

**AKFEN REAL ESTATE INVESTMENT TRUST INC.**

**CITY OF BURSA, DISTRICT OF OSMANGAZI**

**BUILDING BLOCK NO. 3198, PLOT NO. 67**

**BURSA IBIS OTEL PROJECT**

**REAL ESTATE APPRAISAL REPORT**

**Report No: 2016-020-GYO-009**

**Appraisal Date: 30.12.2016**

**Date of Report: 06.01.2017**



**REAL ESTATE CONSULTANCY AND APPRAISAL INC.**

# i. APPRAISAL REPORT SUMMARY

<b>Person/Entity Requesting the Appraisal</b>	:	Akfen Real Estate Investment Trust Inc.
<b>Institution Preparing the Report</b>	:	Epos Real Estate Consultancy and Appraisal Inc.
<b>Date of Report:</b>	:	06.01.2017
<b>Report No</b>	:	2016-020-GYO-009
<b>Appraisal Date</b>	:	30.12.2016
<b>Information Concerning the Property Subject to the Appraisal</b>	:	“9-Storeyed Concrete Hotel and 2- Storeyed Restaurant Building” real estate with an area of 7.961,79m <sup>2</sup> , located in the city of Bursa, district of Osmangazi, Neighborhood of Altinova, Section Plan No: H22D02A3A, Block No: 3198, Plot No: 67.
<b>Subject of Study</b>	:	Determining the top current market value and the annual current lease value of the said real estate (building).
<b>Land Area of the Real Estate Subject to the Appraisal</b>	:	7.961,79 m <sup>2</sup>
<b>Land Area of Closed Spaces of the Real Estate Subject to the Appraisal</b>	:	Ibis Hotel: 7.323,40m <sup>2</sup>
<b>Zoning Status of the Real Estate Subject to the Appraisal</b>	:	Rest Area (Hotel Area)

As of 30.12.2016

	<b>Top Market Value of the Remaining (Building) of the Real Estate (EURO)</b>	<b>Top Market Value of the Remaining (Building) of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>10.115.000</b>	<b>37.320.000</b>
<b>VAT Included</b>	<b>11.936.000</b>	<b>44.038.000</b>

	<b>Annual Lease Value of the Real Estate (EURO)</b>	<b>Annual Lease Value of the Real Estate (TL)</b>
<b>VAT Excluded</b>	<b>389.000</b>	<b>1.435.000</b>
<b>VAT Included</b>	<b>459.000</b>	<b>1.693.000</b>

- 1- ) The appraised value is the current value regarding the cash sale price.
- 2- ) The VAT ratio has been established at 18%.
- 3- ) The currency rates have been established at 1 EURO 3,6894 on 13.12.2016.
- 4- ) This report has been prepared within the scope of the related Capital Market Legislation.

## **Names of the persons participating in the Appraisal**

<b>Certified Appraiser</b>	:	Serkan Tanrıöver
<b>Certified Appraiser</b>	:	Taner Düner
<b>Responsible Appraiser</b>	:	Neşecan ÇEKİCİ



## **Declaration of Conformity**

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

## **Assumptions**

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

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

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## **1 REPORT INFORMATION:**

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

**Date of Report** : 06.01.2017

**Report Number** : 2016-020-GYO-009

**Type of Report** : Appraisal report relative to the “9-Storeyed Concrete Hotel and 2- Storeyed Restaurant Building” real estate with an area of 7.961,79m<sup>2</sup> , located in the city of Bursa, district of Osmangazi, Neighborhood of Altinova, Section Plan No: H22D02A3A, Block No: 3198, Plot No: 67, for the purpose of determining current market value of its right of construction and the current lease value in Turkish Lira currency.

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

**Report Issued by** : Certified Appraiser Taner DÜNER

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

**Responsible Appraiser** : Responsible Appraiser Neşecan ÇEKİCİ

**Capital Market Board Coverage** : Yes

**\* This report has been prepared within the scope of the related Capital Market Legislation.**

### **1.3 Date of Appraisal**

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

### **1.4 Reference Agreement**

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**

This appraisal report has been prepared within the scope of the related Capital Market Legislation.





## **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 / İstanbul

### **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/İstanbul

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

The Appraisal report relative to the "9-Storeyed Concrete Hotel and 2- Storeyed Restaurant Building" real estate with an area of 7.961,79m<sup>2</sup> , located in the city of Bursa, district of Osmangazi, Neighborhood of Altinova, Section Plan No: H22D02A3A, Block No: 3198, Plot No: 67, has been prepared for the purpose of determining sale and lease value of its right of construction within the scope of the Council arrangements.

Referring to the 06.09.2016 dated request by Akfen Real Estate Investment Trust, of which property belongs to the Bursa International Textile Trade and Shopping Center Business Cooperative and the potential revenue resulting with regard to its use or leasing with an agreement of right of construction for 30 years commencing on 01.11.2010 in favor of Akfen Real Estate Investment Trust has been evaluated. There are no restrictive constraints in force exercised by the client. During the appraisal studies, the market research, the onsite surveys and the agreements executed between Akfen Real Estate Investment Trust Inc. and S.S. Bursa International Textile Trade and Shopping Centre and the Accor Group, have all been taken into account.



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

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

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

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

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

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

The Market Value Approach depends on the following assumptions:

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

#### **3.2 Cost Approach**

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

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



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

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

### **3.3 Revenue Discount Approach**

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

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

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

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

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

##### 4.1 General and Socio-Economic Data

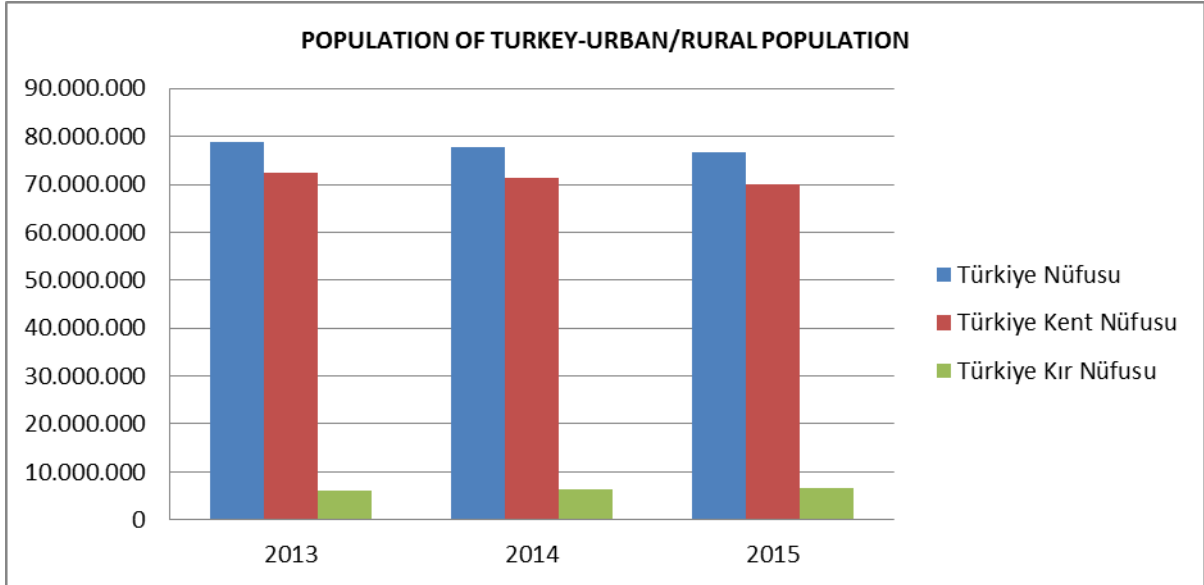
According to the 2015 results of the Address-Based Population Registration System (ADNKS), Turkey has a population of 78.741.053 people. In this population, 50,2% (39,511,191 people) are male, and 49,8% (39,229,862 people) are female.

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

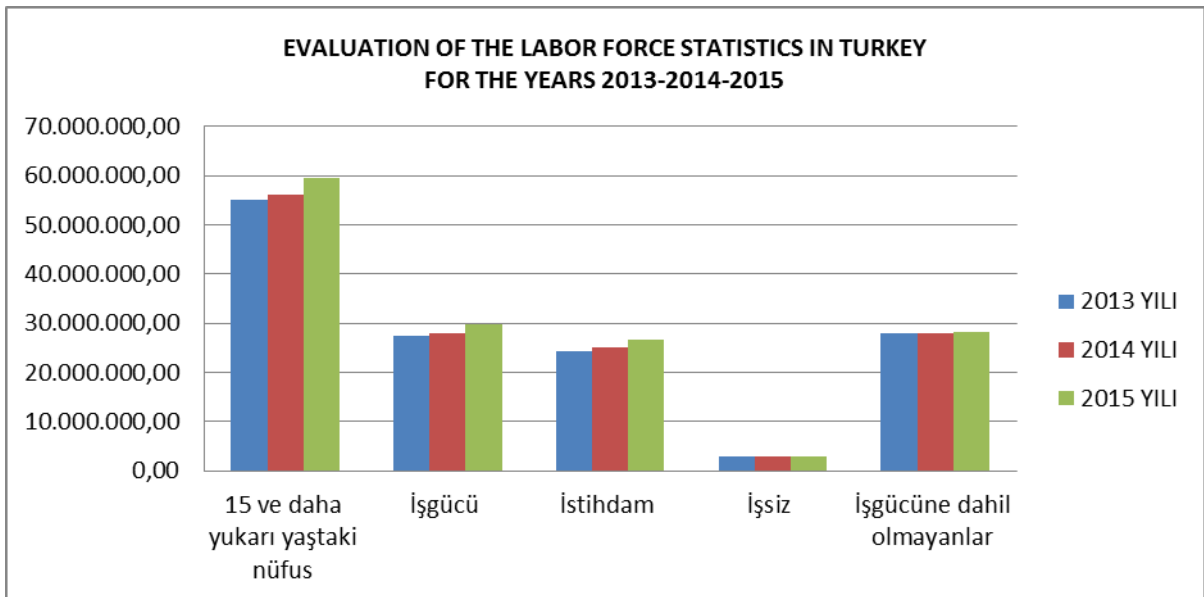
TURKEY			
Rows	2013	2014	2015
Rural Population in Turkey	6,633,451.00	6,409,722.00	6,217,919.00
Urban Population in Turkey	70,034,413.00	71,286,182.00	72,523,134.00
Population in Turkey	76,667,864.00	77,695,904.00	78,741,053.00
Population at the age of 15 and older	55,169,000.00	56,084,000.00	59,584,833.00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

