

- The land where the real estate is located is situated in the city of Girne, township of Karaoğlanoğlu, locality of Kuzguncuk; Section no: 10 E1 E2, Plot No: 91/5 with a surface area of 30 Dunam, 1 Furrow, 2000 Square Feet (40.654,37 m² according to the Turkish measurement units); the ownership belongs to the KKTC Ministry of Finance.
- The first agreement, dated **15.07.2003**, leased for the duration of 49 years to Akfen Real Estate Trade and Construction Inc. between the dates of **01.08.2003 – 31.07.2052**, by the KKTC Ministry of Finance, the State Estate and Equipment Department (In this agreement, the lessee is denominated as “T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret Anonim Şirketi”, related to which a name change has been made on the date of 21.09.2006 to “Akfen Gayrimenkul Ticareti ve İnşaat Anonim Şirketi”). The respective name change approval document and protocols have been enclosed herein.

- Again in the **15.07.2003** dated first lease agreement signed between the KKTC Ministry of Finance, the State Estate and Equipment Department and T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret Anonim Şirketi, the surface area of the land was designated as “approximately 37 dunams”, which, according to the protocol number 4 signed between Akfen Real Estate Trade and Construction Inc. and the State Estate and Equipment Department, on the date of 03.06.2008, has been determined to be “30 dunams, 1 furrow and 2000 Square Feet”. Moreover, the payment model has been revised in accordance with the appendix of this protocol (Protocol number 4 and the new payment model have been enclosed herein).
- A 5 Star Hotel has been constructed on the land by Akfen Real Estate Trade and Construction Inc. Following the completion of the construction, the hotel in question has been leased out with the 03.12.2007 dated agreement to Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi (Lessee) by Akfen Real Estate Trade and Construction Inc. (Lessor) for the duration of 5 years with an option for 5 more years (5+5) to be operated under the name of “MERCURE HOTEL”.
- With regard to the Casino located in the basement floor of the hotel, it has been leased out with the 15.03.2007 dated agreement to Voyager Kıbrıs Limited (Lessee) by Akfen Real Estate Trade and Construction Inc. (Lessor) for the duration of 5 years with an option for 5 more years (5+5).
- In both of the agreements, following the end of the first 5 years, the agreements were not extended for another 5 years and both of them had been terminated, ending the Lessee status of Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi.
- This time, with the new lease agreement dated 15.05.2012, signed between Akfen Real Estate Trade and Construction Inc. and the company named Voyager Kıbrıs Limited, the Casino and the hotel has been leased out for the duration of 20 years; the name of the hotel has been changed to “MERIT PARK HOTEL and CASINO”. The hotel is still operating under this name. The agreement has been enclosed herein.

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

With regard to the real estate subject to the appraisal; there is an independent and permanent “*Right of Construction*” on behalf of Akfen Real Estate Trade and Construction Inc. for the duration of 49 years; there are two mortgages on the “*Right of Construction*” that is in the ownership of Akfen Real Estate Trade and Construction Inc. with the amounts of 42.000.000 € dated 15.11.2015 in favor



of Fiba Bank and 21.000.000 € dated 16.11.2015 in favor of Credit Bank Europe. Official documents in relation to the mortgages have been enclosed herein.

aOn the Mortgages Taking Place in Real Estate's Lienc

According to 16.12.2015 dated letter received from 1st degree mortgage owner Fiba Bank; the mortgage on the real estate is taken as the guarantee of the loan amounted 30.000.000 EURO used within the scope of 27.10.2015 dated agreement for refinancing of the current project's loan by Akfen Gayrimenkul Ticareti ve Insaat.

According to 11.12.2015 dated letter received from 2nd degree mortgage owner Credit Erope Bank; the mortgage on the real estate is taken as the guarantee of the loan amounted 15.000.000 EURO used on 06.11.2015 for project finance by Akfen Karakoy Gayrimenkul Ticareti ve Insaat.

Related letters of the banks are 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, can only institute mortgage, hypothecate or other limited rights on the assets in the portfolio throughout the purchase of real estates, real estate projects and rights with regard to a real estate, for the purpose of referring to the financing of these actions or of providing credit for investments.

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

5.3 Inspection of the Zoning Information of the Real Estate

Contrary to the zoning system in Turkey, structuring is made possible in the KKTC through the use of decrees instead of the zoning plans.

In accordance with the inspection carried out at the City Planning Department of Lefkoşa, on the date of 12.11.2015, and with the 18.11.2015 dated zoning status letter from the same department, the plot subject to the appraisal is situated in the area designated as **“Coastal Line” in the Girne 2nd Region Comprehensive Decree.**

Pursuant to the terms and conditions specified in the **paragraph (d) of the Article number 10** of the Girne 2nd Region Comprehensive Decree, before the Municipality (Change) Law with the number 14/2008 enters into force, plots and/or lands situated within the Municipality borders, with sufficient roads, to measure from the point where the water may rise the most, to evaluate within the scope of **“Brown Area”** that is the neighboring area rule for the purpose of **Coastal Line** Tourism Planning in areas that are left 50m outside from the land direction, developments for the purpose of tourism



accommodation that received positive feedback from the Tourism Planning Department, in accordance with the 2003 Hotels Law and/or legal legislation in its stead, within the scope of the **paragraph (a) of the 2nd clause of the Article number 12 of the “Girne 2nd Region Comprehensive Decree”**, can be constructed on the condition that the construction **Total Area Ratio does not exceed 0.60/1, that the Ground Area Ratio does not exceed 20%, that the Number of Floors in the Building does not exceed 4 (four) and that the Building Total Height does not exceed 15.24 m (50 Feet).**

The Zoning Status document is enclosed herein.

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

The Land Registry and Cadastral Office Lease Document, the Cadastral Map Section, the Zoning Status Document, the Municipality of Girne Approval Document that substitutes the Construction Permits and Structure and Occupancy Permit, the approved project pages and floor plans, as well as the hotel operating permit, have all been obtained and enclosed herewith.

The 27.02.2004 dated **“Municipality of Girne Building, Road, Division and Section Permit”** document, “according to the approved project and specifications, refers to the basement floor, restaurants, stores, cold storage, pool and administrative rooms, hotel service technical rooms, social use areas; on the ground floor, 50 (fifty) rooms, administrative buildings, social areas, pool, 4 (four) floor office; on the 1st floor, 70 rooms, 1 floor office; on the 2nd floor, 70 rooms, 4 floor offices; on the 3rd floor, 2 royal suites, 48 rooms, 4 floor offices construction”. The document has been enclosed herein.

