BRIDGE

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DENGE
DEĞERLEME
Real Estate Valuation And Consulting Inc.

Baki BUDAKOĞLU
Denge Değerleme
Chairman of the Board

INVESTMENT CONSULTING

Our Company, which has been operating and developing in the valuation sector for many years, has gained a vast reservoir of data, information, and knowledge on any kind of immovable properties, machinery, and plants through the valuation reports we have issued. In this process, the required environment for sound information and insight production based on reliable and correct data has been created.

Throughout our many years of business life, we have witnessed the negative outcome of investments for investors when they were based on unconfirmed, wrong, or erroneous information. As a matter of fact, after saving your income for many years instead of spending them, turning them into an investment, and finally seeing a partial or complete loss, what you get is desperation as well as sorrow for the loss of the assurance you have tried to create for the future.

Failure to correctly invest with these savings which have been so hard to obtain may impact any investors of any segment regardless of large or small scale, but they definitely have the same result.

As a result, we wanted to make a contribution also in this field with a sense of responsibility, and realized our idea of investing in the field of Investment Consulting towards the end of last year.

We examine and report the asset considered for investment on the basis of:
- Location analysis,
- On-site examination and physical identification,
- Identification of legal status in terms of compliance with legal permits and legislation,
- Impact of situational, industrial, and regional developments on supply and demand,
- Analysis of the alternatives for the subject property or machinery of the investment,
- Feasibility analysis, and
- Value analysis.

As a result, the investors are informed through compiling, evaluating, analyzing, finally reporting the information belonging to multiple disciplines.

And the result? Correct investment, happy investor...

So, what do we get? The pride and peace of contributing for correct preferences of the investor and correct presentation of our country to the foreigner.

So long...

ECONOMICAL DATA

(Q3'20)
Annual Growth Rate
%6,7

(Q3'20)
Gross Domestic Product (GDP)
1.419 Billion TL

(Q3'20)
Growth Rate In The Construction Sector
%6,4

Oct'20
Unemployment Rate
%12,7

Exchange Rate Dec'20

Dolar $	**%24,9**
Euro €	**%36,2**

CPI / PPI Dec'20

Consumer Price Index (CPI)	**%14,6**
Producer Price Index (PPI)	**%25,1**

Nov'20
Average Increase Rate of the Housing Price Index
%28,1

Residential Market

Change in The Residential Property Sales %11,2

1.348.729 2019
1.499.316 2020

38% Mortaged Sales

Dec'20
Mortgage Interest Rates %18,7

Tourism

Number of Total Visitors
Dec'20
Turkey 833.991
Istanbul 439.920

Hotel Occupancy Rate
Dec'20
Turkey %19,9
Istanbul %28,9

Mall

Q3'20
Total Leaseable Area 444 Malls
13,3 million m² GLA
Malls Under Construction 32 Malls

Visitor Index
Oct'20
64

Urban Transformation

The Number of Independent Units Subject to Urban Transformation
694.620

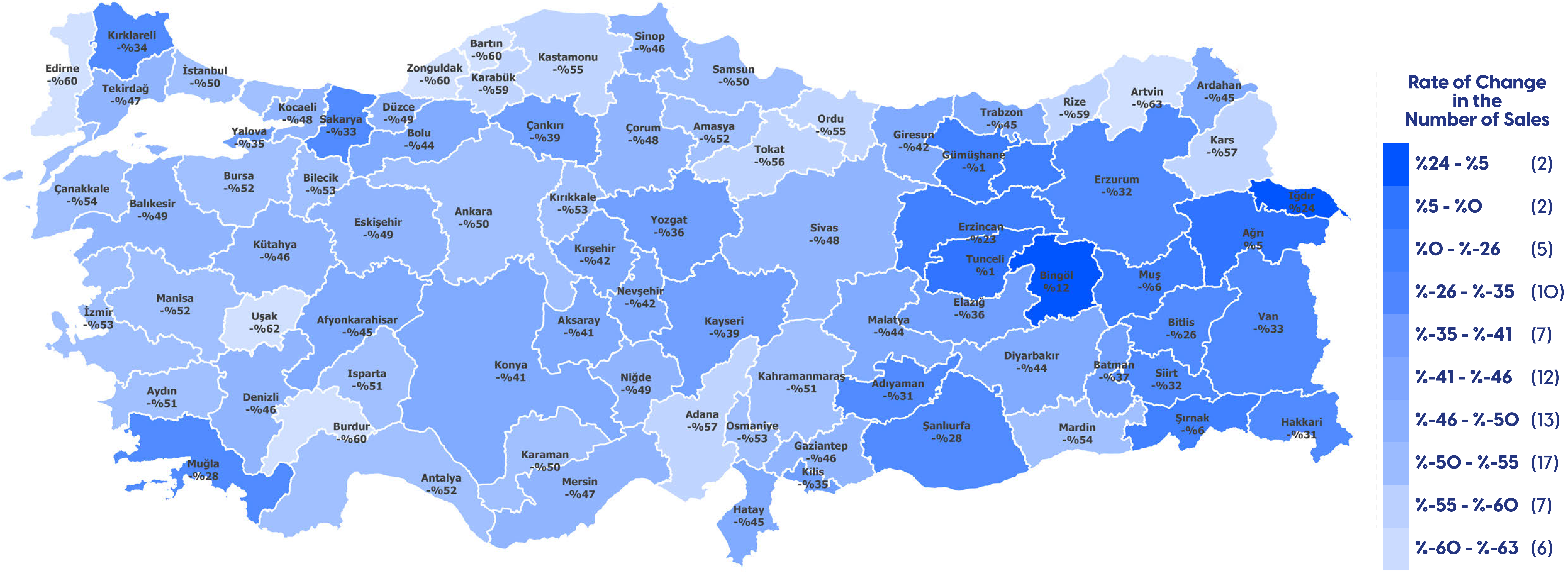
The Number of Building Subject to Renovation
614.647

