

Guidelines for Investments in Real Estate in Turkey

Questions

I. Procedure of a real estate transaction

1. Could you give a short outline with regard to the formal procedure of a real estate transaction in your country starting from the signing of the purchase agreement (including the closing) until formal ownership vests in the purchaser?

In Turkey, the main laws that govern real estate are the Turkish Civil Code (“**Civil Code**”), Turkish Code of Obligations (“**TCO**”) and Land Registry Law (the “**Land Law**”).

The main stages and the required documents in a real estate transaction starting from the commercial negotiation phase until the execution of purchase agreement are as follows:

Commercial Negotiation: Parties to a property transaction can come together in many ways. Prospective buyers and sellers often find each other on the Internet, through newspaper advertisements of the real estate or often through real estate agents. The parties usually first negotiate the main economic aspects such as the price of the property or the warranties that shall be given by the seller to the buyer. If the parties want to include further provisions, they may enter into a preliminary sale contract. Considering that the sale of real estate must be in the form of a deed prepared by the Public Register offices (and held by the General Directorate of Land Registry and Cadastre -*Tapu ve Kadastro Genel Müdürlüğü* in Turkish-), commercial negotiation must be finalized before the registration of the transfer.

Preliminary Sale Contract: A preliminary sale contract is a contract where the buyer can be forced to sell and the seller can be forced to buy the real estate in line with the conditions set forth in the contract. Preliminary sale contract for real estate must be prepared in the form of a deed prepared by a notary public or by the Public Register office. In practice, large real estate companies are known to execute preliminary contracts with their customers before the start of construction and define the details relating to the to-be-constructed real estate without following the form requirements mentioned above. These contracts are not preliminary sale contracts in the legal sense.

Sale Contract: Drafting lengthy and meticulous sale contracts for real estates is not a common practice in Turkey. The title of ownership is transferred by means of registration of the transfer of ownership before the Public Register with the mutual agreement of the parties. Since execution of the sale contract and the transfer of ownership by registration are carried out simultaneously before the Public Register, there is no explicit distinction between these two stages in practice. The parties are legally bound when the transfer of title is registered at the Public Register. The parties can register the change of title at any time.

Transfer of Title: Title of the real estate transfers to the new owner once it is registered under the name of the new owner. For the sale to be legally valid, the title must be registered under the name of the new owner at the Public Register. Failure to comply with this requirement renders the sale null and void. Information registered at the Public Register includes section and plot of the real estate, its surface area and qualification (indicating if it is agricultural land and if there is any building located on the real estate), identity of the seller and the buyer as well as the legal cause and date of transfer and past ownership registrations, easement rights and encumbrances, mortgages, annotated personal rights (e.g. lease contract, preliminary sale and purchase agreement) and information registered

in the declaration part (in specific cases as set out in the legislation which may affect the real estate, such as the accessories of real estate).

2. Does your legal system permit different sorts of ownership like ownership of the whole land and construction or ownership for example only of one unit or lots of units (condominium) of the improvements?

Civil Code defines ownership as the broadest right in rem which enables the owner to use, receive the benefits of, and dispose of a real estate, subject only to the law. The owner has the right to reclaim it from anyone withholding it from him or her and to protect it against any unwarranted interference. Any title, transfer or charge on the ownership right must be registered with the local Public Register.

Our legal system permits different kinds of ownership which are explained as follows:

- Joint Ownership (*paylı mülkiyet* in Turkish): Article 688 of Civil Code regulates the joint ownership. Joint ownership exists where several persons own a share in a real estate which is physically undivided. Unless otherwise stipulated, they are joint-owners, each having equal shares. Each owner has the rights and obligations of ownership in respect of his or her share in the real estate, and the said share may be alienated and pledged by him or her, or distained by his or her creditors.