The 19.02.2008 dated **“Municipality of Girne Building, Road, Division and Section Permit”** document, “according to the approved project and specifications, refers to the cancellation of the pool in relation to the layout plan in the 27.02.2004 dated permit with the number 3095 and construction of the new one; changing the place of the amphitheater, addition of 2 (two) more basement floors for the purpose of garbage room, treatment facility and prefabricated storage; 4 (four) more conference rooms, 4 (four) restaurants, lounge, locker rooms and shower and W.C.’s, substation and generator room, water storage tanks and 299 rooms (606 beds) on the ground floor + 1st + 2nd + 3rd + 4th floors”.

According to the 07.04.2008 dated “Municipality of Girne Final Approval” document, the 27.02.2004 and 19.02.2008 dated permits with the number 4621 have been approved. This document is equivalent to the occupancy permit granted in the Turkish system. The document has been enclosed herein.

Permission was not granted by the Municipality of Girne for the inspection of the archive file, with regard to the real estate subject to the appraisal. The permits and occupancy and architectural



project information have been provided by the client. However, it has been observed that all of the documents contain the approval of the related agencies.

The permit for the Casino belonging to the real estate is renewed annually; the valid casino permit, until the date of 31.12.2018, has been enclosed herewith.

The approved architectural project relative to the facility in question has the date of 14.01.2008 and the number 03/965.

It has been determined, from the inspections carried onsite, that no difference was found between the current and legal status of the real estate. The Current Structure complies with the "Architectural Project, Construction Permit and Occupancy Permit".

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

The changes in the real estate subject to the appraisal that occurred within the last three years are as follows:

- The zoning right in the brown areas where the real estate subject to the appraisal is located have been changed with the 23.05.2013 dated Decree. According to this, the total construction area ratio has been changed from 0,50/1 to 0,60/1, the construction ground area has been changed from 15% to 20% and the Building Total Height has been lowered from 16,20m (53 Feet) to 15,24m (50 Feet).
- Following the end of the 03.12.2007 dated lease agreement duration, which had been signed between Akfen Real Estate Trade and Construction Inc. and Serenas Tourism Congress and Organization Services Co. Ltd. the agreement has been terminated. Therefore, pursuant to the 15.05.2012 dated new lease agreement signed between Akfen Real Estate Trade and Construction Inc. and Voyager Kibris Limited, the totality of the 5 Star hotel, including the Casino, has been leased for the duration of 20 years from the starting date of the lease. The name of the hotel has been altered to “Merit Park Hotel and Casino” with the beginning of the new lease period.

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

With regard to the real estate subject to the appraisal, the Final Approval from the Municipality of Girne and the Casino License, which are the equivalent of the Land Registry and Cadastral Office Lease Documents, along with the Zoning Status Document, the Construction Permits and Occupancy Permits are available and all the required permits and licenses have 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

The zoning right in the brown areas where the real estate subject to the appraisal is located have been changed with the 23.05.2013 dated Decree. According to this, the total construction area ratio has been changed from 0,50/1 to 0,60/1, the construction ground area has been changed from 15% to 20% and the Building Total Height has been lowered from 16,20m (53 Feet) to 15,24m (50 Feet). These changes are considered to be a positive factor, on behalf of the plot, in relation to the zoning rights.

. Since the whole permits and documents are accurate and complete, there are no obstacles in being included in the Investment Trust portfolio within the scope of Capital Market Legislation.

5.3.5 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

Construction Type	Reinforced Concrete
Number of Floors	Block A: 2 Basement Floors + Ground Floor + Mezzanine Ground Floor + 3 Regular Floors Blocks B and C: Basement Floor + Ground Floor + Ground Mezzanine Floor + 3 Regular Floors
Total Construction Area	Gross Area of 31.231 m ² (Total sum area of the project on the plot)
Age of the Building	6
Electricity	Available
Substation	Available – 2 Units
Generator	Available – 2 Units
Water	There are water treatment and waste water treatment facilities installed in the building for the purpose of making use of the sea water.
Water Storage Tank	Available (With a capacity for 700 tons)
Sewerage	Biologic Waste Treatment System
Heating/Air Conditioning/Ventilation System	Solar Energy Panels, LPG Boilers and Chiller Group Central System
Elevator	4 Customer, 4 Staff
Fire Escape	Available
Fire Warning System and Extinguishing Fixture	Smoke and heat detectors, fire cabinets, extinguishers and hydrants, sprinklers
Car Park	Available

5.4.2 Inspections Performed Within the Premises of the Real Estate

- The real estate subject to the appraisal study consists of a 5 Star Hotel operating under the MERIT PARK HOTEL name, constructed on a plot with an area of 40.654,37 m², containing 286 rooms, indoor and outdoor pools, restaurants, private beach, tennis courts, amphitheater, fitness, SPA Centers and a Casino.
- The construction of the hotel in question was inspired by the Girne (Kyrenia) Castle, meaning that the hotel has the shape of a castle. According to the architectural project, it consists of 3 Blocks named A, B and C. Block A has 7 floors, while Blocks B and C have 6 floors. As opposed

to the other Blocks, Block A has two basement floors that are used as the Casino. The Floor Areas and the distribution of rooms according to the floors are provided below.

	Gross Area (m ²)	Additional Gross Area (m ²)	Total Gross Area (m ²)	Number of Floors
2 nd Basement Floor	2.981	235	3.216	-
1 st Basement Floor	7.387	725	8.112	-
Ground Floor	5.414	85	5.499	43
Mezzanine Ground Floor	4.363	962	5.325	62
1 st Regular Floor	3.667	64	3.731	68
2 nd Regular Floor	3.667	64	3.731	64
3 rd Regular Floor	3.752	1.026	4.778	62
TOTAL	31.231	3.161	34.392	299

According to the Merit Park Hotel architectural project, during the renovations in the year of 2014, walls between 13 rooms have been demolished and their types have been changed; thus, the number of rooms has declined from 299 to 286. Pursuant to the current status, the room types and their distribution in the floors have been provided below.

