



INVESTMENT ANALYSIS OF TURKISH REAL ESTATE MARKET: THE CASE OF IRAQI INVESTORS

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ABSTRACT

Turkey maintains its economy by efficient legislative work for international investors in real estate of Turkey. This research aims to investigate the factors that proved beneficial for the development of Turkey's real estate. Further, this study aims to investigate the pulling factors that attract international investors in turkey special Arab countries (Specially Iraq). Researcher utilized the previous research, reports and online sources to gain the information to meet his objectives. The investigation showed, supportive policies and laws, friendly environment, economically and politically strong, trust of investors, citizenship, value of Turkish products in market, restrict penalties against corruption and surety regarding security of business are the main pulling factors that attractive international investors for investing in real estate of Turkey. The results show that Turkish government being neighboring of Iraq; with good relations gives special benefits to Iraqi investors in tax, investment and visa process etc. These are the main factors that the Iraqi investors feel beneficial for them and invest in Turkish real estate.

KEYWORDS - International Investors, Iraqi Investors, Turkish Real Estate Market

I. INTRODUCTION

The purpose of this paper is mainly giving an idea about the real estate development procedure and some different Arab developers who dominate the market in Turkey. Istanbul

as the metropolitan city of the country has been mostly inspected in the study since the city is the major market in Turkey. Mostly the residential real estate development is researched in order to narrow this research. Therefore, other markets such as office or retail market has not been studied deeply. Specifically, this research investigated the interest of Arab and particularly Iraqi investors in the real estate residential development in Istanbul.

Turkey is one of the most advanced countries in different fields like tourism, industrial and agricultural. Desirable from tourists and investors, tourism in Turkey a significant impact on gulf state and the Iraqi in particular, we can see the rate of tourists in 2015 raised to 46% and most of them were from Iraqis and gulf state, which constitutes nearly millions of visitors a year to Turkey, according to the official office that related tourism organization, that some Arabs are not just tourists only visit, but they are active in the Turkish real estate market significantly. Investment in Turkey has increased by 25% in 2015 compared to 2014. There have been studies conducted on the Turkish residential real estate investment analysis (Binary, 2007), real estate development process of Turkey (Coskun, 2010), demand and supply of real estate market of Turkey (Akkaya, 2005) and analysis of recent trends in Turkish real estate sector (Karasu, 2015) but there have been no study investigating the investments made by Arab and specifically Iraqi and Gulf investors in Turkish residential as well as commercial real estate development. Therefore, this research gap provides a sound basis for conducting this research.

II. LITERATURE REVIEW

2.1 TURKEYS' REAL ESTATE MARKET

The IMF 2003 stabilization program and commitment to abide this have contributed towards the triumph in the field of inflation, exchange rate and interest. This thing results in the positive impacts on the real estate loans with respect to the interest amount. But the interest rates are not so low to apply for the system of mortgage. Hence, by regarding the positive figure of economic, the figures of last three years it is possible to start the mortgage system. And the possibility of coming mortgage system has increased the prices before it is initiated. And the other reason of enhancement in prices is the permission of the foreign investors to purchase the real estate in Turkey. The new legislation affects the holiday resorts on the Mediterranean and Aegean cost (Allen, 2004).

It is very much starting that in the recent decade the growing economic and political ties of the Turkey with the Arab world do not attract the investment from the Arab world. And now Turkey is seeking for the big investment from its neighboring Arab states to boom its economy. One of the reasons that Arab states are not investing in the real estate business of the Turkey or any other sector of Turkey is that the prices of the oil have been fallen due to which the economy of all the states of the Arab is dwindling. The companies of the Turkey are offering the high return to the international investors as compare to the Asian and Latin American companies (Kucukcan, 2010; Etkin, 2000).

President of Turkey while addressing the foreign delegates of real estate investors said that their economy complements each other and it is important to create more interdependence on one another in the field of trade. Instead of the 8.3 billion of or the 3.2 percent of all the international investment from the Arab world and the North Africa, Turkey is offering a wide scope of growth to the investors of the world (Özel, 2015).