The Number of Buildings Acquired Energy Efficiency Certificate
1.185.657

The Number of Registered Monumental Trees
9.174

*Source: TURKSTAT | Republic of Turkey Ministry of Culture And Tourism | Republic of Turkey Ministry of Environment and Urban Planning | GYODER | Turkish Council of Shopping Centers (AYD)

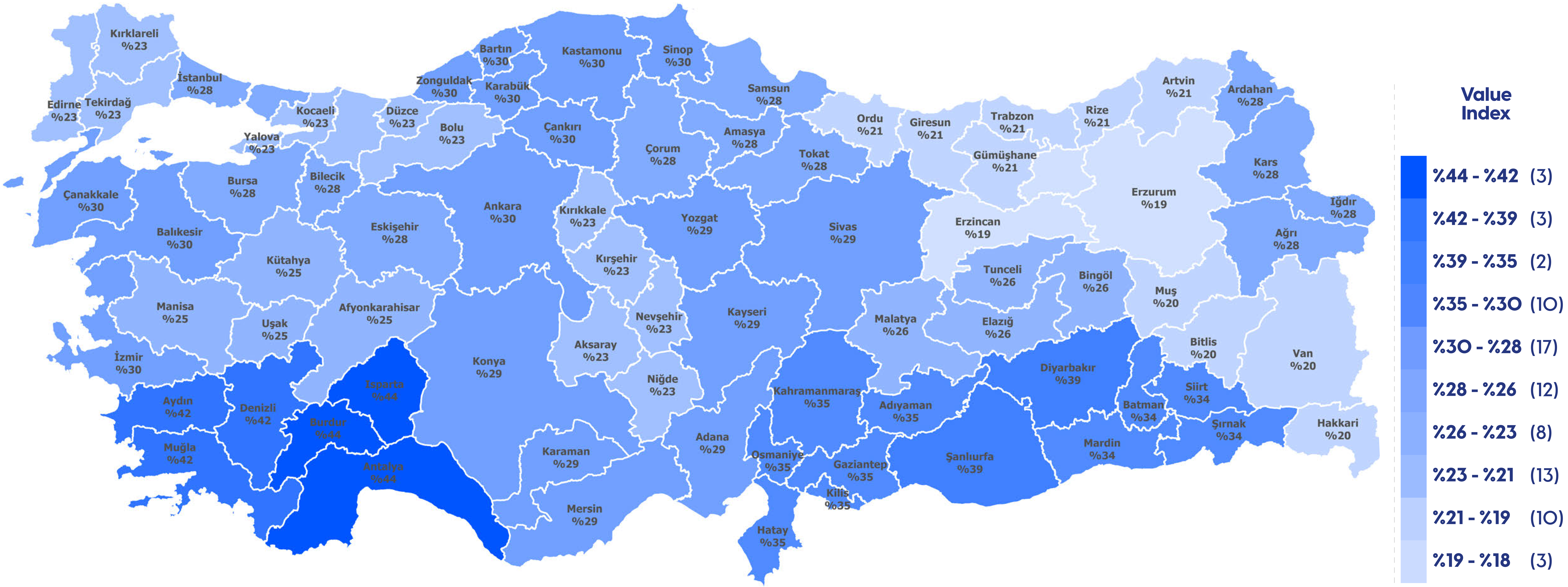
CHANGE IN RESIDENTIAL PROPERTY SALES



*The data in 2020 shows the change in the same month of the previous year.