NUMBER OF ROOMS AND THEIR DISTRIBUTION IN THE FLOORS ACCORDING TO THE CURRENT STATUS							
ROOM TYPE	ROOM NUMBER	GROUND FLOOR	MEZZANINE GROUND FLOOR	1 ST FLOOR	2 ND FLOOR	3 RD FLOOR	TOTAL
Standard Room	253	41	62	64	48	38	253
Disabled Room	2	2					2
Suite	27			4	9	14	27
Deluxe suite	2				2		2
Royal Suite	2					2	2

- The whole area of the 2nd basement is used for the Casino. Just as the floor can be accessed from inside the building, through stairs and elevators, there is an exclusive entrance from outside, as well; the area where this entrance is located has a reserved car park. The floor consists of its own entrance hall, coat room, casino, bar, floor offices, fire escape stairs, technical volumes, service entrance, storage volumes. The flooring in the casino is covered with wall to wall carpet, while the W.C.'s and staircases are covered with granite. The walls have decorative plating and the ceilings are suspended plasterboard. The doors are made of wood and the joineries are PVC. The illumination is provided by spot lights and luminaries.
- On the 1st basement floor, there are the main restaurant, kitchens, cold stores, conference rooms that can be adjusted according to the need, foyer area, children club, laundry, water

storage tanks, staff dining hall and technical staff offices. The flooring is covered with wall to wall carpet in the conference rooms and the children club; the common areas are covered partially with carpet and partially ceramics, while the restaurant is covered with ceramics. The walls are partially covered with decorative plaiting, while in some areas wall paper has been used. The ceilings are suspended plasterboard. The doors are made of wood and the joineries are PVC, while in the office areas it is aluminum. The illumination is provided by spot lights and luminaries.

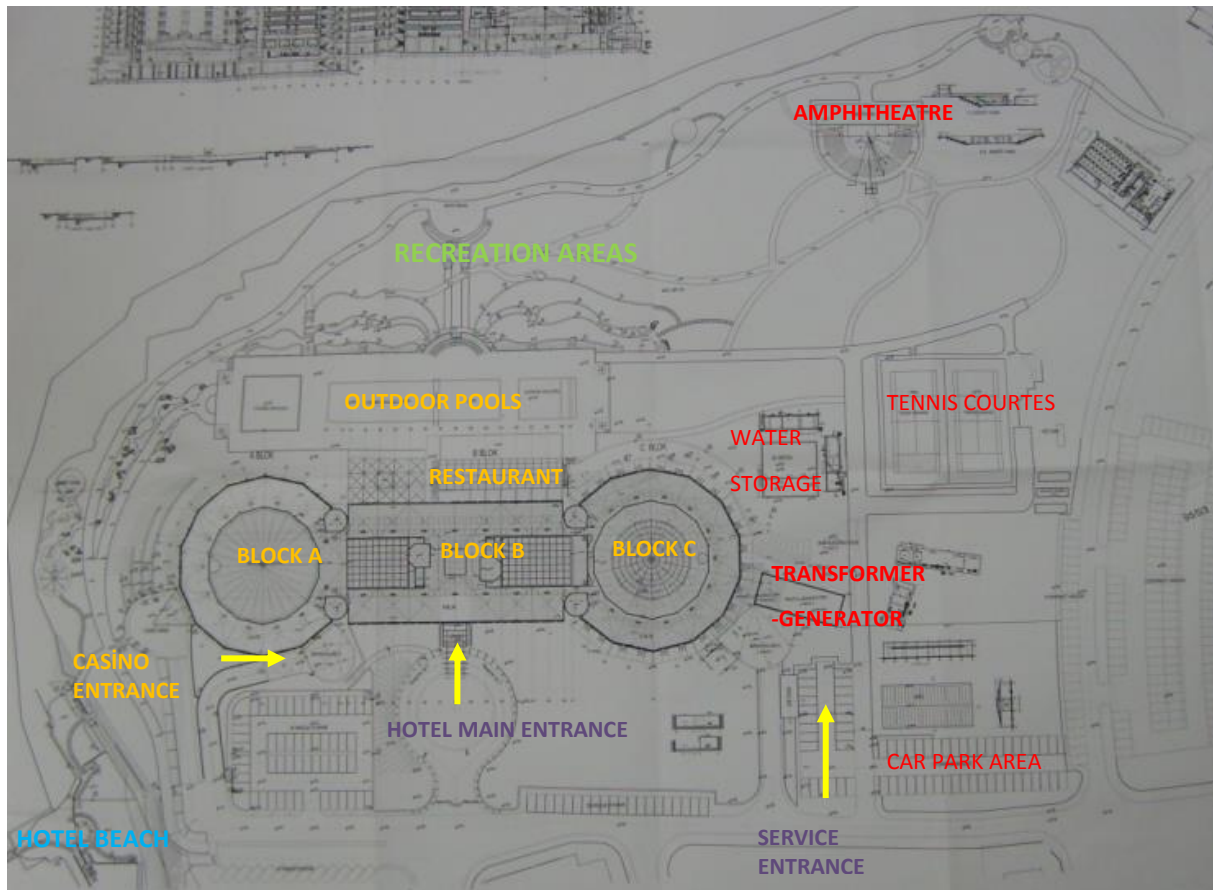
- The ground floor is the entrance floor of the hotel. This floor consists of entrance hall, reception area, lobby, lobby bar, restaurant, hairdresser, stores, floor offices, 21 standard rooms, 20 standard twin rooms and 2 disabled rooms, making a total of 43 rooms; as well as the SPA center, indoor pool, Turkish bath, sauna, steam room, fitness center and locker rooms. The floorings in this floor are covered with wall to wall carpets in the corridors, granite in common areas and ceramic in W.C.'s. The doors are made of wood and the joineries are PVC, while in the office areas it is aluminum. The illumination is provided by spot lights and luminaries.
- The Mezzanine Ground Floor consists of a SPA center and massage rooms, 33 standard rooms, 23 twin rooms and 6 standard family rooms, making a total of 62 rooms.
- The 1st Floor consists of 32 standard rooms, 20 standard twin rooms, 12 standard family rooms and 4 suites, making a total of 68 rooms, as well as the floor offices.
- The 2nd Floor consists of 19 standard rooms, 22 standard twin rooms, 7 standard family rooms, 9 suites and 2 deluxe suites, making a total of 59 rooms, as well as the floor offices.
- The 3rd Floor consists of 17 standard rooms, 15 standard twin rooms, 6 standard family rooms, 27 suites and 2 royal suites, making a total of 54 rooms, as well as the floor offices.
- The hotel consists of 286 rooms in total, of which 122 standard, 100 standard twin, 2 disabled, 31 standard family, 27 suite, 2 deluxe suite and 2 royal suites.
- The room sizes in the standard rooms vary between 23 and 36,6m². The bathroom sizes are between 4,9 and 6,2 m². The room sizes in the suites are 43,5, the bathrooms 9 m² and the W.C.'s 3,2 m². The deluxe suite rooms are 67,3m², the bathrooms 14,2 m² and the W.C.'s 2,5 m². The royal suites have an area of 150 m² and the bathrooms of 18,6 m².
- The room number has declined from 299 to 286, with the joining of some of the rooms; however, the floor area did not suffer any alterations.
- The mezzanine ground floor and the regular floors have a flooring of wall to wall carpet in the corridors and in the rooms, while the bathrooms are covered with ceramic. The walls are partially covered with decorative plaiting, while in some areas wall paper has been used. The

ceilings are suspended plasterboard. The doors are made of wood and the joineries are PVC, while in the office areas it is aluminum. The illumination is provided by spot lights and luminaries.