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

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



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



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

#### **4.1.1 Global Economic Overview**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

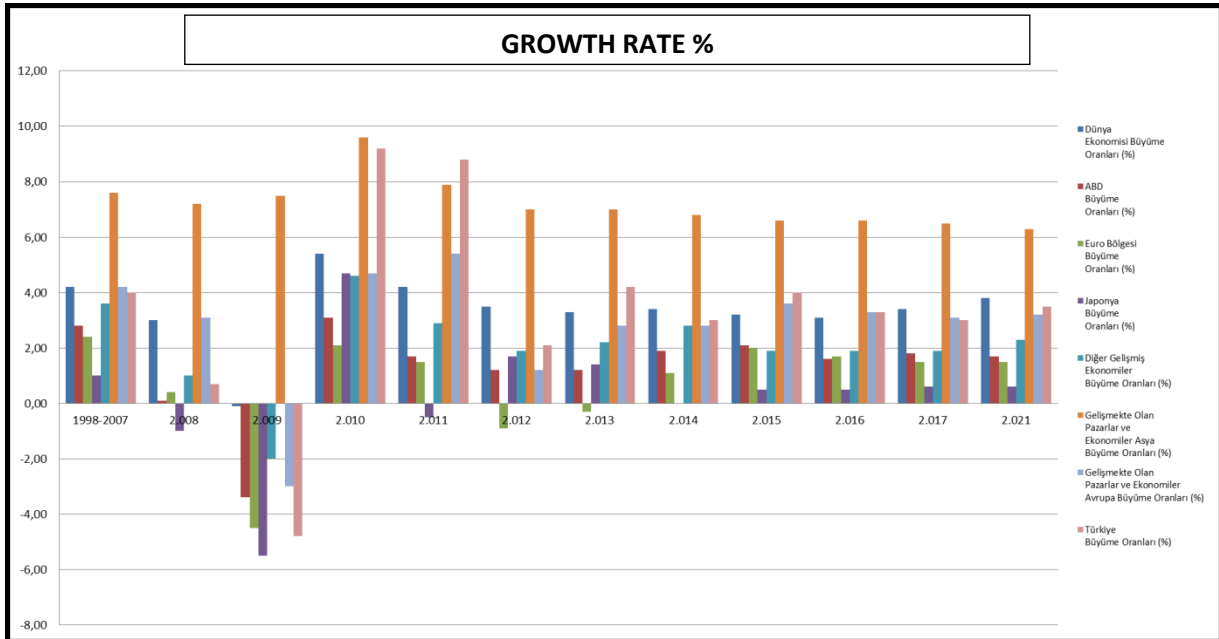
In 2016, Fed kept the interest rate intact at its meetings in January, March and April. In the meetings of June 2016 and September 2016, the US Federal Reserve Banks (Fed) announced that the interest rates would not be changed.

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

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

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

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



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

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

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

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

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

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

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

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

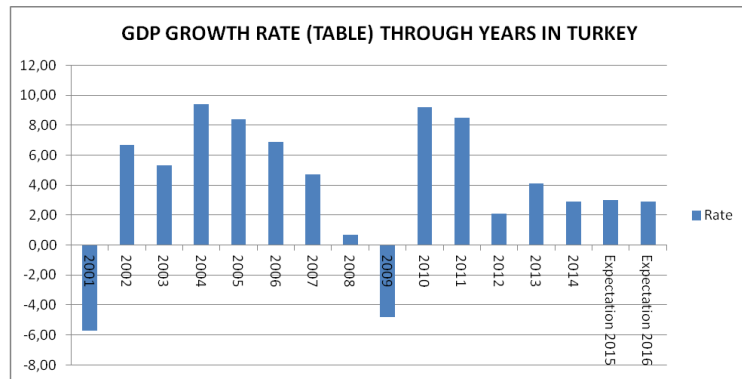
- ✓ The main unexpected development in the recent months has been the vote in the Great Britain in favour of leaving the EU. The markets have reacted in an ensuring way to the surprise rejection of Brexit Vote in the referendum. However, the future of the institutional and commercial agreements between the UK and the EU is ambiguous, and its ultimate impact is unclear.
- ✓ With the expectations of low interest rates, lessening concerns for expectations following pro-growth policies and stabilization of some commodity prices in developed economies, the accurate financial market sensitivity has been improved in developing economies.
- ✓ Expectations sharply vary among countries. While robust growth rates were achieved in developing Asia and India, a sharp slowdown is observed in Saharan Africa.
- ✓ The uncertainty in developed economies and a curbed overview that is subject to downside risks may further ignite political dissatisfaction.
- ✓ Many developing markets face the challenge of policies that force them to comply with weaker commodity prices.
- ✓ These concerning expectations make it necessary to produce a political response that will improve growth and shall stand on a wide basis in managing weaknesses.
- ✓ The complexity of current expectations, long-term trends, new shocks and ongoing revisions continues.
- ✓ These factors entail too much uncertainty for future economic expectation as well as a suppressed basis for overall growth.

- ✓ Major ongoing rearrangements/alignments (which is particularly important for developing countries) include a rebalance of China, long-term fall of commodity exporter, macro-economic programs and structural compliance.
- ✓ The basic economic scenario estimates a global growth at the rate of 3,10%. It is estimated that the rate might go up to 3,40% next year.
- ✓ This estimate reflects a weaker US economic activity than expected and a significant negative risk arising from the Brexit vote.
- ✓ It is estimated that the growth in developing markets and economies will slightly improve in 2016 to reach 4,20%, following a recession for 5 consecutive years. The overview of these markets is irregular and weaker than the past.
- ✓ As financing conditions are facilitated by expectations of low interest rates in developing countries, the other factors suppress the activity. This includes the recession in China, and a new negative economic scattering is taking place.
- ✓ There is less confidence in resource-intense investments and imports, and a constant alignment of commodity exporters with lower incomes leads to negative scattering of persisting weak demand in developed economies, internal conflicts, political disputes and geopolitical tensions.
- ✓ An improvement is expected in 2017 with better expectations in developing markets and economies and a slight revitalization in their economies. An improvement in investments is expected, as well as a decrease in stocks.
- ✓ Facilitating monetary policy rates has helped to bridle inflation. Malaysia and Indonesia, as well as Russia and Turkey implemented this policy simultaneously

#### **4.2 Turkey Economic Outlook**

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

TURKEY GROWTH RATES (%)	
2001	-5,70
2002	6,70
2003	5,30
2004	9,40
2005	8,40
2006	6,90
2007	4,70
2008	0,70
2009	-4,80
2010	9,20
2011	8,50
2012	2,10
2013	4,10
2014	2,90
Expectation 2015	3,00
Expectation 2016	2,90
Source:TCBM and IMF REPORT	



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

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

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

Current deficit balance (current deficit/gross national product) expectations of IMF is -4-5% for 2015 and -4,7% for 2016. These rates were -4,2% and -4,8% in previous report.

IMF projected unemployment rate as 10,8% for this year and 11,6% for next year, which was 9,9% for last year.

TL decreased in value towards especially USA dollar and Euro significantly as a result of global instability and political, economic and other risks in Turkey. Since exchanges increased significantly, fixed exchange rate approach was seen in especially real estate sales. Exchange rates for 01.10.2015 dated and 20.11.2015 dated appraisal reports were investigated. Exchange rate was instable in this period and this instability continued after political elections of 2015. In this period average dollar exchange was 2.91 TL, and average euro exchange was 3.22 TL. Fixed exchange rate is preferred in especially real estate sector because of above-mentioned reasons. Preferred exchange rate is below the value in period of 01.10.2015 and 20.11.2015. For this reason, in the appraisal report, exchange

rate on the date of 02.11.2015 in accordance with central bank data since it is nearest value to the current exchange value in the market.

Foreign market value is determined through selling rate of exchange was used, and for determining TL value buying rate of exchange was used.

On the date of 02.11.2015, buying rate of exchange was 1 USD=2,8035 TL, and 1 EURO=3,0898 TL.

On the date of 02.11.2015, selling rate of exchange was 1 USD=2,8085 TL, and 1 EURO=3,0954 TL.

#### **4.3 General Status of the Real Estate Industry**

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

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

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

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

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

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

- Attraction of investors from different countries for Istanbul as a brand city, and laying the foundations of Istanbul to be a financial center,
- Infrastructure projects that attract attentions (3<sup>rd</sup> bosphorus bridge, all tunnel projects in bosphorus, 3<sup>rd</sup> airport, metro projects in metropolitans etc.)
- Increasing transportation opportunities, widening metropolitan borders and growing living spaces,
- Urban renewal and related regulations,
- Continuing rural to urban migration,
- Effect of natural demand as a result of having young population,
- Changing nuclear family concept,
- Precautions for housing purchase and saving incentives to keep sector alive,

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

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

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

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

The introduction of new directions of Banking Regulation and Supervision Agency (BDDK) which brings changes to loaning transactions and to debit and credit cards aims to regulate the number of

installments on credit cards, increase the maturity limit in consumer loans from 36 months to 48 months, bring new regulations on personal loans across the industry and to vitalize economy.

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

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

#### **4.4 Information Regarding the Tourism Industry**

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

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

According to the September 2016 report of T.R. Ministry of Culture and Tourism, the number of foreign people visiting our country in January-September in 2016 has been seen to decrease 31.96% as compared with the same period of the last year. It has been realized in the ranking of the countries sending the visitors to our country at the most in January-September in 2016 that Germany ranked first with 15.51% (3.139.308); Georgia ranked number two with 8.34% (1.689.543) and England was the third country with 7.32% (1.481.200). When the change in the numbers of tourists



visiting our country between 2015-2016 are examined in terms of the countries where they come from, it has been noticed that people coming from the Russian Federation decreased 83.55%, but those coming from Ukraine increased 54.29%.

It has been seen that Turkish hospitality industry has left behind the most 'empty' summer of its history due to the negative impacts of the successive terrorist incidents and coup attempt. The authorities have announced that hotels in Turkey have experienced a partial occupancy increase with the domestic tourists in the coastal regions and Arab tourists in the cities during the Feast of Sacrifice, but the summer season called as the peak season is not enough to save the season. When the October 2016 Country Performance Report prepared by STR Global, one of the Leading Data and Analysis Companies of the World, was examined, hotel occupancy in October 2016 in Turkey was recorded as 52.2% with a decrease of 14% compared to the same period of 2015. (TR October 2015: 60.7%). (TR October 2014: 63.8%) Israel experienced the highest decrease rate (15.3%) in October among European countries. Turkey (14 %) became the third countries following Israel (15.3 %) and Estonia (15.2 %) in terms of decrease rate.

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

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



According to the "Address Based Population Registration System 2014", the population distribution has been specified in the table below.

