

HOUSING CREDITING AND  
URBAN DEVELOPMENT IN TURKEY

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Approval of the Graduate School of Social Sciences

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## **ABSTRACT**

### **HOUSING CREDITING AND URBAN DEVELOPMENT IN TURKEY**

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One of the most significant problems in developing countries relates to housing finance. Long-term housing assets are securitized during economic recessions, and the use of real estate as collateral to obtain bank credits creates fictitious growth in the economy. In the vicious circle, where most investments are made into the construction sector every year, it is the rural areas that strive to develop around the cities that suffer the most. The present study puts forward a good practice model to steer proper lending processes and healthy urbanization in urban areas.

A strong link exists between the banks and the real estate sector. Due to the rapid growth in the construction sector, the lending volume of banks has increased, while defaults in the repayment of loans made to different income groups leads to both economic bottlenecks and unscheduled construction, resulting in unplanned and uncoordinated urbanization. This thesis addresses the issue of financing in the construction of housing for the purposes of planned urbanization, without which, non-coordinated financing would lead inevitably to a crisis situation. This thesis suggests that investments in urban areas lead to the construction of housing that disregards to the actual needs and capacities of cities.

In the conclusion, policy proposals are put forward that would support the efficient and effective supply of housing credits, leading to the fulfillment of social objectives through rational urban and regional planning. Particular focus will be on the relationship between housing credits and urban planning, and the nature of an effective housing finance policy.

**Keywords:** Banks, housing loans, urban space, construction sector

## ÖZ

### KONUT KREDİLENDİRMESİ VE TÜRKİYE'DE KENTSEL KALKINMA

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Yüksek Lisans, Kentsel Politika Planlaması ve Yerel Yönetimler Ana Bilim Dalı

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Gelişmekte olan ülkelerin en önemli sorunlarından biri konut finansmanıdır. Satışı uzun vadede gerçekleşen konut yapılarının ekonominin durgun olduğu dönemlerde menkul kıymetleştirilerek banka kredi sürecinde teminat olarak kullanılması sonucunda bankalar tarafından yaratılan kaydi paralar ekonomide fiktif bir büyüme yaratmaktadır. Yatırımların büyük bir kısmının her yıl inşaat sektörüne yapıldığı kısır döngüde en çok kent çevresinde gelişmeye çalışan kırsal bölgelerin zarar gördüğü düşünülmektedir. Bu çalışma, kentsel alanlarda doğru kredi verme süreçleri ile sağlıklı kentleşmenin sağlanmasına yönelik iyi uygulama modeli oluşturmayı amaçlamaktadır.

Bankalar ile gayrimenkul sektörü arasında güçlü bir bağ vardır. İnşaat sektöründeki hızlı büyüme nedeniyle, bankaların borç verme hacmi artmıştır. Farklı gelir gruplarına verilen kredilerin geri ödeme oranındaki düşüş hem ekonomik darboğazlara yol açmakta hem de arazilerin plansız olarak yapılaşmaya açılmasını sağlamaktadır. Bu durum planlanmamış ve koordinasyonsuz kentleşmeyle sonuçlanmaktadır. Bu tezin temel problemi, konut inşaatının finansmanına, planlanan kentleşmeye yönelik amaçlarla yaklaşılmasıdır. Aksi takdirde, koordineli yapılmayan finansman faaliyeti kriz durumu için bir temel oluşturacaktır. Bu tez, kentsel alanlara yapılan yatırımların

řehirlerin gerek ihtiyaına ve kapasitelerine iliřkin olmaksızın konut birimlerinin inřasına yol atıęı argümanına dayanıyor.

Bu alıřmanın sonu bölümünde, rasyonel kentsel ve bölgesel planlama için sosyal hedeflere yönelik etkin ve etkili konut kredilendirmesi için bazı politika önerileri sunulmuřtur. Bu kapsamda konut kredisi ve kentsel planlama arasındaki iliřkiye ve konut finansmanı politikasının ne kadar etkili olması gerektięine odaklanılmıřtır.

**Anahtar Kelimeler:** Bankalar, konut kredileri, menkul kıymetleřtirme, kentsel alan, inřaat sektörü

To my beloved family



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## LIST OF ABBREVIATIONS

<b>BUMKO</b>	General Directorate of Budget and Financial Control
<b>FHA</b>	Federal Housing Administration
<b>GYODER</b>	The Association of Real Estate and Estate Investment Companies
<b>HUD</b>	U.S Department of Housing and Urban Development
<b>IMF</b>	International Monetary Fund
<b>INTES</b>	Turkey Construction Industry Employers' Association
<b>IVSC</b>	International Valuation Standards Council
<b>RFC</b>	Reconstruction Finance Corporation
<b>TCMB</b>	The Central Bank of the Republic of Turkey
<b>TKDK</b>	Agricultural and Rural Development Support Institution
<b>TKGM</b>	General Directorate of Land Registry and Cadastre
<b>TOKİ</b>	Toplu Konut İdaresi Başkanlığı [Housing Development Administration]
<b>TURKSTAT</b>	Turkish Statistical Institute

## **CHAPTER 1**

### **INTRODUCTION**

Countries grow and develop from the moment they are established, although these economic growth and development processes can produce different results. Reducing income imbalances in society, reducing unemployment and accelerating economic and social development are among the goals of countries undergoing processes of growth and development. Economic growth refers basically to the increase in the production volume of the country; while economic development refers to an environment in which improvements are witnessed in the living standards of society, the quality of the goods produced or the organization of production. The development of a country depends on the regulations made in that country's economy. Developed countries give importance to increasing real GDP (as part of economic growth) from year to year, while developing countries prioritize economic development over growth. Economic development is expensive for countries, and to reduce these costs, all resources are directed to income-generating areas, with new sectors emerging during resource transfers.

Economic development is the period in which the economic, political and social welfare of a country develops. In the process of development, societies pass through certain phases that US economist Walt Whitman Rostow (Rostow, 1966) lists as:

1. Traditional Society,
2. Society in the Preparatory Period for “Departure” (Transition Period),
3. Take-off Community,
4. Society on the Way to Maturation, and Society in the Age of Mass Consumption

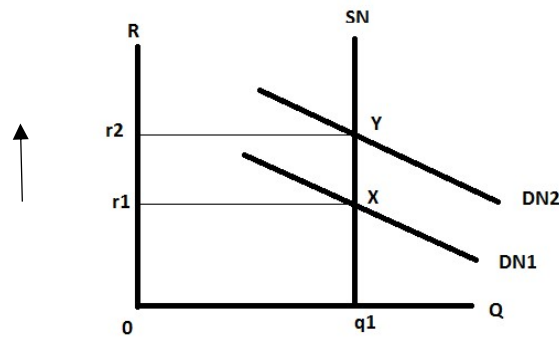
In the Traditional Society phase, economic activities are based on agriculture, and savings and investment are stable. In this period, economic and social developments take place with external shocks in the economy. In this phase, which can be referred to also as the transitional economy period, infrastructural investments are prioritized, cultural and social value judgments change and production technologies start to develop. Industrialization begins in the Take Off period, when efforts are launched to increase the share of investments in the production sectors in the national income. In the Maturation Stage, the production of more advanced technological products (automobiles, aircraft, etc.), rather than industrial and raw material production, begins. Countries then start to gain a say in the international market, and finally, mass production shifts to durable consumer goods, and the importance of the service sector begins to increase. (Rostow, 1966) In a nutshell, developing countries mimic the innovations that have taken place in developing countries.

Some import substitution policies appear in the development strategies of the developing countries. Import substitution is a strategy of economic development and industrialization that aims to increase the share of domestic production by reducing the share of imports in the total supply. During the application of a country's import substitution policy, construction and transportation costs are very high, and so significant investments must be made to support these areas. Investments in the housing sector, and more specifically, in the construction sector have emerged as one of the most important topics of discussion in Turkey's economy as resources have been transferred to these sectors. Developed economic policies cannot be changed overnight, just as habits acquired in human nature can be difficult to break. Accordingly, the economic policies determined by the state come to be concentrated in particular sectors, such as the construction sector, shipping and transportation.

Annuity income refers to the value or appreciation of a property. Households that want to save money seek to buy more property, and new areas are opened up to construction due to the lack of housing in cities. For example, suppose that the total size of a city's zoned land is “q1” kilometers. In this case, the land supply cannot be increased because the land is limited. In the figure below, the soil supply curve (SN) takes the form of a



line drawn from “ $q_1$ ” to the vertical axis to illustrate this stiffness. Suppose that the demand curve (DN1) intersects the supply curve (SN) at point X. In this case, the rent of the land appears as “ $r_1$ ”. Let us assume a large population migration to the city has occurred and new rental demands have emerged. In this case, since the plot quantity ( $q_1$ ) cannot be increased, the demand curve (DN1) will shift up to the right and switch to DN2 (DN2). Thus, a new intersection of the plot supply (SN) and plot demand (DN2) curves will emerge at point Y, and a new equilibrium annuity will be determined as “ $r_2$ ”. (Eğilmez, 2019) In short, when there is no area for construction in the city, the demand for housing will increase the income garnered from the existing housing. Investors who do not want to experience a loss of income put pressure on governments to open up new areas for construction.



**Figure 1:** *Income Learning Curve (Source: Eğilmez, 2019)*

Investment refers to the continuous use of a particular resource or value for the generation of revenue. The resource or value used does not end at the end of the process. The common feature of economic development and growth is investment, and with changes in the economic conjuncture and socio-economic conditions, new sectors and market-makers emerge. It has been stressed that no investments are made with the objective of creating new investment areas, of providing socio-economic balance in income distribution, of ensuring sustainable development in the economy and of keeping the market dynamic. Rather, investments are made to increase individual capital, and this obstructs economic development. If investments – as the most important criterion in development and growth – are made in the wrong areas, the country's economy may enter into crisis. That said, this thesis is not aimed at

identifying the criteria on which investments are made, but rather aims to understand how to make investments in the process of urbanization more stable and appropriate. Ensuring profitable government investment in the right areas requires a good governance process. According to the economic policies, profit shares in the production, construction, transportation, energy, clothing, health, technology, food and tourism sectors change over the years. However, regardless of whether it is profitable, or whether it will drag the market into stagnation in the long run, resources are always transferred to the same sectors and investors are constantly redirected in that direction. This raises the question of whether or not government revenues, usually taxes and withholdings, are being transferred to useful areas, as those that are not transferred to useful areas are usually the factors that trigger crises at the end of the day.

The deterioration of such basic indicators as growth, unemployment, inflation, budget deficit, current account deficit and the external value of the domestic currency, couple with the continuation of this deterioration for a certain period, is referred to as economic crisis (Eğilmez, 2019). Countries may experience economic crises due to a lack of resources, although the misuse of resources may also be a reason for such shortfalls. Behind economic crises, there may also be a flow of misdirected capital. Household savings and the channeling of state-funded savings to a particular investment instrument or sector are other factors that can trigger economic crises. The largest crises result from a lack of liquidity in the market.

One of the most important indicators of a financial crisis is the overvaluation of the real exchange rate in the foreign exchange market. The 1929 Global Economic Depression, the 1997 Asian Crisis, and the Brazilian and Argentine Crisis were all caused by the over-management of high financial assets, currency losses, depreciations and misconfigurations in banks. The public deficit crises that emerged in Turkey in 1994 and 2001 were a result of the lack of policies for the protection of the national currency. In this thesis, housing crediting system in Turkey is evaluated in terms of its impacts on urban development. However, the problems of the system are not discussed within itself but with reference to the causes and consequences of the economic crises.

Within this thesis, investments are examined under two headings, the first being those made by the state with subsidies, taxes, etc. and economic arrangements, or through direct interventions into the construction sector, and the second being household savings. Public investments are made by the state into the material capital stock of the country, and through such investments, the state can support a particular sector or the divide capital among different sectors. Although the transfer of capital to a particular sector may be beneficial for the development of that sector, the debt stock may increase in the long term. For example, investments into the construction sector take the form of the provision of subsidies and tax opportunities to companies operating in this sector. Value added tax and land registry reductions in housing production contribute to the economy, and in the presence of such policies, even non-construction companies have started to operate in the sector.

On the other hand, household investments are the savings made from what remains from the household income after all expenditures. It is important to choose the most profitable instrument for investment. Households tend to buy housing and land from which they predict the highest return in the long term as a result of inflation. Sales are increasing as a result of the housing purchases made by the non-residential sector for the generation of rental income.

Housing construction continues as a result of the belief that the demand for housing will always increase, although economic recessions have a significant effect on the housing market. Households that lack the financial power to buy housing, and companies that lack the capital to build housing both borrow from banks. Household purchasing power is gradually decreasing, while the number of housing loans extended by banks is increasing. The number of households over the last 5 years and the market values in the real estate sector for 2018, as announced by the Strategy Development Department of the General Directorate of Land Registry and Cadastre, increased by 16 and 95 percent successively<sup>1</sup>.

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<sup>1</sup> From 175 to 341 billion pounds in 2018.

According to 2018 data, the number of immovable deeded properties had decreased and while the value had increased on the previous year. In 2017, some 2.557.543 real estate assets (houses, offices, land, fields) were sold for a total of 309 billion TL, while in 2018, a total of 341 billion TL was obtained from the sale of 2.500.044 real estate assets. Houses were sold at higher prices than that of the previous year. The number of home sales in January 2019 in Turkey witnessed a 24.9 percent decrease compared to the same month in the previous year, totaling 72.937 in number. İstanbul had the highest share of house sales with 13.455, accounting for 18.4 percent of the total, followed by Ankara with 6.785 housing sales and 9.3 percent of the total, and İzmir with 3.795 housing sales and 5.2 percent of the total. The provinces with the least sales were Ardahan with seven houses, Hakkari with nine houses and Bayburt with 17 houses (TKDGM, 2019).

This thesis provides statistical data on housing production and financing, garnered from studies of the construction sector and indicators given by TUIK, and from the reports of public institutions and organizations. The collected data has been mapped on a provincial basis by the author.

The housing sector creates significant employment, and so housing investments are generally used as a policy tool for the creation of jobs during the periods of economic recession. The term “housing deficit” refers to a situation where the housing stock (number of residential units) in a country is less than the required amount. The housing problem has a social aspect in terms of the provision of qualified housing to individuals, but also an economic character in terms of the possible use of scarce resources.

The marginal contribution of housing investments to labor productivity should be at least equal to the marginal productivity in the non-residential sectors, as giving priority to housing investments otherwise will slow economic development. The housing problem is related to the country's level of development at a macro level, but is related to the insufficiency of income at the individual level. Housing deficits result in increases in rents and prices. After World War II, housing emerged as a developmental

problem area. In order to improve quality of life in a country, aside from home ownership, housing quality is also important. The most significant indicator of a poor quality of life is poor housing conditions after malnutrition (Samsunlu, 2007: 357). This thesis evaluates the steps that can be taken to ensure healthy urbanization.

In the present study, the financing structure is evaluated from two perspectives: housing procurement and housing construction. The decline in the rate of loan repayment according to different income groups leads both to economic bottlenecks and the unnecessary opening of agricultural lands to urban development. This results in unplanned and uncoordinated urbanization. In this context, the construction and real estate sectors support each other through financial actors, which leads to the formation of a real estate sector that is not financed well. For us, this is no more than a hidden housing crisis. In 2007, low interest rates in the United States and an abundance of capital resulted in an increased in consumption expenditures. The rise in housing prices in the country, was paralleled by an increase in mortgage amounts. Accordingly, acting on the belief that housing prices would continue to increase, households started to make household purchases, driven predominantly by a change in bank lending policies in 2008 that saw cheap financing being provided to people from all income groups. When the Fed started to raise interest rates to counter inflation in 2004, problems arose in the payment of high interest mortgage loans by the lower income groups. It took a long time for the country's economy to recover, as poor households were unable to repay their loans. In sum, the unconscious financing of housing production by banks in the current economic situation will trigger long-lasting economic crises, such as the one seen in 2008.

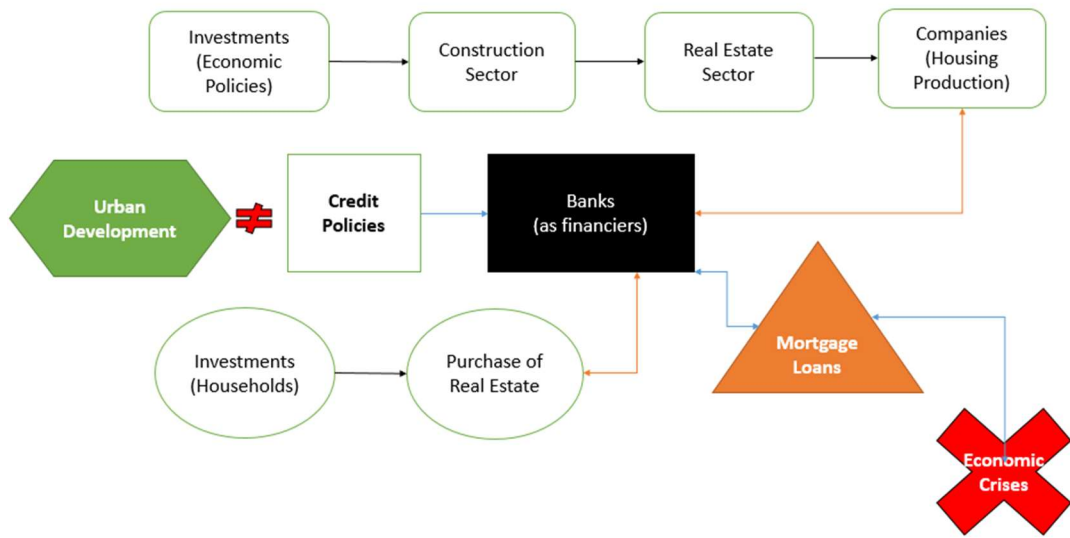
Aside from all this, the housing problem is also an urban issue, and urbanization is not always proportional to the population. Easy access and low-cost housing construction paved the way for the emergence of slums around cities. Rapid and unplanned urbanization is an important part of the problem. The lack of long-term urban development plans and the opening of public land for construction to provide a regular income have made the problem difficult to resolve. The construction of slum housing on public land and the granting of legal rights to the occupants have accelerated the

urbanization process, while there is insufficient time to produce a healthy urban environment.