In joint ownership, the division is about the division of rights and obligations concerning the real estate, but not about the ownership itself. This view is based on the concept that some of the rights and the obligations in the content of ownership are divisible while others are not. Although, these divisible rights and obligations are capable of being exercised by any joint-owner, the others need to be conducted by some or all of the joint-owners acting together. For example, each joint-owner can alienate his/her share without the other joint-owners' consent. However, some rights and obligations are indivisible, such as the fundamental management tasks relating to the jointly-owned real estate. In such cases, the joint-owners must make decisions by unanimity or by appropriate majority to conduct specified duties concerning the real estate.

- Co-ownership (*elbirligi ile mülkiyet* in Turkish): Article 701 of the Civil Code regulates the concept of co-ownership. Co-ownership exists where none of the co-owners can dispose of his or her share without the consent of the others and none of them holds a separate part of the real estate. Unless otherwise stipulated by law, co-owners must unanimously decide for management and disposal transactions. As long as the co-ownership lasts, no separation can be made and no one can dispose of a share.
- Condominium Ownership (*kat mülkiyeti* in Turkish): As per Turkish Condominium Law ("TCL"), condominium ownership is a particular type of ownership on a terrain, which is suitable for separate utilization of multiple divided units as real estate and as savings depending on the land share. It is a private ownership relevant to the land share and to the common areas within the main real estate. According to TCL, independently usable units such as flats, apartments, offices, shops, stores, cellars, storages can be made subject to independent ownerships although constructed over a unified land or building ownership right over the real estate.

Condominium owners are mutually responsible from both the use of their independent, additional and shared parts in compliance with the requirements, and

they are to pay the utmost attention in order not to disturb each other or violate each other's rights. Also, they are legally obliged to comply with the terms of the management plan. The terms concerning the debts of the apartment owners are applied to the people who live in the independent parts or to people having the right to reside or to the ones who take advantage of these parts continually in some way or another. Therefore, the people who do not pay their debts have joint and several liabilities for the obligation.

The majority of the residences in Turkey are condominiums. Condominium owners have certain obligations such as maintenance and protection of the main real estate and responsibility for damages, equal participation in the payment of any staff on cleaning, security and gardening, obligation to give permission for necessary works.

3. Does the legal system of your country permit joint ownership of real property? Which kind of entities can be owner of real property in your country?

Yes, the legal system in Turkey permits joint ownership of real estate. You may refer to our detailed explanations given under question 2 above. All legal entities (public or private) can be owner of real estate in Turkey.

4. In some countries the ownership of a building is implied in the ownership of the land. Is it this way in your country as well and/or is it possible to have different owners of the land and the building erected on it?

You may refer to our detailed explanations relating to the condominium ownership given under question 2 above.

5. Is the land and/or the building registered in a formal register and is a good faith purchaser protected with regard to the entries in this formal register?

Title to real estate is evidenced by registration at the Public Register, which is kept by the General Directorate of Land Registry and Cadastre, and which is open to the public. Registration at the Public Register constitutes the acquisition of a right in rem over the relevant real estate.

As regards the domestic legislation, Article 1023 of the Civil Code enshrines the principle of good faith and the principle of trust in Public Register. Article 1023 which governs the situation of third parties acting in good faith reads as follows: *"If a third party becomes entitled to a right to property or any other right in rem by way of relying, in good faith, on registers in the Public Register, such acquisition shall be protected."*

When the wording of Article 1023 is interpreted, it might be concluded that the registers in the Public Register inform the public about the status of the rights in rem over real estate. In this connection, third parties, who rely on such registers, even if they are of an illicit character, and thereby acquire a right in rem, are considered to be lawful right holder.

On the other hand, it should be expressed that the good faith safeguarded by the principle of trust in the Public Register is of a subjective character. Pursuant to Article 1024 of the Civil Code, those who have not acted in good faith, in other words, who were aware, or should have been aware, of the invalidity of the register, cannot avail themselves of the principle of trust in the Public Register. The notion of good faith manifests itself as such that the illicitness of the Public Register was unknown or that it was impossible to be

aware of it under the relevant circumstances and conditions. Under Article 3 of the Civil Code, as the existence of good faith is a presumption, the concerned third party is not required to prove the existence of his or her good faith.