District	2013			2014			The Rate Of Population Growth
	Total	Man	Woman	Total	Man	Woman	
Büyükorhan	11.913	5.923	5.990	11.396	5.647	5.749	-4,34
Gemlik	101.389	51.076	50.313	103.390	51.923	51.467	1,97
Gürsu	68.872	34.728	34.144	74.827	37.881	36.946	8,65
Harmançık	7.091	3.432	3.659	6.873	3.333	3.540	-3,07
İnegöl	236.168	118.849	117.319	242.232	122.005	120.227	2,57
İznik	43.287	21.427	21.860	42.727	21.154	21.573	-1,29
Karacabey	80.527	40.301	40.226	80.594	40.286	40.308	0,08
Keles	13.639	6.656	6.983	13.123	6.427	6.696	-3,78
Kestel	51.872	25.815	26.057	52.938	26.304	26.634	2,06
Mudanya	77.461	38.125	39.336	80.385	39.519	40.866	3,77
Mustafakemalpaşa	99.999	49.643	50.356	99.651	49.439	50.212	-0,35
Nilüfer	358.265	177.093	181.172	375.474	185.546	189.928	4,80
Orhaneli	22.175	10.857	11.318	21.563	10.530	11.033	-2,76
Orhangazi	75.672	38.019	37.653	76.143	38.235	37.908	0,62
Osmanlı	802.620	403.098	399.522	813.262	408.505	404.757	1,33
Yenişehir	52.132	25.955	26.177	52.215	25.993	26.222	0,16
Yıldırım	637.888	320.917	316.971	640.746	321.988	318.758	0,45
<b>TOPLAM</b>	<b>2.740.970</b>	<b>1.371.914</b>	<b>1.369.056</b>	<b>2.787.539</b>	<b>1.394.715</b>	<b>1.392.824</b>	<b>0,64</b>

*Bursa City, Turkish Statistical Institute – TUIK 2013 Figures of Address Based Population Registration System (Source: Turkish Statistical Institute – TUIK 2014)*

While the population density in Turkey is 101 persons; it is 256 persons in Bursa city, and that the average household number is 3,4 persons.

The population of Turkey has reached to 77.695.904 by increasing to 5,7 times as of the first census (1927). Considering the process between 1927- 2013, it is seen that the village settlement which had been intense in the beginning gave its way to the urbanization and the population density started to be seen in the cities and district centers as of 1985. This difference is growing owing to the fact that the population residing in the villages continues to decrease and, on the other side, the population residing in the cities continues to increase.

When the population history of Bursa is analyzed, an increase of 6,94- fold is seen compared with 1927-2014. The majority living in the villages until 1970s has started to reside in the cities as of that date. The difference between the population living in the cities and the villages is increasing day by day. Men/Women ratio by years goes parallel with the average of Turkey.

Considering the population in Turkey and Bursa, it is seen that the population concentrates on the age group of 15-34 years in terms of the age and genders. Population of the 15-34 age groups in the city is 883.650 persons. Its ratio to the provincial population is 31,7%.

When the historical process is looked at, it is shown that the population of the districts in the provincial center has increased but the population in Buyukorhan, Harmancik, Keles and Orhaneli in the outer sections has declined in time. Also, a population decrease has been experienced in the districts: Gemlik, Iznik, Mustafakemalpasa, Orhangazi and Yenişehir.

Bursa is one of the fastest growing cities with a population increase above the average of Turkey. The most significant factor of such a fast population increase is a constant migration. The primary reason for allowing immigration is the fact that Bursa is very advanced in terms of economic, trading and industry. This city is the largest province of the Marmara region following Istanbul in terms of trade potential. In that province, mostly textile, garment machinery equipment etc. trade has improved. In this context, the number of the artisans and craftsmen dealing with the trade and the businesses is high.

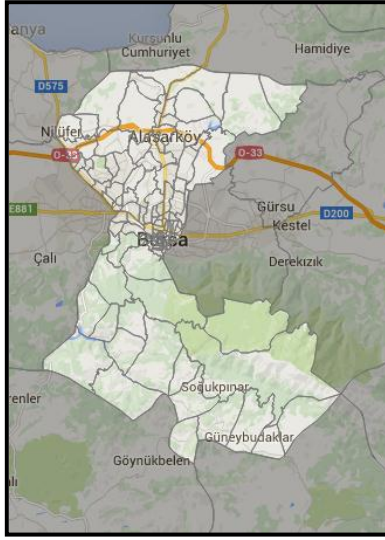
Bursa is ranked at 4<sup>th</sup> following Istanbul, Kocaeli and Izmir in terms of its added value to the national economy. And, it is ranked 5<sup>th</sup> following Bursa, Istanbul, Ankara, Izmir and Kocaeli in terms of socio-economical development throughout Turkey. Bursa is ranked at 3<sup>rd</sup> following Istanbul and Izmir in terms of number of the employees and the workplaces. The exports made in Bursa consist about 15% of the export in Turkey.

Bursa has a total area of 1.081.954 hectares. 429.850 hectares of this area is an agricultural land. Almost all types of agricultural products are cultivated on these cultural lands depending on the climatic conditions.

The oldest civilization remains reached with the archeological studies are Mentese Hooyugu nearby Yenisehir and Ilipinar in a close proximity to Orhangazi. The city with a 7 thosan year-long history, has many historical structures left from Ottoman Times during which was called as “Hudavendigâr” as the capital of the empire. Being a capital of Ottoman Empire can be called as one of the reasons of the urban development of Bursa.

.Starting with the year of 1987 Bursa has become a metropolitan and it is reputed with Uludag, Ulu Camii, chesnut sweet, thermal springs and towel production. It has taken the 4th place in the economically developing cities consisting of 300 cities-long list in which Istanbul took the 3rd line held by Brookings Institution and JP Morgan based in 2014. In last years the city is hosting many Arab tourists because it has chosen as the Arab capital.

#### 4.5.2 Osmangazi District



The district of Osmangazi with a population of 826.742 (according to the data of Turkish Statistical Institute 2015) and an area of 1.165 square kilometer, consisting of 27 villages, that starts with Gokdere Valley in the east; and covers an area forming a border for the lands encompassing the Nilufer Stream in the west, Samanlı Mountains, Nilufer Stream and Bursa Plain in the north. The District of Osmangazi which is located at the crossroads of Eskişehir is also within a distance of 31km to Mudanya Port; 74km to Yalova; 30 km to Gemlik .

The average height of the district from the sea is 150 meters and it snows in Uludağ with an elevation of 2.543 meters for 25 days and thickness of the snow reaches up to 2,50 meters.

The size of Osmangazi district is 18054ha; and the size of the adjacent areas is 52729ha, and the total size is approximately 70783ha. 88 hotels, 554 restaurants, 9 cinemas and shopping centers including 5-star hotels are found in the district of which population reaches to 792.219 persons according to the 2012 year Turkish Statistical Institute (TurkStat) and exceeds one million during the day because of its central social and economic position.

In the mean time; automotive supply industry, textile industry, towel industry, knitting industry, shoe industry, agriculture vehicles industry, furniture industry, leather, plastics industry, machinery and metal production, electrical motor industry, casting industry, woodworking machine industry, welding machinery industry, stove industry, cutlery industry are considerably advanced in this district. Apart from these, oil and flour factories make production

The commercial area existing in mid-14th century in Bursa, in the first capital of Ottomans; has completed its development with the occurrence of taverns, bazaars and open markets in 16th century. The region of taverns is important in terms of showing how the market structure had been established in Bursa, with its 668 year-long history. Taverns in this region are ; Balibey Han, Koza Han, Fidan Han, Pirinç Han, İpek Han, Emir Han, Geyve Han, Galle Han, Çukur(Kütahya) Han, Kapan Han, Tuz Han.

Soganlı City Park located in Osmangazi district borders is making Bursa to gain a new oxygen unit as an important step of the Green Line Project. There are walking and cycling paths, cafeterias and

buffes in Soganli City Park with 580 thosan m2 squares. The Zoo taking place again in Soganlı City Park with its 189.000 m2 areas has been formed considering the world standards.

99% of the populatiion of district is literate. And in the district agriculture, automotive industry and industrial area in general has been developed. Kozahan spreading among Reşat Oyal Kültür Parkı, İnkaya Çınarı, Tophane Yamaçları, Ulucami and Orhan Camii, Emirhan constructed by Orhan Bey in 1340 , Muradiye Külliyesi, Hüdavendigâr Camii, Ulu Camii, Merinos Kent Parkı, Botanik Parkı, Soğanlı Hayvanat Bahçesi, Pınarbaşı Parkı, Soğukkuyu Parkı and Hamitler Parkı and Sukay Park are the center of attractions of Osmangazi. Other crucial historical memorials and structures of the district are as follows: Bursa Castle, Bursa Hisarı, I.Murad Türbesi, Pars Bey Türbesi, Çakır Ağa Hamamı, Osmangazi ve Orhangazi Türbeleri, Şehzade Mustafa Türbesi, Bedesten, Arkeoloji Müzesi, Atatürk Müzesi, Osmanlı Evi Müzesi, Kent Müzesidir, Ördekli Kültür Merkezi, Gökdere Medresesi, Irgandı Köprüsü, Haraççioğlu Medresesi, Karabaş-ı Veli Dergahı, Balibey Hanı, Muradiye Hamamı and Galle Han.

#### 4.5.3 Information About Bursa Tourism Industry

Total number of the hotels in the province of Bursa and its districts is 202. (as of 2015). 58 of them are certified by the Ministry of Culture and Tourism. Of these hotels;

Type	Quantity	Rooms	Beds
*****	6	1.080	2.188
****	9	846	1.697
***	14	978	1.939
**	3	78	160
Private	5	67	132
Hostel		0	0
Apart	1	24	92
Total	38	3.073	6.208

*Accommodation Facilities with "Operation Certificate" issued by the Ministry of Culture and Tourism*

**(Source: Bursa Provincial Culture and Tourism Directorate-2015)**

6 are 5-star, 15 are 4-star, 21 are 3-star, 7 are 2-star, 7 are private hotels, 1 is apart and 1 is boutique hotel. Of these hotels; 2 are in Gemlik, 5 are in Inegöl, 1 in Mustafakemalpaşa, 5 are in Mudanya, 4 are in Nilüfer, 2 are in Orhangazi, 33 are in Osmangazi, 5 are in Uludağ, and 1 is in Yildirim. Total number of rooms in these hotels is 4539 and the bed capacity is 9.285.

District	Quantity	Rooms	Beds
BÜYÜKORHAN	0	0	0
GEMLİK	2	55	110
GÜRSU	0	0	0
HARMANCIK	0	0	0
İNEGÖL	5	257	539
İZNİK	0	0	0
KARACABEY	0	0	0
KELES	0	0	0
KESTEL	0	0	0
M.KEMALPAŞA	1	35	70
MUDANYA	5	170	341
NİLÜFER	4	651	1.312
ORHANELİ	0	0	0
ORHANGAZİ	2	40	83
OSMANGAZİ	33	2.414	4.881
ULUDAĞ	5	909	1.934
YENİŞEHİR	0	0	0
YILDIRIM	1	8	15
TOTAL	58	4.539	9.285

*Distribution of the Accommodation Facilities with "Operation Certificate" issued by the Ministry of Culture and Tourism according to the Districts*

**(Source: Bursa Provincial Culture and Tourism Directorate-2015)**

The number of the accommodation facilities certified by the municipalities is 144. Of these hotels; 14 are in Gemlik, 1 is in Gürsu, 8 are in Inegöl, 6 are in Karacabey, 3 are in Kestel, 3 are in Mustafakemalpasa, 15 are in Mudanya, 1 is in Nilüfer, 2 are in Orhaneli, 2 are in Orhangazi, 57 are in Osmangazi, 16 are in Uludag, 4 are in Yenisehir and 3 are in Yildirim. Total number of rooms in these hotels is 4670 and the bed capacity is 10.355.