Considering the December data that was updated with the year of 2019, it is seen that there was a decrease of -48% in Turkey's average. Our provinces that have an increase in the ratio are 4 provinces where the real estate market is shallow. An increase is continuing in values across Turkey while the decreasing trend in the number of sales is continuing in the last 4 months.

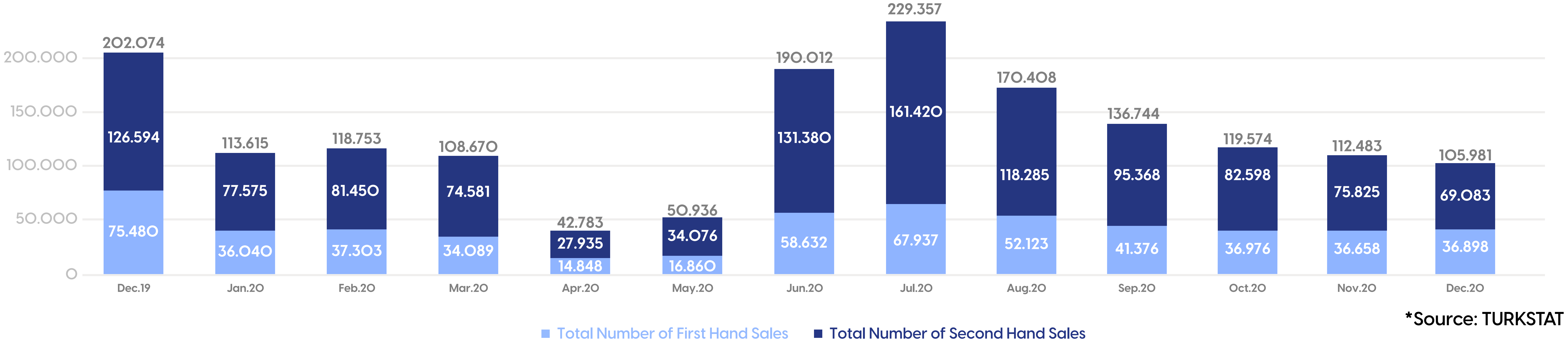
PRICE CHANGES IN RESIDENTIAL PROPERTIES



***The data in 2020 shows the change in the same month of the previous year.**

Considering the November data that was updated with the year of 2019, it is seen that there was a decrease of -28.16% in Turkey's average. Despite the decrease in real estate sales rate, the fact that the values are increasing above the inflation rate in all of our provinces indicates that the stocks returned to market normal, the deferred construction costs were reflected in the values.

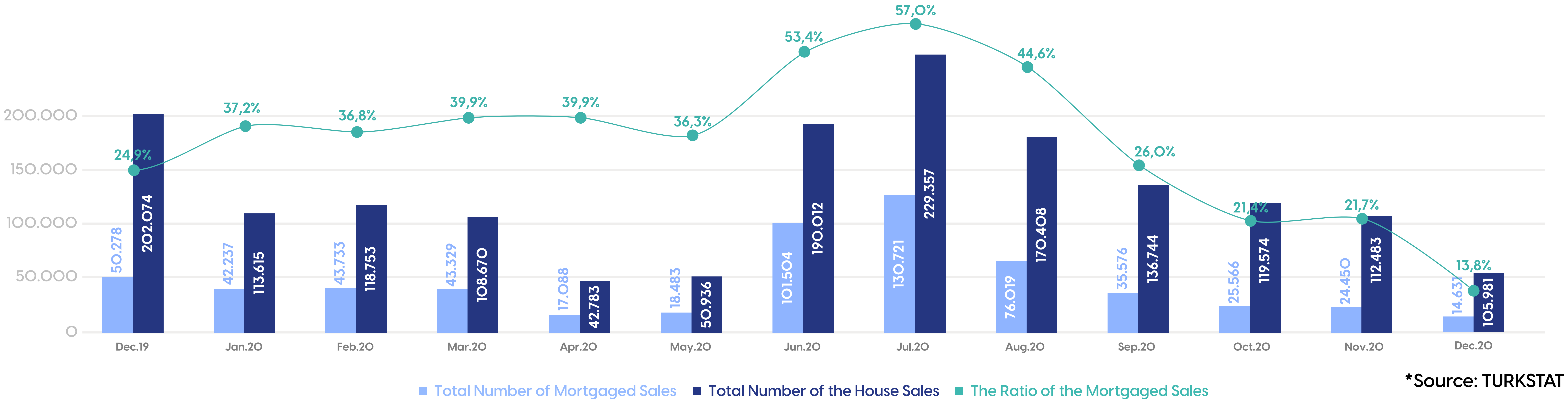
RESIDENTIAL PROPERTY SALE FIGURES



*Source: TURKSTAT

*Compared to the same month last year, the number of first hand house sales decreased by 51% in December 2020 in Turkey