II. Financing tools of the transaction

6. How do investors finance the transaction? Can purchases be financed through real estate purchase contracts? Are mortgages the typical way of coverage for banks?

Acquisitions of large scale real estate portfolios are generally financed by a combination of equity and debt, in which case the lender would normally require a first degree mortgage (that is, a mortgage that has priority over all mortgages and liens except those imposed by law) over the relevant real estate. Alternatively, the relevant company may prefer to go public through an IPO. This method has recently proved to be successful. The IPO of Emlak GYO (REIT i.e. real estate investment trust), which is the largest REIT in Turkey, has attracted a record number of offers from domestic and institutional investors, evidencing the increasing interest in the market.

Apart from the reliable investments made by foreign investors on the basis of companies, investments in Real Estate Investment Funds ("REIF") are also advantageous and safe. This is because there is a serious level of regulation over these funds. REIFs are exempt from corporation tax. They also have advantages in terms of withholding and income tax. Furthermore, the new possibility for foreign investors to acquire shares in the REIFs in our country is also a big advantage. Thus, when compared with buying real estate directly, investing in real estate funds, and buying real estate indirectly could be safer, faster and less costly.

7. What should be taken into account when thinking about the financing of a purchase project in your country?

Foreign real estate investors should act together with consultancy companies who know the region and the procedure. This is because the legal procedures, interest rates and the purchase of real estate in most countries differ. Therefore, attention needs to be paid to the following during the process of choosing the real estate which carries the required characteristics for investment:

- Research should be carried out to determine the status of real estate. The analyses of the technical or legal problems which have been experienced should be performed. Any non-compliance with the relevant legislation, which have emerged or may emerge need to be resolved, the impact of these on the value of the real estate needs to be determined, and recommendations for a solution within the system in Turkey need to be put forward.
- The total area of the real estate acquired by foreign national real entities (those which are not companies) and their independent and permanent limited real rights may not exceed 10% of the surface area of the district which is the subject of the private ownership, and also may not exceed 30 hectares per person in the country in general. However, the President has the authority to increase the limit of land which can be acquired by a person in the country in general, to double this amount.
- Certain challenges and risks must be considered. For example, as stated below, when a real estate is to be sold to a foreign person, the General Directorate of

Land Registry and Cadaster communicates with the relevant army commandership to receive the required piece of information on such real estate. This practice causes loss of time to both the foreign buyer and the seller. In addition, despite the principle of equality between foreign investors and local investors under the Law on Foreign Direct Investment, the Regulation on the Land Registry Law imposes an application process to the governorship which needs to be followed by foreign legal entities when acquiring a real estate in Turkey.

- It must also be noted that foreign real persons, who have a real estate in Turkey, are required to renew their residence permit annually. This is also another aspect for foreign real persons that must be taken into consideration. Inheritance ambiguities and liquidation risk are also a complication for foreign buyers.
- The required criteria for real estate for the purposes of investment need to be formulated, and a place which is suited to the characteristics required by the investment should be selected.
- A project needs to be developed and the practicality of the project should be verified, and feasibility analyses should be performed.

III. Costs for transaction

8. What tax aspects are directly involved in a purchase of real property, for example real property transfer tax and what is the percentage of it?

Real estate acquisitions in Turkey are subject to real estate transfer tax (“RETT”). A charge of 4 per cent (2 per cent for the transferee and 2 per cent for the transferor) would be applied either over the purchase price of the real estate or over the official value of the real estate for real estate tax purposes whichever is higher in the determination of the RETT base. Despite 2 per cent RETT liability of the transferor imposed by law, in practice, 2 per cent tax liability of the transferor would be borne by the transferee in addition to his/her RETT liability of 2 per cent. Thus, 4% RETT related to the acquisition of the real estate would be paid by the transferee.

Real estate sale transactions are exempt from stamp duty. However, if the parties want to annotate a preliminary sale contract at the Public Register, then a stamp duty at the rate of 0.825% is payable. Additionally, a Public Register fee is payable of 0.59% of the contract price (provided that the contract price is not lower than the real estate tax value of the relevant real estate).