District	Quantity	Rooms	Beds
BÜYÜKORHAN	0	0	0
GEMLİK	14	324	696
GÜRSU	1	10	25
HARMANCIK	0	0	0
İNEGÖL	8	403	1.186
İZNİK	9	174	386
KARACABEY	6	189	351
KELES	0	0	0
KESTEL	3	54	116
M.KEMALPAŞA	3	51	102
MUDANYA	15	181	382
NİLÜFER	1	44	88
ORHANELİ	2	54	170
ORHANGAZİ	2	52	140
OSMANGAZİ	57	1.956	3.907
ULUDAĞ	16	1.004	2.463
YENİŞEHİR	4	128	231
YILDIRIM	3	46	112
TOTAL	144	4.670	10.355

*Distribution of the Accommodation Facilities Certified by the Municipalities according to the Districts*



(Source: Bursa Provincial Culture and Tourism Directorate-2015)

Total number of all rooms in Bursa city and its districts is 9,209 and the bed capacity is 19.640.

Type	Quantity	Rooms	Beds
Certified by the Ministry	58	4.539	9.285
Licensed by the Municipality	144	4.670	10.355
Total	202	9.209	19.640

*Distribution of the Accommodation Facilities in Bursa*

(Source: Bursa Provincial Culture and Tourism Directorate-2015)

Altinova Neighborhood has recently begun to become an important centre in terms of the tourism sector with opening of the new Yalova Road to the traffic. The facilities which generally offer services as convention and city hotels are available in the region. This region is developing as an alternative to Cekirge and Nilufer Region. There are not many facilities in the region yet. In addition to food & beverage divisions they also offer b & b service.

Order No	Facility Name	Facility Type	Number Of Rooms	Number Of Beds
1	ALMIRA HOTEL TERMAL SPA&CONVENTION	5*	222	464
2	KERVANSARAY TERMAL	5*	211	422
3	MARIGOLD TERMAL OTE6SPA	5*	120	462
4	ÇELİK PALAS TERMAL SPA HOTEL	5*	164	328
5	HILTON	5*	187	374
6	CROWN PLAZA	5*	216	434
7	SHERATON BURSA HOTEL	5*	171	342
8	ANATOLIA	4*	93	192
9	BURSA BAİA	4*	150	300
10	GÖNLÜFERAH CITY	4*	90	180
11	HOLIDAYINN	4*	131	270
12	CENTRAL	4*	52	105
13	GÖNLÜFERAH	4*	70	139
14	TUĞCU	4*	72	144
15	DİVAN	4*	105	210
16	TIARA TERMAL SPA	4*	148	300
17	GOLD MAJESTY	4*	119	267
18	ADAPALAS	3*	31	62
19	KARAKAYA	3*	42	86
20	EFEHAN	3*	35	69
21	HAPHTON BY HILTON	3*	107	214
22	ALOFT BURSA	3*	133	266
23	KARDEŞ	3*	48	90
24	ARTIÇ	3*	70	124
25	IBIS HOTEL	3*	200	400
26	KENT	3*	54	108
27	YEŞİL PRUSA	3*	36	72
28	ÖZ ÇAKIR	2*	44	88
29	AUTHENTIQUE CLUB	ÖZEL	29	58
30	KİTAPEVİ	ÖZEL	13	26
31	SAFRAN	ÖZEL	10	20
32	KALEİÇİ OTEL	ÖZEL	7	13

Single/double room prices in that region have been learned and the prices vary between 170.-TL to 230.-TL including breakfast.







*Neighborhood of the Real Estate Subject to the Appraisal and Update Satellite*

## 5.2 Land Register Information of the Real Estate

		Home Page	Right of Construction Page
City	:	Bursa	Bursa
District	:	Osmangazi	Osmangazi
Neighborhood	:	Altınova	Altınova
Section No	:	H22D02A3A	H22D02A3A
Block No	:	3198	3198
Plot No	:	67	67
Surface Area	:	7.961,79m <sup>2</sup>	-

<b>Owner</b>	:	S.S. Bursa International Textile Trade and Shopping Center Business Cooperative	Akfen Real Estate Investment Trust Inc.
<b>Nature</b>	:	Concrete 9-Storeyed Hotel and 2-Storeyed Restaurant Building	"right of construction" 9-Storeyed Concrete Hotel and 2- Storeyed Restaurant Building with volume no.22, page. 2119, Block No. 3198, plot no.67.
<b>Land Title Date</b>	:	31.07.2008	07.08.2008
<b>Journal No</b>	:	23156	23651
<b>Volume No</b>	:	22	22
<b>Page No</b>	:	<b>2119</b>	<b>2120</b>

The real estate subject to the appraisal is registered at the Directorate of Land Registry of the district of Osmangazi, **Altinova Neighborhood, volume no.22, page.2119**. It has a quality of "Concrete 9-Storey Hotel and 2-Storey Restaurant Building" and its owner is "S.S. Bursa International Textile Trade and Shopping Centre Business Cooperative".

The Independent and Permanent "Right of Construction" has been established on the real estate in favor of Akfen Real Estate Investment Trust Inc. for 30 years and registered on page no. 2120 of the same land register (**Altinova Neighborhood volume no.22, page. 2120**). The title deed information on both pages is given in the table above and the liens on it are given below.

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

The following restrictions are about the real estate subject to the appraisal according to the land register dated 09.11.2014, in the investigation carried out on the related pages of the land register on 15.12.2014 at 16:00 in the Registry of the District of Osmangazi and attached thereof.

#### In Digit of the Easement Rights (Altinova Neighborhood, Volume No. 22, Page. 2119)

- *Independent and Permanent "Right of Construction" was registered. Surface Area: 7.961,79m<sup>2</sup>, Date of Commencement: 07.08.2008, Duration: 30 years. Owner/Beneficiary: Akfen Real Estate Investment Trust Inc. dated 07.08.2008 and journal no 23651.*
- *M (Right of Liability): The easement in favor of this pilot on the same village 7220 Block 1, 7222 Block 1, 7223 Block 1, and against the plots 1628, 1630 on the same village as seen in the plan dated 12.06.1991 with journal no. 3923.*



n Digit of the Remarks

- *Non-Domestic Areas such as Tourism Facility Area, Recreation Area, Urban Service Area, Trade Service Area specified in the Zoning Plan dated 15.03.2013 with journal no 8344.*

In Digit of the Easement Rights (Altinova Neighborhood, Volume No. 22, Page. 2120)

- *M (Right of Liability): The easement in favor of this pilot on the same village 7220 Block 1, 7222 Block 1, 7223 Block 1, and against the plots 1628, 1630 on the same village as seen in the plan dated 12.06.1991 with journal no. 3923.*

In Digit of the Remarks

- *Non-Domestic Areas such as Tourism Facility Area , Recreation Area, Urban Service Area, Trade Service Area specified in the Zoning Plan dated 15.03.2013 with journal no 8344.*

In Digit of the Hypothecation

- *A-İ: A First Degree Security is available in favor of Credit bank Europe for a duration until declaration of the release with the annual interest rate of 7,2%, dated 28.01.2015 and journal no. 3407.*

Remarks: *This security is joint with Kayseri Kocasinan Neighborhood 2420 Block, 9 Block, Istanbul Zeytinburnu Neighborhood 774 Block, 55 Plot, Gaziantep Sehitkamil Yaprak Neighborhood, 5020 Block, 2 Plot, Istanbul Esenyurt Yakuplu Neighborhood, 404 Block, 39 Plot, Ankara Akyurt Balikhisar-Imar Neighborhood, 1843 Block, 5 Plot, Trabzon Yomra Kasustu/Cumhuriyet 209 Block, 12 Plot, Adana Seyhan Cinarli Neighborhood, 585 Block, 2 Plot (independent sections numbered 1 and 2).*

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

There hasn't been any buying or selling activities with regard to the real estate, within the last three years.

**5.2.3 Opinion Whether There Is an Obstacle In Including the Investment Trust Portfolio in Terms of Land Title Records to the Real Estate Within the Scope of the Capital Market Legislation**

It has been seen that the real estate subject to the appraisal report has an Independent and Permanent "Right of Construction" in favor of AKFEN Real Estate Investment Trust Inc. for a duration of 30 years, in a permanent quality, and First Degree Joint Securities amounted to 173.052.185,00.- Euro in favor of Credit Bank Europe.

Regarding the mortgage recorded under real estate liens section obtained as the guarantee of project Financial Syndication Credits provided in the year of 2015, based on the letter received from



the mortgagee Credit Bank Europe dated 27.12.2016, mortgage established on the real estate is related to investment credit to be used in the financing of the 8 hotels operating under the brand names of "IBIS" and "NOVOTEL" by ACCOR Group and one another still under construction which will be operating under the name of "IBIS" after its complement pursuant to the agreement made between Akfen Real Estate Investment Trust INC. and the ACCOR SA. Letter in question is provided in the attachment of the report. Credit Bank's letter on this is also enclosed herewith.

Pursuant to the subparagraph "a" of the Article number 22 of the communiqué, with regard to the real estate investment trusts principles of the Capital Market Board regulations, the Real Estate Investment Trusts "can purchase, sell, lease, lease out and pledge to purchase or sell all sorts of real estate, such as land, plot, building, office building, shopping mall, hotel, logistic centers, warehouse, park and hospitals, for the purpose of achieving gross profit or lease revenue."

There are no obstacles that prevent the "**Right of Construction**" on the plot subject to the appraisal from being included in the investment trusts portfolio, within the scope of the Capital Market Board regulations (in accordance with the sub-paragraph "ç" of Article 22 of the communiqué with regard to the change in the principles of the real estate investment trusts published in the Official Gazette No. 28891 and dated 23/1/2014). As it is understood that the joint hypothecations on the right of construction have been established with the aim of financing project, there is not any obstacle in including it into the investment trusts portfolio, within the scope of the Capital Market Board regulations (in accordance with the Article 30 of the communiqué with regard to the change in the principles of the real estate investment trusts published in the Official Gazette No. 28891 and dated 23/1/2014).