The fact that the lands within the city are subject to private ownership, the lack of zoned areas, the lack of ownership by local administrations, the vacancy of land, the continuous increase in housing and rent prices and the increase in urban poverty have all led to unplanned urbanization and other urban problems. One major factor behind urbanization problems are the secret financiers who help create these situations. The granting of building permits and zoning should be in accordance with pre-prepared layout plans and the existing built environment, and more importantly, projects that do not comply with these plans should not be financed by banks. Accordingly, banks should develop policies to govern the financing of construction projects, thus contributing to the positive development of the city. In this thesis, an attempt is made to explain how the economy should be supported by appropriate lending processes, with examples provided of zoning processes presented. Through an analysis of the examples of Sinop and İzmir, it is demonstrated that credit mechanisms should not be applied independently of urban development.

### **1.1 Flow Chart of Thesis Topics**

Countries invest in areas that increase employment as part of their development processes, and it can be seen that the construction sector can make the greatest contribution to economic balance in the short term. Through the transfer of resources to the construction sector, rural development, employment and labor creation are ensured, but at the expense of the social environment and the zoning plan as a result of the opening of unsuitable areas for settlement. For this reason, some economic actors have greater responsibility in the establishment of a healthier resource transfer mechanism across the country, with banks being the most critical factor in all these processes. The increase in housing investments and the role of banks in the financing of all these processes are summarized in the table below. All of the actors mentioned in this thesis are included in the flow chart.



**Figure 2:** Flow Chart of Thesis Topics (Source: Designed by the author)

As seen in the flow chart, housing construction, which plays an important role in the architecture of the city, and which is seen as an investment instrument by households, is supported by the government. However, while some houses are purchased as an investment, households that lack the financial resources must borrow from banks to acquire purchasing power. The fact that urban development and the credit policies implemented by banks are not linked leads to unhealthy urbanization, and the subsequent triggering of economic crises as households face difficulties in repaying loans.

In the construction sector, where investments are high, housing finance is mostly provided by banks. With the expansion of the construction sector through monetary support and tax breaks, the number of rent-seeking companies looking for share of the cake has increased. Despite the lack of construction activities, small-scale enterprises continue to invest in the construction sector, but fail to survive in the harsh competitive environment and poor market conditions.

Although there is a need to invest in sectors that increase liquidity, the continued funding the same sectors in the long term, despite the changing socio-economic conditions, has been a secret trigger of economic crises. In the periods of economic

recession in countries, fictitious growth is created through the re-financing (securitizing) of long-term mortgage-secured loans from banks. This study aims to improve on such processes by determining appropriate lending policies in urban areas.

## **1.2 Aim, Scope and Method of the Study**

The rapid growth of the construction sector has led to an increase in the lending volume of banks. The main problem addressed by this thesis is the approach to the financing of housing construction for the purposes of planned urbanization, given that uncoordinated financial activity in this areas leads to crisis situations. This thesis considers the argument that investments in urban areas aimed at ensuring urban development lead to the production of housing that disregards the actual needs and capacities of cities.

In the Conclusion of this study, some policy proposals will be put forward to steer the effective and efficient financing of housing towards social goals and rational urban and regional planning. Focus will be on the relationship between housing credits and urban planning, and the form that effective housing finance policies should take.

In the past, efforts were made to conserve resources through the creation of a fund for environmental development. However, since the use of such funds was not limited to urban development, an inefficient process emerged. In the current situation, however, the urbanization process and the financing system that supports cities have become disconnected from each other.

## **1.3 Thesis Chapters**

In the first part of this thesis, the rise of the real estate sector, the intensity of investments in the construction sector, the indirect impact of banks on these processes and the applications that triggered crises are discussed. There are a number of demographic variables that affect housing demand, whether directly or indirectly, such as income, price, interest rate, marital status, age, etc. The increase in housing loans due to the decrease in interest rates has led investors to acquire multiple properties,



and the resulting increase in the number of houses purchased has revived also the real estate sector. In recognition of this, changes in the economy and household income over the last 3 years are detailed in this section. Due to Turkey's young population and other demographic characteristics, it is assumed that housing production is unlikely to decrease, being a sector that creates employment. In the long term, however, this housing stock will cause a crisis, regardless of these variables.

Public institutions do not communicate efficiently with each other during the urban planning stage. Accordingly, the lack of support of policies proposed by one institution by another prevents the creation of a sustainable system. In the second part of the thesis, the indirect effects of loans made by banks are discussed, with two different perspectives for the banking sector being presented. The first of these is the Ponzi system, by which old debts are closed by loans from a different source, while the second relates to the Homeland Funds established to contribute to the development of rural areas. In this section, a general discussion is made of the credit processes in the housing sector and the issues that should be considered in housing evaluation reports.

In the third section, the role of banks as financial supporters of the city is discussed. Banks are identified as the main problem in urban finance, and the importance of the credit process in the planned development of the city is explained. The thesis makes use of sectoral data that is in the public domain, and is shown on a map (Figure 5,6,7,8) in order to make the distribution more understandable. To make this data more meaningful, provincial mortgage loan rates, sales of housing, household income distribution and the share of rent payments in consumption expenditures were evaluated around the housing production framework.

The credit system in Turkey all but ignores the urban development processes, although the role played by financing is of paramount importance. Accordingly, the importance of appropriate financing is stressed throughout the thesis. In the Conclusion in Chapter 5, a summary of the discussions is provided, along with proposals for different models and policies. Furthermore, appropriate lending processes are suggested to steer healthy urban development. In the proposed models, the resources allocated to housing by the

state support and nourish each other within the processes of urban development, in that the development of the urban environment can only be achieved with the support appropriate lending practices.

## **CHAPTER 2**

### **FOR WHOM THE BELL TOLLS**

The housing sector holds an important place in traditional investments in Turkey. A rapid expansion of global finance was witnessed in the country, followed by a rapid period of growth after 2002. This monetary expansion process, which continued until the global mortgage crisis hit in 2008, saw a rapid increase in housing investments. At that time capital market instruments had not yet achieved sufficient diversity in Turkey, resulting in housing investments becoming a traditional investment option that were preferred by those with savings. Low and middle-income households lacked the savings to pay the high costs associated with housing investments all at once. Accordingly, a form of financing is needed in which repayments can be made in the long term. The construction sector is the recipient of most financing, with housing construction being at the forefront. For this reason, mortgage loans, where the house is taken as collateral, have served as the basis of housing finance.

#### **2.1 Transformation of the Construction Sector**

Capitalism builds its own spaces of (re)production in the urban environment, and the urban process, in which capital determines the areas of investment, enables the production of space as a commodity (Harvey, 1997: 338). The reorganization of the capitalist hegemony on space and the powerful restructuring of space aesthetics encouraged the renovation of pre-built houses and the construction of dwellings on vacant lands, leading to the rise in importance of the construction sector.

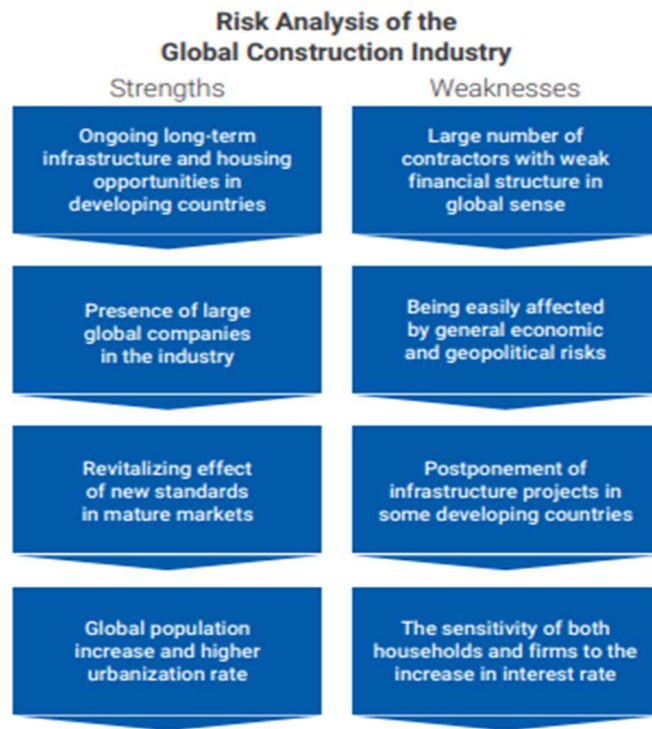
The construction sector, with the added value and employment opportunities it creates, serves provides leverage to national economies. Accordingly, the importance of construction is no longer limited to the production of buildings. Construction today

must be transparent and sustainable, environmental friendly, socially responsible and should have a positive effect on the social structure (Ergül, 2007).

It is important to mention the investments made into the transformation of the construction sector. The term “investment” refers to the permanent use of household savings for the generation of income. Investments can be categorized under two headings: “financial investment” and “capital investment”. Capital investments refer to tangible assets such as land and real estate, vehicles, machinery and equipment, while financial investments include stocks, securities, time deposits, gold, foreign exchange and virtual currencies (Bitcoin, etherium, etc.). Land ownership is the most preferred form of investment, given the support provided to the construction sector through the rapid rise in real estate prices and political actors in Turkey. One factor that increases real estate investments is the encouragement provided to such investments in the production and manufacturing sectors through monetary policies and the efforts to increase the housing supply by giving priority to the transfer of revenues to the construction sector.

Investments in the sector started in the early years of the Republic, most notable in railway and large water projects. This continued until the 1950s, when the global winds of liberalization began to blow. In the 1960s and 1970s, public infrastructure investments led to the construction of dams, hydroelectric power plants and highways. Urbanization was rare in these periods. Around the city centers, citizens built their own houses. A significant change in the urban landscape occurred after the 1980s, changing the nature of slums. Instead of one single or few slums produced by users on their own land, multi-story buildings produced by non-user groups were replaced. Similar developments have been experienced in the urban development areas of other cities. Housing options and the share of cooperatives in housing production for the middle and upper income groups have increased as a result of the loans extended to cooperatives by the Housing Development Administration, leading to a subsequent increase in demand for land. Projects carried out by Emlak Bank and the Housing Development Administration have further contributed to urban sprawl in the cities.

Needs are changing in cities. Investments in the sector have increased, with more demanded for housing than for infrastructure. As a result of the government support provided to the construction sector, large investors are preferring low-cost areas for investment so as to minimize land costs. The difference in the prices paid for the purchase of vacant lands, and the sale of the land at a high price after it has gained value is the investor's profit, although such gains require foresight. Emlak Konut, a real estate investment company, listed the advantages and disadvantages of the construction sector in 2018, presented in Figure 2.



**Figure 3:** Risk Analysis of the Construction Industry (Source: Emlak Konut, 2018)

From the above indicators, it can be understood that long-term planning is required even to secure investments in the sector. To obtain high returns on real estate investments, you need to buy property when it is cheap and sell it when its value rises. Investors expecting improvements in market conditions in the future look to buy any property that is cheap, although the basic dynamics that should be considered in housing investments are often overlooked. Accordingly, not all purchased houses

make a profit as an investment. If the income from the property to be invested in is less than the risks taken in the long term, the real estate investment should not be made.

## **2.2 “New Deal”<sup>2</sup> Perspective and the Construction Sector<sup>3</sup>**

Support to the construction sector emerged as a result of a number of economic policies. One of the most significant change and transformation decisions in the world was the New Deal in the United States, which was a full range of economic programs, public works projects, financial reforms and regulations that came was enacted in the United States from 1933 to 1936 by President Franklin D. Roosevelt. These arrangements, which were put in place as a means of climbing out of the Great Depression responded to all the needs of reform and recovery. Under this development plan, many new organizations (such as Works Progress Administration, Federal Housing Administration) have emerged, and investments have been made in the fields of education, health and construction, leading to the creation of employment opportunities.

The American New Deal agency, as one of the newly established organizations that was renamed the Works Progress Administration in 1939, employed millions of people (mostly unskilled men) to carry out voluntary public works projects, including the construction of public buildings and roads. In addition to infrastructure investments, new investment areas emerged as the projects progressed, and new development plans were introduced as a solution to the increasing housing need.

The Federal Housing Administration (FHA), established in 1934 following the enactment of the National Housing Act, facilitates housing finance, improves housing standards and increases employment in the residential construction sector after the

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<sup>2</sup> The Social Welfare Law enacted by President Roosevelt and implemented by President Johnson, affecting the fields of education, housing, urbanization, health care, etc.

<sup>3</sup> Under this heading, the idea of development of the construction sector will be conveyed from the perspective of the New Deal.

Great Depression. The main function of the FHA was to insure mortgage loans made by banks and other private lenders, thus encouraging potential home buyers to take out more loans (Duignan and Fritz, 2016)

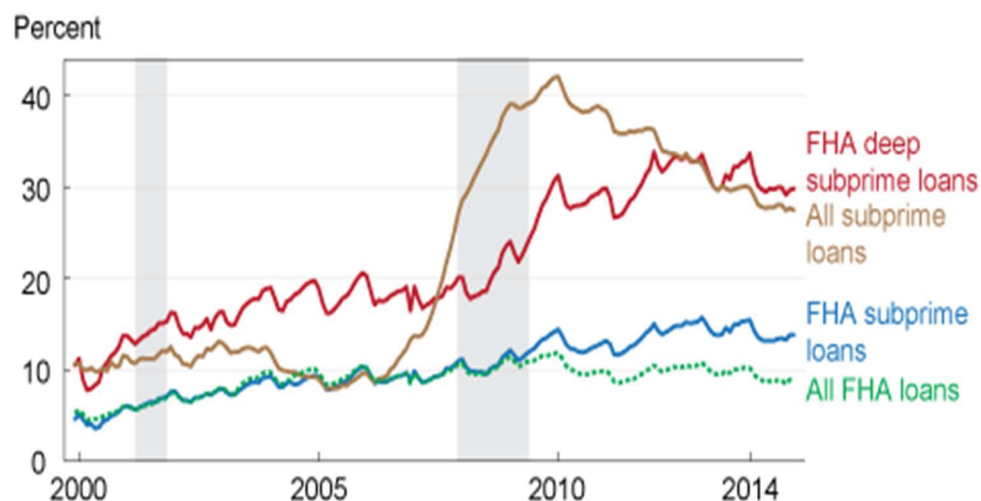
The Reconstruction Finance Corporation (RFC) was a government agency run by the US Federal Government from 1932 to 1957 that extended loans to banks, railways, mortgage chambers and other centers. During the presidency of Herbert C. Hoover, Jesse Jones was appointed head of the institution, and the transformation in the finance companies that followed forms the basis of Roosevelt's New Deal projects. As president of the institution, Jones extended billions of dollars in loans to banks, industries, farmers and general public that were in need. He acted as an autonomous organization in deciding where the government's money should be spent. This was not considered as social aid to households, but as an investment in the American people, as a result of which the incentives and subsidies provided to the construction sector were increased.

Jones highlighted how risky the financial world was during the depression, but highlighted the need to take risks, with its main mission being to restore safe, long-term investment opportunities. In the search for safe investments, the initial focus was on the housing sector. The key innovation was the creation of an insurance pool that was managed by the federal government, and resulted in a mortgage-based securities system. Mortgage-backed securities (VDMK) refer to the right of ownership of a pool of mortgage loans and payments provided therefrom. The logic behind the system is as follows: When a mortgage is provided by a citizen as collateral for a debt that cannot be paid, the lender is paid with low-yield bonds from the pool. Thus, the lender does not lose the collateral, but will not be encouraged to do business (Hyman, 2019).

Prior to the subprime mortgage boom, FHA loans were a major source of credit for first-time home buyers and borrowers with a low primary credit rating. For example, in 2001, 21.6 percent of all new mortgage loans were supported by the FHA; but in 2003, high-interest loans began to decline and the FHA debt yield began to decline. In

2005, high-interest loans represented 16.3 percent of the mortgage market, while FHA loans stood at 3.5 percent.

**Table 1: FHA Loans**



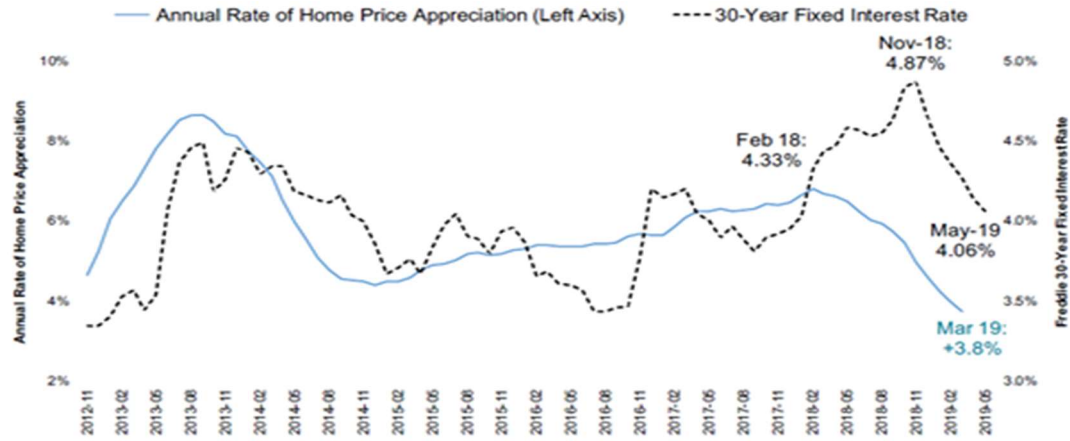
Source: Black Night Financial Services; CoreLogic ABS (2015) <sup>4</sup> (Shaded bars indicate recession.)