- The indoor pool inside of the building has a surface area of 113 m², while the outdoor pool that is on the same façade as the restaurant, where the coast is, has a surface area of 996 m². The main restaurant in the hotel has an area of 928 m².
- Outside the hotel building, there is the treatment facility, 2 tennis courts, amphitheater, recreation areas and the prefabricated warehouses. The places that these utility facilities occupy are provided in the table below.

	Area (m ²)
Lounge, Locker Rooms, W.C.'s and Showers	320
Substation + Generator Building	216
Service Yards	414
Amphitheater and Locker Rooms	195
Treatment Facility	392
Vaporizer	9
Prefabricated Warehouse	300
Garbage Room	62
Water Storage Tank	248
Total	2.156

- The area surrounding the hotel has been arranged as garden landscape and has been verified to be in excellent condition.
- The Hotel has a private beach area and respective facilities.
- The plot where the facility has been constructed is flat in some places and rough in other places. These differences in the elevation serve the purpose of benefitting from the view within the facility. The lower part of the elevation consists of the private beach area.
- The layout of the facility has been provided below.



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 current hotel land belongs to the KKTC Ministry of Finance, State Estate and Equipment Department Directorate and has been leased with a right of construction agreement for the duration of 49 years.
- The hotel has been constructed on a plot that has an area of more than 40000 m2 and, furthermore, has a façade to the coast.
- The construction of the hotel subject to the appraisal has started in the year of 2004 and, subsequently, it started operating in the year of 2007. The quality of the materials and labor employed during its construction are of the highest quality.
- A general renovation has been performed in the hotel after a change in the lessee, in the beginning of the year of 2013. Construction material has been renewed in areas such as hotel rooms and common areas, like the SPA and the restaurant; the hotel has been given a more modern look.
- The majority of the rooms have a view to the sea.
- The hotel includes an operating Casino. The management of the hotel and the Casino are being handled by the same company, which has an agreement for the duration of the next 20 years. In this regard, the hotel consists of a 5 Star touristic facility with high commercial revenue.
- The garden and landscape have been arranged and are in excellent conditions. Recreation areas have been developed.
- There is a water treatment system in the hotel, for the purpose of using the sea water; additionally, there is an operating waste treatment available, as well.
- The hotel has easy access to the Girne and Lefkoşa centers, as well as to the Ercan Airport.
- The tourism region of KKTC is the city of Girne. The area where the real estate is situated has a high attraction capability due to its close distance to the Girne center and the presence of other hotels.
- The hotel has a private beach area.

Weaknesses

- The Airport of Ercan is not an international airport, which limits the flow of foreign tourists.

Opportunities

- Even though it might seem as a low possibility, a positive result from the Cyprus Discussions will speed up the investments planned in the area and increase the value of the real estate.
- The fact that the Casinos are legal in the KKTC has a considerable impact on the commercial revenue.
- On account of the favorable climatic conditions, the holiday seasons in the KKTC are long.
- Since it is difficult to develop coastal projects in the country, new investments and consequent rivalry constitute a low possibility.

Threats

- The KKTC economy has slowed down in recent years. It has a fragile political and economic structure.
- Economic fluctuations are directly affecting the real estate industry.
- In the event of similar new hotels becoming operational in the BAFRA area, which has been designated as a Tourism Area, the real estate will be affected negatively in the mid-term.

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

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

EXAMPLE	Location	Characteristics	Surface Area / Dunam (KKTC)	Price (£)	Unit price per Dunam (£)	Source
Example 1	The plot where the old Girne-Karaoğlu Bungalows are located. Very close to the plot subject to the appraisal.	Very close to the real estate, with a façade to the coast and zoning status, was sold last year.	4,5 Dunam (According to the KKTC measurement unit)	2.000.000	444.444	MAXIMUM EMLAK MURAT ERDOĞAN 0533 822 33 33 0533 880 50 00 0533 880 80 40
Example 2	Girne-Alsancak	Beachfront land on which a hotel project with capacity of 750 beds has been developed.	44 Dunam	8.500.000	~193.200	ANADOLU EMLAK 0532 177 33 04
Example 3	Girne-Karşıyaka	Beachfront Example 0,40 Residential zoning Example 0,50 commercial zoning land	40 Dunam	4.600.000	115.000	MAXIMUM EMLAK 0533 822 33 33
Example 4	Girne-Esentepe	Beachfront 0,60 tourism zoning land	26 dunam 1 furrow	3.500.000	133.000	MAXIMUM EMLAK 0533 822 33 33
Example 5	Has been sold last year in the Girne-Karşıyaka Region.	Approximately 15km to the west of the real estate, beachfront, tourism zoning Example:1	75 Dunam (According to the KKTC measurement unit)	15.000.000	200.000	TANYA EMLAK HASAN YALKIN 0533 851 76 36 0533 833 40 49

LAND EXAMPLES EVALUATION TABLE										
	Example 1		Example 2		Example 3		Example 4		Example 5	
Area (KKTC Dunam)	4,5	KKTC Dunam	44,00	KKTC Dunam	40,0	KKTC Dunam	26,0	KKTC Dunam	75,0	KKTC Dunam
Demanded Price (£/KKTC Dunam)	2.000.000		8.500.000		4.600.000		3.500.000		15.000.000	
Bargain Price(£/KKTC Dunam)	2.000.000		7.650.000		4.140.000		3.150.000		15.000.000	
Location Correction (+-%)	5%		-25%		-25%		-25%		5%	
Surface Area Correction (+-%)	20%		-5%		20%		0%		-10%	
Zoning Status Correction (+-%)	-10%		-15%		-40%		0%		-10%	
State Saving Status Possibility	50%		50%		50%		50%		50%	
Corrected Price per Unit	155.556	(£/KKTC Dunam)	165.170	(£/KKTC Dunam)	98.325	(£/KKTC Dunam)	90.865	(£/KKTC Dunam)	130.000	(£/KKTC Dunam)
Example Average	106.653									(£/KKTC Dunam)
Example Average	153.000									(€/KKTC Dunam)

Land examples with tourism and commercial zoning that have been sold or that are for sale, in the vicinity of the plot subject to the appraisal, have been provided in the table.