The sales of real estate owned by individuals acting with no commercial purposes are not subject to VAT. Real estate transactions taken place within the context of commercial activities (i.e. sales of real estate owned by companies) in Turkey are subject to VAT at the rate of 18%. Yet, for certain residential real estate with a net surface of less than 150 square meters, the VAT rate is 1%. The buyer shall pay the VAT to the seller who in return shall pay it to the tax authorities. If a company is not active in real estate business, it would be exempt from VAT depending on certain conditions (i.e. if the real estate is held for 2 years).

Under Article 80 of the Income Tax Law, apart from the real estate which was gratuitously acquired (e.g. inheritance or donation), if the real estate is sold before being held for five years as of its acquisition, capital gains tax will apply to the sale transaction. Capital gains tax is calculated based on the producer price index (ÜFE) rates. The calculation is made

based on the ÜFE rates of the date of acquisition and date of sale of the real estate. The tax rate varies as 15%, 20%, 27% and 35% depending on the value of the sold real estate.

9. Do you have to hold the property for a specific time with respect to tax reasons or is it in this context no problem to buy and sell property on a short term basis, for example within a year?

Under Article 80 of the Income Tax Law, apart from the real estate which was gratuitously acquired (e.g. inheritance or donation), if the real estate is kept for five years as of its acquisition, capital gains tax will be exempted while selling that real estate. Sales of real estate gratuitously acquired are always exempted from the capital gains tax.

10. Can the seller get his money out of your country after the transaction (repatriation of funds)?

There are no general rules or restrictions on repatriation of funds from Turkey under normal circumstances involving a sale of real property provided that the capital gains tax explained under question 8 and 9 above is paid following the transfer of the real estate.

11. If you buy real estate that is leased to one or more persons are you allowed to terminate the lease contract(s) or which restrictions have to be taken into account?

If sold, the new owner of the real estate automatically becomes a party to the lease agreement. For roofed business leases, the owner may only terminate the contract in very limited cases.

In accordance with Article 347 of the TCO, which regulates the lease agreements for roofed workplaces, with respect to a lease agreement with a definite term, unless the lessee gives notice of termination at least 15 days prior to the expiration of the lease agreement's term, the lease agreement will be deemed renewed for one year with the same terms and conditions, and the lessor may not terminate the agreement based on the expiration of the lease agreement. Again the same article regulates that at the end of the tenth extension year, the lessor may terminate the definite-term lease agreement by serving a written notice three months' prior to the expiration of each year of extension, without cause.

As to the indefinite-term lease agreements; the lessee may always terminate the lease agreement by giving a 15 days prior written notice without any reason whatsoever; whereas the lessor must wait until end of the 10th year as of the beginning of the lease.

Moreover, the owner may terminate the lease agreement based on the below reasons:

- If the month's rent is not paid within 30 days from the owner's written notice, the owner may terminate the contract and evacuate the premises with a court order.
- If the rent is not paid two times within a lease year, the owner may request termination of the leased and evacuation of the lessee one month prior to the end of the term.
- In the case the lessee promises in writing to evacuate the premises at a specific date, the owner may request the evacuation one month prior to the end of the term from the court within one month of the promised date.

- If the new owner needs to use the real estate for his/her own or his/her next of kin, he/she should notify the lessee within one month of the acquisition and with the notification he/she may request the evacuation of the lessee within six months starting from the notification or within one month from the term's end.

12. Are you allowed to change the use of a building from residential use to office space or vice versa? Do you need official approval for doing so or is it not allowed at all?

TCL regulates the limitations of using an independent section as an office space. Article 24/2 of TCL states that in order to use a space that is registered as residence in the Public Register as; cinema, theater, coffee shop, music hall, pavilion, bar, club, dancing hall, such entertainment and meeting places, bakery, diner, patisserie, and such food places, manufacturing plant, paint shop, print shop, shop, gallery, market etc., unanimous decision of the condominium owners is required. This decision can be annotated to the Public Register with the request of one condominium owner. There is liberty to choose the purpose of the independent section, if the business that is wished to be opened in the space registered as residence, does not fall within the scope of mentioned provision.