As housing construction increased, banks continued to adjust the loan interest rates for housing sales, the low interest rates increased the demand for housing among those with little ability to repay the loans increased. The main reason for the crisis was the facilitation of credit withdrawal.

<sup>4</sup> Based on the calculation of Yuliya Demyanyk and Daniel Kolliner. Yuliya Demyanyk's research focuses on the subprime mortgage market, financial intermediation and banking regulation, and financial integration. Daniel Kolliner is a contributing author and a former employee of the Federal Reserve Bank of Cleveland.



**Table 2: Home Price Appreciation vs 30 Year Fixed Interest Rate**



Source: Black Night Financial Services; Data Analysis (2019)

Home price index (HPI) measures the difference in the price of a homes as a percentage from a given start date. The slowdown in the table was inevitable due to the unsustainable policies.

Countries plan their economies by identifying in which sectors public expenditures are concentrated. It is important to establish a good strategy by investing in the right sectors at the right time. The economic conditions in developing countries based on imports or exports are open to external interventions. As countries grow economically, their people may become poorer in terms of income. Addressing this issue, Indian economist Jagdish Bhagwati presented his impoverished growth thesis in 1958 in which he analyzed countries in which exports exceeded production, concluding that citizens should consume less due to the disruption of trade (Bhagwati 1958). To prevent external interventions, resources should be transferred not only to profitable areas, but also to the sectors in need if domestic economic balance is to be achieved, by which countries both grow and develop.

Although the New Deal development plan revived the US economy, it was the increase in investments in the non-vital areas that was the main factor that drove the economy into a crisis. So, how should Turkey implement its development plan?

In the 1980s in Turkey, one of the sources of the economic problems was the “import substitution” policy. Thanks to its dependency on imports and foreign trade, Turkey’s budget deficit increased. After the 1980s and the liberalization of foreign trade, export oriented industrialization came to the fore. In the period that followed, Turkey had to endure the shock waves of the Gulf War, the 1994 crisis, the November 2000 “liquidity crisis”, “domestic capital outflows”, the 1998 Russian Crisis, the Marmara and Düzce Earthquakes, and the 2001 Crisis.

The financial liberalization policies applied in Turkey after 1980 provided a base for a financial crisis in the country (Acar, 2012). The construction sector, following the 2001 crisis, showed significant improvement in the 2004–2006 period thanks to supportive policies. According to TBB data, sectoral growth reached 25.96 percent in 2006, but entered a recession, and shrank by 4.23 percent in 2008. The construction sector was also affected by the Global Financial Crisis that was spurred by the 2008 Mortgage Crisis in the United States. However, due to the supportive mechanisms and the credit facilities aimed at ensuring construction-oriented growth in the economy through public and private sector projects, Turkey managed to ride out the financial crisis without any damage. The crisis first emerged as a mortgage crisis, but turned into a liquidity crisis as a result of the slippery credits given as a result of the liquidity abundance, excessive securitization, the lack of transparency, the lack of power of the rating agencies and the delayed intervention by the supervisory bodies (Karabulut, 2014). Furthermore, the increase in personal and institutional debt levels, the contemporary monetary policy practices, the imbalances in international trade and the deficiencies in the regulations can be considered as key factors steering the developments in the international markets.

The increase in house prices was certainly one of the causes of the global crisis, while the fall in house prices was among the consequences. The mortgage crisis has long been discussed around the world. In the September 2008 issue of *The Economist*, it was reported that the collapse of Lehman Brothers, a global bank, almost destroyed the entire global financial system. Recovery operations financed by major taxpayers

were launched to support industry, but despite these efforts, the continued credit crunch resulted in the worst recession in 80 years. The Guardian published an article entitled "Three weeks that changed the world." (Mathiason, 2008) the pointed out that too-big-to-fail firms, which were thought could never go bankrupt, collapsed as a result of the financial crisis. The New Yorker said "Between 2003 and 2007, most Americans didn't want to hear about the downside of funds that invest in mortgage-backed securities. They were too busy wondering how much their neighbors had made selling their apartment by scouting real-estate" as a cause of crises (Cassidy, 2008). According to the Basel Report, asset managers controlled more money than assets held in the global banking sector (Basel, 2009).

Between 2008 and 2009, major global financial institutions went bankrupt as a result of the crisis, and were provided with significant cash support and state aid. Table 6 lists the policies and interventions implemented by governments to prevent the crisis.

**Table 3: Government anti-crisis policies**

7 February- UK	Northern Rock nationalized.	88 billion pounds
14 March-USA	Bear Stearns taken over by a commercial bank after a FED subsidy.	29 billion dollars
7 September- USA	Freddie Mac and Fannie Mae nationalized.	200 billion dollars
15 September - USA	Lehman Brothers went bankrupt.	-
17 September - USA	AIG nationalized.	87 billion dollars
18 September – UK	Lloyd TSB bought HBOS.	12 billion pounds
29 September -Benelux	Fortis rescued.	16 billion dollars
29 September –USA	Citibank takes over Wachovia.	12 billion dollars
29 September -Germany	Hypo real estate recovered.	71 billion dollars
29 September -Iceland	Glitnir recovered.	850 billion dollars
29 September – UK	Bradford&Bingley recovered.	32,5 billion dollars
30 September - Belgium	Dexia recovered.	9,2 billion dollars
30 September - Ireland	Ireland banks recovered.	572 billion dollars
7 October- Iceland	Lansbanki nationalized.	-
9 October - Iceland	Kaupthing nationalized.	864 billion dollars
12 October - UK	HBOS, Royal Bank of Scotland, Lloyds TSB Barclays rescued.	60.5 billion dollars
16 October - Switzerland	UBS recovered.	59.2 billion dollars
19 October - Netherlands	ING received capital assistance.	10 billion euros
20 October - France	The French government extended loans to six large banks.	10.5 billion euros

*Table 3: (continued)*

4 November- Austria	Constantine Privatbank nationalized and sold to 5 Austrian banks for 1 euro.	-
11 November -Kazakhstan	The government injected capital into 4 large banks.	3.7 billion dollars
24 November - USA	Citigroup received capital support.	40 billion dollars
22 December- Ireland	The Anglo Irish Bank is nationalized, with funds transferred to 3 large banks.	7.68 billion dollars

*Source: Erdönmez (2009)*

As can be understood from the above table, different countries developed alternative approaches to cope with the crisis. Expropriations were made by states to prevent the collapse of private banks, and these banks were subsequently supported by the government. In other words, expropriation saved the economy from contraction until control of the credit mechanism could be achieved in the short term, but this was an illusion. Although the main objective of the government was to ensure social welfare, state-owned banks increased investments in certain sectors that generated revenue and that had a high profit margin, with an inevitable effect on the real estate sector.

### **2.3 Real Sector, Real Estate Sector and Economic Crises**

According to INTES and TCMB data from 2013, while overall the Turkish economy grew by 7.96 percent annually, the construction sector grew by 14.00 percent and had a share of Gross Domestic Product (GDP) of 8.10 percent in 2013. The sector grew by 4.90 percent in 2015, and closed 2016 with a growth rate of 14.40 percent (TCMB, 2013).

In the development of the sector, the increase in public transport, telecommunication and telecommunication investment projects and privatizations played a role in the 5.1 percent growth rate witnessed in 2017. Besides these, the support provided by public banks also served to accelerate growth.

According to Ministry of Commerce data, the sector recorded 5.2 percent growth in the second quarter of 2018, when the added value created by the sector was 73.404 million TL at current prices, and the sector's share of GDP was 8.3 percent. The Turkey Construction Industry Employers' Union (INTES) refers to the construction sector as “the locomotive of the economy”. According to INTES, the sector’s share of GDP was around 30 percent in September 2018. The construction of highways, airports, railways and public-private partnerships during this period continued at the same rate in 2018, although the excessive supply of land for urban development, beyond actual needs, made marketing difficult. These lands, which we can refer to as a construction stockpile” brought no social benefit to the city and failed to fill the pockets of tenants who invested in housing without public partnership in the construction sector. Houses of high value are being built on unsuitable lands, and their value is decreasing as a result of sluggish sales.

Inflation is an economic and monetary process that manifests in the form of a growing divide between the sum of money in circulation and the sum of goods and services that can be purchased, and increases in prices. Government policies in Turkey seek to increase employment by creating low-paid jobs in the construction sector. Unemployment and inflation are inversely proportional. Although creating new jobs is an effective policy for employment, the income transfers from labor production trigger crises because it cannot be adequately supported. It is tragicomic that the workers for whom jobs are created lack the purchasing power to pay the monthly rent of the houses under construction. In summary, while the share of the construction sector in the economy increased, it was not matched by a growth in welfare.

The total number of buildings constructed and their surface areas are given below under three headings. Looking at the number and the total area of the houses built, a dominance in residential construction can be seen since 2016. Although the total area of public entertainment, education, hospitals or care institutions constructed exceed that of office buildings, the number of office buildings is higher. In a nutshell, it is apparent that most construction investments are made in the residential sector.

**Table 4: Numbers of buildings by type**

<b>Number of Buildings</b>	<b>Public Entertainment, Education, Hospital or Care Institutions Buildings</b>	<b>Office Buildings</b>	<b>Residential Buildings</b>
<b>2016</b>	1,391	2,381	76,683
<b>2017</b>	1,371	2,423	83,238
<b>2018</b>	1,588	1,804	87,382
<b>2019*</b>	820	280	35,178

*Source: TurkStat (2019) (2019 data includes the first ten months.)*

**Table 5: Numbers of buildings by area**

<b>Area (m2)</b>	<b>Public Entertainment, Education, Hospital or Care Institutions Buildings</b>	<b>Office Buildings</b>	<b>Residential Buildings</b>
<b>2016</b>	6,659,209	6,013,947	111,008,969
<b>2017</b>	8,402,315	6,657,575	121,936,131
<b>2018</b>	7,617,233	4,272,366	129,341,881
<b>2019*</b>	3,466,970	950,547	60,237,794

*Source: TurkStat (2019) (2019 data includes the first ten months.)*

The increase in the number of residential has been interpreted as a “spatial treatment of excessive accumulation” (Harvey, 1989; 7). According to Harvey, housing production, regardless of demand, is like killing a sick person rather than providing them with medication. A critical proportion of investments in Turkey is made within the construction sector, with capital sourced from bank loans. Thanks to the uninformed financing policies in the country, banks create an imaginary abundance in the economy by financing the market with low interest rates.

In this thesis, rather than the urbanization of rural areas, it is aimed to re-urbanize the already existing city. The economy of urban areas is growing. The main reason for

unplanned urbanization is that investment in housing is considered as investment in the city, and prevents other investments in the city.

The basic element of urbanization is the production, transformation and destruction of the social sphere through investment and capital transfer. As a result of the difference between the services provided to cities and rural areas, urban and rural areas became separated, development areas connected to metropolitan municipalities were reorganized, and lands were destroyed and settled in the name of urbanization. Against this backdrop, we will focus on how financial resources can be better used to improve the social welfare of the urban arrangements proposed in the following sections.

#### **2.4 Banking Sector as the Financier of the City**

Banks are organizations that give and receive money in return for interest; that can engage in activities in the fields of trade, industry and economy, and that use funds when necessary for the stability of the economy by ensuring the continuity of the market. Banks mediate the transfer of funds from economic units with surplus funds to the financial units that are overdue for the purpose of profit maximization, creating funds and utilizing them in government policies and projects with high public interest. The term “financing” refers to the support provided to a business through the provision of money, supporting it with credits, and developing it with money and credits. The banking sector creates, saves and canalizes the money within the required fields, meaning that banks are linked to the political economy of all sectors. Political economy here refers to the development of the distribution of material welfare in society and the economic relations that exist between people.

The duties and responsibilities of the banks include the provision of public services and the implementation of government policies. Banks should thus be seen as policy instruments of the government, but also as the most important organizations providing benefits to the development of a country. The main argument put forward in this thesis is that if the right investments are made in the right areas, economic improvement will follow.

In order to prevent crises, governments take measures through monetary and fiscal policies. Governments provide low credit interests rates while implementing an expansionary fiscal policy, and this low interest rate policy is generally valid in housing credits. While the public are not always in need of housing, they may buy real estate for investment purposes. The easing of purchasing power increases the demand for housing, and this increased demand for housing is reflected in house prices. People prefer to be tenants rather than homeowners.

In the presence of high-priced housing, rents increase and living standards decrease in accordance with the income status of the tenant. High prices bring to mind the question of how much of a person's income should be spent on rent? According to the generally accepted approach in the banking sector, the rent one pays should not exceed 30 percent of income. For example, if someone earns a 2,000 TL in a month, his/her rental should be 600 TL taking into account the cost of living. Spending habits are important. If a person's rent increases, the rent payment will be at the expense of their food expenditures. Under these circumstances, one cannot say that their budget is not sufficient, as they can try to move into a smaller house. The distribution of housing unit prices in metropolitan areas by years is given in Table 9.

**Table 6:** *Distribution of housing unit prices in metropolitan areas by years*

Years	İstanbul	Ankara	İzmir	Turkey
2015	3,926.05	1,611.44	2,055.18	2,140.30
2016	4,392.11	1,755.84	2,419.33	2,410.99
2017	4,663.87	1,873.72	2,833.89	2,598.62
2018	5,086.30	2,078.15	3,209.44	2,848.30
2019*	4,664.37	2,131.01	3,233.92	2,794.14

*Source: TCMB, Housing Price Units (TL/m<sup>2</sup>), produced by the EVDS program (2019 data covers the first ten months.)*

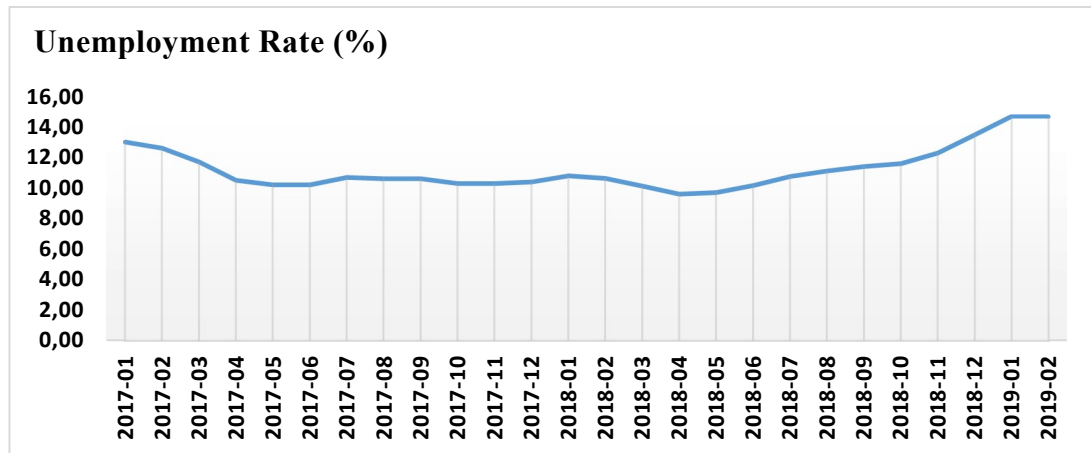
In the table, the average housing price in the metropolitan cities and other provinces is compared. Housing prices in metropolitan cities are well above the average when compared to other provinces. According to this data, obtained from the Central Bank, a person who wants to own a house in İstanbul would have paid an average of 3,926.05



TL in 2015 and 5,086.30 TL per month in 2018, meaning an increase of 29 percent in 3 years.<sup>5</sup> One of the main reasons for this is that the already constructed buildings in the metropolitan areas far exceed the capacity of the city, or the luxury buildings that are still under construction, which has been put in the capital by investors who are planning to get high rental income.

It is seen that households with a permanent income pay bank housing loan installments or residential rents regularly. That said, with the increasing unemployment rate, regular loan or rent payments cannot be expected when the tenant/lender lacks the income to meet their basic needs. The following table shows unemployment rates by years. In 2018, when the construction sector was on the rise, employment rates increased in direct proportion to the investments in the sector (The unemployment rate in the table is low in early 2018). Towards the end of 2018 and early in 2019, when momentum was lost in housing sales, firms went bankrupt, the construction sector stagnated, layoffs increased and unemployment saw a rapid upturn.

**Table 7: Unemployment Rate by Years**



Source: TurkStat (2019)

Those with a primary and high school education are mostly employed in the construction sector. Employment in the construction sector is given below. While 83 percent of construction workers were employed in the construction of buildings in

<sup>5</sup> Calculated by author as  $[(5.086,30 - 3.926,05) / 3.926,05] \times 100$

2015, this ratio decreased to 64 percent in 2017 after the sector lost momentum. Infrastructure works, such as dams, bridges and roads, gained momentum after 2017, and employment shifted to these areas.

**Table 8: Construction Employment Index in Turkey**

Construction Employment Index	Years	Employment Rate (%)
Buildings	2015	83.4
	2016	74.5
	2017	64
Other Constructions	2015	72
	2016	72.6
	2017	74.3

*Source: TurkStat (2017)*

In order to reinforce our assumption that the proportion of the budget allocated to housing rents and loans has increased over the years, but that purchasing power has decreased, the poverty limits in metropolitan cities should be presented here. The below table contains data on the poverty line, poverty rates and the number of people living under the poverty line in three metropolitan cities.

The budget allocated to housing rents and loan repayments has been increasing over the years, while purchasing power has decreased in the same period. In order to confirm this assumption, the poverty line in metropolitan cities should be included here. The poverty line in the three metropolitan cities, as well as the poverty rates and the number of people living under the poverty line, are mentioned below.