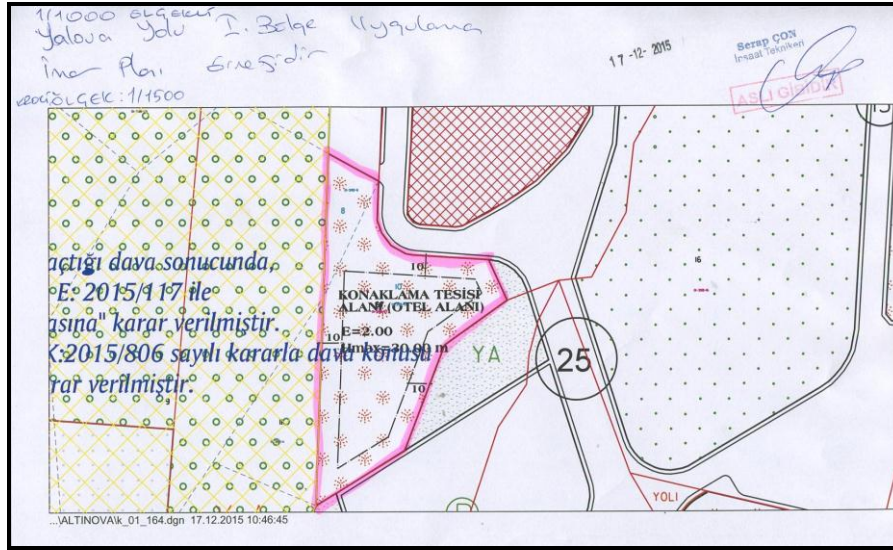
### **5.3 Inspection of the Zoning Information of the Real Estate**

With the 17.11.2015 dated zoning status approval certificate as "True Copy of the Original" emitted by the Municipality of the District of Osmangazi, Zoning and Urbanism Directorate, the zoning information relative to the real estate subject to the appraisal has been specified.

According to the zoning status certificate and the information obtained from the Zoning and Urbanism Directorate of Osmangazi, on the date of 17.11.2015, enclosed herewith;

Pursuant to the decree of Bursa Metropolitan Municipality Mayorship No. 16021078/108 and dated 14.05.2001; and the decree of Metropolitan Municipality Council No. 733/16021078-755 and dated 15.11.2007, change of the real estate in question was approved; and the real estate subject to the appraisal is in the legend of the "Accommodation Facility (Hotel Area)" in the 1<sup>st</sup> Region Implementary Zoning Plan, on the Yalova Highway at 1/1000 scale.

Conditions of structuring are; Example: 2,00, building height: 30,00 m and Setback distances: 10m.



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

As a result of the inspection of the zoning documents of the real estate subject to the appraisal in the Municipality of Osmangazi, Zoning and Urbanism Directorate Archives on 19.11.2015;

**Approved Architectural Project:** There is an existing architectural project approved on 29.05.2009. According to the project prepared for the restaurant building with Basement floor + ground floor + 7 normal floors (hotel building) and basement floor + ground floor + clerestorey (restaurant building) the total enclosed area is  $7.323,40\text{m}^2$  (hotel building) +  $1.465,25\text{m}^2$  (restaurant building) =  $8.788,65\text{m}^2$ .

**Construction Permit:** It has been noted that, within the zoning documents pertaining to the plot area: there are Construction Permits issued pursuant to the Zoning Condition Certificate No. 33224 dated 20.05.2008 for "the hotel with an area of  $7.523\text{m}^2$  and a similar guest house" and "a restaurant building with an area of  $1.492\text{m}^2$  (as a separate building) No. 311 and dated 17.06.2009 according to the Zoning Plan approved on 17.01.2008.

**Occupancy Permit:** There are "Occupancy Permits" taken No.170 and dated 30.06.2010 for a "hotel with an area of  $7.523\text{m}^2$  and a similar guest house" and a restaurant building (as a separate building) with an area of  $1.492\text{m}^2$ ". The documents abovementioned are given in the attached report.

Conforming to the inspections carried out on site, there are no differences found between the ongoing situation and the legal situation. The current building is in accordance with the "Approved Architectural Project" dated 29.05.2009.

### **5.3.2 Building Inspection Institution and Maintenance**

The real estate subject to this appraisal is liable to inspection under the 29.06.2001 dated Law Regarding Building Inspection with the number 4708, for the inspection of the building in the course of the construction process, which will be performed by the Y.D. Yapı Denetim Limited Şirketi, operating in the Bursa, found at the address of Yalova Yolu BUTTİM İş Mer. A Blok/17 Bursa.

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

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

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

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

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

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

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

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

## **5.4 Physical Characteristics of the Real Estate**

### **5.4.1 Structural Construction Characteristics of the Real Estate**

The real estate subject to this appraisal study has a quality of “9-Storeyed Concrete Hotel and 2-Storeyed Restaurant Building” real estate with an area of 7.961,79m<sup>2</sup> , located in the city of Bursa, district of Osmangazi, Neighborhood of Altinova, Block No: 3198, Plot No: 67.

There are two-block structures which are used as IBIS Hotel and Restaurant Building on the plot, in a separate disposition, as a concrete frame structure. This block used as IBIS Hotel was built with a basement + ground + 7 normal floors, and the block used as Restaurant Building was built with a basement + ground + clerestorey. IBIS Hotel area is situated on the Street of the Fair in front of the plot. The construction permit for the IBIS Hotel subject to this appraisal has been taken for 7.523,00m<sup>2</sup> and the total enclosed area is 7.323,40m<sup>2</sup> according to the approved architectural project. Similarly, the construction permit for the Restaurant Building situated on the plot subject to this appraisal has been taken for 1,492.00m<sup>2</sup> and the total enclosed area is 1,465.25m<sup>2</sup> according to the approved architectural project. The enclosed area specified in the appraisal study has been taken as a basis due to the fact that the real estate was built in accordance with the approved architectural project.

IBIS Hotel subject to the appraisal is a 3-star accommodation facility, comprised of 200 rooms.

According to the approved architectural project, and the inspections performed on site, there are areas such as offices, technical rooms, personnel cafeteria, and water and boiler house at the basement floor of the block used as IBIS Hotel.

**The Ground Floor of IBIS HOTEL;** It comprises of reception, lobby, foyer, meeting hall, hall, offices, restaurant, bar, kitchen and storages.

**1. 2. 3. 4. The normal floors;** It comprises of 200 rooms in total; there are 28 rooms at 5., 6. and 7. floors and 29 rooms at each floor. There are 2-types rooms in Ibis Hotel. It has a usage area with 17,88m<sup>2</sup> and 16,40m<sup>2</sup> and 4 rooms are reserved for the disabled customers and standard rooms are available as designed in various shapes.



Room types and their allocation per floor are given in the tables below:

<b>IBIS HOTEL</b>	<b>1<sup>st</sup> Floor</b>	<b>2<sup>nd</sup> Floor</b>	<b>3<sup>rd</sup> Floor</b>	<b>4<sup>th</sup> Floor</b>	<b>5<sup>th</sup> Floor</b>	<b>6<sup>th</sup> Floor</b>	<b>7<sup>th</sup> Floor</b>	<b>Total</b>
Double Room	5	5	5	5	6	6	-	32
Two Adjoinable Room	3	3	3	3	2	2	-	16
Standard Room	9	15	15	15	17	18	24	113
Standard Adjoinable Room	7	3	3	3	2	2	2	22
Standard Room with Desk/Bed	1	2	2	2	-	-	-	7
Adjoinable Room with Desk/Bed	3	-	-	-	-	-	2	5
Disabled Room	1	1	1	1	-	-	-	4
Adjoinable Disabled Room	-	-	-	-	1	-	-	1
<b>Total</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>200</b>

Interior Construction Characteristics of the Ibis Hotel and the Restaurant Building are as follows:

Interior Construction Characteristics of the Ibis Hotel and the Restaurant Building	
<b>Total Area</b>	<b>Ibis Hotel:</b> According to the Architectural Project and current status: 7,323,40m <sup>2</sup> According to the Construction Permit and Occupancy Permit: 7,523.00m <sup>2</sup> <b>Restaurant Building;</b> According to the Architectural Project and current status: 1,465.25m <sup>2</sup> According to the Construction Permit and Occupancy Permit: 1,492.00m <sup>2</sup>
<b>Age</b>	5 yrs
<b>Construction Type:</b>	Reinforced Concrete
<b>Roofing System:</b>	Ibis Hotel: Terrace Roof Restaurant building; Aluminum Jointed sinter flex  Aluminum jointed sinter flex
<b>Disposition</b>	Detached Building
<b>Number of Floors</b>	<b>Ibis Hotel:</b> 9 Storeyed (Basement + Ground Floor + 7 Normal Floors) <b>Restaurant Building;</b> 3 Storeyed (Basement + Ground Floor + Clerestorey)
<b>Exterior Facade</b>	The front and the rear facade are covered with glass, sinter flex in some places and the remaining areas are covered with special acrylic paint.
<b>Electricity</b>	City Grid
<b>Heating system</b>	Central Heating System
<b>Water</b>	City Grid
<b>Sewerage</b>	City Grid
<b>Elevator</b>	Ibis Hotel: Available (2 pcs.) Restaurant Building; Available (1 pcs.)
<b>Ventilation System</b>	Available
<b>Fire Escape</b>	Available
<b>Fire Extinguisher System</b>	Available
<b>Car Park</b>	Available (Open)
<b>Flooring</b>	Wall to wall carpet, laminate parquet, ceramics, epoxy
<b>Walls</b>	Satin paint, ceramic tile and wall paper
<b>Joinery</b>	Exterior Joineries are made of aluminum, while the interior ones are made of wood
<b>Ceilings</b>	Suspended ceiling
<b>Heating</b>	Central Heating System
<b>Illumination</b>	Wall lamps, chandeliers, lamp shades, spot lights and fluorescent luminaries

The Ibis Hotel and Restaurant Building have not any transition or connection with each other.

The Restaurant Building is owned by S.S Bursa International Textile Trade and Trade Center Business Cooperative pursuant to the Article 3.3 of the Construction and Business Agreement executed by and between S.S Bursa International Textile Trade and Trade Center Business Cooperative and Akfen Real Estate Investment Trust Inc. on 09.05.2008.

Pursuant to the Article 3.3 of the Construction and Business Agreement;

The investor firm has undertaken to construct the building **to make available for use of the Owner,** to be settled on the same plot, a floor area of 600m<sup>2</sup> with a capacity of 400 (four hundred) persons along with the equipments specified in the Annex-1 within a duration as specified above following execution of the said agreement and of which distance between the ceiling and the flooring is 5,50m (five and a half meter) and fine construction works of the restaurant with ventilation, heating and cooling fitting facilities are completed at its own expense. An illuminated decorative pool will be built in the garden of the restaurant.

The "Restaurant Building" has been overlooked in the appraisal considering Article 3.3 of the Agreement.

**The Right of Construction Agreement executed by and between BUTTİM and AKFEN Real Estate Investment Trust INC.;**

A 24-point "Ibis Hotel and Premises Construction and Business Agreement" was executed by and between Bursa International Textile Trade Center Business Cooperative and Akfen Real Estate Investment Trust Inc. on 09.05.2008. 10th, 13th and 22nd articles of this agreement which is attached as a whole in the report are given below.