- In this appraisal 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.
- Possible bargain rates, purchase and sale expenses, together with the real estate agent commissions have been taken into account, on the sale values of the residential zoning lands that are for sale.
- All of the examples provided in the table are personal lands, therefore consisting of plots that can be purchased and sold in the independent market.
- As a result of the surveys performed, it has been observed that the land stock with "Tourism Facility Zoning" in the area of the real estate subject to the appraisal is very limited.
- All 5 examples in the table are regarded to be similar to the real estate in question, on account of their area and location, along with the zoning function and the surface area that they possess; moreover, it has been noted that the examples 1 and 5 have been sold.
- As a result of the onsite surveys and interviews performed, within the scope of the descriptions given above, it has been appraised that the value of the real estate, with regard to its full ownership, can be of 153.000 Euro / KKTC dunam.
- 1/3 of the unit price per m² of the land value has been determined as bare ownership and 2/3 as the lease right value for the duration of 49 years of lease.
- The total lease right for the duration of 49 years has been calculated by comparing the remaining lease duration, on the date that this report has been prepared, to the total duration time and determining the price per m² of the right of construction.

Price per Unit Land Value of the Remaining Time for the Right of Construction (Euro)*	76.136
Size of the Land (KKTC Dunam)	30,39
Total Land Value (Euro)	2.313.786
Total Land Value (TL)	6.526.496

Unit Land Value (Euro/KKTC Dunam)	153.000
Right of Construction Value Rate	2/3
Remaining Time for Right of Construction (YEARS)	36,58
Price per Unit Land Value of the Remaining Time for the Right of Construction *	76.136

Price per Unit Land Value of the Remaining Time for the Right of Construction (Euro)*

*** 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 = (153.000 € x 2/3 x 36,58 / 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, the zoning status with tourism facility, the existence of a prestigious 5 star hotel on the plot, the formation of its vicinity, 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 of **153.000 Euro per 1 Dunam**, according to the KKTC measurement units, and the land value of the remaining time of the 49 years lease agreement has been calculated based on **Euro and Turkish Liras**.

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 and BUILDING)

	TOTAL CONSTRUCTION AREA (m²)	Unit Construction Cost (Euro/m²)	TOTAL COST (Euro) (*)	AMORTIZED REDUCED TOTAL COST Euro (**)
2nd Basement Floor	2.981	1.200	3.577.200	3.398.340
1st Basement Floor	7.387	1.200	8.864.400	8.421.180
Ground Floor	5.414	1.200	6.496.800	6.171.960
1st Regular Floor	4.363	1.200	5.235.600	4.973.820
2nd Regular Floor	3.667	1.200	4.400.400	4.180.380
3rd Regular Floor	3.667	1.200	4.400.400	4.180.380
4th Regular Floor	3.752	1.200	4.502.400	4.277.280
Additional Facilities	2.156	250	539.000	512.050
Pool	996	600	597.600	567.720
TOTAL	34.383		38.613.800	36.683.110
Miscellaneous Works(***)				950.000
Land Value				2.313.786
TOTAL VALUE				39.946.896

(*) 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 07.04.2008 according to the "Municipality of Girne Final Approval (This document is the equivalent of the occupancy permit granted in Turkey). The appraisal has been conducted by taking into consideration the age and physical status of the real estate in the year of 2013.

(***) Costs such as the landscape arrangements, organization of beach and recreational areas, field concrete, barbed wire around the plot, arrangement of the open car park and, etc, have been roughly estimated.

6.4.3 Cost Discount / Development Approach

Considering that the real estate subject to this appraisal study is a commercial property that brings in revenue, the revenue approach method has been employed. The hotel revenue projection has been provided below.

Hotel Revenue Projection

- The hotel subject to the appraisal has a capacity for 286 rooms.
- It has been estimated that the occupancy rate of the hotel in the year of 2016 will be of 73% and that this rate will increase until the year of 2019, which will then reach 79% in 2020, thus continuing in this manner, in the following years.
- It has been assumed that the hotel will be operating for 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 years, along with the surveys performed in regards to the tourism industry in the area, it has been estimated that the average price for a room will be 105 EUR, in the year of 2016. Moreover, it has been anticipated that this price will increase 5 Euro annually, based on the inflation in the Euro Zone (2,5%).
- Considering the performance of the facility, it has been assumed that the room revenues will constitute 78% of the total revenue annually, whereas the other revenues will constitute around 22%.
- 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 36% in the year of 2016 and that it will remain stable in the following years.
- In order to determine the casino revenues, the previous agreements have been taken into consideration. In the new agreement, the hotel and casino revenues have not been presented separately. Therefore, the casino lease revenue in the previous lease agreement has been increased accordingly and calculated to be of 3.514.978 Euro for the year of 2016. It has been estimated that this value will remain stable until the year of 2018, within the scope of the terms and conditions of the recent agreement, and that in the following years it will be increased 2% according to the increase rates in the agreement.
- The real estate tax has been determined to be of 3.542, in accordance with the information provided by the employer. It has been anticipated that this value will increase 3% within years.

- 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 17.069 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 accepted to be 3,5% of the annual gross revenue.
- The annual right of construction value has been calculated to be of 10.312 Euro for the year of 2016. It has been estimated that this value will increase at a rate of 3% annually.
- In the appraisal study, the 10 year Eurobond interest rate of 4810% 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 10% in the Projection.
- In the course of the studies, the exchange rate for 1 EUR has been acknowledged at 3,0898TL, in accordance with the 02.11.2015 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.