**Table 9: Poverty line and rates by years**

Region Name	Year	Number of poor and poverty rate by equivalized household disposable income (60% of the median income) : 60% of the median income / Poverty threshold (TL)	Number of poor and poverty rate by equivalized household disposable income (60% of the median income) : 60% of the median income / Number of poor (Thousand)	Number of the poor and poverty rate by equivalized household disposable income (60% of the median income) : 60% of the median income / Poverty rate (%)
Turkey	2015	7.495	16.706	21,9
	2016	8.539	16.328	21,2
	2017	9.532	15.864	20,1

Table 9: (continued)

İstanbul	2015	9.504	2.560	17,8
	2016	10.871	2.602	17,8
	2017	12.301	2.776	18,8
İzmir	2015	8.975	804	19,9
	2016	10.916	804	19,7
	2017	11.830	767	18,4
Ankara	2015	10.066	987	19,4
	2016	11.589	1.008	19,5
	2017	11.996	925	17,5

Source: TurkStat (2019)

According to data published by the Statistics Institute of Turkey, the selected middle-income people living in absolute poverty in the sample exceeds the average of the three largest cities in Turkey. While İstanbul has the poorest population, it has the lowest poverty rate compared to the population. Similarly, although the number of poor people is not high, İzmir has the highest poverty rate compared to the population. The question that comes to mind with all these data is how much money should be spent on the housing expenditure of a household at high poverty line?

In order to support the assumption that the income earned is distributed equally to expenditures, the basic needs and the distribution of housing rent or housing loan expenditures in 2017 are given below. (Data is limited to three major cities as created from the beginning.)

**Table 10: Expenditures in metropolitan cities**

<b>Region Name</b>	<b>Distribution of expenditure groups according to Household Budget Survey (Horizontal %), 2015-2017 : Total consumption expenditure</b>	<b>Distribution of expenditure groups according to Household Budget Survey (Horizontal %), 2015-2017 : Food and non-alcoholic beverages</b>	<b>Distribution of expenditure groups according to Household Budget Survey (Horizontal %), 2015-2017 : Clothing and footwear</b>	<b>Distribution of expenditure groups according to Household Budget Survey (Horizontal %), 2015-2017 : Housing and rent</b>
İstanbul	100	15.5	4.5	30.7
İzmir	100	17.5	4.8	27.6
Ankara	100	17.3	4.6	25.8

*Source: TurkStat (2019)*

As can be seen in the table, in the total consumption expenditures, food and beverage expenditures vary between 15 percent and 17 percent, while clothing expenditures vary between 4 percent and 5 percent. Housing rent and credit expenditures account for 25 percent to 30 percent of the expenditures. In summary, the average person pays rent amounting to more than 25 percent of his/her income, or repays the loans made by banks for their housing purchase.

Banks do not provide 100 percent financing for house purchases, as a down payment of at least 20 percent is required. Most housing loans are not repaid, and so the banks sell on the mortgaged houses for cash. Decreasing cash conversion rates would seem to be a trigger for crises.

## **2.5 Markets in Mortgage Housing Finance Systems**

In mortgage housing finance system, mortgages are taken out on houses that people want to buy as long-term housing loans from banks. In this process, home ownership increases as the interest rates on housing loans fall in the primary markets. With the

securitization of mortgage loans granted by credit institutions, lenders come up with new funding opportunities as well as conventional funding sources, and as a result, the funds obtained through investors from secondary markets are returned to the sector as loans. Accordingly, a large number of people buy houses while investors provide earn income (Eroğlu, 2010).

Markets are divided into primary and secondary segments. The primary market is where home creditors and housing insurance institutions come together. The institutions that operate in this market include commercial banks, participation banks, savings banks and leasing companies. Furthermore, some financial service providers come to the forefront in the primary mortgage market, such as housing loan regulatory bodies, and credit management and investment institutions.

In the secondary market, the need for periodic funding is met and shortfalls are eliminated. The main function of secondary housing market institutions, which are known by different names, such as mortgage financing institutions, is to purchase the mortgages created in the primary market, and to obtain funds for the market. The secondary markets are where the loans obtained by the mortgage institutions are transferred to mortgage financing institutions, where credit pools for mortgages are created, where securities are issued based on these pools, and where these securities are exchanged in the capital markets by the housing finance institutions.

Various studies have been carried out into the budget analysis that should be applied in housing finance, some of which are presented below. The first approach is the ratio of mortgage payments to income (Price to Income - PTI) or the ratio of the loan amount to the property value (Loan to Value - LTV). This is used by the lender to reduce the credit risk and to decide whether to grant credit to the requesting party (Çetin, 2002)

The PTI rate, being the ratio of a person's monthly loan repayments to their monthly income, is a measure of the applicant's ability to make the monthly repayments. People make their loan repayments from their income, and in such cases, the lower the PTI rate, the more likely repayments will be made on a regular basis (Cetin, 2002). A low PTI ratio indicates a low share of the loan in a person's income, thus reducing the risk

of the non-repayment of the loan. The accepted valid rate for PTI is 0.50, with risk increasing the closer this ratio gets to 1.

$$\text{PTI} = \text{Installment amount} / \text{Monthly Income} = 0.5$$

The LTV ratio is the ratio of the credit received by creditors to the sale price of the real estate. A lower rate means higher protection to the lender, as a loan cannot be made by the bank for the full value of the immovable asset (Çetin, 2002). For consumer loans to be used for residential purposes, and consumer loans to be taken out with a housing guarantee, the amount of the loan may not exceed 75 percent of the value of the property subject to collateral (Banking Regulation and Supervision Board, Law No 3980). Accordingly, a certain margin of security is maintained by the banks against the risks that may occur (Cetin, 2002). In countries where real estate financing systems are developed, the LTV rate is usually around 80 percent

$$\text{LTV} = \text{Loan Amount} / \text{Immovable Value} = 0.50\text{--}0.80$$

Another approach is the “28/36 rule”, which states that a household should spend total housing expenditure with a maximum of 28% of its monthly gross income. In this approach, one should not spend more than 36% of one’s income repaying total debts, including those for both housing and cars. The 28/36 rule is a standard used by lenders in addition to the lender's credit rating (Kagan, 2019)

According to this rule, which is applied in the credit mechanism, the most important factor determining the repayment to be made for a loan is based on how much of a person's income remains to be able to pay the loan after deducting all debt obligations (such as food and transportation expenses, credit card payments or student loans). Lenders generally decline to give loans when more than 28 percent of the monthly gross income (i.e. pre-tax) is allocated for mortgage payments, property taxes and insurance. After making monthly payments on other liabilities, the loan repayment amount should not exceed 36 percent of total gross income. This is called the "28/36 rule". If the debt-to-income ratio exceeds these limits for a home that is planned to be purchased, repayments for the amount of the loan will be difficult, and housing buyers will be required to pay higher interest rates to the banks (Vohwinkle, 2019).

For example, if your gross monthly income is \$ 5,000:

- $\$ 5,000 \times 0.28 = \$ 1,400$
- $\$ 5,000 \times 0.36 = \$ 1,800$

This means that mortgage payments and tax and insurance payments should not exceed \$ 1,400 per month, while total monthly debt payments, including mortgage payments, should not exceed \$ 1,800 (Vohwinkle 2019).

To give another example, let's say you have a monthly gross income of \$ 5,000 and want to buy a house with a principal and interest payment of \$ 1,000 per month. (assuming \$ 200 per month for housing insurance and property taxes). Your total monthly housing costs are \$ 1,200 ( $\$ 1,000 + \$ 200$ ), which is 24 percent of the monthly gross income. Since this ratio is less than 28, it would be profitable to buy this dwelling, because it meets the 28/36 rule (Keytman, 2019).

The income status of an individual is examined based on these criteria before a housing loans is granted by a bank, and those with a low ability to make the loan repayments for the property they seek are not financed. This sensitivity to the income level of a purchaser, however, is not shown during the crediting processes applied by construction companies. Construction companies with high credit debts try to sell the houses they build, or continue to sell at exorbitant prices. Households that are unable to purchase property due to the credit restrictions applied by banks cannot purchase housing at these exorbitant prices; and companies that cannot repay their loans because they cannot sell their houses and settlements built through credit financing remain idle. Since the demolition of buildings that are not in demand represents an additional cost, companies decline to bear this cost and leave their buildings idle and unattended. Accordingly, the company makes no earnings, and the bank cannot obtain the interest from the loan, or the principal payment, and so the city fills with empty and idle buildings.

One of the aims of this thesis is to contribute to the development of the capital market by developing an efficient housing finance system for planned urbanization. In this

context, restrictions should be imposed on credit withdrawal conditions not only when loans are extended to households, but also to construction companies, based on the details of the area to be developed, the demand for housing and the suitability of land on the market.

## **2.6 Originate to Distribute Model<sup>6</sup>**

An originate-to-distribute (OTD) model of lending, where the originator of a loan sells it to third parties, was a popular approach in mortgage lending before the onset of the subprime mortgage crisis (Purnanandam, 2010).

This model took the form of the issuance of asset-backed securities in Turkey. These are derivative products in which the illiquid assets of banks or similar institutions are securitized, and are sold in the secondary market as derivative products. The bank takes a certain amount of risk for the credit transaction, and at the same time must allocate a certain amount of money to this risk.

In the pre-crisis period, it was seen that the mortgaged loans of banks that wanted to issue asset-backed securities included those made with risky collateral. So what are the risks in the housing finance system?

## **2.7 Risks in Residential Finance System**

Although the mortgage housing finance system has many positive features, there are some risks that both lenders and creditors may face, and these risks can have serious implications for the system, and even for the overall economy. All risks related to mortgage loans constitute a risk to the mortgage housing finance system (Oksay & Ceylantepe, 2006).

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<sup>6</sup> A model in which the continuity of housing loan financing in the primary market is assured through long-term funds obtained through the securitization of housing loans.



There are various risks faced in the mortgage housing finance system, being Risks of Early Payment, Interest Rate Risks, Non-Refund Risks and Liquidity Risks (Yalçiner, 2006). Early payment risks and interest rate risks have a direct effect on the housing market. A person that closes their loan before the end date adversely affects the process of creating money in the banking sector through the loss of interest. In order to eliminate the risk of early repayment of banks, a penalty is imposed for the early repayment of loans before maturity. Interest rate risk refers to the loss of income that the bank is exposed to in the event of changes in interest rates. Let us assume that a bank's deposit interest rates are floating, and that loans are made to fixed interest rates. When interest rates increase, the interest to be paid to the customer with savings in the bank increases, while the income of the bank decreases due to the fixed interest rate linked to the loan. Banks assess credit risk taking these risks into account, and the difficulty in attracting loans may have a direct impact on demand for housing.

In the mortgage system, guarantees are based on two factors: the legal value of the house and the consumer's ability to pay. Those who want to buy a house apply to the bank for the house they want to buy, and pay 25 percent of the house price in cash. They apply to the bank to receive 75 percent of the cost of the property as a loan. Banks establish a graduated mortgage right on the house purchased by the customer before making the loan. Should the bank be unable to collect on the loan, the right to sell this real estate asset, which is taken as collateral for the loan, arises.

The cost of obtaining a housing loan is not limited to the real estate provided as collateral. The bank sells insurance products as a by-product to customers in order to avoid any risk that may arise from the housing it has secured.

The property taken by banks as collateral is valued by independent evaluation institutions. The Mortgage Funding Company converts the mortgages in its stocks into securities, and turns them into a payment instrument as mortgage fund participation certificates, asset-backed securities or debt securities. In this way, it creates new payment and accumulation tools and creates new market players. The Capital Markets

Board issued a communiqué on the structuring of mortgage financing institutions on July 17, 2014 that regulated the market makers.

Mortgages are generally classified as fixed or variable rate loans. A fixed mortgage has an interest rate that is fixed throughout the period of the debt, and is established based on the understanding that the debt will be closed. The interest rate is fixed throughout the term of the debt (Tyson & Brown, 2006).

Variable rate mortgages are tied to market interest rates or interest rate indicators, and so monthly repayments may change throughout the term of the loan. Variable interest rates can be adjusted monthly, semi-annually or every 12 months (Saunders & Cornett, 2001).

**Table 11:** *Mortgaged housing sales by regions and provinces*

<b>Region Name</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Istanbul	49,206	87,001	87,350
Bati Marmara	18,601	30,558	30,627
Ege	43,297	72,152	66,817
Dogu Marmara	32,841	57,496	53,851
Bati Anadolu	37,584	67,262	66,826
Akdeniz	36,107	59,013	54,761
Orta Anadolu	11,990	21,746	19,539
Bati Karadeniz	15,715	25,510	23,216
Dogu Karadeniz	7,126	10,825	10,473
Kuzeydogu Anadolu	3,462	5,441	4,871
Ortadogu Anadolu	5,094	8,896	8,165
Güneydogu Anadolu	15,797	27,199	23,012
<b>TOTAL</b>	<b>276,820</b>	<b>473,099</b>	<b>449,508</b>

*Source: General Directorate of Land Registry and Cadastre (2018) (Covering all settlements.)*

According to the above data, İstanbul has the highest sales figures. Housing sales in metropolitan cities decreased by 13 percent, 10 percent and 9 percent between 2018

and 2017 in the regions of Ankara, İzmir and Bursa. İstanbul experienced a decline in 2018.

The decline in house sales in 2018 from the previous years' figures can be attributed to the increase in construction costs due to fluctuations in exchange rates, as well as the stagnation in housing sales. The increase in bank interest rates led to a decrease not only in mortgaged housing, sales but also housing sales as a whole, as the purchasing power of individuals declined. How does the purchasing power of individuals affect the housing market?

It is necessary to elaborate upon the issues proposed to decrease the number of housing sales (increases in construction costs, exchange rate changes, decreases in the purchasing power of individuals, etc.). First, the minimum wage earned by citizens over the age of 16 is presented below (Gross and net fees indicated in two different columns).

**Table 12: Minimum Wage Amounts**

<b>Minimum Wage Amounts</b> <b>(For the age of 16 and for singles)</b>		
<b>Years</b>	<b>With Tax</b>	<b>Take-home pay</b>
2015	1,273.50	1,000.54
2016	1,647.00	1,300.99
2017	1,777.50	1,404.06
2018	2,029.50	1,603.12
2019	2,558.40	2,020.90

*Source: BUMKO (2019)*

As can be seen in Table 10, purchasing power has increased over the years, but despite the real wage increase, there has been no increase in purchasing power due to inflation. In 2018, the hunger limit for a family of four was 1,686 TL and the poverty limit was 5,492 TL. In 2019, the hunger limit for a family of four has reached 2,014 TL and the poverty limit is 6,651 TL. While salaries increase with increases in inflation rates,

people have become poorer. Looking at the figures in the table, it can be seen that the net minimum wage remained below the hunger limit in 2018, and slightly above it in 2019 (Turk-Is, 2019). People whose spending on such basic needs such as food has increased cannot be expected to keep up with increases in housing rents.

The change in the construction cost index is examined. The increase in the cost of construction materials should be taken into consideration due to changes in the dollar exchange rate. It can be observed that the attractiveness of investing in housing has decreased due to the increase in deposit interest income, as money is being kept in bank accounts in liquid form, and due to the fact that contemporary financing conditions have brought heavier burdens when compared to previous years. At the same time, the increase in interest rates in housing loans has hindered housing investments. Rather than building new buildings, profiting by keeping capital in the banks' futures accounts is a popular investment for the purchase of existing and centrally located buildings. In the long term, however, this limits economic development and production.

Another change affecting house sales is the fluctuation in exchange rates. As a result of the amendments made in the legislation aimed at facilitating the purchase of real estate by foreign nationals, a significant increase was noted in housing sales to foreigners. Foreign housing sales based on 2018 data are detailed in Figure XX, from which it can be seen that the number of houses sold to foreigners has risen, accounting for 3 percent of all housing sales in Turkey in 2018.

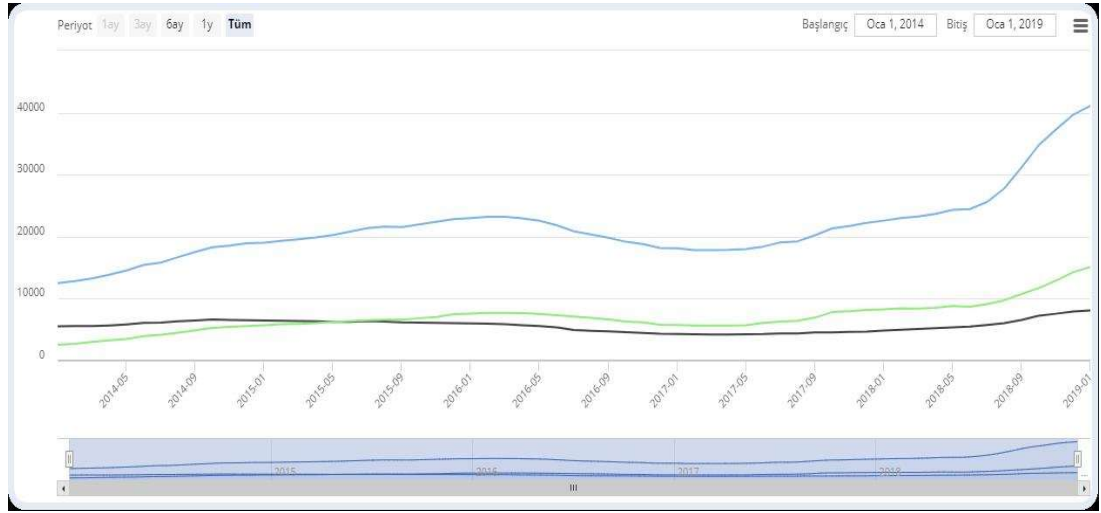


Figure 4: Acceleration of house purchases by foreigners (Source: TurkStat, 2018)

The number of houses purchased by foreigners by years is given below. Although housing sales are high in the provinces close to coastal regions, it can be seen that housing sales have also increased in the cities close to metropolitan areas.