13. To get a feeling as to the amount of costs involved, what costs should be taken into account if a foreign investor bought an existing building (and land) for a purchase price of EUR 5 Million?

If a foreign investor buys a real estate in Turkey, he usually pays the following costs:

- Advising lawyer (due diligence): Legal due diligence in relation to real estate can be carried out by the buyer through researching the land registry record of the real estate at the Public Register, including the annotation declarations and registration sections. The existence of a building use permit must also be researched since no mortgage can be granted over buildings without a building use permit. Depending on the agreement with the lawyers; normally they act with international clients on hourly rates, mostly specialized law firms have ranges of rates between EUR 250 up to EUR 400. Legal assistance for transfer for such due diligence would take about 5-6 hours.
- Estate Agent: As per the relevant legislation, estate agents receive 2% + VAT of the real estate purchase price from both the seller and the buyer. In other words, for a purchase price of EUR 5 million, EUR 100,000 (+18% VAT) shall be paid by the buyer and EUR 100,000 (+18% VAT) shall be paid by the seller. Parties may agree in writing that the estate agent fee will be fully paid by one party.
- RETT: Real estate acquisitions in Turkey are subject to RETT as explained above under question 8. A charge of 4 per cent (2 per cent for the buyer and 2 per cent for the seller) would be applied either on the purchase price of the real estate or on the official value of the real estate for real estate tax purposes. Whichever is higher, higher amount would be taken into account in the determination of the RETT base. Despite 2 per cent RETT liability of the seller imposed by law, in practice, 2 per cent tax liability of the seller would be borne by the buyer in addition to his/her RETT liability of 2 per cent. Thus, in case of a purchase price of EUR 5 million, provided that the official value of the real estate is not higher, 4% RETT of EUR 5 million (i.e. EUR 200,000) would be paid by the buyer.
- VAT: The sales of real estate owned by non-commercial individuals are not subject to VAT. Real estate transactions taken place within the context of commercial ac-

tivities (i.e. sales of real estate owned by companies) in Turkey are subject to VAT at the rate of 18%. Yet, for certain residential real estate with a net surface of less than 150 square meters, the VAT rate is 1%. The buyer shall pay the VAT to the seller who in return shall pay it to the tax authorities. If a company is not active in real estate business, it would be exempt from VAT depending on certain conditions (i.e. if the real estate is held for 2 years). In our case, provided that the net surface of the real estate is not less than 150 square meters, 18% of the purchase price of EUR 5 million which corresponds to EUR 900,000 should be paid as VAT.

- Public Register Fee. This is set at the rate of 3.3% of the tax value of the real estate (provided that such value is not lower than the declared purchase price). The buyer and seller share the cost equally; thus, the buyer pays approximately 1.65% of the real estate's tax value. Accordingly, we can say that 1.65% of EUR 5,000,000 (since we do not know the tax value we are taking into consideration the purchase price), i.e. EUR 82,500 would be paid.
- Circulating capital fee (*döner sermaye harcı* in Turkish): This is currently about TRY 65 multiplied by the local coefficient (between 0.5 and 2.5 depending on the location of the real estate). This should be paid jointly by the parties but it is usually the seller who pays.
- Notaries Costs: Unless a power of attorney is issued by the buyer for a third party to carry out the transactions before the Public Register, there will be no notary costs. However, if a third party needs to act on behalf of the foreign buyer, then a power of attorney is required by the Public Register. Notary costs depend on the volume of the power of attorney but these costs are usually ignorable.

IV. Costs for holding real estate

14. What tax aspects are directly involved when holding a property, for example yearly land tax after the transfer of ownership and what is the percentage of it?