Year Date	0 31.12.2015	1 31.12.2016	2 31.12.2017	3 31.12.2018	4 31.12.2019	5 31.12.2020	6 31.12.2021	7 31.12.2022	8 31.12.2023	9 31.12.2024	10 31.12.2025	11 31.12.2026	12 31.12.2027	13 31.12.2028	14 31.12.2029	15 31.12.2030	16 31.12.2031	17 31.12.2032	18 31.12.2033	19 31.12.2034
REVENUES																				
ROOM REVENUES																				
Annual Occupancy Rate , %		73%	74%	76%	77%	79%	79%	79%	79%	79%	79%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Average Room Price, EUR		105	108	110	113	116	119	122	125	128	131	134	138	141	145	148	152	156	160	164
Total Room Revenues		8.001.494	8.365.561	8.746.195	9.144.146	9.560.205	9.799.210	10.044.190	10.295.295	10.552.678	10.816.494	8.418.566	8.629.030	8.844.755	9.065.874	9.292.521	9.524.834	9.762.955	10.007.029	10.257.205
DEPARTMENT REVENUES																				
Total Department Revenues		2.273.082	2.376.507	2.484.638	2.597.689	2.715.884	2.783.781	2.853.375	2.924.710	2.997.827	3.072.773	2.391.564	2.451.353	2.512.637	2.575.453	2.639.839	2.705.835	2.773.481	2.842.818	2.913.889
TOTAL REVENUES		10.274.575	10.742.068	11.230.832	11.741.835	12.276.089	12.582.991	12.897.566	13.220.005	13.550.505	13.889.268	10.810.130	11.080.383	11.357.393	11.641.328	11.932.361	12.230.670	12.536.436	12.849.847	13.171.094
EXPENSES																				
DEPARTMENT EXPENSES																				
Total Department Expenses		3.993.557	4.175.264	4.365.238	4.563.856	4.771.512	4.890.800	5.013.070	5.138.396	5.266.856	5.398.528	4.201.718	4.306.761	4.414.430	4.524.791	4.637.910	4.753.858	4.872.705	4.994.522	5.119.385
NET DEPARTMENT REVENUES		6.281.018	6.566.805	6.865.594	7.177.979	7.504.577	7.692.191	7.884.496	8.081.608	8.283.649	8.490.740	6.608.412	6.773.622	6.942.963	7.116.537	7.294.450	7.476.811	7.663.732	7.855.325	8.051.708
OPERATING EXPENSES																				
Total Operating Expenses		2.568.644	2.685.517	2.807.708	2.935.459	3.069.022	3.145.748	3.224.391	3.305.001	3.387.626	3.472.317	2.702.532	2.770.096	2.839.348	2.910.332	2.983.090	3.057.667	3.134.109	3.212.462	3.292.773
GROSS OPERATING PROFIT		3.712.375	3.881.288	4.057.886	4.242.520	4.435.555	4.546.444	4.660.105	4.776.607	4.896.022	5.018.423	3.905.879	4.003.526	4.103.615	4.206.205	4.311.360	4.419.144	4.529.623	4.642.863	4.758.935
CASINO LEASE REVENUE		3.514.978	3.514.978	3.514.978	3.585.278	3.674.910	3.748.408	3.823.376	3.899.844	3.977.840	4.057.397	4.138.545	4.221.316	4.305.742	4.391.857	4.479.694	4.569.288	4.660.674	4.753.887	4.848.965
FIXED EXPENSES																				
Real Estate Tax		3.542	3.649	3.758	3.871	3.987	4.107	4.230	4.357	4.487	4.622	4.761	4.903	5.051	5.202	5.358	5.519	5.684	5.855	6.031
Insurance		17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069
Furniture Fixture and Renovation Reserve		359.610	375.972	393.079	410.964	429.663	440.405	451.415	462.700	474.268	486.124	378.365	387.813	397.500	407.446	417.633	428.073	438.775	449.745	460.988
Annual Construction Right Value (Land)		10.312	10.621	10.940	11.268	11.606	11.954	12.313	12.682	13.063	13.454	13.858	14.274	14.702	15.143	15.597	16.065	16.547	17.044	17.555
Total Fixed Expenses		390.534	407.311	424.846	443.172	462.325	473.535	485.027	496.808	508.887	521.270	414.043	424.060	434.331	444.861	455.657	466.727	478.076	489.713	501.643
TOTAL EXPENSES		6.952.734	7.268.092	7.597.792	7.942.487	8.302.859	8.510.082	8.722.488	8.940.206	9.163.369	9.392.115	7.318.293	7.500.917	7.688.109	7.879.984	8.076.658	8.278.253	8.484.890	8.696.697	8.913.802
NET OPERATING REVENUE (INCLUDING CASINO REVENUES)		6.836.819	6.988.954	7.148.018	7.384.625	7.648.139	7.821.317	7.998.454	8.179.643	8.364.976	8.554.550	7.630.382	7.800.782	7.975.026	8.153.201	8.335.397	8.521.705	8.712.220	8.907.038	9.106.257
NET CASH FLOW		6.836.819	6.988.954	7.148.018	7.384.625	7.648.139	7.821.317	7.998.454	8.179.643	8.364.976	8.554.550	7.630.382	7.800.782	7.975.026	8.153.201	8.335.397	8.521.705	8.712.220	8.907.038	9.106.257