Table 13: Houses sold to foreigners

Date	Total	1	2	3	4	5	6	7	8	9	10	11	12	13
2015	1,903	50	506	92	125	624	0	60	69	69	65	119	0	123
2016	1,516	52	363	73	110	484	0	48	53	55	68	69	0	143
2017	1,853	68	392	69	123	682	0	50	53	64	82	90	0	181
2018	3,305	178	662	90	227	1.189	101	81	74	114	115	172	134	387
2019	3,547	201	695	80	184	1.587	70	68	85	106	84	144	78	318

1. Ankara, 2. Antalya, 3. Aydın, 4. Bursa, 5. İstanbul, 6. İzmir, 7. Mersin, 8. Muğla, 9. Sakarya, 10. Trabzon, 11. Yalova, 12. Samsun, 13. Other Countries. (Source: TCMB, 2019)

In the first 10 months of 2019, sales of housing to foreigners were seen to have increased on 2018 figures, with the majority of such sales being made in İstanbul. Residential property in İzmir and Samsun have been in high demand by foreigners since 2018.

Antalya has the second highest housing demand in this group. In Antalya, where tourism is dense, the housing demand of foreigners is high due to the shortage of land

to build new hotels and stagnation in construction activities. Yalova, Bursa and Sakarya are the most preferred cities due to their proximity to İstanbul and the wealth of affordable housing found there. Bursa's cultural heritage and the attractiveness of its tourism-intensive regions is a factor that has accelerated housing sales.

The fact that coastal regions such as Kuşadası and Didim are connected to Aydın province has led housing demand in Aydın to exceed that of İzmir. Trabzon and Mersin are among the leading provinces where tourists and foreign businessmen desire to own property, being major port cities.

The provinces in which foreigners have created a housing demand by years are mapped below. Provinces with 0–100 housing sales on the map are considered low demand; 101–300, moderate demand; 301–600, high demand; and 601–800, the highest demand. The scale of the map is based on the average number of house sales since 2015.



**Figure 5:** Distribution of housing sales to foreigners in 2017 (Source: Drawn by the author based on TurkStat data for 2017.)

In 2017, İstanbul was the province that recorded the highest number of dwellings sold to foreigners, followed by the city of Antalya, which is shown in parallel hatching. As Ankara is a more developed metropolitan city than Bursa (according to development index of cities), the number of houses sold to foreigners in Bursa was twice as high as Ankara. Despite the fact that İzmir is a metropolitan city, no housing sales to foreigners were recorded in 2017. The number of housing sales to foreigners in provinces close to such coastal regions as Aydın, Sakarya, Mersin, Muğla, Trabzon and Yalova was over 50. There is no data for the provinces shown in white on the map. Any sales to foreigners in these provinces are recorded under the heading “Other Provinces” by TurkStat.

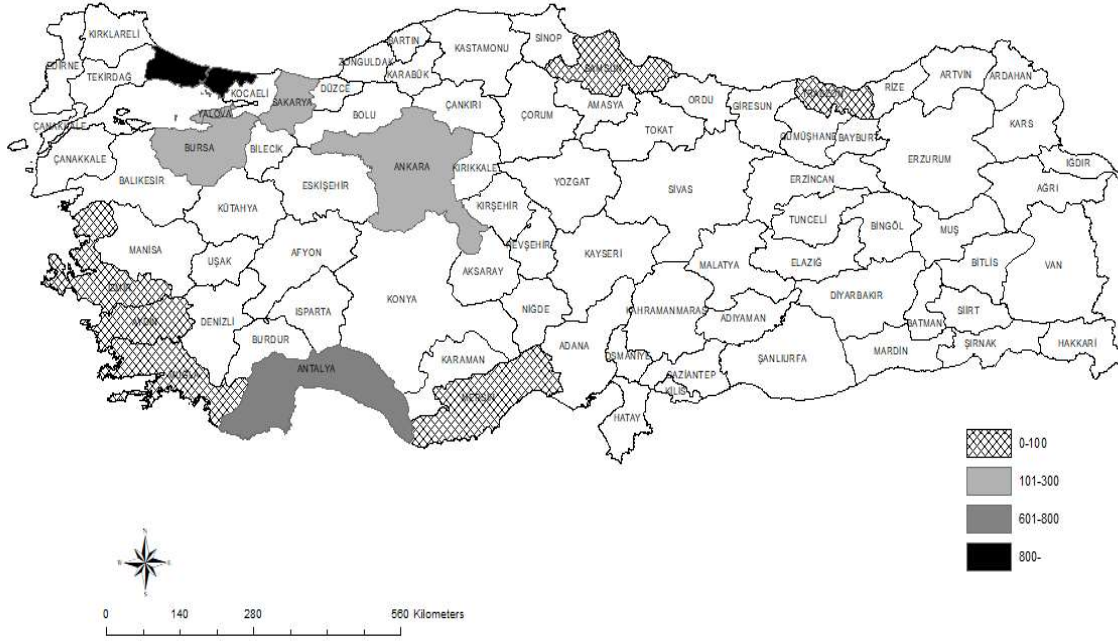


**Figure 6:** Distribution of housing sales to foreigners in 2018 (Source: Drawn by the author based on TurkStat data for 2018.)

While the number of houses sold to foreigners in İstanbul was below 800 in 2017, these sales more than doubled in 2018. The city of Antalya, which is shown in dark gray on the map, ranks second in housing sales to foreigners after İstanbul.

The metropolitan character of Ankara and Bursa and the proximity of Sakarya to İstanbul have led to increased sales in these provinces. In 2017, there were no recorded

housing sales to foreigners in İzmir or Samsun, while in 2018, 101 houses in İzmir and 134 in Samsun were sold to foreigners.



**Figure 7:** Distribution of housing sales to foreigners in 2019 (Source: Drawn by the author based on TurkStat data for 2019.)

Sales to foreigners in İstanbul in the first 6 months of 2019 have exceeded the total sales in 2018, and Antalya is the second highest province in this regard, as in previous years. While the sales have slowed in İzmir, sales to foreigners in Sakarya, Yalova and Ankara have increased.

One of the main reasons for the increase in housing sales is the reduced cost of housing for foreigners who earn in dollars due to the volatility in the exchange rate (depreciation of TL against the dollar). The increase in housing sales to foreigners in 2019 can be considered to be linked directly to exchange rates. The value of the dollar against the Turkish Lira increased significantly in 2019, leading to an effective decline in house prices for foreigners. In contrast, housing demand among the local population, whose purchasing power decreased due to the high interest rates on housing loans in banks, and the increases in house prices in the period when interest rates reduced, remained limited. The limited increase in the loans granted by banks can be explained



by the direct payments for house purchases made from abroad. Although the demand for housing among foreign investors has increased housing prices, banks try to create purchasing power through low-interest credit policies.

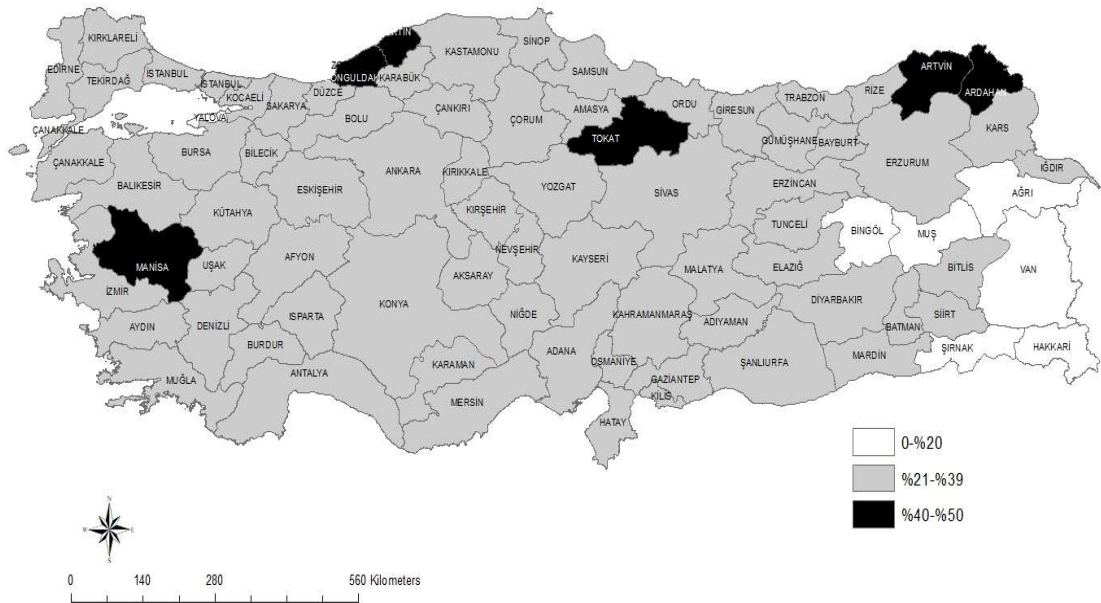
It is worth mentioning the increase seen in housing sales despite the economic recession, and to discuss also mortgaged housing sales. People seeking to buy property through a mortgage lack liquid deposits, and so put up the real estate they will buy as collateral to the bank. Accordingly, people who lack economic power can also own property, and the subsequent rise in the housing sector creates fictitious growth in the economy. The ratio of mortgaged houses to the total number of houses by years is given below. Provinces with 0–20% of the ratio of the total number of mortgaged houses to the total number of houses on the map are considered low demand; 21%–39%, moderate demand; and 40%–50% high demand.



**Figure 8:** The ratio of the number of mortgaged houses to the total number of houses in 2016 (Source: Drawn by the author based on TurkStat data for 2016.)

The provinces shown in white on the map (Van, Hakkari, Bingöl, Muş, Şırnak, Ağrı and Batman) have the lowest rate of houses purchased with mortgages. In general, properties in these provinces are sold without being put up as collateral as loan

guarantees. Mortgage sales were highest in Artvin, Tokat, Denizli and Manisa. The credit mechanism behind housing purchases plays a key role in these provinces, and among the reasons why Artvin records the highest figures in this regard is that there facilities have been built by DSI (General Directorate of State Hydraulic Works) for the construction of Deriner Dam and HESS projects on the river Çoruh, and the investments in this region have increased employment. House purchases made with mortgages were at an average level in the cities shown in gray.



**Figure 9:** The ratio of the number of mortgaged houses to the total number of houses in 2017 (Source: Drawn by the author based on TCMB data for 2017)

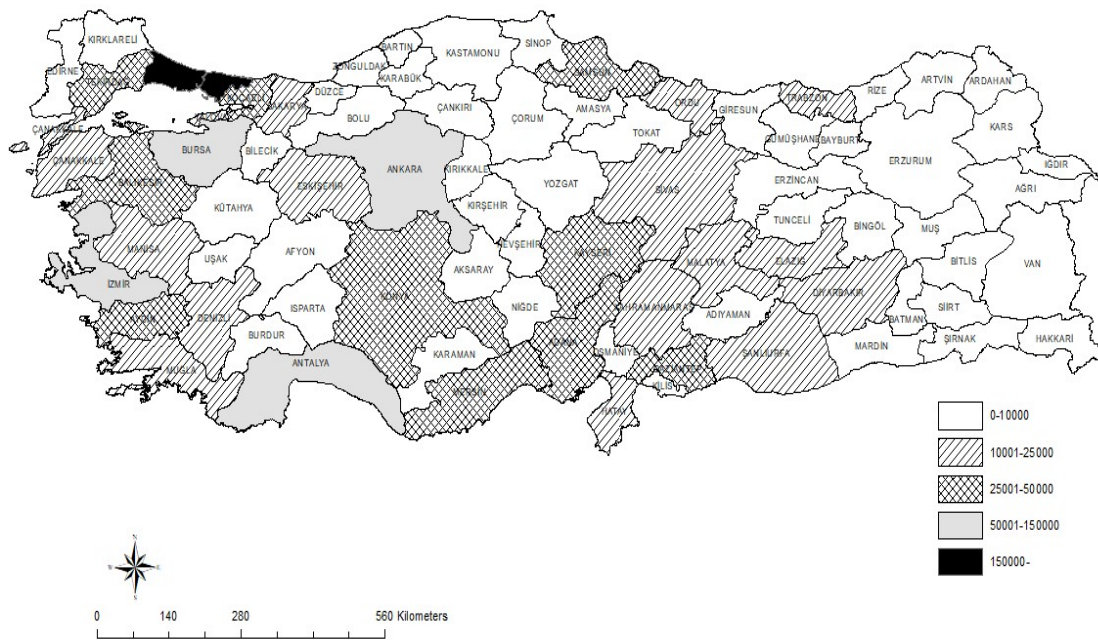
Unlike in 2016, housing sales involving mortgages increased in Zonguldak, Bartın and Ardahan in 2017, with Artvin ranking first and the province of Ardahan ranking second. Although the total number of houses sold in Ardahan is low, most of the houses are purchased through mortgages. Mortgages for housing units sold in the Batman province have increased since 2016, and so the map is shaded gray rather than white. The rate of house purchases made with mortgages were at an average level in the cities shown in gray.



**Figure 10:** The ratio of the number of mortgaged houses to the total number of houses in 2018 (Source: Drawn by the author based on TurkStat data for 2018.)

In 2018, a decrease was seen in the house purchases financed with mortgages. According to Central Bank data, no purchase were made with mortgages in any province at a rate of 40–50 percent. It is normal for mortgages to be high in metropolitan cities such as İstanbul, Ankara, İzmir and Bursa, where the credit utilization rates are high. Mortgaged purchases accounted for 23 percent, 23 percent and 27 percent of all sales in the Uşak, Osmaniye and Bilecik provinces, respectively. Although mortgage-backed purchases have decreased throughout the country, these provinces have held steady.

Mortgage sales remained relatively sluggish in the 2016–2017 period, while their share in total sales in the country increased to 78% in 2018. When sales to foreigners in 2018 are examined at a provincial level, it can be seen that housing demand in İstanbul and Antalya is higher than in other provinces, due to the vast population of İstanbul and the fact that Antalya is Turkey’s busiest tourism center. To compare the number of mortgage purchases in total house sales, the total number of house sales in all provinces in 2018 is given below.



**Figure 11:** Total housing sales by provinces (Source: Drawn by the author based on TurkStat data for 2018.)

The total number of residential sales in İstanbul was more than 150.000, while house sales in Ankara, Bursa, İzmir and Antalya range in number between 50,000 and 150,000 in 2018. The number of housing sales is high in such industrial intensive provinces as Adana, Gaziantep and Konya. Due to the fact that cities such as Samsun and Mersin are port cities, employment has increased in these provinces and this has increased the housing sales. Due to their proximity to such metropolitan cities as İzmir and İstanbul, demand for housing has increased in the Balıkesir, Tekirdağ and Aydın provinces.

İstanbul, Ankara, İzmir, Antalya and Bursa recorded the highest sales in 2018, with the most mortgaged-backed purchases being made in Artvin, Ardahan, Bartın, Manisa and Tokat. Based on all this data, it can be concluded that sales of mortgaged housing have increased, regardless of the size of the city.

As a result of the mortgage supply and demand supported by the banks, it has been brought to the forefront by making the real estate an instrument of exchange such as money. So is it possible to establish an efficient lending process with the opening of appropriate land for construction. Before presenting details of the credit mechanism behind the lending processes, it will be useful to include information about appropriate areas for zoning..

## 2.8 Constructing the Right Areas <sup>7</sup>

The inevitable increase in the number of buildings limits public space. As housing demand increases, so does the housing construction sector. In addition to state-funded structures, subsidiaries and cooperatives in the construction markets are eager to increase their share of income from the sector. The increase in the number of people making money from construction has increased the number of buildings built in Turkey, details of which are presented in Table 25 by years.

**Table 14:** *The number of buildings and their prices for years*

<b>Tarih</b>	<b>(Total) Buildings (Number of Buildings)</b>	<b>(Total) Buildings (Price (TL))</b>
2015	110.204	119.593.198.739
2016	111.383	137.448.623.957
2017	117.360	176.639.125.741
2018	123.776	236.786.418.695

*Source: TurkStat (2018)*

The number of buildings has increased steadily since 2015. The increase in 2018 is as high as in 2017 and prices have increased gradually. One of the reasons for this increase in costs is the fact that most of the materials used in the construction sector are imported. Turkey's transformation from a production society to a consumer society

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<sup>7</sup> Construction activities according to planned development and legal planning procedures, and the master plans prepared for the cities and the regions.

has increased building costs, while the increase in demand has led to high construction margins, and consequently to an increase in housing costs in 2018.

It is necessary to discuss the changes in building usage permits and building permits and their role in increasing construction activities. A building permit is a permit issued for the construction of a building within a specified project. If the building is completely finished, it is mandatory to apply to the relevant municipality and governor for a construction license before using the entire building or any usable parts (Reconstruction Law, Law No: 30).

A building use permit is issued once a building has been deemed to have been constructed in accordance with the license and its annexes (projects, contracts, etc.) by the municipal authorities after the completion of the construction, and after which, approval of its suitability is granted. No construction or settlement license is required for houses, or for livestock or agricultural buildings built by villages, other than in municipal areas and their surroundings, or in the settled areas of the village (Zoning Law, Law No:27). Buildings that are prohibited cannot benefit from electricity, water, sewage or communication infrastructure, or similar services.

Construction permits were granted for 206,971,538 m<sup>2</sup> in 2016, and this number increased to 283,579,404 m<sup>2</sup> in 2017. In the first 6 months of 2018 and 2019, however, building licenses have been restricted by government. In contradiction to this situation, it is apparent that building usage permits have increased from year to year, and in 2018, 5.3 percent more land use permission was granted than in previous years.