*Compared to the same month last year, the number of second hand house sales decreased by 45% the same in December 2020

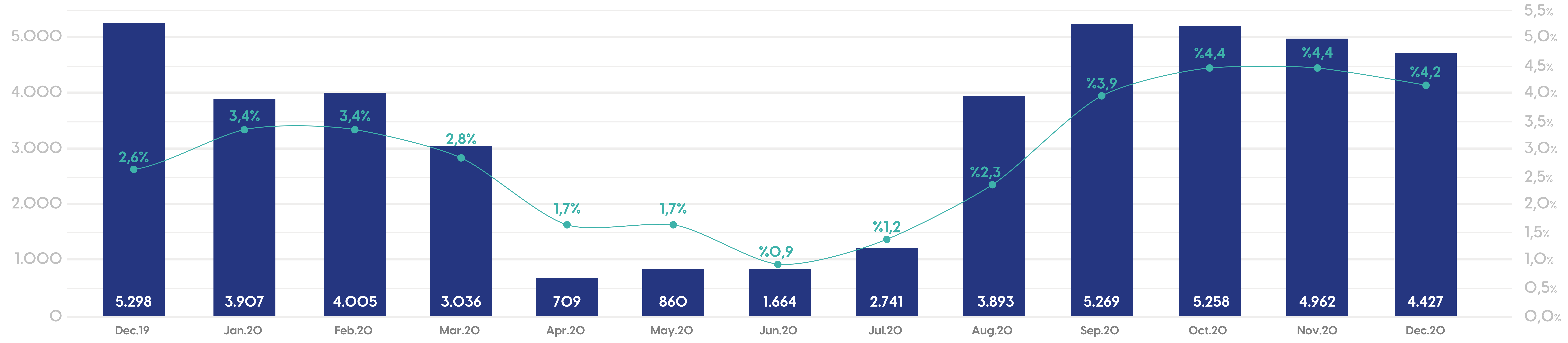


*Source: TURKSTAT

*Compared to the same month last year, the number of the mortgaged house sales decrease 48% in December 2020 in Turkey.

*The ratio of the mortgaged house sales is 14% in December 2020

HOUSING SALE TO THE FOREIGNERS IN TURKEY



*Compared to the same month last year, the number of total foreign sales increased by 16% in December 2020.

*The ratio of the foreign sales in total sales was calculated as 4% in December 2020.

Top 5 Cities in Terms of Foreign Investor Transactions
Istanbul
Antalya
Ankara
Mersin
Yalova

The Top 5 Countries in Residential Property Transactions
Iran
Iraq
Russia
Afghanistan
Azerbaijan

*Source: TURKSTAT

REAL ESTATE MARKET 2021 PROJECTIONS

Mustafa ÇAKMAK
Tahincioğlu
General Manager

TAHİNCİOĞLU

In order to evaluate the 2021 real estate sector, first, we have to properly analyze the real estate sector in 2020.

When we examine 2020 for the immovable property sector; the 1st quarter and the first half of the 2nd quarter of 2020 were difficult due to pandemics. The sales of 42,783 units in April and May showed a table that was not seen in the real estate sector before. The downward trend, which lasted until June, began to see an activation after the housing loan interest rates dropped under 1 With this movement, we saw a periodical increase by a large extend on the sales charts of hosing in the overall country. Record levels were noted with 190,000 and 229,000 units respectively in June and July. According to the July data, the mortgage housing sale in the overall country increased by 900.6% year on year with 130,721 transactions. However, in September, total housing sales dropped by 6.9% compared to September 2019 Nevertheless, the nine-month sales from January to September were 32.4% higher year on year despite the two-months quarantine caused by the pandemics. The campaigns of Emlak Konut throughout the year and the financial payment plans offered by branded residences greatly contributed to this increase.

We predict that 2021 will be better for the real estate sector compared to 2020 First of all, with the positive developments regarding the pandemics, a positive movement will begin in every market. This year, I think houses with gardens, wide terraces, high ceilings, and mixed uses will be highly preferred. Investment in multifunctional Multi-Houses and shops with outdoor areas rather than closed shopping venues will be a wise and proper decision.

