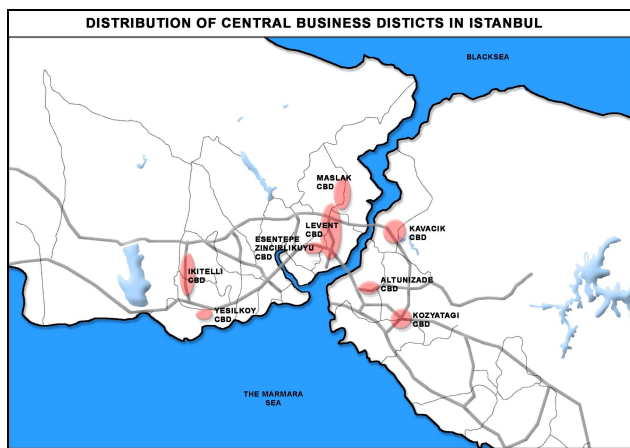


Office Market

The largest office market in Turkey is located in İstanbul with approximately 1.5 million sq m. of modern office stock.

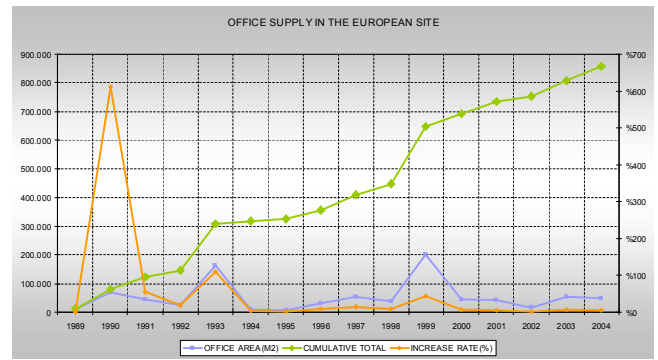
The construction of Class-A office buildings in İstanbul started in the late 1980s as progress was made in the liberalisation of the Turkish economy. The major locations for modern office developments are on both European and Asian sides of İstanbul. Among these locations, the high-concentration CBD zone includes the Esentepe – Zincirlikuyu – Levent – Maslak regions—with Levent attracting the highest demand. 50% of the completed modern office stock is located in this zone. Yeşilköy, where the İstanbul World Trade Center towers are located, is another potential CBD district on the European side.



In line with the urban dynamics and decentralisation of urban functions, Altunizade and Kozyatağı districts on the Anatolian side developed as secondary CBD locations, due to their proximity and other infrastructural advantages. The Anatolian side accommodates 30% of the total Class-A office stock.

Office Supply

In its development process, the supply of modern office space in İstanbul is mainly determined by the performance of the national economy, which experienced two major crises in 1994 and 2001. In general, Class-A office supply shows a tendency of reaching a peak before a crisis, followed by a sharp decrease.



The 2001 economic crisis and the downturn in the banking and finance sector have negatively affected the occupier markets. The modern CBD zones, where finance and service sector occupiers highly concentrated were particularly stricken. However, Levent, the most demanded area, has endured the decline relatively well, as its mix of upscale tenants has been a protection to some extent against the decline in demand. Major Turkish holdings and financial institutions chose this area to build their office towers.

2002 and 2003 were more or less the recession years. Nevertheless, 2004 was the year of recovery for the real estate markets as it was for the whole economy. As the Turkish economy continues to show signs of improvement, the outlook for the real estate sector remains sound.



Approximately 150,000-200,000 sq m (at construction stage) office space will be added to the current stock in the next two years. The economic improvements and the start of the EU membership negotiations in October 2005 will positively affect the office market and the related demands.

Office Demand

Within the last one year, vacancy rates have been decreasing in many locations. A significant example is the Levent district, where the vacancy rate decreased to 2.5%. The offices in the recently built Tekfen Tower were leased mostly to foreign companies soon after construction.

Although these developments are encouraging, vacancy rates considerably vary from one location to another. While the present vacancy rate for Levent is 2.5%, this rate increases to 10% in Maslak, 20% in Esentepe and Etiler, 24% in Altunizade, 35% in Kozyatağı, and %9 in Kavacık (Source: Colliers Resco).