**Table 15:** *Building and occupancy permits and changes in the same period from year to year*

Building permits			Occupancy permits	
Years	Floor area (m <sup>2</sup> )	Percentage change from the same period in the previous year (%)	Floor area (m <sup>2</sup> )	Percentage change from the same period in the previous year (%)
2015	189,674,525	-14.0	143,105,650	-6.4
2016	206,971,538	9.1	151,305,780	5.7
2017	283,579,404	37.0	161,874,021	7.0

**Table 15:** (continued)

<b>2018</b>	146,683,781	-48.3	170,513,095	5.3
<b>2019</b>	30,496,899	-	80,114,927	-

*Source: TurkStat (2019) (The data for 2019 is for the six months of the year.)*

Building permits and building usage permits for areas of illegal housing, for coastal structures and facilities, for financial and commercial centers , for special project areas that contribute to the development of the city, and for structures related to the applications made by the Housing Development Administration are issued by the Directorates in accordance with the zoning and parceling plans in force. The establishment of condominiums is provided for in these areas (Development Law No. 3194, Article 59).

During the reconstruction of cities, delays in the repayments of loans taken out by construction companies from banks have led to liquidity shortages in the market. To prevent such shortages, the government has started making its own construction investments. As state investments, TOKİ projects not only provide employment, but also a profitable area for investment for capital investors.

According to TOKİ's housing production report, the agency constructed 837,572 houses in 2018i although the constructed buildings were not limited to residential properties, as many new areas have been opened for construction for such public service structures as hospitals, dams, roads, bridges and public facilities. An analysis of government-supported construction figures reveals that more investments are made in the housing sector, although the question of whether the real buyers of TOKİ houses are actually the low-income groups, and whether the built houses are for public benefit, will not be evaluated within the scope of this thesis.

TOKİ is able to use treasury-owned land to reduce the costs to property owners. Its ability to produce housing without paying the land prices ensures that increases in house price are kept in balance. In this thesis, TOKİ's organizational structure will not be discussed, although given the high number of residences spoken about in this study,

it would be beneficial to include the number of residences produced by TOKİ at this point.

**Table 16:** *The number of two and more dwelling residential buildings produced by TOKİ*

<b>Year (Government Production)</b>	<b>Two and more dwelling residential buildings (Number of Buildings)</b>	<b>Two and more dwelling residential buildings -Price (TL)</b>
2016	1.618,00	6.711.053.271
2017	1.638,00	8.004.441.369
2018	2.566,00	14.002.430.961

*Source: TurkStat (2018), Data Statistics*

**Table 17:** *Total production of two and more dwelling residential buildings*

<b>Year (Total Production)</b>	<b>(Total) Two and more dwelling residential buildings (Number of Buildings)</b>	<b>(Total) Two and more dwelling residential buildings -Price (TL)</b>
2016	76.683,00	101.775.349.402
2017	83.188,00	134.372.138.592
2018	87.089,00	181.038.348.654

*Source: TurkStat (2018), Data Statistics*

The number of state-supported buildings increased by 100 percent from 2017 figures. The arrangement of settlements for the construction of TOKİ dwellings, the opening of new state lands for settlement or the creation of urban transformation areas were all legalized by the Law on Land Production and Evaluation that was enacted in 2004. From this perspective, it is thought that housing supply has been inflated through the addition of the housing produced by TOKİ for social welfare to the already high housing stock.

Construction investments need to be re-made on appropriate land and from the right resources. Land investments are made on a long-term basis, as it is not always possible



to liquidate real estate quickly. Accordingly, land and residences with solid foundations should be preferred, although land investment is not just about buying and waiting.

The hardest part of the land investment process is choosing the right area. Valuable plots are expensive and limited in number, and so investors try to make a profit from undiscovered land. Real estate development experts are responsible for the management of all processes, from land identification to sale.

The land selection phase begins with the acquisition of such general information as location, size, boundaries and environmental interactions, current and previous uses, infrastructure status and access. Then, topography, heights, coordinates, vegetation status, proximity to water and the geological status of the soil are examined in detail. In addition, data on the socio-cultural situation in the region, including the local population, the demographic structure, the commercial and industrial structure of the region, the neighboring building heights, and the purchasing power levels of those living in the region are analyzed (Sumer, 2012)

## 2.9 Residential Investments By Province

An analysis of the distribution of housing loans by provinces reveals that construction investments are concentrated in such metropolitan cities as Ankara, İstanbul and İzmir, where there are high credit volumes. The breakdown of housing loans by cities is detailed below for five-year periods.

**Table 18:** *The distribution of housing loans by cities*

Provinces	2008	2013	2018
Adana	301,872	938,456	2,080,924
Adıyaman	19,711	68,883	134,008
Afyonkarahisar	46,965	131,698	477,301
Ağrı	14,986	24,391	96,917
Aksaray	17,699	74,715	92,541

Table 18: (continued)

<b>Amasya</b>	21,749	65,830	183,017
<b>Ankara</b>	1,470,168	3,253,536	8,716,918
<b>Antalya</b>	348,547	1,305,183	2,406,287
<b>Ardahan</b>	11,307	10,012	28,347
<b>Artvin</b>	23,782	36,251	64,611
<b>Aydın</b>	138,311	329,672	675,035
<b>Balıkesir</b>	97,551	327,396	550,672
<b>Bartın</b>	12,442	48,298	94,903
<b>Batman</b>	15,378	84,505	210,262
<b>Bayburt</b>	7,033	9,027	16,740
<b>Bilecik</b>	21,246	67,974	134,005
<b>Bingöl</b>	2,937	12,856	55,190
<b>Bitlis</b>	9,297	22,298	83,468
<b>Bolu</b>	17,988	59,709	138,969
<b>Burdur</b>	23,829	77,053	100,608
<b>Bursa</b>	413,718	834,907	1,673,545
<b>Çanakkale</b>	43,073	130,795	185,009
<b>Çankırı</b>	11,805	22,356	59,351
<b>Çorum</b>	32,512	117,247	277,161
<b>Denizli</b>	252,006	446,739	729,010
<b>Diyarbakır</b>	70,208	345,578	745,140
<b>Düzce</b>	41,405	111,365	244,930
<b>Edirne</b>	37,701	105,336	188,210
<b>Elazığ</b>	29,625	110,417	314,410
<b>Erzincan</b>	9,264	39,168	56,107
<b>Erzurum</b>	70,182	132,179	275,437
<b>Eskişehir</b>	79,712	188,585	523,557
<b>Gaziantep</b>	240,246	472,245	1,908,581
<b>Giresun</b>	38,147	72,911	150,220
<b>Gümüşhane</b>	3,874	17,670	19,578
<b>Hakkari</b>	5,632	14,566	27,500
<b>Hatay</b>	75,182	421,827	1,350,743
<b>Iğdır</b>	12,221	29,675	74,864

Table 18: (continued)

<b>Isparta</b>	23,896	98,514	168,607
<b>İstanbul</b>	6,492,687	10,281,523	21,875,014
<b>İzmir</b>	986,881	1,958,050	3,513,249
<b>Kahramanmaraş</b>	54,312	136,255	368,577
<b>Karabük</b>	27,563	53,366	106,451
<b>Karaman</b>	6,416	44,958	113,131
<b>Kars</b>	20,680	35,308	85,734
<b>Kastamonu</b>	17,528	68,785	158,083
<b>Kayseri</b>	268,079	354,109	801,338
<b>Kırıkkale</b>	21,167	73,124	160,324
<b>Kırklareli</b>	27,604	88,330	241,072
<b>Kırşehir</b>	9,132	22,289	104,456
<b>Kilis</b>	4,913	10,844	35,695
<b>Kocaeli</b>	201,149	650,797	1,472,541
<b>Konya</b>	210,478	517,928	1,259,217
<b>Kütahya</b>	53,311	126,639	366,811
<b>Malatya</b>	42,721	110,576	341,336
<b>Manisa</b>	127,412	307,324	720,282
<b>Mardin</b>	18,242	90,187	302,803
<b>Mersin</b>	200,948	588,180	1,244,413
<b>Muğla</b>	125,992	370,802	594,322
<b>Muş</b>	7,933	23,664	56,957
<b>Nevşehir</b>	29,872	70,792	147,717
<b>Niğde</b>	10,568	39,444	102,325
<b>Ordu</b>	37,525	109,867	220,496
<b>Osmaniye</b>	16,241	114,289	295,621
<b>Rize</b>	24,901	53,688	117,841
<b>Sakarya</b>	90,377	255,178	444,105
<b>Samsun</b>	118,666	354,373	783,610
<b>Siirt</b>	5,776	18,647	60,408
<b>Sinop</b>	12,208	24,956	72,317
<b>Sivas</b>	55,229	136,392	327,938
<b>Şanlıurfa</b>	60,501	251,573	729,841

Table 18: (continued)

<b>Şırnak</b>	5,201	36,389	61,788
<b>Tekirdağ</b>	87,071	315,731	527,360
<b>Tokat</b>	38,306	128,190	256,830
<b>Trabzon</b>	94,863	209,366	381,130
<b>Tunceli</b>	760	8,894	22,171
<b>Uşak</b>	38,023	105,278	213,175
<b>Van</b>	24,300	84,368	197,034
<b>Yalova</b>	13,782	86,535	117,985
<b>Yozgat</b>	24,236	90,820	163,522
<b>Yurt Dışı</b>	146,088	308,719	787,721
<b>Zonguldak</b>	79,975	245,193	349,690
<b>Total</b>	<b>14,052,824</b>	<b>26,621,523</b>	<b>65,615,114</b>

Source: TurkStat (2018)

As can be seen from the above table, the amount of housing loans sourced on a provincial basis increased over five years. This situation can be attributed to the increase in bank loans and wrecks in housing constructions. In addition to those in the metropolitan cities, housing loans in the coastal provinces also increased significantly, the reasons for which are explained in other sections. The following table shows the total population change in all provinces. The housing loans in the 20 most populous cities are listed below, based on data obtained from the Population Administration.

Table 19: Population change by province

<b>Provinces</b>	<b>2013</b>	<b>2018</b>	<b>Population (2018)</b>
İstanbul	10.281.523	21.875.014	15.029.231
Ankara	3.253.536	8.716.918	5.445.026
İzmir	1.958.050	3.513.249	4.279.677
Antalya	1.305.183	2.406.287	2.364.396
Adana	938.456	2.080.924	2.216.475
Gaziantep	472.245	1.908.581	2.005.515

Table 19: (continued)

Bursa	834.907	1.673.545	2.936.803
Kocaeli	650.797	1.472.541	1.883.270
Hatay	421.827	1.350.743	1.575.226
Konya	517.928	1.259.217	2.180.149
Mersin	588.180	1.244.413	1.793.931
Kayseri	354.109	801.338	1.376.722
Samsun	354.373	783.610	1.312.990
Diyarbakır	345.578	745.140	1.699.901
Şanlıurfa	251.573	729.841	1.985.753
Denizli	446.739	729.010	1.018.735
Manisa	307.324	720.282	1.413.041
Aydın	329.672	675.035	1.080.839
Balıkesir	327.396	550.672	1.204.824
Kahramanmaraş	136.255	368.577	1.127.623
Van	84.368	197.034	1.106.891

Source: TurkStat (2018)

It can be concluded from the study that the Turkish population is densely accumulated within the provinces with high lending. As the population of the city increases, the use of housing loans increases, although there are exceptions to this. When the table above is ranked separately based on population density and credit disbursements in 2018, the rankings of the provinces change.

Although the city of Bursa is more crowded, more loans are extended in Antalya. As another example, although Konya is more crowded, more loans are extended in Kocaeli and Hatay. It is thought that these differences between provinces are related directly to the change in consumption expenditures. The consumption expenditures made over the years are given below.

**Table 20:** *Distribution of household consumption expenditure*

Types of expenditure	Distribution of household consumption expenditures		
	2015	2016	2017
Total	100,0	100,0	100,0
Food and non-alcoholic beverages	20,2	19,5	19,7
Alcoholic beverages, cigarette and tobacco	4,2	4,4	4,5
Clothing and footwear	5,2	5,2	5,0
Housing and rent	26,0	25,2	24,7
Furniture, houses appliances and home care services	6,1	6,3	6,3
Health	2,0	2,0	2,2
Transportation	17,0	18,2	18,7
Communication	3,7	3,7	3,4
Entertainment and culture	2,9	2,8	2,7
Educational services	2,2	2,3	2,3
Restaurant and hotels	6,4	6,4	6,2
Various good and services	4,3	4,2	4,4
<b>Household Budget Survey</b>			

*Source: TurkStat (2017)*

In 2015, while 26 percent of household expenditures were mortgage/housing loan or rent payments, this ratio decreased to 24 percent in 2017. The most significant increase in expenditures was in transportation, although in general, the bulk of expenditures in the last 3 years have been made into housing. Housing expenditures vary according to the region of residence, with spatial criteria also affecting housing values, and indirectly, loans.

Harvey (2017) divides crisis theory into three periods. In his “first-cut”, the problem of over-accumulation is addressed; in the second cut, economic stagnation, speculative growth and credit expansion issues are discussed; and in the last part, the third-cut theory, capital flows are analyzed in three parts.

According to the third-cut theory, surplus value is derived from the production process, and labor is transferred to fixed assets such as real estate or vehicles, as well as to consumer funds as a financial investment. According to Giddens, time actually destroys space; however the concept of time in Turkey's history as a result of past events has been a progressive process that cannot be learned at the thought will again. Harvey (2017) sees the financial institution as the “nerve centers of crises”, arguing that the development of fictitious capital, increases in sales of mortgaged housing, increases in consumer loans, increases in municipal debts and increases in public construction are the solution to excessive accumulation. Contrary to Harvey's claims, urban development must be provided and financed independently of space.

Up to this chapter, investments in the construction sector, the place of rent payments in public consumption expenditures, the provinces in which mortgaged housing sales are most intense and the relationship between housing construction and the population are mentioned. In the following section, banks and lending processes, examples of incorrect financing and the role of banks in the urban development process will be discussed.

## **CHAPTER 3**

### **STABILITY OR REVISION**

#### **3.1 Debate on Credit Mechanisms: Two Radically Different Credit Mechanisms**

The purpose of the establishment of banks and their subsequent duties have changed over the years, and so it would be useful to describe two different banking perspectives here, beginning with Ponzi schemes, which has a liberal perspective, followed by Homeland Funds, as a system that was established to provide social welfare.

##### **3.1.1 Ponzi Schemes<sup>8</sup> in the Construction Sector**

Ponzi schemes, in short, closing one debt with another debt, aims to create profit in the short term. The mechanism was named after Charles Ponzi, a 1920s investor, who put up a poster in his store saying, “Make 50% profit in 45 days, and 100% profit in 90 days”. However, contrary to what was written on the brochure, the system was actually a pyramid scheme in which one investor's earnings were paid from the money of other investors who had joined the scheme more recently. Since low-budget investors received their money back on the promised day after entering the system, confidence in the system increased, and the older members started to gain as new members arrived. However, the system crashed when no new members could be found to continue the chain, or when the members stopped gaining enough profit. According to Ponzi, those who make a profit are those that are first to enter the system.

As mentioned in the second part of this thesis, while construction sector creates employment in its early days as a result of government investment, stagnation may

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<sup>8</sup> A fraud scheme in which investors are paid back with their own money, or from the money put into the scheme by the next wave of investors.



occur due to the transfer of the share of production to this sector in the following periods. An unbalanced construction sector can be expected to have the same effect as a Ponzi scheme. Trust in the sector is one of the reasons why investments in the housing sector are not restricted. At this point, it will be beneficial to provide details of sectoral confidence indices. The current business situation of private sector enterprises operating in the services, trade and construction sectors and their development expectations over the next 3 months are referred to as the sectoral confidence index. The confidence indices for the construction sector are given below.

**Table 21:** *The confidence index in the construction sector*

<b>Years/ Months</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>Total</b>
<b>2011</b>	93.3	95.8	91.4	100.5	99.5	97.8	98.3	89.6	88.9	85.7	83.4	81.8	<b>92.2</b>
<b>2012</b>	88.4	89.6	95.9	99.5	98.0	93.3	89.9	86.8	85.1	79.0	76.2	71.8	<b>87.8</b>
<b>2013</b>	80.6	85.5	94.9	92.6	91.5	87.9	85.3	83.4	79.2	78.3	77.1	73.3	<b>84.1</b>
<b>2014</b>	86.9	83.8	84.5	86.7	86.2	84.3	80.9	82.2	80.9	74.8	75.9	73.5	<b>81.7</b>
<b>2015</b>	81.1	87.5	89.9	88.8	89.9	88.7	84.1	82.1	77.2	73.2	78.2	76.1	<b>83.1</b>
<b>2016</b>	82.8	85.9	88.0	88.9	85.3	84.5	84.0	79.3	78.3	73.9	69.4	67.2	<b>80.6</b>
<b>2017</b>	73.2	79.1	92.1	93.4	92.3	90.4	87.1	87.8	80.4	77.6	75.5	72.4	<b>83.4</b>
<b>2018</b>	84.6	86.2	85.0	86.4	83.2	79.2	79.0	68.5	53.2	51.7	49.0	46.1	<b>71.0</b>
<b>2019</b>	54.0	54.6	59.3	61.2	54.9	54.3	55.1	-	-	-	-	-	<b>56.2</b>

*Source: TurkStat (2019)*

As can be seen in the table, market confidence in the construction sector decreased in 2017, while the highest insecurity rate over the last 8 years was reported in 2018. A decline in the confidence index can be expected to be coupled with a reduction in investments in the sector, and indirectly, a reduction in the number of houses. However, the number of houses actually increased more than expected due to drop in bank interest rates, and so the construction sector continued to grow.

Despite the insecurity of the market, housing finance serves to increase investments by creating an increase in demand. Governments seeking to reverse unemployment

take action to keep banking interest rates low, applying supportive policies not only to prevent the contraction of the market, but also to clear a path for investors.