As Tahincioğlu Real Estate, we have also created our projects according to these predictions. In accordance with these changing dynamics of the sector, we developed a multi-functional Multi Houses project in order to meet every need of those who work from home, where you can convert your kitchen into a reception hall, your living room into a meeting room and also a second bedroom. We have also developed a healthy shopping concept with Palladium Cadde Küçükyalı stores which were developed with an outdoor retailing concept, which is most needed in the period of pandemics. In 2021, we will continue developing them and other similar projects.

The office market was one of those affected during the period of pandemics. Together with the COVID-19 epidemic which has impacted the whole world in March, certain measures were taken in our country similar to that in the overall world. As a result, many companies moved to the home-office system with work from home due to the pandemics, while some others continued cyclical work at offices. I think this process will also continue in the New Year and a differentiation in the office sector will be essential based on the changing demands in the sector.

Another issue that we should evaluate in the 2021 real estate sector is that corporate real estate consulting services will come into prominence. Most probably one of the most troublesome issues in the real estate sector is lacking a professional consulting service where you can consult while purchasing real property. This year, an important step has been taken in this respect and the Ministry of Commerce's "Regulation on Amending the Directive on Property Commerce" was published on the Official Gazette.

According to this regulation, certain changes were made in the real estate sector. The regulation brought to the agenda the subject of increasing the service quality of real estate operations once more. I consider the introduction of formality to the conduct of real estate consulting by reliable individuals who are qualified and specialized in the industry, as a positive outcome for our sector. I believe that we will clearly obtain positive results from this development in the upcoming years, and real estate consulting will become one of the professions of the future. As a leader and pioneer real estate company of the sector, under the umbrella of Tahincioğlu Gayrimenkul, we have also established our Nidapark Real Estate Consulting company in accordance with the decisions taken. At this new company we have established, we will offer real estate dealing, renting, and consulting services to all existing customers in Tahincioğlu Gayrimenkul's portfolio as well as other projects and customers with an institutional service expectation in the industry. We believe that our new company, which has emerged as a result of years-long experience and knowledge, will fulfill an important demand in the sector.

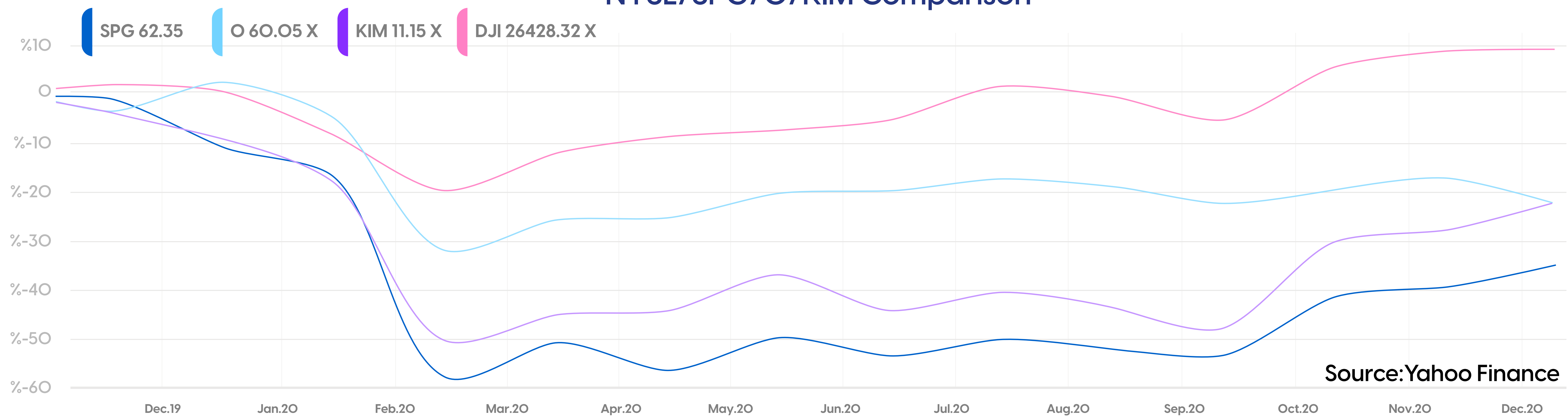
WHAT A YEAR 2020 HAS BEEN? WILL 2021 BE AN IMPROVEMENT FOR THE RETAIL REAL ESTATE MARKET?