Owners of real estate are liable for certain taxes namely:

- Real estate tax: This tax is paid to the competent municipalities. The real estate tax rate varies between 0.1% and 0.6% depending on the type of real estate (land, household or business premises). The rate for business premises is 0.4%.
- Environmental cleaning tax: This tax is reflected to water bills in houses; however business places should pay it to the competent municipality. Environmental cleaning tax is calculated based on the consumed water amount. The metropolitan municipalities calculate this tax as TRY 0.26 per one cubic meter of the consumed water and the standards municipalities calculate the same as TRY 0.20 per one cubic meter of the consumed water. The person liable to pay this tax is the person using the real estate.
- Electricity and gas consumption tax: The rate for this tax varies between 1% to 5% of the price of electricity and gas consumed. Electricity and gas generation and distribution companies are exempt from this tax. Electricity and gas distribution companies collect the tax and transfer the money to the relevant tax office.

Real estate may also be subject to other taxes, such as entertainment tax or advertisement tax, which are paid to the municipality.

The following taxes should also be considered by real estate owners:

- Lease income tax: Those who gain income by leasing their real estate should pay the lease income tax in the following year. Each year an exemption limit is set and lease gains under that limit are not subject to the lease income tax. It was set as TRY 3,900 (yearly) for the lease gains of 2017; therefore for yearly lease gains equal to or less than TRY 3,900, no tax needed to be paid in 2018. The rate of the lease income tax varies depending on the lease gain. The tax rate varies as 15%, 20%, 27% and 35% depending on the amount of the lease gain.
- Capital gains tax: If the real estate is sold before being held for five years as of its acquisition, capital gains tax will apply to the sale transaction. Sales of real estate that is gratuitously acquired are exempted from the capital gains tax. Capital gains tax is calculated based on the producer price index (ÜFE) rates. The calculation is made based on the ÜFE rates of the date of acquisition and date of sale of the real estate. The tax rate varies as 15%, 20%, 27% and 35% depending on the value of the sold real estate.
- Inheritance and transfer tax: Individuals receiving Turkish property through inheritance are subject to taxes in Turkey. Inheritance tax is levied on the inheritance of each beneficiary at progressive rates. The rates vary as 1%, 3%, 5%, 7% and %10 depending on the taxable inheritance and on the relationship between the decedent and beneficiary.

15. What are the costs you have to calculate as a foreign investor, if you engaged a professional property management for the purchased property? How does the property management normally charge for their work?

The costs of a professional property manager differ from real estate to real estate and are normally calculated on basis of the rentable space of the real estate. Professional property manager costs vary from TRY 20 (approximately EUR 3) to TRY 100 (approximately EUR 16) per each apartment. The costs for the property management are usually charged to the lessees as a part of the general operating costs.

V. Foreign investors

16. Would you advise foreign investors at the moment to invest in your country?

There are factors to consider when investing in real property, as the prospects of capital gains can vary depending on where the property is located. Potential purchasers should make their own financial enquires as to whether the investment best suits them. Purchasers should seek advice from licensed financial advisors who are the only professionals allowed to give advice on financial products.

Common structures used for investing in real estate in Turkey are:

- Direct acquisition of real estates,
- Acquisition of shares of companies that own real estates,

- Investing in REITs.

REITs: REITs have recently become the key players in the Turkish real estate market. REITs are not engaged in construction work in Turkey according to the capital market legislation. They could provide works to construction companies, to control them, and to enable them to operate at a certain level owing to their strong, accountable management structure and power of carrying out the large-sized projects. REITs in Turkey are strictly regulated by the Capital Markets Board, including in relation to minimum capital requirements (TRY 30 million), permitted investments and certain portfolio restrictions. The IPO of Emlak GYO (REIT), which is the largest REIT in Turkey, has attracted a record number of offers from domestic and institutional investors, evidencing the increasing interest in the market. This interest placed the transaction in the top five IPO transactions by value in Turkey to date.

Institutional investors: Investment by institutional investors is not very common in Turkey, as the market has been dominated by large family enterprises until recently. However, there is an increasing number of institutional and international investors that are active in the market.

Private investors: Private investors have played a major role in the market so far. However, more recently, REITs are taking over their position in the market.