### **3.1.2 *Memleket Sandıkları* [Homeland Funds]**

Homeland Funds were established to counter high interest rates and usury corruption. In the first half of the 19th century, foreign banks started to operate in the Ottoman territories, as no domestic bank had yet been established. Mithat Pasha, seeing the rise of a banking sector, which made farming economically difficult due to the high interest rates, concluded that the state aid was needed to free the farmers from the grips of usury. It was important, however, that such state aid was supported by the public. Accordingly, in 1863, using the resources of the farmers, and under the auspices of the state, Homeland Funds were established as the first example of a national banking system. Founded for charitable purposes, this bank went on to become what is Ziraat Bank today.

Homeland Funds contributed to the development of rural areas, unlike the Ponzi system, with two-thirds of the profit, after deducting expenses from the income from the loan transactions, used for construction and repair of public structures. Homeland Funds also contributed to the development of the country by funding the construction of schools, roads and bridges for public use.

Although there are other systems of credit, the reason why these two systems are included in this thesis is to show how banking has changed over the years. Banks, as pioneers of social welfare and development, can contribute to the enrichment of certain segments through the transfer of money to them. That said, this accumulation can lead to the creation of a faulty financing system, with consequences such as unhealthy urbanization. Homeland Funds, as the first banks to be established to counter interest rates and usury, became Ponzi schemes for speculative profit generation as a result of economic crises in the country.

Given the importance of this system, in which the banks play a critical role through their credit mechanisms, a brief history of banks and how the concept of credit emerged should be briefly stated.

### **3.2 Different Lending and Banking Practices**

Banks are financial institutions that accept deposits, provide short- and long-term loans, collect funds and transfer these resources to households that need these funds. These institutions support the implementation of credit and monetary policies in a country, act intermediaries in financial transactions, carry out security trading transactions, and ensure the protection of valuable assets through safe deposit boxes. The most important role of banks, however, is to buy and sell foreign currency and to provide loans to households.

The first banks in history were temples, and the first bankers were clergymen. Later, the ruling classes took over the role, followed by those who were engaged in trade. Over time, there was a need for a means of payment with the advent of the barter system<sup>9</sup> (Yetiz, 2009: 9). The first such trading instruments were precious metals and minerals, but the fact that these were not portable resulted in a tool to facilitate trade. In addition, precious metals and mineral needed to be stored in safe locations, and so the need for secure facilities accelerated the emergence of banks.

### **3.3 The Process of Creating Money**

The money created by banks in the form of deposits resulting from loan transactions is referred to as registered money. In cases where the money is not available in cash, money is transferred between bank accounts using credit cards, which are products of the bank. The exchange of money between sellers and buyers through their bank accounts supports the registration money process. The money given to households by banks provides purchasing power to other people in need. In this way, banks assume a Robin Hood role, using the money of the rich to provide credits to poor people.

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<sup>9</sup> The exchange of goods between households.

Let's assume that there is only one bank in the country. Filiz saved TL 500,000 in the previous year, and put the money in Bank X. Bank X gives İrem TL 100,000 of this money as a loan, and with this credit, İrem buys materials from Turan and Emre with whom she works. Turan, who makes money from the trade, deposits the money he receives in his account at the same bank. Accordingly, TL 100,000 has left the bank and has re-entered the bank. In this case, İrem pays a 2,000 TL principal and interest on each installment. Thus, the bank can give Filiz her money on demand. Any money given to İrem as a loan is taken back monthly in installments. Banks earn interest and dividend income from the money they lend. Banks also have a mission to protect the money given to them, in accordance with their aims and principles. For this reason, banks can not lend money to every sector. People with the ability to pay loans are credited.

There are external factors affecting the internal dynamics of banks that dictate who will be given credit, and wrong sources can be transferred to the wrong fields. In an economy where resources are scarce, both time and cash are lost. At this point, it would be useful to describe the functioning of financing systems that direct the resource transfer mechanisms of banks.

### **3.4 The Process of Lending**

In this section, the lending and reimbursement processes will be summarized. The lending process begins with a loan application from a customer to the Bank. During the application process, the customer's payment habits, income status, job, age, etc. are evaluated and the customer is given a credit rating. Based on this credit rating, the amount the bank is willing to lend to the customer is determined. If the customer accepts this amount, a payment plan is prepared that includes the interest on the principal amount that is to be repaid. In accordance with the Law on Consumer Protection, an agreement is signed between the Bank and the customer. More simply, the bank sells money to the customer in need.

If the repayment cannot be made after the loan has been granted, a legal follow-up process begins. In the event of two consecutive installments not being paid, the bank may cancel the loan agreement and take legal action. Even though the banks structure the loan in the first place, they have the right to take legal action. Banks may send a warning if the second consecutive installments are not paid. After a 90-day period, the bank can demand payment of the 3-month debt with interest, as well as a warning fee, which must be paid within 7 days. If the customer cannot pay or restructure the debt during the administrative follow-up period, the issue is passed on to a lawyer or asset management companies , and the legal follow-up process begins. With the legal proceedings being carried out through a lawyer, the ability to obtain credits may be restricted. Bank accounts may be blocked, a proportion of the salary may be retained or enforcement proceedings may be faced. The Bank has the right to recoup its loss through the sale of the real estate asset or vehicle under its guarantee.

Banks create loan options according to their intended use, such as hostage, credit expiry, their purpose of use and the nature of the borrower. Loan types can be listed under five categories according to their intended use; Consumption Credit (mortgage, installment loan, loan transfer credit, commercial loans, etc.)

- a. Consumption Credit (mortgage, installment loan, loan transfer credit, commercial loans, etc.)
- b. Production Credit (finished goods, construction sector)
- c. Investment Loan
- d. Business Loan
- e. Spot and Rotative Loans (long-term loans in the form of current accounts given to commercial customers)

The credit process is based mainly on indemnities. Loans can be classified into two classes: those granted as a result of a contract in return for a signature, and those granted with a real estate, vehicle, etc. guarantee. Housing loans have the lowest interest rates and are the most common after general purpose loans.

Banks can obtain indemnities prior to lending in order to circumvent the lending process with minimum loss and to ensure repayment. The most critical part of a loans

made against the contract is whether the value assigned to the real estate to be taken as collateral is accurate. At this point, it would be beneficial to describe the establishment processes of housing loans, being those that are real estate secured.

### **3.5 Mortgage Disbursement**

The term “real estate” refers to property that cannot be transferred from one place to another without changing its value or quality. Real estate is physically the soil itself, including any integral parts of the land, such as trees and minerals, buildings and other assets (electrical installations, elevators, etc.) (Appraisal Institute, 2004: 7).

A mortgage is the representation of a real estate as indemnity for a debt that has been created or that is likely to arise in the future (Hepşen, 2015: 91). In other words, it is a limited right that aims to obtain a personal guarantee of credit, and that enables the creditor to obtain the value of the credit from the value of a tangible asset. Mortgage information is added to the land registry of the immovable asset.

Customers apply to banks with details of the house they want to buy, and an appraisal firm determines the value of the property, with three different values assigned: statutory value, current value and insurance value. A monetary figure is calculated by the Bank based on whether the immovable property is within the boundaries of the municipality and whether the construction of the immovable asset has been completed, and the customer is issued a line of credit.

The fact that real estate mortgages are seen as payment instruments such as money, has no effect on the economy in the short term due to the low interest rates (0.98%, etc.) that are applied to attract customers. However, in the long term, it may cause liquidity squeeze that decreases the purchasing power of households.

The amount to be repaid to the Bank in return for the borrowed amount is determined by independent valuation companies. In this process, real estate shown below or above its value can affect both the amount of the loan to be given by the bank, and the risk

taken by the bank. Increased bank credit risks may result in a reduction in the amount of credit available to other customers, and because of this, a sector with a higher social return may not be financed. At this point, it will be useful to provide a brief explanation of the real estate valuation process.

### **3.6 Appraisal Process**

Before a person can take out a loan for the purchase of property, the house that is to be purchased first be valued. The report prepared after the property of interest has been and appraised is called a valuation report. The real estate appraisal process is carried out in two stages; the preparation phase and the report phase. In the preparation phase, the appraiser considers many factors when determining the value of the house. In the final stage, a report is prepared listing the evaluated elements. By law, this evaluation process must be carried out by an independent institution, for which banks turn to independent real estate appraisal companies. (Yaslı, 2015)

The evaluation report is the most important data source for banks when determining how much they are willing to lend for the purchase of the property. Up to 75% of the value determined in the report can be given as a loan by the bank.

The real estate appraisal should take into account the main factors affecting the value of the asset, such as the zoning status, location, land and construction structure, revenues, accessibility, infrastructure status and the shape of the parcel on a given date. Accordingly, such evaluations require professional expertise. (Kummerow, 2003)

In real estate valuation literature, the concept of value is categorized into market value, fair value, investment value, synergy value and liquidation value (IVSC, 2017), although there are numerous other value definitions. For banks, the definition of three values is important in the appraisal report, being the legal status value, the fair value and the current market value.

One of the most important aspects of a real estate assessment should be the development plan. In the valuation of an immovable asset, information is obtained on the legal rights associated with the land use method and the zoning parcels, and any restrictions on the structures and rights. During the appraisal process, it is important to examine the zoning plan, the zoning status document, the architectural project, the construction license and the construction usage permit. (Köktürk, 2016:439–440)

After reviewing the valuation report, the Bank transfers the approved loan amount to the applicant. The customer receives the documents detailing the mortgage facility from the bank and applies to the seller and the land registry. Following the sale and the mortgage facility transaction, the bank completes the transaction by paying the agreed amount to the seller.

During assessments, the most efficient and best use of a property should be analyzed. For example, suppose a detached house, apartment, shop or chemical plant are to be built on an empty parcel in a city. The value of the parcel is evaluated as TL 500,000, TL 1,000.000, TL 1,250,000 and TL 1,500,000, depending on the building. It is subsequently found that the construction of a chemical plant on the site is illegal, as the inspection uncovered restrictions related to the supply of water and the discharge of wastewater. Let's also assume that the local zoning legislation forbids the development of commercial structures on the site. In this case, the most efficient use of the site will be for an apartment, as the financially superior conclusion (Friedman, Harris and Lindeman, 2008: 226).

In conclusion, the value attributed to the real estates that with serve as security for the housing loan affects the loan amount. Improper evaluations can lead to credit being extended to people who cannot make the repayments, a non-zoning area can be opened to settlement and the destruction of the urban environment due to unhealthy urbanization. In this respect, it is worth mentioning the relationship between the banks, which play a role in the financing of the city, urbanization and the production of a healthy environment.



## **CHAPTER 4**

### **THE ROLE OF BANKS IN URBAN FINANCE**

#### **4.1 The Role of Banks in Urban Finance and Related Urban Planning Issues**

A city is a residential area where people are provided with shelter, work, entertainment, relaxation, rest and transport needs, and where very few people are employed in agriculture (Keles, 1998: 75). Some urban lands are private property, rather than local government property. Leaving these areas vacant for investment purposes is one of the reasons behind the prevention of planned settlement.

Planning can be defined as the stage in which regular actions are taken to achieve the expected targets in the future. Plans can also be defined as the target, the project and the arrangements and tools needed to achieve this objective. (Ersoy, 2007: 9)

Urban planning, on the other hand, refers to taking action with consideration of the physical characteristics of a city, such as settlement type, area, geographical structure, economic and social characteristics (such as housing, livelihood, population and transportation), and the prediction of future trends and urban activities (Keleş, 2000). The urban planning process involves the unification of social and spatial information about the socio-economic situation in a society. This process should be neither constant not continuous (Yanaşık, 2017).

In spatial planning, banks take a background role, but have an indirect impact. Housing loans cannot be directly associated with city planning. At this point, it will be useful to comment on İller Bank, which was established to support urban development, before mentioning the roles and responsibilities of banks as a whole.

İller Bank was founded to satisfy the financing needs of special provincial administrations, municipalities and their affiliated institutions, and the local administrations. The Bank also develops projects to satisfy the common needs of the people living within the boundaries of these administrations, provides consultancy services, assists in the construction of technical and urban constructions and infrastructure works, and performs all necessary development and investment banking functions (İller Bankası Anonim Şirketi Hakkında Kanun, Law No 6107).

İller Bank is responsible for obtaining maps and zoning plans, which are the most important documents in many municipalities, steering urban activities and directing infrastructure services. This thesis only mentions the role of the Bank in planning activities, as the history of the provincial bank and its innovations in planning fall outside the scope of this thesis.

Banks finance investments through their credit mechanisms. A rural area can be transformed into an urban area with financial support, but if this urban design process is not properly financed, urban destruction may occur. For this reason, banks should also be involved in the planning stage, and work in an integrated manner with public institutions. It should not be forgotten that the distinction between the urban and rural is not only sociological, but also financial.

## **4.2 The Relationship between the Urban Planning Framework and Real Estate Credits**

Regardless of the number of housing units, public reports issued by banks show that most of the private loans granted in the provinces is for housing. Due to the ease of access to housing loans, construction companies look to increase their operations in this sector.

Construction companies like to build housing after identifying a plot. After examining whether the land is suitable for construction, engineers decide upon the maximum number of stories that can be built on the plot. Companies, however, may not always

adhere to this, and deficiencies in the planning process in this regard may lead to deaths in the event of natural disaster, even many years later. If the development processes had been supported by banks from the outset, unplanned structures could be prevented. Accordingly, even during the construction of areas of public interest, the degree of financial support is important.

Current examples of all of these situations can be given. For example, in 2019, the Samsun Regional Administrative Court in Sinop decided to cancel the 1/5000 scale Master Plan and the 1/1000 scale Revision and Additional Implementation Plans that had been prepared by the Sinop Municipality and approved by Parliament. Following the decision, a new development plan was prepared and approved, but no construction was planned in the city (Habertürk, 2019).

The 1/5000 scale Master Plan and 1/1000 scale Revision and Additional Implementation Plans prepared by Sinop Municipality had been approved by the municipal council on September 4, 2016. In accordance with Construction Law No. 3194 and the Spatial Plans Construction Regulation, it was requested that the development plan be cancelled, with the following reasons given:

- The zoning plan was contrary to the rules of acquired rights, the principles of urbanism and the population projections for the city.
- The representation technique in the plans was lacking.
- The planning decisions at a sub-scale did not comply with the planning decisions and the boundaries of the planning area.

The court canceled the development plans on the grounds that they were not in compliance with the law, but how did the cancellation of the development plan affect the city? With the cancellation of the zoning plan, the bank branches in Sinop tried to cancel the housing loans that had been granted, based on a decision made orally between the banks.

Currently, although the zoning plan on which the structures in Sinop are based has been canceled, it has been reported that construction is ongoing, and that no zoning plan has yet been approved for archaeological sites. However, in a city where the

zoning plan has been canceled, there is no effective legal legislation to ensure that no housing loans are granted. Compliance with legislation is checked during audits of the bank, but because of the lack of legislation, housing loans cannot be criticized by auditors. Although the zoning plan has been canceled, the news reports that the construction is continuing in the province and that there is no approved zoning plan for the archaeological sites. (Emlak Gündemi, 2019).

As another example, according to a report in the local press in Bursa, a cooperative established in the village of Kumkaya in Mudanya was unable to repay its loan debt, and an area of 2.500 square meters was mortgaged and the village square was put up for sale to settle debts of more than TL 2.500.000 (Bursa Hayat, 2019). Later, it was decided to build a facility under the Kumyaka Agricultural Development Cooperative with the promise that the products produced by the village would be sold to create a higher income.

In news reports it was stated that a loan was received after an application was made to the Agriculture and Rural Development Support Institution (TKDK) and BEBKA for the establishment of a facility on a site of 1,500 meters, approximately one kilometer from the village. The loans were left unpaid, and so a bank, a village square, a village mansion, a village coffee house, a ball court, a children's playground and a basketball court were mortgaged, on a total area of 13,000 square meters (Çabuk, 2019).

Although it is illegal to sell land of superior public interest, land that has been transferred to the deed bank may be sold. A question that arises when analyzing these news stories is whether or not the repayment conditions were taken into account when providing this support loan, or was it ensured that the collateral land was located in the public area of the village?

In a further example, a business center was designed for an area next to the sea that would involve a change in the zoning plan of Alsancak, Izmir. Upon the objection of the Chamber of City Planners (TMMOB), the change to the zoning plan was suspended. The project was canceled due to its non-compliance with urban planning,

the principles of planning and public interest. With the cancellation of the decision, the loan that was to be granted for the site, on which a business center was planned to be built, was also cancelled. Thus, the non-public funding of a public space was prevented.

Governments periodically grant amnesties for illegal buildings built on non-zoned land. A registration document is created for the buildings evaluated within the scope of Reconstruction Law. Zoning peace laws can benefit from slums without title deeds, as well as prefabricated buildings. Apart from the fact that the immovables belonging to the Treasury are allocated for social reinforcement, the structures built on them can also benefit from Reconstruction Peace (Türkiye Cumhuriyeti Çevre Şehircilik Bakanlığı, 2019) This policy comes with benefits as well as disadvantages. For example, suppose that a 40-storey building has been granted 60-storey construction as a runaway. With this law, the construction of 20 floors shall be deemed to be permitted, but how will the foundations of this building, which is built to carry 40 floors, cope with 60 floors? The destruction of buildings in natural disasters such as earthquakes is no surprise in this scenario. In this process, reconstruction peace loans were granted by the banks, with no consideration of building capacities.

Appropriate credit processes can be established for the construction of cities, and these processes can be improved. Banks should be aware of zoning regulations so as to ensure healthy urbanization, without having to resort to legal means. Regulatory institutions such as the BRSA may make it a legal obligation for banks to ensure the project to be funded complies with the zoning law before providing loans. In this way, the credit inspections can criticize loans given incorrectly, and unhealthy urbanization can be prevented.

In the sections up to this point, it is stated that the investments in the construction sector, the over-support of the housing sector, the illusion that urbanization will be provided for though housing production, that too many houses have been built because of this, and that an unhealthy environment of production is created by financing systems that act independently of urbanization processes. In the final section,

suggestions are made of how the system should operate if all these situations are to be prevented.