Kerem ATALAY
Sanko Holding
Head of Real Estate

SANKO

Since 2015 there has been a steady decline in the retail real estate (RRE) market caused mainly from macroeconomic deterioration, geopolitical instability, reduction in foreign investments, devaluation of the Turkish lira against foreign currencies, and increasing inflation. Increasing retail unit vacancies had to be limited through rent discounts provided to tenants which in turn impacted the financial position of RRE assets. Retail regulations such as annulment of foreign currency contracts effective and service charge limitation regulations placed additional burdens on the financial position of RRE assets. And finally – the topping on the cake – Covid-19 pandemic, a black swan event, further deteriorated markets globally with a large impact on retail. In Turkey, the pandemic has so far caused multiple weeks of unit closures, reduced operation hours, a major decline in footfall and sales which forced landlords to provide further discounts to tenants despite having to keep most operational costs such as security, cleaning, facility management and maintenance.

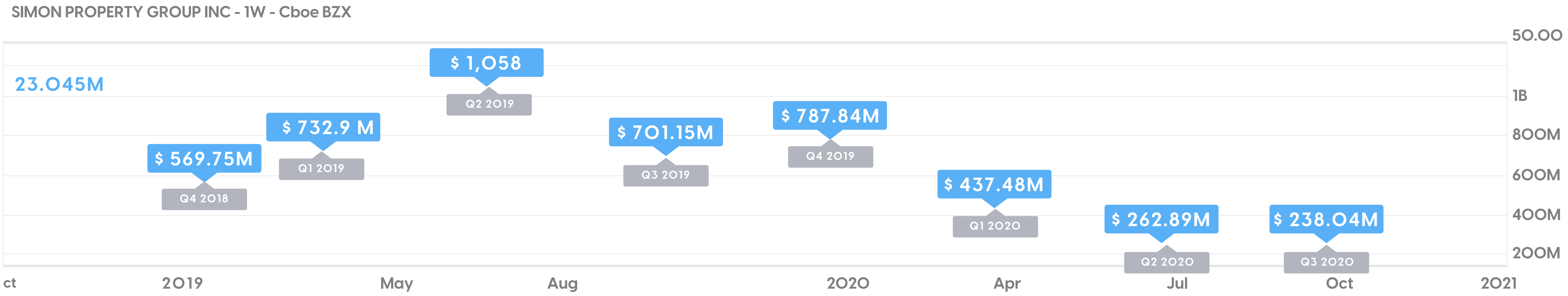
NYSE/SPG/O/KIM Comparison



Source:Yahoo Finance

RRE assets are generally suffering with cash flow management considering most have foreign debt positions. And the few with positive CF positions are mostly suffering from not meeting debt service coverage ratios and occupancy covenants of their debt providers. Retailers on the other hand are in a weak position due to low sales. Most have lost appetite for expansion and are reorganizing to optimize their P&Ls by hacking the units with unprofitable operations. This places further stain on RRE assets as retailers are demanding turnover rent only deals or heavy discounts to continue their operations. Moreover, a growing market share of e-commerce is finally starting to become a real threat to brick and -mortar stores. Covid-19 in 2020 was a catalyst for retail shifting to e-commerce. Many who were reluctant had to try and learn to order groceries and other needs online. And once learned it has the potential to become habit. Businesses such as Trendyol, Yemeksepeti, Hepsiburada and Getir had a booming 2020 with much competition amongst each other and expansion to each others' territory. Trendyol started their grocery and food delivery services to compete with Getir and Yemeksepeti.

WHAT A YEAR 2020 HAS BEEN? WILL 2021 BE AN IMPROVEMENT FOR THE RETAIL REAL ESTATE MARKET?



Source: tradingview.com

Well, with all this said - is it game over for RRE? Never! RRE is like a phoenix and will be reborn from its ashes if a Harry Potter analogy can be used. It has seen the worst and is bound to boom in the coming years especially with the expected speculation that Covid-19 will diminish greatly in 2021 through vaccinations and warming months ahead. Turkish RRE assets should be expected to perform on a similar trend to global RREs if not better considering Turkey is a developing market and the expected lower volatility in foreign exchange rates amid the Central Bank's current monetary policies may prove to increase the appetite in Turkish RREs over those in developed markets. Nonetheless, REITs such as Simon Properties (SPG) a US based RRE REIT with geographic diversification in Europe and Asia, along with other REITs such as Realty Income Corp (O) and Kimco Realty (KIM) are some examples of how the sector has been performing. On average the three REITs increased 54% since their low in Mar-20 with SPG soaring 79% and are close to recovery with the average of them being 23% below their Jan-20 pre-Covid-19 values. This is despite unrecovered earnings in Q3-20 being -66% lower YoY. People jailed by the pandemic are eager to get out and will likely boost consumption and retail sales. The future looks optimistic, especially opportunistic for investors looking to purchase RREs.

WHAT ARE THE EXPECTATIONS FOR THE LODGING INDUSTRY?

