

Real Estate Market in Turkey

No doubt the global economic recession and crisis have affected the European and US real estate markets. On the other hand, the real estate markets in emerging markets like Turkey are still promising despite the global crisis. In last decade, international real estate market has significantly developed in Turkey. Accordingly, the interest of local and foreign investors in the real estate market progressively increased every year.

There are many reasons for Turkey to become promising in real estate market. Principal reasons can be specified as;

1. a large number of low quality houses' being replaced by new ones,
2. the recently introduced mortgage loan system's huge growth potential,
3. the important growth prospects for retail property thanks to immature retail market brings significant growth prospects for retail property,
4. illegally constructed houses' being demolished which directly reduce the supply,
5. prospects of new amendment on the reciprocal requirement for foreigners to acquire real estates in Turkey.

According to results of the Emerging Trends in Real Estate Survey performed by Urban Land Institute and Price Waterhouse Coopers, Istanbul is ranked as one of the most attractive real estate investment markets among all European Cities.

Real estate acquisitions by foreigners and legal reforms

Under current legislations, real estate acquisitions by foreign real and legal persons depend on certain conditions. Foreign real persons may acquire real estates within the boundaries of Turkey under the condition of complying with legal restrictions. Foreign real persons are entitled to acquire real estate and rights only up to 10% of the total parcels of the area within the boundaries of the application plan for zoning and local zone plan in a central district or district terms. Total area which may be acquired by foreign real persons is limited to 30 hectares.

Foreign legal entities incorporated abroad can only acquire real estate in accordance with the Petroleum Law, the Tourism Law and the Industry Zones Law. Accordingly, companies incorporated or partly owned in Turkey by foreign investors are entitled to acquire real estate or rights which are related to the activities set forth under the articles of association of such company. In addition, foreign investors may acquire real estate and rights by obtaining the approval of the governorship where the real estate is located under current legislation.

Before the amendment of the Land Registration Law in 2012, the acquisition of real estates by foreigners has been limited to the reciprocity principle and limitations for acquiring of a real estate by foreign-capital companies were not limited to the companies incorporated or partly owned in Turkey by foreign investors.

The purpose of this amendment has been to allow the foreigners to acquire real estates in Turkey regardless of reciprocal requirements.

Accordingly, there are restrictions for sales of certain areas to foreigner due to their importance to national security and strategy.

Due to these amendments in Land Register Law, huge interest has been shown for the real estates in Turkey, particularly from Gulf and Arabian countries and Turkic Republics. Accordingly, domestic market has also gained substantial business volume, especially in construction and real estate sectors.

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