A study conducted by Ceritoğlu (2017) showed increase in the house price indices in four provinces of Turkey. The increase can be seen highest in Istanbul. Following graphical presentation clear the picture of increase.

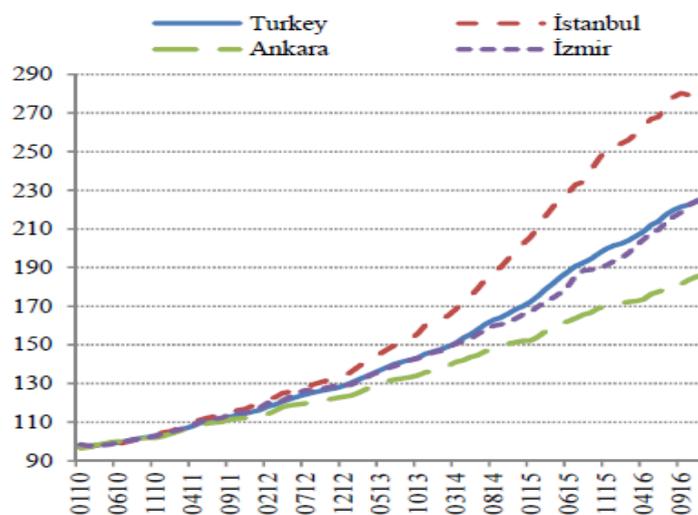


Figure 3.1: House Price Indices

2.2 REAL ESTATE IN TURKEY AND ATTRACTIONS OF ARABS

There are numerous attractions exist in Turkish housing market for Arab investors. In 2016, prices of small size houses in Turkey increased larger than before. Newly built houses that were 51-75 square meters, their prices were raised by 9.9%, prices of houses 76-100 square meter were raised by 9.59%. Whereas prices of houses had size between 101-125 square meters raised by 9.31%, prices of property had size 126-150 square meters were raised by 8.75% and average prices of the bigger size properties which were larger than 151 square meters were raised by 7.58%. On the basis of this increase it can be inferred that prices of all properties have been increased but in case of small properties this increase was higher than larger properties (Kirikkaleli, 2018 & Coskun 2017).

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Arabs also admit that culture in Turkey is much more like what they will return home. A significant majority of people in Turkey have understanding of Arabic like taxi drivers, hotel staff, architects, travel directions people, lawyers, doctors, realtors, carpenters and other experts. Turkish people are friendly and also have much similarity with Arabs like common religion. Uplift of Turkish economy make it best place for doing business. For example, most Arabs have entered in immigration sector of Turkey because Turkey has best tourist destinations and millions of tourist visit Turkey every year (Ünal, 2017).

Another element behind attraction of Arab in Turkey is their acceptance in Turkey. First of all, general public survey showed that 52% citizens want an Arabic medium university in Turkey. This showed respective and acceptance of Turkey for Arab countries (Karşıyaka, 2017 & Kucukcan, 2010).

2.3 PROPERTY LAWS IN TURKEY

Dumludag (2009) evaluated the Turkish real estate market while giving recommendations said; to boost the business of the real estate and boost the economy of the Turkey it is necessary for the country of the turkey to make the flexible law so that the investors from the Arab states can also invest in the real estate business of Turkey. It is very much important the sector of real estate to boost the economy of the Turkey because it directly or indirectly promote the economy of the country. However, the international investors invest the 5 billion dollar in the real estate of the Turkey and this figure will surely enhance in the near future due to the change in the policies of the Turkey.

The attraction of the new investors in the purchasing of the property in Turkey is due to the change in the law relating to the property. In the month of May 2015, government has passed new laws to end the reciprocity demands to attract the more international investors towards the land of Turkey. Since the month of August 2015, government of Turkey has allowed the citizens of many countries to buy property in Turkey without any prejudice and distinction. However, the limitation for the foreigner to purchase the land increase from the 2.5 hectors to 33 hectors (Yilmaz, 2016 & Kantarci, 2015).