Year Date	20 31.12.2035	21 31.12.2036	22 31.12.2037	23 31.12.2038	24 31.12.2039	25 31.12.2040	26 31.12.2041	27 31.12.2042	28 31.12.2043	29 31.12.2044	30 31.12.2045	31 31.12.2046	32 31.12.2047	33 31.12.2048	34 31.12.2049	35 31.12.2050	36 31.12.2051	37 31.07.2052
REVENUES																		
ROOM REVENUES																		
Annual Occupancy Rate , %	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Average Room Price, EUR	168	172	176	181	185	190	195	200	205	210	215	220	226	231	237	243	249	255
Total Room Revenues	10.513.635	10.776.476	11.045.888	11.322.035	11.605.086	11.895.213	12.192.593	12.497.408	12.809.843	13.130.089	13.458.341	13.794.800	14.139.670	14.493.162	14.855.491	15.226.878	15.607.550	9.332.014
DEPARTMENT REVENUES																		
Total Department Revenues	2.986.736	3.061.404	3.137.940	3.216.388	3.296.798	3.379.218	3.463.698	3.550.291	3.639.048	3.730.024	3.823.275	3.918.857	4.016.828	4.117.249	4.220.180	4.325.684	4.433.826	2.651.059
TOTAL REVENUES	13.500.371	13.837.880	14.183.827	14.538.423	14.901.883	15.274.431	15.656.291	16.047.699	16.448.891	16.860.113	17.281.616	17.713.657	18.156.498	18.610.410	19.075.671	19.552.562	20.041.377	11.983.073
EXPENSES																		
DEPARTMENT EXPENSES																		
Total Department Expenses	5.247.370	5.378.554	5.513.018	5.650.844	5.792.115	5.936.918	6.085.340	6.237.474	6.393.411	6.553.246	6.717.077	6.885.004	7.057.129	7.233.558	7.414.396	7.599.756	7.789.750	4.657.622
NET DEPARTMENT REVENUES	8.253.001	8.459.326	8.670.809	8.887.579	9.109.769	9.337.513	9.570.951	9.810.225	10.055.480	10.306.867	10.564.539	10.828.652	11.099.369	11.376.853	11.661.274	11.952.806	12.251.626	7.325.452
OPERATING EXPENSES																		
Total Operating Expenses	3.375.093	3.459.470	3.545.957	3.634.606	3.725.471	3.818.608	3.914.073	4.011.925	4.112.223	4.215.028	4.320.404	4.428.414	4.539.124	4.652.603	4.768.918	4.888.141	5.010.344	2.995.768
GROSS OPERATING PROFIT	4.877.908	4.999.856	5.124.852	5.252.974	5.384.298	5.518.905	5.656.878	5.798.300	5.943.257	6.091.839	6.244.135	6.400.238	6.560.244	6.724.250	6.892.357	7.064.665	7.241.282	4.329.683
CASINO LEASE REVENUE																		
	4.945.945	5.044.863	5.145.761	5.248.676	5.353.649	5.460.722	5.569.937	5.681.336	5.794.962	5.910.862	6.029.079	6.149.660	6.272.654	6.398.107	6.526.069	6.656.590	6.789.722	4.039.885
FIXED EXPENSES																		
Real Estate Tax	6.212	6.398	6.590	6.788	6.991	7.201	7.417	7.639	7.869	8.105	8.348	8.598	8.856	9.122	9.396	9.677	9.968	10.267
Insurance	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069	17.069
Furniture Fixture and Renovation Reserve	472.513	484.326	496.434	508.845	521.566	534.605	547.970	561.669	575.711	590.104	604.857	619.978	635.477	651.364	667.648	684.340	701.448	419.408
Annual Construction Right Value (Land)	18.082	18.624	19.183	19.758	20.351	20.962	21.590	22.238	22.905	23.592	24.300	25.029	25.780	26.553	27.350	28.171	29.016	17.434
Total Fixed Expenses	513.875	526.417	539.276	552.460	565.977	579.837	594.047	608.616	623.554	638.870	654.574	670.675	687.183	704.109	721.463	739.257	757.501	464.177
TOTAL EXPENSES	9.136.338	9.364.441	9.598.251	9.837.909	10.083.563	10.335.362	10.593.460	10.858.015	11.129.188	11.407.145	11.692.055	11.984.093	12.283.437	12.590.269	12.904.778	13.227.154	13.557.595	8.117.567
NET OPERATING REVENUE (INCLUDING CASINO REVENUE)	9.309.977	9.518.302	9.731.337	9.949.190	10.171.970	10.399.791	10.632.768	10.871.019	11.114.665	11.363.830	11.618.640	11.879.224	12.145.715	12.418.248	12.696.962	12.981.999	13.273.503	7.905.391
NET CASH FLOW																		
	9.309.977	9.518.302	9.731.337	9.949.190	10.171.970	10.399.791	10.632.768	10.871.019	11.114.665	11.363.830	11.618.640	11.879.224	12.145.715	12.418.248	12.696.962	12.981.999	13.273.503	7.905.391

Risk Free Revenue Rate	4,80%	4,80%	4,80%
Risk Premium	4,70%	5,20%	5,70%
Discount Rate	9,50%	10,00%	10,50%
NET CURRENT VALUE (Euro)	86.790.772	82.656.846	78.864.123
NET APPROXIMATE CURRENT VALUE (Euro)	86.790.000	82.660.000	78.860.000
NET APPROXIMATE CURRENT VALUE (TL)	268.164.000	255.403.000	243.662.000

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

Pursuant to the agreement signed between the Merit Park Hotel and Casino operator (Voyager Kıbrıs Limited) and Akfen Real Estate Trade and Construction Inc., the lease revenue that Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. will obtain from the real estate has been calculated. In accordance with the Leasing method, the revenue that the real estate will gain has been calculated with the use of the Cash Flow Discount method.

Lease Revenue Assumptions

- Pursuant to the agreement signed between the operator and Akfen Real Estate Trade and Construction Inc., the lease amount that the operator company will pay between the dates of 2016 and 2017 has been calculated to be of 4.750.000 Euro. It has been acknowledged that the lease amount will be increased at 2% in accordance with the agreement.
- It has been noted that the building insurance in the Leasing Model will be met by the lessee.
- The real estate tax has been determined to be of 3.542, in accordance with the information provided by the employer. It has been anticipated that this value will increase at a rate 3% annually.
- The annual right of construction value has been calculated to be of 10.312 Euro for the year of 2016. It has been estimated that this value will increase at a rate of 3% annually.
- The renovation expenses of the hotel, which will be met by the investor in the lease model, will constitute 5% of the renovation expenses that have been calculated in the operating alternative. It has been assumed in the Lease model that the renovation works will be performed by the lessee.
- Discount rate is determined as 8,5% since the risk is lower in lease model in pprojection.



Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Date	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023	31.12.2024	31.12.2025	31.12.2026	31.12.2027	31.12.2028	31.12.2029	31.12.2030	31.12.2031	31.12.2032	31.12.2033	31.12.2034	31.12.2035	31.12.2036	31.12.2037	31.12.2038
AKFEN Lease Revenue																								
Lease From MERIT PARK's Revenue	4.750.000	4.750.000	4.945.000	4.941.900	5.040.738	5.141.553	5.244.384	5.348.271	5.452.257	5.555.382	5.676.690	5.790.223	5.906.028	6.024.149	6.144.631	6.267.524	6.392.975	6.520.732	6.651.147	6.784.170	6.919.853	7.058.250	7.199.415	
Real Estate Tax	3.542	3.649	3.758	3.871	3.987	4.107	4.230	4.357	4.487	4.622	4.761	4.903	5.051	5.202	5.358	5.519	5.684	5.855	6.031	6.212	6.398	6.590	6.786	
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
The renovation expenses (0,05)	20.549	21.484	22.462	23.484	24.552	25.166	25.795	26.440	27.101	27.779	21.620	22.161	22.715	23.283	23.865	24.461	25.073	25.700	26.342	27.001	27.676	28.368	29.077	
The annually paid Right of Construction value (Land)	10.312	10.621	10.940	11.268	11.605	11.954	12.313	12.682	13.063	13.454	13.858	14.274	14.702	15.143	15.587	16.045	16.547	17.044	17.555	18.082	18.624	19.183	19.758	
KİRA NAKİT AKIŞI	4.715.597	4.714.246	4.907.841	4.903.278	5.000.593	5.100.326	5.202.046	5.305.793	5.411.606	5.519.527	5.636.451	5.748.885	5.863.581	5.980.521	6.099.811	6.221.479	6.345.570	6.472.134	6.601.219	6.732.876	6.867.155	7.004.110	7.143.792	
KÜMÜLATİF NAKİT AKIŞI	4.715.597	9.429.843	14.237.684	19.140.961	24.141.554	29.241.880	34.443.926	39.748.719	45.161.325	50.680.852	56.317.303	62.066.189	67.929.749	73.910.270	80.010.081	86.231.560	92.577.130	99.049.264	105.650.483	112.383.358	119.250.514	126.254.624	133.398.418	