**Article 22: Duration;**

*- This agreement comes into force on the date it is signed by the Parties and becomes valid until the end of the business right term as of the date when the construction license is taken and workplace is opened. The period lasting for 24 (twenty-four) months starting within the thirty (30) days following the construction license and not later than 31.12.2008 is a construction period and the following business period of 30 (Thirty) years. In the event that the Investor Firm completes the building earlier, this period shall be added into the business period.*

**Article 13: Maintenance of the Facility Subject to the Investment;**

*The Investor Firm shall be liable to keep the facilities in question in a condition that they will not lose their qualities and to remove the damages likely to incur during the business activities. The Investor*



*Firm shall be responsible for fitting, device, machinery, equipment, furnishing and decoration, and renewing the machinery equipments which expire their economical life during the business period at certain intervals and maintenance& repair of the buildings and keeping them in their original standards. Facility: It means the hotel and its premises thereof. The restaurant which will be delivered to the owner is excluded from this definition.*

**Article 10: Payment of the Rental;**

*- The rental payments of this agreement shall be paid commencing subsequent to the opening of the workplace after getting the construction license; 2 (two) years construction term and 5 (five) years business term, as follows:*

*The Investor Firm shall make the payments after getting the construction licenses and opening of the workplace in accordance with the table below.*

*Also, a VAT payment shall be made and the tax to be substituted instead of the VAT shall be paid by the Investor Firm, too. The tax or other liabilities to be imposed later shall be to the account of the legal savings.*

*On the sixth year of the project following the month of operation after getting the construction license and always on the same day of the following years, June 15 of each year.*

The Year Of Contract	The Period Of Contract	Price (USD)
1.	in the construction phase	Free
2.	in the construction phase	Free
3.	in the operation phase	Free
4.	in the operation phase	Free
5.	in the operation phase	Free
6.	in the operation phase	90.000 USD + KDV (value-added tax)
7.	in the operation phase	90.000 USD + KDV (value-added tax)
8.	in the operation phase	90.000 USD + KDV (value-added tax)
9.	in the operation phase	90.000 USD + KDV (value-added tax)
10.	in the operation phase	90.000 USD + KDV (value-added tax)
11.	in the operation phase	90.000 USD + KDV (value-added tax)
12.	in the operation phase	90.000 USD + KDV (value-added tax)
13.	in the operation phase	90.000 USD + KDV (value-added tax)
14.	in the operation phase	90.000 USD + KDV (value-added tax)
15.	in the operation phase	90.000 USD + KDV (value-added tax)
16.	in the operation phase	100.000 USD + KDV (value-added tax)
17.	in the operation phase	100.000 USD + KDV (value-added tax)
18.	in the operation phase	100.000 USD + KDV (value-added tax)

19.	in the operation phase	100.000 USD + KDV (value-added tax)
20.	in the operation phase	100.000 USD + KDV (value-added tax)
21.	in the operation phase	100.000 USD + KDV (value-added tax)
22.	in the operation phase	100.000 USD + KDV (value-added tax)
23.	in the operation phase	100.000 USD + KDV (value-added tax)
24.	in the operation phase	100.000 USD + KDV (value-added tax)
25.	in the operation phase	100.000 USD + KDV (value-added tax)
26.	in the operation phase	100.000 USD + KDV (value-added tax)
27.	in the operation phase	100.000 USD + KDV (value-added tax)
28.	in the operation phase	100.000 USD + KDV (value-added tax)
29.	in the operation phase	100.000 USD + KDV (value-added tax)
30.	in the operation phase	100.000 USD + KDV (value-added tax)

**The Lease Agreement executed by and between ACCOR GROUP and AKFEN Real Estate Investment Trust INC.;**

- The international hotel business company Accor group shall pay the rental amount that must be paid each year for the hotel of which appraisal study has been completed and the right of construction is in the ownership of Akfen Real Estate Investment Trust A.Ş; *more than twenty-five (25%) (VAT excluded) and seventy percent (70%) of the gross income in 2015; and more than seventy-two percent (72,5%) of the gross income in the late of 2016 in accordance with the lease agreement executed by and between Akfen Real Estate Investment Trust Inc. and Tamaris Tourism Inc. on 01.01.2011 and to expire on 31.12.2026.*

**5.4.2 Inspections Performed Within the Premises of the Real Estate**

- The real estate in question is located in the city of Bursa, district of Osmangazi, Neighborhood of Altinova, Block No: 3198, Plot No: 67 with a surface area of 7.961,79m<sup>2</sup>.
- The Plot in question has a facade to the Fair Street within a distance of ~600m to the Yalova Highway.
- The structures are located in a central position close to the main arteries and state institutions and organizations. The transportation is easily provided. The real estate subject to the appraisal is located in a busy region in terms of the trade and the industry. The real estate subject to the appraisal has a significant capacity for publicity thanks to the fact that it can be seen over the Yalova Highway. Ownership of the Ibis Hotel belongs to the S.S. Bursa International Textile and Trade and Shopping Centre Business Cooperative (BUTTIM) and a 30-years Right of Construction has been determined in favor of the Akfen Real Estate Investment Trust Inc. .

- The plot subject to the appraisal has not a regular geometrical shape however, it is even in terms of topography.
- There are 2 detached structures on the plot subject to the appraisal; the hotel and the restaurant building. Of these, the hotel building is situated at the north section of the plot; the restaurant building is situated at the south section.
- The Ibis Hotel is a 3-star hotel building with a capacity for 200 rooms, and the restaurant building is being operated as a cafeteria and restaurant sections of the BUTTIM.
- The starting date of operations of the Ibis Hotel subject to the appraisal is 01.11.2010.
- The hotel building is situated at the north side of the plot and has been built as a 9-storeyed building and it has a gross enclosed area of 7.323,40m<sup>2</sup>.
- The restaurant building is situated at the south side of the plot and has been built as a 3-storeyed building with basement+ ground + clerestorey and it has a total gross enclosed area of 1,465.25m<sup>2</sup>.

Floor Areas (m <sup>2</sup> )	Restaurant Building;	Ibis Hotel:
Basement Floor	635,87	824,33
Ground Floor	619,69	926,93
Clerestorey	209,69	-
1. Normal Floor	-	801,72
2. Normal Floor	-	801,72
3. Normal Floor	-	801,72
4. Normal Floor	-	801,72
5. Normal Floor	-	801,72
6. Normal Floor	-	788,29
7. Normal Floor	-	775,25
	<b>1.465.25</b>	<b>7.323,40</b>

- Inside the Ibis Hotel, there are heating and air conditioning systems, customer and staff elevators, fire alarm and extinguisher systems.
- The north and west facade of the plot have a guard above the concrete and other facades are surrounded by iron guards.
- At the Ibis Hotel, there is only a parking lot since the car park areas are shared in general. There is not a parking garage.



- Areas of the parcel out of the building are covered with the paving stone and the areas near the walls surrounding the parcel are green spaces. A majority of the Hotel's garden area is being used as a parking lot. There is a parking lot with a capacity for 56 vehicles and a decorative pool in this area.
- Other external and miscellaneous works determined on the site and included within the appraisal are; concrete sites, landscape work, concrete wall surrounding the plot, security cabin and decorative pool. External and miscellaneous works have been added as an additional cost into the calculations made in the cost approach analysis.
- The customer entrances to the Ibis Hotel and the Restaurant Building are provided through separate doors at the ground floor.

## **6 FACTORS AFFECTING AND DETERMINING THE VALUE OF THE REAL ESTATE**

### **6.1 Factors that Limit or Negatively Affect the Appraisal Process**

There is no limiting or negatively affecting factors hindering the appraisal studies in question.

#### **6.1.1 Swot Analysis**

##### **Strengths**

- The ownership belongs to the S.S. Bursa International Textile Trade and Shopping Centre Business Cooperative and there is a "Right of Contraction" on the part of Akfen Real Estate Investment Trust Inc. for a term of 30 years.
- It has been registered at a separate page of the land registry book of the "Right of Construction" that is valid until the year of 2040
- The hotel has high recognition and marketing capacity due to its location.
- The hotel subject to the appraisal is a worldwide known brand.
- The Facility is situated at the intersection of the main arterial roads and has a variety of access and transportation options. It is located within an air distance of 350m to the new Yalova Highway.
- In its close proximity, the structures of which trade density is higher are available, such as TUYAP and BUTTIM.

##### **Weaknesses**

- The parking areas are shared spaces and there is not any parking garage throughout the facility. There is only a parking lot.
- The real estate has not a facade to the new Yalova Highway.

##### **Opportunities**

- Its zoning function is "Accommodation Facility Area (Hotel Area)".
- The hotel in question is located in a place of which commercial activity is higher and that is preferred by the visitors coming to BUTTIM and TUYAP.

##### **Threats**

- In close proximity of the real estate subject to the appraisal, there are Hilton, Hampton By Hilton and Baia Hotels.
- Decrease in the transfer of grants to developing countries is expected after US Central Bank had ended monetary easing. This situation may have negative impacts in real estate market in general.



## HAMPTON BY HILTON (\*\*\*\*)



Location	On the Yalova's Road
Opening Date	2012/02
Number Of Rooms	107
Number Of Beds	214
Average Of Room's Size	27
The Capacity Of Meeting Room	2/40
The Capacity Of Car Park	100

## BAIA HOTEL (\*\*\*\*)



Location	On the Yalova's Road
Opening Date	2009
Number Of Rooms	150
Number Of Beds	233
Average Of Room's Size	28-30-35
The Capacity Of Meeting Room	3+2/1000
The Capacity Of Car Park	50+400

HOLIDAY INN (****)	
 	
Location	Near Uludag University
Opening Date	2000
Number Of Rooms	131
Number Of Beds	270
Average Of Room's Size	22-30-46-53
The Capacity Of Meeting Room	6/1000-1200
The Capacity Of Car Park	200 (On The Surface)

GOLD MAJESTY (****)	
 	
Location	Near Uludag University
Opening Date	
Number Of Rooms	119
Number Of Beds	238
Average Of Room's Size	25-35-45-50-60-85
The Capacity Of Meeting Room	4/1300
The Capacity Of Car Park	-

## 6.2 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

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

Since the real estate subject to this appraisal study is operating Hotel generating revenue, 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.

#### 6.3.1 Exemplary Approach

As a result of the surveys performed in the vicinity of the real estate, no other recently sold exemplary land with a similar location, nature and structuring conditions to that of the real estate subject to the appraisal have been found.