In order to easy property investment and give assurance to the foreign investors, The Turkish government has issued laws granting Turkish nationality to foreign investors investing at a capital of at least \$ 250,000 properties as well as to those who provide more than 50 jobs. This new policy attracts the investors to invest in Turkey in any case. These facilitations attract the people around the world and specially the investors in the Arab states.

2.4 PULLING FACTORS FOR INVESTING IN TURKEY'S REAL ESTATE

Main reason for Turkey's popularity is its distinctive geographic location, population growth, urban and urban development, increasing per capita income, innovation and large urban development, the potential of the construction sector and the ease of doing business in Real estate in Turkey (Erol, 2016).

Tourism is the main gate that paves the way for Arabs to enter the real estate sector in Turkey. There is a close link between the influx of Arab tourists to Turkey and the ownership of the property. Turkey attracts a record number of tourists from the Middle East each year,

especially from Iraq, Kuwait, the United Arab Emirates and Saudi Arabia, where Arabs account for 40% of the 42 million visitors to Turkey each year. The number of tourists from the Gulf to Istanbul has increased by 450 per cent in 2013 and 2014. According to data from the Directorate of Culture and Tourism in Istanbul in 2015, nearly 20 per cent of the seven million visitors to Istanbul are Arab tourists, their share in the market, where they accounted for 10% of the total number of tourists in 2010 (Katircioglu, 2017).

Turkey also offers unique educational opportunities for foreigners and Arabs in particular, has relatively high quality education, low tuition costs and a large number of scholarships offered by Turkish universities. According to a recent British study published by the Oxford Center for Educational Assessment, if economic and social differences are excluded, Turkish and Thai education are among the best in the world. Thus, Turkish education has become a favorite of Arab youth seeking a better educational opportunity, the number of foreign students coming to Turkish territory, especially Arabs, at a large rate (Habibi, 2017).

III. FINDINGS OF TURKEY-IRAQ RELATION

Based on the literature review, the research has focused on finding the factors pulling Iraqis to invest in Turkey and this investment is affected by relationship between countries. The paper has a review of the trade relationship between Turkey and Iraq as an influential factor in property investment of Iraqis in Turkey.

4.1 TURKEY-IRAQ BUSINESS RELATIONSHIP

The fact that countries are neighboring to each other with a long history of ties with each other has always affected the business and trade relationship between the countries. However, after the north of Iraq acquired more autonomy, political issues have intensified more, but at other hand, private business sector are try to increasing their business share with each other.

Between 2003 and 2012, the volume of trade between Turkey and Iraq rose dramatically, with successive jumps from just \$ 900 million to about \$ 11 billion. This jump compensated most of the declines that Turkey may have experienced in its trade relations with other Arab countries as a result of the outbreak of revolutions Arab political tension, or instability in the region. Since 2011 Turkey has been the second largest importer of Turkish exports after Germany, with Turkish exports reaching about \$ 12 billion in 2013, the bulk of which was in

northern Iraq, managed by the Turkey's Eastern Anatolia side and Southeastern Anatolia side Regional Government (about 75%). Commodities such as iron, electronic equipment, metals and fruit are at the top of the list of exported goods (Hassan, 2012). The figures for the years 2009 to 2013 indicate that Iraq has the right to occupy the first position as the largest container of Turkish exports instead of Germany; Turkish exports in 2013 are about 13.7 m Dollar dollars. Turkey's trade with Iraq is a surplus of more than 10 billion dollars for Ankara, which is an important gain for it, as the volume of surplus achieved by Ankara with a number of regional countries due to the recent instability in the region (Hassan, 2012).

