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Acquisition of Real Property by Foreigners in Turkey

Highlights of this issue

Recent Tenders of the
Privatization Institution

Recent Decisions of the
Competition Board



ACQUISITION OF REAL PROPERTY BY FOREIGNERS IN TURKEY

The economy of Turkey has found a tremendous support from the construction sector in the last decade. The uptrend in the number of stimulation offered by the government and the will to develop the infrastructure of the country inspired the private construction sector into developing and expanding the scope; without a failure to realize the international opportunities as well as the local ones. In 2014, 42 Turkish construction companies have made it to the list of biggest companies of the sector, naming Turkey the second country with most companies after China. The expertise of Turkish companies is recognized with more contracts pouring in from all over the world.

Local construction companies have also surged in this time period as the local market demand for acquiring a property defined the need to build more elegant, more modern and better functioning houses. Each project found a local support

leading many more to come, marking the construction sector as one of the keystones of the Turkish economy.

Turkey has also another project in mind regarding this particular sector and its scope. In order to find a solution to the notorious current account deficit and growing need for foreign currency, Turkey has been focusing on “exporting” their local dwellings; in other words, selling houses to foreign people. In 2015 this endeavor has reached a respectable 5 billion \$, many of the customers or investors being from Arabic peninsula or Western Europe. However, the target for 2016 has now been established to see a total of 10 billion \$ net worth of sales of houses to foreign sources. As enjoyable as it is for the local units and the Turkish state to receive foreign currency without physically exporting anything, the foreign investors are also enjoying themselves as they pour into the country with an increasingly fashion to encounter a possibility of investing their valuable money. The assets in the country proved to be of value as the prices never seemed to decrease or many economics defy any threat of economic housing balloon in the near future.

Ömer Faruk Çelik, the president of KonutDer (Housing Developers and Investors Organization) stated in one of his interviews that he estimates the sale to foreigners of real property in Turkey this year will be around 20,000 and to gain a revenue of \$5 billion; and that they envisage the sales in 2016 to reach 40,000 house and profit over \$10 billion.

Currently, Turkey requires the following conditions to be met by foreigners to acquire real property and/or rights in rem:



- the reciprocity condition has been canceled a while ago, and the countries for which acquisition is allowed are determined by the Council of Ministers. Currently there are 183 countries allowed to acquire real property and/or limited rights in rem in Turkey;
- the total area of real property and/or continuing and independent rights in rem that a foreign real person is allowed to acquire across Turkey is 30 hectares;
- it is not possible to acquire or rent real properties to foreigners in military forbidden zones and security zones;
- the total area of the real property and limited rights in rem that can be acquired by foreign real persons cannot exceed 10% of the total area of private properties in such district.

PRIVATIZATION

The tender for the privatization of Manavgat Hydroelectric Power Plant and the real properties related thereto is awarded to Kibar Holding A.S., who was the highest bidder with a bid of TL 370 million.

- The tender for the privatization of Fethiye Hydroelectric Power Plant and the real properties related thereto is awarded to Eti Alüminyum A.S., who was the highest bidder with a bid of TL 128.025 million.
- The tender for the privatization of Karacaoren 1 and Karacaoren 2 Hydroelectric Power Plants will be carried out on 27 October 2015.
- The tender for the privatization of Kadincik 1 and Kadincik 2 Hydroelectric Power Plants will be carried out on 10 November 2015.
- The tender for the privatization of Gogankent, Kurtun and Torul Hydroelectric Power Plants will be carried out on 20 November 2015.

COMPETITION

- It is ruled by the Competition Board, with its decision dated 16 October 2015 and numbered 15-38/635-218 that a joint venture is established over Mugla Yapi Malzemeleri Sanayi ve Ticaret A.S. after the acquisition of its shares by Limak Bati Cimento Sanayi ve Ticaret A.S. and IC Ictas Muhendislik ve Yapi A.S.
- It is ruled by the Competition Board, with its decision dated 6 October 2015 and numbered 15-37/565-187 that certain shares of Unit Investment N.V. may be acquired by International Finance Corporation from European Power Systems SA by way of capital increase.



Answers. Not theories.

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About our firm

Gokce Attorney Partnership is an Istanbul-based law firm offering legal services across a broad range of practice areas including mergers and acquisitions, joint ventures, private equity and venture capital transactions, banking and finance, capital markets, insurance, technology, media, telecoms and internet, e-commerce, data protection, intellectual property, regulatory, real property, and commercial litigation. Please visit our web site at www.gokce.av.tr for further information on our legal staff and expertise.

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