Sertac F. KARAAĞAOĞLU
Akfen REIT
CEO

It is probably the worst season ever in the history of the hospitality industry. As we have been feeling the sorrow and negative factors the next stage and the question comes to one's mind. How long will it take? The industry, which has gone through a halt due to terror and security problems recently, is now fighting against a much more devastating fact, and the entire world is planning a recovery. But this time, it is different. The psychological and social factors of the experienced disaster of pandemics have exceeded the biological factors, and this is now causing a change in the strategies, policies, and concepts which are now known and have been for many years in accommodation. Most probably, we are at the beginning of a potential change. As a matter of fact, if transformation into digital life gains pace due to pandemics or other different factors in the future, it means we will also experience a gradually accelerating evolution also in accommodation.

2020 was such a different year that, most of the hotels remained closed for 4 months, and then the occupancy rates did not reach 50% even during the peak season. So, how is 2021 going to be? If long periods of curfews and other legal restrictions continue, a year not any different than 2020 is expecting the industry. However, the activity will begin with controlled travels, where the vaccination is spread on wide masses, and the free circulation of people can be ensured, with a delayed activity through which many needs coming from the past can be realized. Of course, one should also consider that this activity and travel will be realized with different psychology than past habits.

We can already say that this period, with the transformation of sea holiday from all-inclusive hotels into villa type of hotels or summer houses, the business travels into digital platforms, and the cultural tourism into online travels will be determinant for 2021.

World-famous large hotel chains feature socially isolated villas in their advertisements related to sea holidays, while city hotels minimize the use of common areas, and they are working on certain practices that recall the work from home concept. On the other hand, all these things also determine the direction of shaping new hotel investments. The present psychology of pandemics causes people to prefer concepts that prioritize social isolation, which are interlaced with nature and the sun, where they can step on earth rather than giant complexes where large populations are accommodated.

At present with the concepts which individualize accommodation, digitize socialization, and isolate work environments have become more prominent, it does not seem quite possible for the tendencies to go back to when the biological impact of the pandemics begins to decrease. Therefore, 2021 will be a year when new tendencies will further clarify their lines in this trajectory.

WHAT ARE THE EXPECTATIONS FOR THE RESIDENTIAL MARKET IN 2021? WHAT WILL THE RESIDENTIAL MARKET LOOK LIKE IN 2021?

Faruk AKBAL
Nevita
Chairman of the Board

NEVITA
Your trusted partner to invest in Turkey

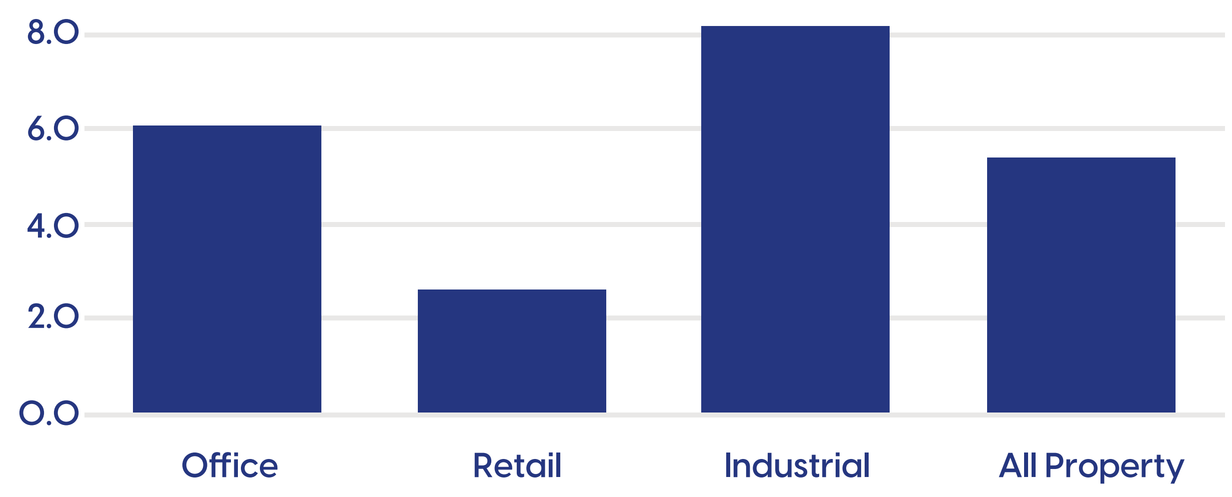
2020 has been a record year in every aspect despite pandemics. For the number of residential properties sold, first-hand and second-hand mortgage sales, mortgage loan volume, average mortgage loan amount, the total amount paid by foreigners for the properties they have purchased. And many more. A more sensible growth in the sale of residential properties to foreigners in 2021 will carry further forward these records, but speaking of the residential market in Turkey, I am somehow more cautious. The first half of the year may be lackluster for loans, but I believe that the mood will change in the second half. As a matter of fact, we see a government that is very determined to fight against inflation. Nevertheless, noting the fact that the construction industry feeds more than 22 sub-industries, another campaign would obviously be lifeline support. Assuming that there would not be any campaigns soon, any prediction for a decrease in interests would not be rational. We see that the governance of finance has taken accurate steps and fought against inflation. But we can see a more optimistic picture in the second half. A campaign in the meantime would of course change the aspect. It will also be a year when urban transformation would gain further importance. Particularly, the determination of the Ministry of Environment and Urbanization and the Minister Murat Kurum in this respect provides assurance for the industry. The earthquakes we experienced at the beginning of the year in Izmir, Anatolia, and Istanbul at the beginning of the year already advise us to continue urban transformation quickly.