4.2 IRAQIS PROPERTY INVESTMENT IN TURKEY

Historical relations between Iraq and Turkey have been established. In terms of economic relations, the strategic cooperation council was formed between the two countries in 2008. In 2009, 48 agreements were signed in the fields of security, energy and various economic aspects. Iraq contributes Turkey to its oil needs by 15% of the total needs. Turkey Oil, the last meeting of this Council in 2017 in the presence of the Turkish Prime Minister in Iraq. Turkey has strong relations with the Turkey's Eastern Anatolia Region and Southeastern Anatolia region, which Turkey is keen to remain part of the system of Iraq, and does not accept the separation from Iraq, Turkey also supports Turkmen Iraq, and demands the rights of representation in the senior management of the country (Cordesman, 2018).

The similarity the culture of Iraq and turkey is also one of the main factors which stimuli the investors in the Iraq to invest in turkey. It is because the barrier of language disturbs the communication between the investors if the invest in such states where there is different languages than the Iraq. The Iraqi desire for the acquiring of Turkish nationality is also responsible for the Iraqi investment in turkey. The recent introduction of citizenship facility to the foreign investors lures the foreign investors to invest in the Turkish state (Müftüler-Baç, 2014).

The strategic location of the turkey which is the proximate of the Iraq also appease the investors of the Iraq to invest in the vicinity of the turkey and take advantage of the proximity of the border. In turkey the investors can invest the money in real estate and later on can sell the property at higher price. The selling process of the property is very easy. That's why the

investors not only from Iraq but round the world are investing leaps and bound in turkey (Balat, 2004 & Müftüleri-Baç, 2014).

According to the research done to property market Iraqis are the top investors in Turkey's property market for 2016 and following. In 2016, they granted the first place buying 4.228 real states in Turkey. Furthermore, in 2017 they reserved the place of top buyer buying 3,036 real states. By easing the process of granting nationality for less amount of money, there expected to be more Iraqis more investors flowing to the country.

IV. CONCLUSIONS

The Iraqi investors are invested in the state of Turkey due to the many reason. And the one of the main reasons is the proximity of the border. Iraq is very near to the turkey and the investors of the Iraq have not traveled much to oversee their business and investment. This is the main factor of the highly investment of the Iraqi in the country of turkey. On the other hand, the people of the turkey and the people of the Iraq have good relations. This factor is also responsible for the high investment of the Iraqi people in the turkey.

One of the main reasons of the Iraqi investment in the real estate and tourism industry of the Turkey is due to the concession to the Iraqi investors in the tax and other strict policies which were previously main barrier to invest in Turkey. The government of the Recep Taub Erdogan has removed these barriers and made Turkey a modern state and liberal state in its real sense. Turkish government has not only facilitated the nearby states but also the rest of the World to come in turkey and invest openly without any restrictions. This thing stimulated the investors in the Iraqi state. Iraq is a rich state and full of natural resources, there are chances of high investment from Iraq. That's why the Turkish government has allowed the Iraqi to invest in the real estate sector.

On the other hand, the Turkish government also introduced the visa policy for the investors. It has given the facility to the investors to invest in turkey and get the citizenship of the turkey who invest an amount of certain limit and provide the jobs to the people equal to the 100 worker or more. In this way the government of the turkey appeases the foreign investors to invest in turkey and maximize their profits. There are little facilities for the investors in the world and turkey is leading the regions with regard to the investment in the real estate business.

In the process of coming to turkey and settle in the country there are number of complicated process which is soften for the investors. Make a visa for the investor, book an airline ticket and book the hotel. Receiving the client from the airport and delivering it to the hotel. Provide advice for appropriate offers. In the case of purchase, the company shall perform all appropriate procedures required to complete the purchase, receipt of the passport, translation of the passport, the work of the tax number, the certified interpreter, health insurance, and the date of work of the real estate residence and following up all the procedures until receipt of the order and residence. All these kind of facilitation not only appease the foreign investors but they also promote other investors to invest in turkey.

Although foreign investment particularly in real estate industry has been encouraged in Turkey, some issues like political and economic stability are still vague for foreigners. Coupe in 2016, changing lira vs dollar rates are issues cared with discretion. In the other hand, shortly and soon changes in foreign investment policy and issuing resident permit and visa concerned foreigners in investing in Turkey.

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