Year	24	25	26	27	28	29	30	31	32	33	34	35	36	37
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	31.07.2052
AKFEN Lease Revenue														
Lease From MERIT PARK's Revenue	7.343.403	7.490.272	7.640.077	7.792.878	7.948.736	8.107.711	8.269.865	8.435.262	8.603.968	8.776.047	8.951.568	9.130.599	9.313.211	5.541.361
Real Estate Tax	6.991	7.201	7.417	7.639	7.869	8.105	8.348	8.598	8.856	9.122	9.396	9.677	9.968	10.267
Insurance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
The renovation expenses (0,05)	29.804	30.549	31.313	32.095	32.898	33.720	34.563	35.427	36.313	37.221	38.151	39.105	40.083	23.966
The annually paid Right of Construction value (Land)	20.351	20.962	21.590	22.238	22.905	23.592	24.300	25.029	25.780	26.553	27.350	28.171	29.016	17.434
KİRA NAKİT AKIŞI	7.286.257	7.431.560	7.579.757	7.730.906	7.885.064	8.042.293	8.202.654	8.366.208	8.533.018	8.703.151	8.876.671	9.053.646	9.234.145	5.489.694
KÜMÜLATİF NAKİT AKIŞI	140.684.674	148.116.234	155.695.991	163.426.896	171.311.961	179.354.254	187.556.908	195.923.115	204.456.134	213.159.284	222.035.955	231.089.601	240.323.746	245.813.441

Risk Free Revenue Rate	4,80%	4,80%	4,80%
Risk Premium	3,20%	3,70%	4,20%
Discount Rate	8,00%	8,50%	9,00%
NET CURRENT VALUE (Euro)	70.232.209	66.408.928	62.927.029
NET APPROXIMATE CURRENT VALUE (Euro)	70.230.000	66.410.000	62.930.000
NET APPROXIMATE CURRENT VALUE (TL)	216.997.000	205.194.000	194.441.000

6.4.5 Lease Value Analysis and Taxes Employed

The lease value of the construction right subject to the appraisal has been calculated taking into consideration the revenue discount method and the average cash flow value. The annual lease value of the real estate has been calculated by reducing the 1st year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel is **5.507.000.- EUR (17.016.000 Turkish Liras)**. The discount rate has been determined to be of 10%.

Date	31.12.2015	31.12.2016
Annual Lease Revenue	0	5.776.208

Net Current Value of the Annual Lease Value (EURO)	5.507.000
Net Current Value of the Annual Lease Value (TL)	17.016.000

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

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

6.4.7 Most Effective and Most Productive Use Analysis

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

6.4.8 Appraisal Analysis of Common or Divided Parts

The real estate subject to the appraisal has had its Casino and Hotel sections operated separately by two different companies, until the year of 2012; however, from the date of 15.05.2012, following a 20 years Lease Agreement between Akfen Real Estate Trade and Construction Inc. and the company named VOYAGER Kıbrıs Limited, the management has been given to one single company. As of the date of the appraisal, both the hotel and casino sections are operated by the same company, designated VOYAGER Kıbrıs Limited.

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

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

Land included, it has been calculated at **39.946.896 EURO (123.428.000 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 be **82.660.000 EURO (255.403.000 TL)**. The amount determined to be paid to the Akfen Real Estate Investment Trust Inc. by operating company, with the use of the lease revenue discount method, is **63.070.000 Euro (177.902.000.- TL)**. The final value of the hotel has been calculated to be **74.535.000 EURO (230.300.000 TL)**, based on the approximate arithmetic average of the value calculated by both of the methods.

The lease value of the real estate, since the date of 31.12.2015, has been calculated by taking into consideration the average cash flow of the first year, in accordance with the revenue discount approach and the lease revenue. The annual lease value of the real estate has been calculated by reducing the annual average net cash flow to the day when the appraisal study is performed. Pursuant to this calculation, the annual lease value has been determined to be **5.507.000.- EURO (17.016.000 – TL)**.

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

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

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



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

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

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

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

For The real estate subject to appraisal an appraisal study has been conducted on 31.12.2014 and the amount of 209.113.000 TL VAT excluded, 246.753.000 TL VAT included has been calculated as the left value of right of construction 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 “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 69,99% shares of Akfen Karaköy Real Estate Investments and Construction Inc. 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 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 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

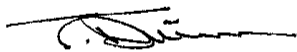
	Market Value of the Remaining Construction Right of the Real Estate (EURO)	Market Value of the Remaining Construction Right of the Real Estate (TL)
VAT Excluded	74.535.000	230.300.000
VAT Included	87.951.000	271.752.000

	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	5. 507.000	17.016.000
VAT Included	6.498.000	20.079.000

- 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
SPK Certificate No:401431



Önder ÖZCAN
Certified Appraiser
SPK Certificate No:402145



Neşecan ÇEKİCİ
Responsible Appraiser
SPK Certificate No:400177



9 APPENDIX

1. State Treasury Asset Lease Document
2. State Treasury Asset Lease Document and Additional Protocols
3. Name Change Approval Document
4. Asset Inspection Document of the Real estate
5. Cadastral Section Map
6. Zoning Status Document
7. Mortgage Letters
8. Insurance Policy
9. Architectural Project Approval Page and Floor Plans
10. Building, Road, Division, Section Permit Document (First Building Permit)
11. Building, Road, Division, Section Permit Document (Additional Permit)
12. Municipality of Girne Final Approval (Occupancy Permit)
13. Hotel + Casino Agreement
14. Classification Document – Casino Permit and Continuation Document
15. The 31.03.2013 dated Ordinary Meeting of the General Assembly List of Participants and Public Disclosure Platform Notice
16. Photographs
17. Backgrounds
18. SPK License Samples