##### 6.3.1.1 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

A similar hotel which was sold in the city of Bursa and still on sale has not been found. The exemplary lands that are still for sale have been provided in the chart below:

EXAMPLE	Location	Characteristics	Area (m <sup>2</sup> )	Price	Price m2 (TL)	Source
Example 1	Altınova Quarter A land inside .	Residental Zone E=1.00	1635	2.000.000	1.223	Artı Real Estate 0224 413 44 14
Example 2	Altınova Quarter Yalova Boulevard facade	Commercial Zone 6 floor	1008	5.850.000	5.376	Owner 0542 410 04 44
Example 3	Altınova Quarter North side of real estate	Residental Zone E=1.50	19.000	36.500.000	1.921	Coldwel Banker Kristal 0224 441 61 00
Example 4	Altınova Quarter Yalova Boulevard facade	Commercial E=2.00	2700	12.175.000	4.509	Bayramoğlu Real Estate 0224 453 41 23
Example 5	Altınova Quarter at the junciton, inside from boulevard	Residental + Commercial Zone E=1.8	1350	2.350.000	1.822	Ema Buis Real Estate 0552 219 16 00

	Example 1	Example 2	Example3	Example 4	Example 5
The Value Of Requested (TL)	2.000.000	5.850.000	36.500.000	12.175.000	2.350.000
Bargain Share	10%	10%	15%	10%	10%
The Value Of Bargain(TL)	1.800.000	5.265.000	31.025.000	10.957.500	2.115.000
Surface (m <sup>2</sup> )	1.223	1.008	19.000	2.700	1.350
Unit Value(TL/m <sup>2</sup> )	1.471,79	5.223,21	1.632,89	4.058,33	1.566,67
Location Adjustment (+-%)	0%	-55%	-20%	-55%	0%
Surface Adjustment (+-%)	10%	10%	-20%	0%	10%
Reconstruction Adjustment (+-%)	20%	0%	10%	0%	10%
Total Adjustment Factor	130%	55%	70%	45%	120%
Addjustment Unit Value (TL/m <sup>2</sup> )	1.913	2.873	1.143	1.826	1.880
Average Of Samples	1.927 TL				

- Possible bargain rates, purchase sale expenses and real estate agent commissions on the sale prices of the properties that are for sale have been taken into consideration.
- As a result of the surveys performed, it has been noted that the zoned land stock in the same area as the real estate subject to the appraisal is highly limited and there are no concrete land examples that can compare to the plot subject to the appraisal. Consequently, from the research and interviews carried out in the area, the appraisal with regard to the plot has been conducted by taking into account the above provided examples and the total price of the property has been estimated to be **1.927.-TL/m<sup>2</sup>**.
- 1/3 of the unit price per m<sup>2</sup> of the land value has been determined as bare ownership and 2/3 as the right of construction.
- The total lease right for the duration of 30 years has been calculated by comparing the remaining the right of construction, on the date that this report was prepared, to the total duration time and determining the price per m<sup>2</sup> of the right of construction.

Price per Unit Land Value of the Remaining Time for the Right of Construction*	1.000 TL
Size of the Land	7.961,79m <sup>2</sup>
Unit Land Value (TL)	7.539.815 TL
Total Land Value (Euro)	2.039.993 €
Unit Land Value	1.927 TL
Right of Construction Value Rate	2/3
Remaining Time for Right of Construction (YEARS)	23,35
Price per Unit Land Value of the Remaining Time for the Right of Construction*	1.000 TL
":When the remaining time value resulting from the right of construction of the land is calculated, for the right of construction value of the land, it has been employed as 2/3 at the first step Afterwards, the remaining time from the right of construction for 49 years is calculated in order to determine the current unit value of the land for the right of construction	
Price per Unit Land Value of the Remaining Time for the Right of Construction	=(Unit Land Value x The coefficient of the right of construction for 30 years x The remaining time from the right of construction)
Price per Unit Land Value of the Remaining Time for the Right of Construction	=(1.927 TL x 2/3 x 23,35 / 30)



**Professional Opinion of the Appraiser:**

Taking into account the factors relative to the real estate subject to the appraisal, such as its location, the area of the plot, zoning status with accommodation facility, formation of its vicinity, existence of two hotel buildings on the plot that are operational and bring in revenue, possessing all the required legal permits and classifications, legal status and the prices of the surrounding real estate examples, the land unit sale value has been estimated to be **1.927 TL/m<sup>2</sup>**.

**6.3.2 Cost Approach**

The building cost values in this analysis, with the cost generation approach, the technical specifications of the buildings, the material and labor quality that has been employed during the construction of the buildings, the construction values of the buildings that have similar characteristics in the market, the industry experience relative to similar hotel costs and the construction costs in relation to the real estate subject to the appraisal submitted by AKFEN Real Estate Investment Trust Inc. have been taken into consideration.

# **COST TABLE (LAND+BUILDING)**

ENCLOSED AREAS		UNIT COSTS (EURO)(*)	
	IBIS HOTEL TOTAL CONSTRUCTION AREA (m <sup>2</sup> )	IBIS HOTEL	TOTAL COST
Basement Floor	824,33	450,00	352.401
Ground Floor	926,93	1.000,00	880.584
1. Normal Floor	801,72	1.000,00	761.634
2. Normal Floor	801,72	1.000,00	761.634
3. Normal Floor	801,72	1.000,00	761.634
4. Normal Floor	801,72	1.000,00	761.634
5. Normal Floor	801,72	1.000,00	761.634
6. Normal Floor	788,29	1.000,00	748.876
7. Normal Floor	775,25	1.000,00	736.488
Total Construction Cost:	7.323,40		6.526.518
External Miscellaneous Works (***) (€)			42.750
TOTAL STRUCTURE VALUE (€)			6.569.268
SIZE OF THE LAND (M2)			7.962
LAND UNIT VALUE (TL)			1.927
LAND UNIT VALUE RIGHT OF CONST.(TL)			1.000
LAND UNIT VALUE RIGHT OF CONST(€)			2.158.018
TOTAL VALUE(€)			8.727.285
TOTAL VALUE (TL)			32.256.046

(\*) The total construction cost value has been calculated by scrutinizing the verified construction cost information taken from Akfen Real Estate Investment Trust INC. together with our industry experience in relation to the similar hotel costs.

(\*\*) The date of completion of the construction of the real estate subject to the appraisal is 30.06.2010. The appraisal has been conducted by taking into consideration the age and physical status of the real estate.

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

### 6.3.3 Cost Discount/ Development Approach

Considering that the real estate subject to this appraisal study is a property that brings in revenue, the revenue approach method has not been employed.

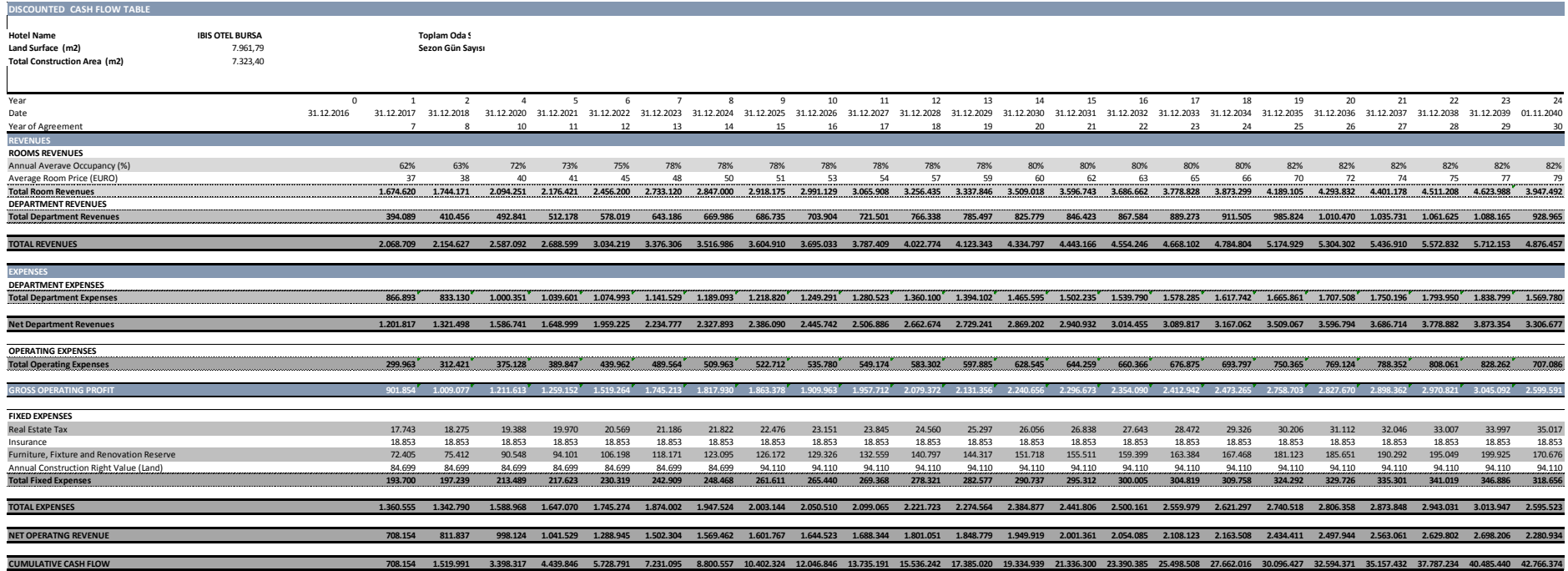
#### **IBIS HOTEL PROJECTION:**

- The hotel subject to the appraisal has a capacity for 200 rooms.
- It has been estimated that the occupancy rate of the hotel in the year of 2016 will be of 65% and that this rate will increase 72% in the year of 2019 and it will be operated with this occupancy rate in the following years.
- It has been assumed that the hotel will be operating 365 days a year.
- The hotel prices have been calculated based on the room-breakfast system. Taking into account the performance of the hotel in the previous year, along with the surveys performed in regard to the tourism industry in the area, it has been estimated that the average price for a room will be 37 EURO, in the year of 2017. Moreover, it has been anticipated that this price will increase annually at the rate of 2.5% for 5 years and will reach 79 Euro in the year of 2040.
- Considering the performance of the facility, it has been assumed that the room revenues will constitute 80,95% of the total revenue, whereas the total department revenues will be 19,05%.
- 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 44% in the year of 2017, 45% in the year of 2018, 47% between 2019-2021, 47% 50% in the year of 2022, 52% between 2013-2035 and it will remain to be stable at 53% in the following years.
- According to the information obtained from Akfen Real Estate Investment Trust INC., the real estate tax will be 17.743 Euro for the year of 2017 and it will increase at the rate of %3 in the following years.
- Furniture Fixture Renovation Reserve has been obtained by reason of the agreements executed with ACCOR. Accordingly, it has been determined that the rate will consist of 3,5% of the annual gross revenue.
- The annually paid Right of Construction value (land) has been accepted in accordance with the right of construction agreement signed between AKFEN Real Estate Investment Trust INC. and BUTTIM.
- Pursuant to the lease agreement between Akfen Real Estate Investment Trust Inc. and the S.S. Bursa International Textile Trade and Shopping Center Business Cooperative, it has been



agreed upon that the annual “Right of Construction” value will be of 90.000 USD (84.699 Euro) for the 2017 year; and 100.000 USD (91.110 EURO) between 2025 and 2040 years.

- When the 30 years lease is terminated, the facilities will be transferred to the S.S Bursa International Trade and Shopping Centre.
- In the appraisal study, the 10 year Eurobond interest rate of 7,21% has been employed as the “Risk Free Revenue Rate”. (In this appraisal study, the most ready 10 year EURO base Eurobond revenue rate has been employed as the risk free revenue rate.) A rate of 3,97% has been added to “Risk Free Rate” as a “Risk Premium”.
- Discount rate has been determined as 11,18% in the Projection.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.
- A more realistic net present value has been calculated considering the mid-year factor (0,5) in net present value calculations.