17. Is any individual person and legal entity allowed to buy property in your country or are there restrictions with regard for example to nationality or registered office of legal entities? If there are restrictions are there ways to organize a domestic entity for the purchase on a valid legal structure notwithstanding?

In Turkey, a body of laws composed of Land Law, Foreign Direct Investment Law, Military Forbidden Zones and Security Zones Law as well as the regulations issued by the relevant ministries should collectively be taken into account with regard to any real estate acquisition in which foreign individuals or legal entities are directly or indirectly involved.

A foreign-related real estate acquisition in Turkey may be realized in 3 (three) different manners:

- (a) The acquiring party may be a foreign individual (who does not have Turkish nationality),
- (b) The acquiring party may be a foreign legal entity (which is incorporated outside of Turkey subject to the applicable foreign law), or
- (c) The acquiring party may be a Turkish company (incorporated in Turkey in accordance with Turkish law) whose shares are partly or wholly owned by foreign individuals and/or legal entities.

The total area of real estate and limited rights over real estate that a foreign individual can acquire throughout the country may not exceed 30 hectares. Specifically, this area may not exceed 10% of the country where the respective real estate is located. But the President may increase this size up to 60 hectares if it is in the public interest. President determines which countries' citizens are allowed to acquire real estate in accordance with the limitations under the law.

Foreign legal entities (entities incorporated and operating under the laws of foreign countries) may also acquire real estate and limited rights in rem over real estate in accordance with provisions of certain laws, such as Tourism Encouragement Law, Petroleum Law and Industrial Zones Law. Those restrictions do not apply for establishing mortgages over an immovable in Turkey in favor of foreign legal entities. Foreign legal entities wishing to acquire real estate or limited rights in rem in Turkey must apply to the governorship where the real estate is located, by presenting the required documents for their approval. To grant the approval, the governorship must determine whether the real estate is in a military forbidden zone or a military security zone. If so, the governorship will not approve the acquisition.

While the companies with foreign investment established in Turkey in accordance with the provisions of the Turkish Commercial Code (“**TCC**”) and hence deemed to have Turkish nationality are not subject to any restrictions in the acquisition of real estates and limited real rights as a general rule, some exceptions to this rule are laid down with the Article 36 of the Land Law. Within this context, in the first three paragraphs of the mentioned provision, it is stated that where the majority of the shares initially belong to or afterwards are transferred to foreign partners or where the power of appointment or dismissal of the management organ belong to them, those companies may acquire and use real estate or limited real rights to achieve the goals defined in their articles of association. Furthermore, they need to get permission if the real estate or the limited real right is within the boundaries of military prohibited zones, military security or special security zones. In the fourth paragraph of the same article, it is stated that those foreign invested companies out of the scope of the first three paragraphs may acquire and use the real estate and limited real rights under the provisions that the domestic capital companies are subject to.

Accordingly, special permissions are required in the following cases:

- Permission of the commission of the relevant governorship if the land is located in special security areas.
- Permission of the General Staff (Turkish Armed Forces) or the commandership that has been authorized if the land is located in a high military zone or a security zone.

In light of the foregoing, there is no way to organize a domestic entity for the purchase on a valid legal structure in order to circumvent the restrictions set forth by the relevant legislation considering that once the shareholding or management structure change as explained above, the company will be subject to Article 36 of the Land Law.

18. If a foreign investor buys a plot of land in your country to run a business there, what kind of official approvals are needed and what time and effort are needed normally to get it?

There are no official approvals required of a foreign investor acquiring real estate in Turkey (other than as referred to under question 17 above) that do not apply equally to a resident.

19. Could your firm assist foreign investors in
- Finding interesting real estate and related valid investment products in real property in your country where required through personally known estate agents and other advisers?
 - Developing construction projects?

- All legal aspects involved in these contexts?

As a law firm, Gün + Partners offers legal assistance to a foreign investor interested in investing in real estate in all aspects of real estate projects, as the case may be with external legal professionals in tax law and administrative law.