

HABER TURK

Restoring Ottoman-era glory to slums of Istanbul

Developers expect the values of the mainly residential properties to jump sevenfold to \$5,500 a square meter within about five years.

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Benjamin Harvey / Bloomberg

When Emrah Gültekin looks at the crumbling facades, dangling laundry lines and narrow streets of Istanbul's working-class Balat district, he envisions a prosperous neighborhood with the best views and highest prices in the city.

Gültekin, the 37-year-old chief executive officer of a local property developer, plans to spend \$140 million to renovate more than 60 buildings, mostly from the early to mid-19th century, in Balat.

The rundown neighborhood surrounded by Byzantine walls is within walking distance of Istanbul's Sultanahmet tourist area. "That cafeteria used to be used by drug dealers; now it is part of a college," he said, pointing to a wooden platform with tables occupied by art students. "This place has a lot of potential, but no one wants to move here at the moment."

Gültekin said he expects the values of the mainly residential properties may jump sevenfold to \$5,500 a square meter within about five years.

That is in line with what similar high-end apartment buildings are now selling for, according to Ipera AŞ, another real estate developer based in the city.

He is among investors seeking to profit from fixing up residences in the dilapidated historic districts of central Istanbul as Turkey's affluence increases.

Since Recep Tayyip Erdoğan became prime minister in 2003, gross domestic product per capita has nearly doubled to \$8,578, even after an 18 percent drop from 2008 to 2009, according to the State Statistics Institute.

Some of that growth is new wealth from the less-developed eastern part of the country known as Anatolia.

Wealthy Anatolians

"Lots of people with accumulated wealth from Anatolia are coming to Istanbul and looking for a place in the center," said Murat İğnebekçili, a real estate analyst at EFG Istanbul Securities. "We will be seeing some massive urban transformation projects in that area."

Balat, a UNESCO-protected district on Istanbul's Golden Horn waterway, was once one of the most prestigious areas of the city. A century and a half ago, it was home to a merchant community of Turks, Jews, Greeks and Armenians. By the 1990s, its crowded streets had been largely left to poor migrants from the east and Gypsies, also known as Roma.

Gültekin's company, Balat AŞ, plans to convert the crumbling wooden structures into classrooms, offices, shops and residences around the arts school. It will need to spend about \$1,500 a square meter on the refurbishments. After renovation, permitting and other costs are factored in he expects to more than double his money.

Entertainment District

Ipera is also looking for projects in Balat after buildings in other gentrified areas got too expensive. In the past five years, Ipera spent \$6 million renovating a pair of properties and a rundown warehouse in the area around the Galata Tower in Beyoğlu, Istanbul's central entertainment district, said Emre Baran, Ipera's co-founder and CEO.

Baran bought the first building, the five-story Ipera10 on Serdar-i Ekrem street, in 2005 for the equivalent of \$800 a square meter.

He invested the same amount in improvements to the 1903 structure and then sold three refurbished duplex luxury apartments for an average of \$4,000 a square meter about three years later.

A commercial space in the same building sold last April for \$10,000 a square meter, he said.

Fashion designers have set up shop on Serdar-i Ekrem, helping to lift prices, Baran said.

High-end apartments in Beyoglu now cost as much as \$8,000 a square meter if they have views of the Bosphorus Strait, Golden Horn and landmarks including the Blue Mosque, Hagia Sophia and Topkapi Palace, he said.

A search on the Turkish property website <http://www.hurriyetemlak.com> shows luxury flats in the area costing as much as \$9,250 a square meter.

'Trendiest Areas'

"It went from being an inner-city slum area to one of Istanbul's trendiest areas," Baran said of Galata in Beyoğlu.

Luxury residential property prices in Istanbul more than doubled from 2002 through 2008, reaching \$7,300 a square meter, according to data provided by **Murat Ergin**, managing director at **Kuzey Bati**, the local affiliate of London-based broker Savills Plc.

They then fell 15 percent to \$6,200 a square meter in 2009 before starting to rebound. **Ergin** expects they may return to peak levels by early next year.

"The upscale market is moving back to the center," reversing a trend where higher-income residents moved to gated communities in the suburbs or skyscrapers in the business district, Ergin said.

"These projects are performing much better than the market average, at least three to four times." Saffet Çiçekdağ, managing partner of PEGA Real Estate in Istanbul, said he expects prices to rise as much as 25 percent in the next two to three years.

Olympic Swimmer

Gültekin, a 1995 graduate of Brown University in Providence, Rhode Island, was captain of the Turkish national swimming team at the 1992 Barcelona Olympics. He was also previously managing director for Turkey at the Goodman Group, an Australia-based property management company.

He started Balat AŞ with a \$20 million investment from his partners, Sedat Yazıcı and his son Tolga Yazıcı, who owned factories that produced Colgate-Palmolive Co. products in Turkey.

The group already has lease or sales agreements in place, helping it secure bank loans for the renovations, he said.

“There is lots of room for growth” in the Turkish real estate market, said Neslihan Karagöz, an analyst at Oyak Securities in Istanbul. “We expect that young people will begin buying homes as incomes increase.”

The amount of mortgage debt outstanding in Turkey equals about 5 percent of the country’s GDP, Karagöz said.

That compares with the European Union average of 49.8 percent as of 2008, according to the most recent data compiled by the European Mortgage Federation.

Local Opposition

The gentrification of Istanbul has not always been welcomed by established residents. Hasan Acar, a 40-year-old machinery repairman, is leading a group in Balat that opposes a type of development that has occurred in Istanbul neighborhoods, where the government auctions off the right to renovate entire areas at a time.

Acar said people in those types of projects are being forced out of their homes without adequate compensation.

Gültekin said his company has not experienced any neighborhood tensions, partly because he is negotiating deals with each property owner individually.

He declined to provide details of the agreements. “We compensate them and they can move somewhere nicer while we renovate the old place,” Gültekin said, stepping over a puddle in Balat, where art school students pass veiled women on the street. “If people are pushed out, there are going to be problems.”