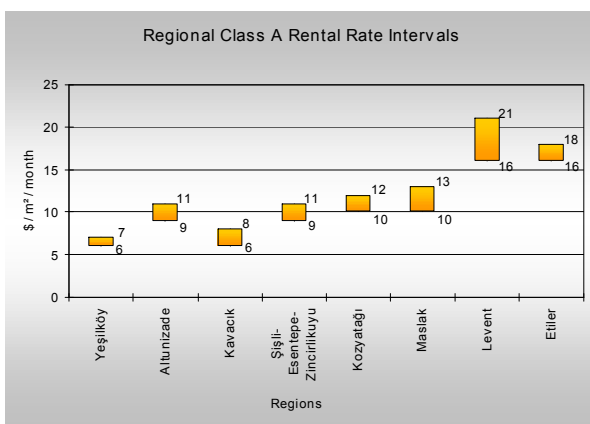
One year ago, the vacancy rate in Altunizade was 40%, in Kavacık %37, in Kozyatağı %50, in Maslak %18, and in Levent %7 (Source: Colliers Resco).

Major company groups that steer the demand are financial institutions, holding corporations, insurance, manufacture and, communication companies.

The recent economical improvements also gave rise to anticipations for demand increase. There is a need for high quality offices, particularly at central locations like Levent.

Office Rents

Weak occupier demand and excess supply reflected on the declining rental values. The per m² rental rates in tendency of decreasing showed a slight increase

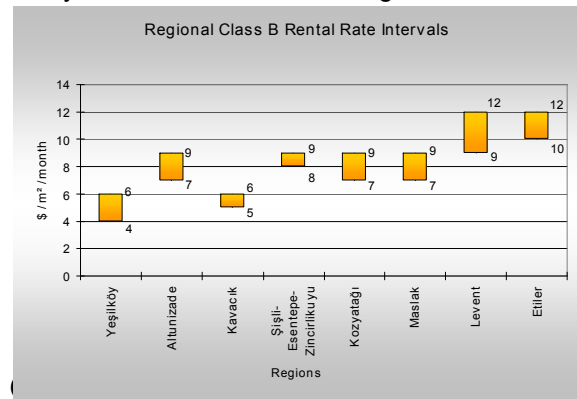


due to the improvements in the economy.

However, high demand and limited supply of high-quality offices lead to an increase in rental rates and selling ratios, which indicates the scarcity of high quality offices at central locations.

The sale rates vary within a range of 1,000-2,310 US Dollars/m² for Class-A, and \$450-1,200 US Dollars/m² for Class-B office buildings.

The yield band for office buildings is 10-11%.



The recovery expected in 2005 may reveal itself in the decrease of vacancy rates.

Ümraniye has been a popular area for residential buildings in the last few years. The area also started to attract interest as a business area. The demand for office buildings is expected to rise.



The limited number of high-quality office buildings on the European Side may cause tenants to opt for office buildings on the Asian side, where site costs and rental rates are lower. Parallel to the urban transformation policies of the Istanbul Metropolitan Municipality, districts like Kartal and Maltepe—former industrial districts—may become attractive for the office investments—thanks to their central location and efficient connections to TransEuropean Motorway and the Sabiha Gökçen Airport on the Asian Side.

Turkey, as a low-cost destination with increasing volume of qualified workforce and recent regulations

to the benefit of foreign investments, will surely capture foreign capital.

The EU negotiations scheduled for October 2005 is expected to draw foreign funds and investments to Turkey, and in-turn invigorate the economy and property markets.

The new legislation —basing on the reciprocity principal— allows non-resident foreign legal and private bodies to purchase property in all regions of Turkey, except for the restricted zones. The former legislation permitted only for properties within municipal areas. The new legislation increased the foreign demand for real estate properties. In this context, statistical data indicate that the amount, which foreign entities invested in property in Turkey, is 1.343 million US Dollars.