From the point of selling properties to foreigners;
There is not any other metropolis as reasonable as Istanbul for foreigners. As you will see, the average square meter price in residential property sales in Istanbul is €462. The number is €11,613 in Paris, is €10,797 in London, €8,442 in Munich, €2,630 in Madrid, €3,346 in Lisbon, €3,346 in Bolzano, Italy, €3,041 in Bolzano, Italy, €5,992 in Innsbruck, Austria. It is also noted that the prices in these cities are very high compared to the average prices of the countries. In Paris, the average price per square meter is 4.3 times higher than that of overall France, that in London is 3.3 higher than that of the UK, that in Munich is 3 times higher than that of Germany and that in Innsbruck 3.7 times of Austria. However, in Istanbul, the average price per square meter is only 1.5 higher than that of the overall average in Turkey.

I see that more reliable companies have come to the forth in the sale of residential properties to foreigners recently. It needs to continue being encouraged. As a matter of fact, while selling a property to a foreigner we are also selling life in Turkey. In other words, we are exporting. In this respect, I want our ambassadors to assume a more active role in selling residential properties to foreigners, and make our export value more visible.

WHERE NEXT FOR EUROPEAN SHOPPING CENTRES?

Sean RYMELL, CAIA
UBS Asset Management,
Associate Director, Research



Source: UBS Asset Management, MSCI; 2020

It is no secret that European shopping centres have been facing structural headwinds over the past decade. Formerly a mainstay of any investment portfolio, shopping centres have been struggling against rising ecommerce, high cost burdens, and changing patterns of consumer behaviour.

We anticipate these trends will continue with the European retail sector expected to see capital value growth of -12% and rental declines of -7% over the next five years, on top of respective capital and rental declines of -9% and -5% in 2020 This fairly bleak picture is a sector average, and we would anticipate that shopping centres will fare worse due to their greater exposure to non-essential retailers and higher impact from the pandemic. Additionally, the divergence between prime and secondary assets will continue, with prime showing more resilience than more secondary, poorly- located schemes.

Not all European countries are equal of course. There is currently a perceived divergence between the UK and the rest of Europe. Indeed, the UK saw a fall in capital values of almost 40%% between 2016-20 (MSCI), while Europe has seen values fall by around -9% so far.

But how true is this? The UK is certainly different in many respects; it has one of the highest ecommerce penetration rates in Europe and much higher occupational costs. Business rates are high, while changes to the minimum wage have meant labour costs have increased significantly over the last 5 years.

Some European countries also have a greater natural resilience to these headwinds; Spain, for example has always F&B elements and cinemas in shopping centres, an approach essential to creating a good consumer experience. Another example is Germany which often incorporates shopping centres into metro stations allowing for a greater convenience offering and higher footfall.

However, on the other hand data from PMA suggests the UK has a lower than average rate of floorspace per capita so there is not necessarily a basis to think that it is more 'over-retailed' than other locations. And, with lower but rapidly rising ecommerce rates across Europe, the argument could feasibly be made that the continent is simply 1-2 years behind.

In our view, shopping centres will certainly have a future, however they have transitioned from stable 'bond-like' income to more operationally focussed 'equity-like' returns. Managers and landlords must take a more proactive approach to managing centres, which will be tailored to the needs of the individual asset. These will broadly fall into two camps; those that have a future and those that do not.

For the best-in-class, dominant centres, the focus will be on improving the customer experience through technology, adding mixed use elements and refocussing on wellness and sustainability. Some landlords are even experimenting with adding housing development onto the same site; this has the dual benefit of added income from the more resilient residential sector, as well as creating a nearby customer base for the scheme. But ultimately, owners of more tertiary space will need to acknowledge that the asset has no retail future and explore options for change of use to more lucrative sectors.

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