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Real Estate Professionals to TOKI: “hands off from housing”

The report prepared by the American Affordable Housing Institute regarding the real estate industry highlighted that, to improve the housing system in Turkey, TOKI should shift from housing production to housing finance and land development.

At the 8th Real Estate Summit, where the report was disclosed, TOKI Strategy Development Office President Mehmet Fatih Kara said “We are going to areas where private sector does not”. The report, prepared by the American Affordable Housing Institute which has built models to enable low income people own their own houses in countries such as Egypt, Kenya and South Africa, noted that housing for low income people cannot be developed without government support in Turkey, where the annual housing demand is 600,000 each year for 10 years.



In GYODER’s “Affordable Housing Need and Recommendations” report which was disclosed at the 8th Real Estate Summit, it has been highlighted that Turkey should focus more on urban development.

Government should encourage private sector

The president of the Affordable Housing Institute, David Smith, who spoke at the 8th Real Estate Summit organized with the sponsorship of Hurriyet and Referans newspapers, put forward that the government should support housing by financing the private sector and offering them incentives rather than producing housing itself.

Smith said “TOKI should stop producing housing. It should focus on financing”. Having put forward that in Turkey 80% of the people in need of housing cannot afford it, Smith summarized his recommendations: “TOKI should shift from housing production to housing financing in order to support the private sector. As in Mexico, and in GSEs in US, it is critical that TOKI is diversified from just the supply side to include also the demand side.”

New Products should be developed

Smith, highlighting the importance of allowing municipal governments to obtain nationally owned land, and creating a national gecekondü transformation pilot program, said: “Consumer earthquake-reinforcement loans for sale through mortgage banks should be developed. For long-term payments and affordable housing, a model can be developed where government can purchase and then rent to low income people.”

Market cannot produce enough housing

Pointing to the fact that the Turkish economy will improve as people have more flexibility to buy or rent housing they need, Smith said: “As population grows, urban population will grow even faster due to immigration. The market will never be able to produce enough housing. The housing industry, which produces 30% of the GNP, will boom. Nevertheless, the government in Turkey should play an active role in producing affordable housing, as in all other countries.”

TOKI is going to areas where private sector does not

TOKI Strategy Development Office President Mehmet Fatih Kara replied back to the ‘stop producing housing, shift to financing’ recommendation of the private sector: “Like the private sector, TOKI itself needs financing too. We are in touch with the financial institutions abroad but the borrowing costs are very high. The fact that the rating institutions are giving Turkey lower grades than Mexico and Brazil increases our borrowing costs. I do not oppose the idea of having another structure while TOKI continues its current activities. Affordable houses that are produced by TOKI and the private sector together would be accessible to more people.”

Solution is not profitable

Kara touched on the point that TOKI has a mission to have projects for different income groups and said: “Although there have been some improvements in the last couple of years, there is still a lot of painful work to do. Thus, there are not many alternatives offered to low income people. Private companies in the industry do not find the solutions profitable enough. This makes the solution even more complicated. TOKI, meeting only 10% of the housing demand, is not actually dominant in the industry.”