<b>Risk Free Revenue Rate</b>	<b>7,21%</b>	<b>7,21%</b>	<b>7,21%</b>
<b>Risk Premium</b>	<b>3,61%</b>	<b>3,97%</b>	<b>4,33%</b>
<b>Discount Rate</b>	<b>10,82%</b>	<b>11,18%</b>	<b>11,54%</b>
<b>NET CURRENT VALUE (Euro)</b>	<b>12.418.581</b>	<b>12.030.951</b>	<b>11.661.575</b>
<b>NET APPROXIMATE CURRENT VALUE (Euro)</b>	<b>12.420.000</b>	<b>12.030.000</b>	<b>11.660.000</b>
<b>NET APPROXIMATE CURRENT VALUE (TL)</b>	<b>45.822.000</b>	<b>44.383.000</b>	<b>43.018.000</b>

#### 6.3.4 Value of the Real Estate with Regard to the Lease Revenue

According to the Lease conditions documents submitted to our company by Akfen Real Estate Investment Trust INC.;

- The Accor Group shall pay the rental amount that must be paid each year for the hotel of which appraisal study has been completed and the right of construction is in the ownership of Akfen Real Estate Investment Trust A.Ş; more than twenty-five (25%) for the Ibis Hotel and. The Adjusted Gross Operating Profit (AGOP) has been calculated as 72,5% as of the 2017 year depending on the agreement terms.
- The Adjusted Gross Operating Profit (AGOP) has been calculated by subtracting a ratio of 4% operator share, which will be paid to ACCOR, from the gross operating profit (GOP) and a ratio of 4% Furniture Fixture and Renovation Reserve from the gross revenue.

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

- The Right of Construction on the hotel subject to the appraisal study is owned by Akfen Real Estate Investment Trust Inc. and managed by the international hotel operating company ACCOR Group. In the appraisal study, it has been assumed that the hotel will be operated within the terms of the current concept, in the course of the duration of the “Right of Construction”.
- It has been assumed that the facility will be operating 365 days a year.
- Pursuant to the lease agreement between Akfen Real Estate Investment Trust Inc. and the S.S. Bursa International Textile Trade and Shopping Center Business Cooperative, it has been agreed upon that the annual “Right of Construction” value will be of 90.000 USD (84.699 EURO) for the year 2017; 100.000 USD (94.110 EURO) between 2025 and 2040 years.
- The renovation expenses, which will be met by the investor for the lease of the hotel, have been based on the ratio of 5% of the renovation expenses calculated in the lease alternative. It has been assumed that the renovation expenses shall be met by the Lessee.

- According to the information obtained from Akfen Real Estate Investment Trust INC., an amount of 18.583 Euro shall be paid for the real estate tax for the year of 2016 and it will increase at the rate of 3% in the following years.
- The lease revenue generated in relation to the hotel leased out to the Accor Group has been guaranteed with a lease agreement for the duration of 25 years. It has been assumed that the risk premiums in obtaining the lease revenue will be low for Akfen Real Estate Investment Trust Inc. and therefore, it has been calculated accordingly. The discount rate has been estimated at 10,09% by adding a 2,88% "Risk Premium" to the 7,21% to the Risk Free Revenue.
- All of the payments are assumed to be paid in cash.
- Throughout the course of the studies, the Euro Zone inflation rate of 2,5% has been employed as the inflation rate.
- Within the scope of the International Valuation Standards (IVSC), taxes and VAT have not been included in the studies.
- A more realistic net present value has been calculated considering the mid-year factor (0,5) in net present value calculations.



AKFEN OBTAINED LEASE																				
LEASE OBTAINED FROM IBIS HOTEL REVENUE	517.177	538.657	646.773	672.150	758.555	844.077	879.246	901.228	923.758	946.852	1.005.693	1.030.836	1.083.699	1.110.792	1.138.561	1.167.025	1.196.201	1.293.732	1.326.075	1.359.227
Operator Share	82.748	86.185	103.484	107.544	121.369	135.052	140.679	144.196	147.801	151.496	160.911	164.934	173.392	177.727	182.170	186.724	191.392	206.997	212.172	217.476
Furniture, Fixture and Renovation Reserve	82.748	86.185	103.484	107.544	121.369	135.052	140.679	144.196	147.801	151.496	160.911	164.934	173.392	177.727	182.170	186.724	191.392	206.997	212.172	217.476
IBIS HOTEL AGOP	533.859	606.612	728.368	756.946	925.482	1.069.453	1.114.014	1.141.864	1.170.411	1.199.671	1.274.224	1.306.079	1.373.058	1.407.384	1.442.569	1.478.633	1.515.599	1.699.914	1.742.411	1.785.972
USED IBIS HOTEL LEASE REVENUE	533.859	606.612	728.368	756.946	925.482	1.069.453	1.114.014	1.141.864	1.170.411	1.199.671	1.274.224	1.306.079	1.373.058	1.407.384	1.442.569	1.478.633	1.515.599	1.699.914	1.742.411	1.785.972
Real Estate Tax	17.743	18.275	19.388	19.970	20.569	21.186	21.822	22.476	23.151	23.845	24.560	25.297	26.056	26.838	27.643	28.472	29.326	30.206	31.112	32.046
Insurance	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853	18.853
Renovation Cost	4.137	4.309	5.174	5.377	6.068	6.753	7.034	7.210	7.390	7.575	8.046	8.247	8.670	8.886	9.108	9.336	9.570	10.350	10.609	10.874
Annual Construction Right Value (Land)	84.699	84.699	84.699	84.699	84.699	84.699	84.699	84.699	94.110	94.110	94.110	94.110	94.110	94.110	94.110	94.110	94.110	94.110	94.110	94.110
AKFEN NET LEASE REVENUE	408.426	480.475	600.253	628.047	795.292	937.963	981.606	999.215	1.026.907	1.055.288	1.128.655	1.159.572	1.225.369	1.258.697	1.292.854	1.327.861	1.363.740	1.546.394	1.587.727	1.630.089
CUMULATIVE CASH FLOW	408.426	888.902	2.013.538	2.641.585	3.436.877	4.374.840	5.356.446	6.355.661	7.382.568	8.437.857	9.566.511	10.726.083	11.951.452	13.210.149	14.503.003	15.830.864	17.194.604	18.740.998	20.328.725	21.958.814

Risk Free Revenue Rate	7,21%	7,21%	7,21%
Risk Premium	2,52%	2,88%	3,24%
Discount Rate	9,73%	10,09%	10,45%
NET CURRENT VALUE (Euro)	8.483.708	8.201.607	7.933.279
NET APPROXIMATE CURRENT VALUE (Euro)	8.480.000	8.200.000	7.930.000
NET APPROXIMATE CURRENT VALUE (TL)	31.286.000	30.253.000	29.257.000

### 6.3.5 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 net cash flow value for the first year on the basis of the lease revenue. The annual lease value of the real estate has been calculated by reducing the 1<sup>st</sup> year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel **389.000.-EURO (1.435.000-TL)**. The discount rate has been determined to be of 10,09%.

Date	31.12.2016	31.12.2017
Annual Lease Revenue	0	408.426
<b>Net Current Value of the Annual Lease Value (EURO)</b>	389.000	
<b>Net Current Value of the Annual Lease Value (TL)</b>	1.435.000	

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

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

### 6.3.7 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.

### 6.3.8 Appraisal Analysis of Common or Divided Parts

The Restaurant Building is owned by S.S Bursa International Textile Trade and Trade Center Business Cooperative pursuant to the Article 3.3 of the Construction and Business Agreement executed by and between S.S Bursa International Textile Trade and Trade Center Business Cooperative and Akfen Real Estate Investment Trust Inc. on 09.05.2008. The "Restaurant Building" has been overlooked in the appraisal considering Article 3.3 of the Agreement.

Therefore, only an appraisal has been made on the part of the hotel. Thus, common or divided areas are out of the question.

## **7 APPRAISAL OF ANALYSIS RESULTS**

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

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 Exemplary Approach.

The total value including the land according to the cost method has been calculated at **8.727.285.- EURO (32.256.046.-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 **12.030.000.-EURO (44.383.000.-TL)**. The amount determined to be paid to the Akfen Real Estate Investment Trust Inc. by the Accor Group, with the use of the lease revenue discount method, is **8.200.000.-EURO (30.253.000.-TL)**. The final value of the hotel has been calculated to be **10.115.000.-EURO (37.320.000.-TL)** based on the approximate arithmetic average of the value calculated by both of the methods.

The lease value of the real estate has been calculated taking into consideration the revenue discount method and the average net cash flow value for the first year on the basis of the lease revenue as of 31.12.2015. The annual lease value of the real estate has been calculated by reducing the 1<sup>st</sup> year cash flow average to the appraisal day. According to this calculation, the annual lease value of the hotel is **389.000.-EURO (1.435.000-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. Therefore, 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 guaranteed lease revenue in the lease revenue analysis, the risk premium is lower.



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

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

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

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

For the real estate subject to appraisal there is an appraisal study dated 02.01.2015 by our company numbered 2014-020-GYO-010; and the report has been revised on 02.12.2015 with no. 2015-020-GYO-REV-010 and on 08.12.2015 with no. 2015-020-GYO-REV2-010.

#### **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**

There are no obstacles to prevent the rights and benefits in connection with the Section No: 3198, Plot No. 67, to be employed as right of the real estate (right of construction), within the scope of the Capital Market Board Regulation.



## 8 CONCLUSION

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

As of 30.12.2016

	Top Market Value of the Remaining (Building) of the Real Estate (EURO)	Top Market Value of the Remaining (Building) of the Real Estate (TL)
VAT Excluded	10.115.000	37.320.000
VAT Included	11.936.000	44.038.000

	Annual Lease Value of the Real Estate (EURO)	Annual Lease Value of the Real Estate (TL)
VAT Excluded	389.000	1.435.000
VAT Included	459.000	1.693.000

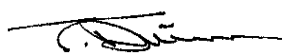
- 1- ) The appraised value is the current value regarding the cash sale price.
- 2- ) The VAT ratio has been established at 18%.
- 3- ) The currency rates have been established at 1,-Euro = 3,6894 on 13.12.2016.
- 4- ) This report has been prepared within the scope of the related Capital Market Legislation.

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

Serkan TANRIÖVER  
Certified Appraiser  
SPK Licence No:401162

Taner DÜNER  
Certified Appraiser  
SPK Licence No:401431

Neşecan ÇEKİCİ  
Responsible Appraiser  
SPK Licence No:400177




## **9 ANNEXES**

1. Title Deed Photocopies
2. Approved Restrictions Document
3. Approved Zoning Status Document
4. Plan Notes
5. Right of Construction Agreement
6. Building Licenses
7. Occupancy Permit
8. Condition and Floor Plans
9. Business Starting and Operating License/Permit
10. Lease Agreement with Accor Group
11. Tourism Investment Document
12. Tourism Business Document
13. Photographs
14. Backgrounds
15. SPK Certificate Samples