## CHAPTER 5

### CONCLUSION AND IMPLICATIONS

#### 5.1 Model Proposals for an Efficient Crediting Processes

The main problem identified in this thesis that the lack of financing for the development of the urban environment in Turkey. Accordingly, within the scope of this thesis, the following issues are briefly mentioned:

1. National resources are not directed to the right areas.
2. Unplanned land is opened to housing construction due to the cheap cost.
3. Housing sales are increasing, independent of the population.
4. The lending process and urban planning proceed independently.
5. The sector attracting the most investment in Turkey is the construction sector, which is highly appropriate for the creation of speculative growth in the economy. While investments in the production sector may be more productive in the long term, investments in the construction sector seek to provide high returns in the short term.
6. To ensure healthy urban development, the areas that are financed by bank loans is a critical issue.

In the light of the obtained data, models that may be effective in urban development are suggested below.

##### **5.1.1. Model Proposal 1: Credit policies and urban planning must interact and nurture each other.**

In most metropolitan cities, construction occurs contrary to the zoning plans. Land parcels that are not considered for settlement in the zoning plans have been financed by the banks, leading to the emergence of unhealthy development. Households that are able to obtain financial support from banks build property in greenfield areas,

vineyards and gardens, disregarding the zoning plans. Households that cannot afford to purchase property started to build houses without title deeds (settlement certificate), resulting in illegal structures that were legalized by zoning peace laws. The owners of slum houses with no title deeds, and buildings built prior to 2017, were able to benefit from the zoning peace law. Illegal construction leads to unhealthy urbanization, and the laws adopted by the government to legalize illegal structures served to increase such abuses.

In addition to the legal regulations legalizing illegal construction activities in our country, steps are being taken to eliminate faulty zoning plans (Such as building permits that are given as incompatible with the infrastructure of the place, etc.) As mentioned in the previous chapter, the zoning plan was recently cancelled province of Sinop.

That said, the sociological reasons underlying housing construction and suggestions of how to prevent illegal construction, and the government's reconstruction peace strategies (such as laws) fall outside the scope of this thesis. In this study, a model is put forward that demonstrates how financially supported housing can contribute to healthy urban production. Credit policies should be developed that prevent the financing of illegal settlements, and ensure construction in line with the city's development plans.

To prevent unhealthy practices in urbanization;

1. Before a loan is granted, the zoning plans related to the subject of the loan should be examined by those seeking to buy a property, rather than by appraisal firms. Appraisers can cooperate with banks or construction firms to produce misleading reports, and so an application process should be devised that requires the person who wishes to own a home to research the location of the house in question.



2. Information about the zoning plans related to a property is not easily accessible by potential purchasers, and so the government should make such plans more accessible for each region. Development plans should be more public.
3. Since an audit in banks is a preventive control, criteria such as zoning plans and land conditions should be included in the audit criteria to be audited. At present, only expert reports are reviewed. Evaluation reports assess the suitability of land for construction according to the development plan, and includes information on whether a construction license exists. This control, however, is thought to be insufficient. Keeping control mechanism tight will prevent the disruption of loan repayments to banks.

**5.1.2. Model Proposal 2: The development of the urban environment can only be achieved through the application of appropriate lending processes.**

The lending processes mentioned in the proposed model are the procedures that each bank applies differently, but that are generally determined by the BDDK. The banking applications related to lending are explained in detail in the thesis content, while in this section, the details that should be added to the current legislation are covered.

Due to the wrong type of loan being granted, most loans are in danger of default. Unlike in the previous model proposal, since loans are given to everyone unconditionally, a model has been proposed to prevent the sinking of loans by not being able to get repayment. The news item presented in the previous section in which a village square was put up for sale for the non-repayment of a loan in Bursa can be cited as an example.

In a summary, before providing a loan to a perspective buyer, banks should ensure the ownership status of the plot. At the end:

1. The lending process for plots designated as public spaces should be supported by separate legislation. Therefore, there should not be a separate application process in every bank, with a common procedure applied in all banks related to public spaces.

2. Before lending to construction companies, it should be ensured that there is a need for housing in the region in which the construction activities are to be carried out. Excessive housing production should not be made in a city, and high-cost loans should not be taken out from banks in order to own housing. The greatest mistake made by companies operating in different sectors is making a choice to invest in the housing construction sector and to end up going bankrupt due to poor sales, even if they are not experienced in this sector. To avoid this situation, other sectors should be supported by the state, and unnecessary housing production should be avoided. Improvement policies should be put forward that direct investors toward the production sector rather than the construction sector.
3. Banks should provide credit to customers that are able to pay off their loan. The policies encouraged by the government to reduce the housing interest rates of banks and to provide loans may lead the economy to enter a crisis in the long term. It is important, therefore, to organize and implement appropriate lending processes to support the effective construction of cities.

Even though the proposals mentioned in this thesis may seem utopian in the current situation, small changes made to the approaches followed by financing companies and banks may have a positive impact on the economy in general. Individual arrangements and legal sanctions should prevent the destruction of social spaces. Instead of constantly investing in housing production, investments should be encouraged in areas that support the economy, as this will prevent economic crises, which can have a deep impact on countries.

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## APPENDICES

### APPENDIX A: TURKISH SUMMARY / TRKE ZET

Bu tez alışması kentsel alanlara yapılan yatırımların şehirlerin gerek ihtiyacına ve kapasitelerine ilişkin olmaksızın konut birimlerinin inşasına yol açtığı argümanına dayanmaktadır. İnşaat sektöründeki hızlı büyüme nedeniyle, bankaların bor verme hacmi artış göstermektedir. Kredi hacmindeki bu artış hanehalkı alım gücünü arttırarak ekonomiyi genişletse bile geri ödenemeyen kredi borları uzun vadede ekonomiyi darboğaza sokabilme gücüne haizdir. Ekonomi politikaları neticesinde, yüksek montanlı krediler ile finansman sağlanarak inşaat şirketlerinin faaliyetlerine katkı sağlanmakta ve birçok yeni alan yerleşime açılmaktadır. Ancak yerleşime açılması finansman kurumları tarafından dolaylı olarak desteklenen bu alanlar, planlı kentleşmeye yönelik yapılan uygulamalarla ters düşebilmektedir. Bu tezin temel problemi, konut inşaatının finansmanına, planlanan kentleşmeye yönelik amaçlarla yaklaşılmasıdır. Bu alışma, kentsel alanlarda doğru bor verme süreçlerini ve şehrin daha likit kaynaklarla nasıl yatırım yapması gerektiğini analiz ederek süreci iyileştirmeyi amaçlamaktadır.

Kentsel gelişim ve konut kredilendirmesi kavramlarından her birinin geniş bir yelpazeyi kapsıyor olması nedeniyle bu tez kapsamında birbirinden bağımsız görünen bu iki konu yazar tarafından belirlenmiş aktörler etrafında şekillendirilerek birbiri ile ilişkilendirilmeye alışılmıştır. Tez içerisinde bahsedilen aktörlerden ilki ekonomi politikalarında düzenleyici bir rol üstlenen hükümetler, ikincisi ise bu politikalardan dolaylı ya da doğrudan etkilenen yatırımcılardır. Hükümetlerin uyguladığı politikalar neticesinde yatırımları kanalize ettiği sektörler içerisinde inşaat sektörünün rolüne, inşaat sektörü içerisinde en büyük paya sahip olan emlak sektörüne, emlak sektörünün en ok kar ettiği ve en ok üretimin yapıldığı istatistiki verilerle ortaya koyulmuş olan konut piyasasına yer verilerek tüm bu süreçler bu tez kapsamında ele alınmaya alışılmıştır.

Bahsedilen tez akışı içerisinde yer verilen diğer bir aktör hanehalkıdır. Gelir durumu, nüfus bilgisi, yerli veya yabancı vatandaş olma durumu, alım gücü gibi istatistiki veriler konut üretimleri ile kıyaslanmış olup tezin temel aktörü olan bankalara tez kapsamı içerisinde detaylı bir şekilde yer verilmiştir. Süreç içerisinde hem inşaat faaliyetleri gerçekleştiren firmalar hem de konut satın alma talebi bulunan hanehalkları finans kurumları tarafından kredilendirilmektedir. Bu alım gücünü kişilere sağlamanın ekonomik avantajları olduğu gibi doğru tesis edilmiş kredi politikaları ile desteklenmeyen finansman sürecinin uzun vadede ekonomiyi darboğaz içerisine sokabilme potansiyeli bir dezavantaj olarak karşımıza çıkmaktadır.

Özetle, sağlıklı kredi politikaları ile desteklenmeyen kentsel gelişim süreçlerinin kaynak israfına, kentlerin plansız gelişimine ve alım gücünün kişilerin gelirine oranla düşük kalması nedeniyle ipotekli kredi miktarlarında artış yaşanmasına, geri ödenmeyen kredi tutarlarının aslında (*teminat olarak alınan gayrimenkul bulunsa bile*) konut satışı güç olan bir ekonomide reel olarak likidite riskine sebebiyet vereceği düşünülmektedir.

Ülkeler kuruldukları andan itibaren büyür ve gelişir ancak bu ekonomik büyüme ve gelişme süreçleri birbirinden farklı sonuçlar üretir. Toplumdaki gelir dengesizliklerini azaltmak, işsizliği azaltarak istihdam sağlamak, ekonomik ve sosyal gelişimi hızlandırmak ülkelerin büyüme ve gelişme sürecindeki hedefleri arasındadır. Ekonomik büyüme temel olarak ülkenin üretim hacmindeki bir artış iken ekonomik gelişme toplumun yaşam standartlarında, üretilen malların kalitesinde veya üretimin organizasyonundaki gelişmelerin olduğu bir ortamı ifade eder. Bir ülkenin gelişmesi o ülke ekonomisinde yapılan düzenlemelere bağlıdır. Gelişmiş ülkeler, reel olan gayrisafi yurtiçi hasıla değişikliklerine önem verirken, gelişmekte olan ülkeler reel büyüme yerine uzun vadeli ekonomik kalkınma modellerine önem vermektedir. Ekonomik gelişme süreci ülkeler için pahalıdır. Bu maliyeti azaltmak için tüm kaynaklar gelir getirici alanlara yönelir ve kaynak aktarımı sırasında yeni sektörler ortaya çıkar. Yeni sektörler piyasada konumlanırken bu sektörleri geliştirmek için hükümetlerinde kalkınma politika ve stratejileri ile bu alanları desteklemesi

gerekmektedir. Bu tez kapsamında en çok uzun süredir desteklenen inşaat sektörü ve bu sektöre yapılan yatırımların uzun vadede ekonomiye yansımaları üzerinde durulmuştur.

Kalkınma stratejileri içerisinde ithal ikameci politikalar mevcuttur. İthal ikameci politika, yurt içi üretimin payını arttırmak için toplam arz içinde ithalatın payının düşürülmesini öngören ekonomik gelişme modelidir. *Türkiye'nin (gelişme sürecini tamamlamamış bir ülke olarak)* ithal ikameci bir politika benimsediği dönemde inşaat ve nakliye sektörleri çok maliyetliydi. Maliyetleri düşürerek bu alanları desteklemek için önemli yatırımlar yapılmıştır. İnşaat sektöründeki ve daha spesifik olarak konut sektöründeki yatırımlar Türkiye ekonomisindeki en önemli tartışma konularından biri olmuştur. Kaynak aktarımları uzun seneler boyunca bu sektörlerle yapılmıştır. Nasıl ki insan doğasında edinilen alışkanlıklar zor değiştirilir, ekonomide de belirlenen politikaların kısa sürede değiştirilmediği gözlemlenmiştir. Dolayısıyla hükümetlerin belirlediği ekonomi politikaları inşaat sektörü, ulaşım, nakliye gibi belirli sektörlerde yoğunlaşıp kalmıştır.

Hükümetler tarafından doğru alanlarda karlı yatırım sağlamak iyi bir yönetim süreci gerektirmektedir. Ekonomik konjonktüre göre üretim, sağlık, inşaat, ulaşım, enerji, teknoloji, gıda ve turizm sektörlerindeki kar payları yıllar itibariyle değişmektedir. Bununla birlikte, ülke yönetimleri tarafından karlı olup olmadığına veya uzun vadede piyasayı durgunluğa sürükleyip sürüklemeyeceklerine bakılmaksızın, hep aynı sektörlerle kaynak aktarımları yapılmakta ve yatırımcılar bu alanlara yönlendirilmektedir. Bu durum, genellikle vergi ve stopajlardan oluşan devlet gelirlerinin faydalı alanlara aktarılıp aktarılmadığı sorunsalını da ortaya çıkaran bir faktördür çünkü topluma ekonomik veya sosyal fayda sağlayacak alanlara aktarılmayan kaynaklar günün sonunda ekonomik krizleri tetikleyebilmektedir.

Ülkeler gelişme süreçlerinde işgücü ve istihdam yaratımını arttırabilecek alanlara yatırım yapmayı tercih eder. Yatırım kavramının çok geniş değişkenleri ve politikaları barındırmaktadır ancak bu tez kapsamında yatırımlar; devlet tarafından sübvansiyon, vergi gibi ekonomik düzenlemeler ile desteklenerek veya doğrudan sektör içerisinde

faaliyet gösterilerek yapılan yatırımlar ve hanehalkı tarafından tasarruf amacıyla yapılan yatırımlar olmak üzere iki başlık altında incelenmiştir. Kamu yatırımları, devlet tarafından ülkenin maddi sermaye stoğuna yapılmaktadır. Bu yatırımlarla devlet belirli bir sektörü destekleyebilir veya sermayeyi farklı sektörlerle bölebilir. Sermayenin belirli bir sektöre devredilmesi, o sektörün gelişmesinde faydalı olsa da, uzun vadede borç stoku arttıran bir etkidir. Örneğin, inşaat sektöründeki yatırımların kapsamı; bu sektördeki şirketlere sübvansiyon ve vergi olanakları sağlamaktır. Konut üretiminde ise katma değer vergisi ve tapu ücreti indirimleri ekonomiye katkı sağlamaktadır.

Yapılan yatırımlar neticesinde ekonomik dengeleri kısa vadede etkileyebilecek en önemli sektörlerden biri inşaat sektörüdür. Ancak inşaat sektörüne aktarılan kaynaklar neticesinde kırsal kalkınma, istihdam ve işgücü yaratımı sağlanırken sosyal çevrenin tahribatı ve imar planı uygun olmayan alanların yerleşime açılması sonucu ortaya çıkabilmektedir. Bu nedenle yatırım aracı olarak en kârlı aracı seçmek önemlidir. Hanehalkları, enflasyon nedeniyle uzun vadede taşınmaz mallarda en yüksek getiri kazanılacağını öngördüğünden konut ve arazileri satın alarak yatırım yapma eğilimindedir. Kira geliri elde etmek amacıyla, konut sahibi olma saiki dışında satın alınan konutlar ve döviz kurlarında kısa vadede yaşanan dalgalanmalar nedeniyle konut satışları artış eğilimi göstermektedir. Döviz kurlarındaki artış sonucunda TL’de yaşanan değer kaybı, yabancı para cinsinden konut fiyatlarını ucuz hale getirmektedir. Bu veriler doğrultusunda tez kapsamı içerisinde yabancılara yapılan konut satışlar yıllar itibarıyla haritalaştırılmış ve ekonomik değişkenlerin piyasayı nasıl etkilediği yönünde bir kanaate varılmaya çalışılmıştır.

Likiditeyi arttıracak sektörlerle yatırım yapılması gerekliliği mevcut olmakla birlikte değişen sosyo-ekonomik koşullara rağmen yatırım yapılan sektörlerin uzun vadede aynı tutulması ekonomik krizlerin gizli tetikleyicisi olduğu düşünülmektedir. Ülkelerin ekonomik durgunluk dönemlerinde bankalardan uzun vadeli çekilen ipotek teminatlı kredilerinin yeniden piyasaya sürülmesi (*menkul kıymetleştirilmesi*) ile ekonomide hayali bir büyüme yaratılmaktadır. Yaratılan fiktif büyüme hızı ve



koordine olmayan finansman faaliyeti ekonomik darboğazları ortaya çıkmasını hızlandıracaktır.

Finansal krizin en önemli göstergelerinden biri, döviz piyasasında reel döviz kurunun aşırı değerlenmesidir. 1929 Dünya Ekonomik Buhranı, 1997 Asya krizi, Brezilya ve Arjantin Krizleri yüksek finansal varlıkların gereğinden fazla yönetilmesi, kur kayıpları, amortisman ve bankalarda yanlış yapılandırma gibi nedenlerle ortaya çıkmış, Türkiye’de 1994 yılında kamu cari açığı nedeniyle ortaya çıkan kriz, bankacılık krizi olarak adlandırılan 2001 krizi, gelişmekte olan ülke koşullarında ulusal para biriminin korunmasına yönelik politikaların olmayışı nedeniyle ortaya çıkmıştır. Bu tez kapsamında bir benzerinin gerçekleşeceği düşünülen süreç olarak en benzer ve yakın tarihli kriz 2008 küresel krizidir. 2008 yılında gerçekleşen mortgage krizi en temelde ekonomiyi canlandırmak adına alım gücü düşük olan “*subprime*” müşterilere kredi verilmesi ve geri ödenemeyen krediler nedeniyle teminat olarak alınan gayrimenkullerin de satışının yapılmak istenmesi ancak satışların gerçekleştirilememesi nedeniyle oluşmuştur. Spekülatif kredi balonu bankalarda ortaya çıkan bu likidite krizi ile birlikte patlamıştır. Bir çok firma batarken kağıt üzerinde yazılı bulunan varlıklar buharlaşmıştır. Krizin bir sebebi de ipotekli kredilerin türev ürün gibi satışa konu edilmesidir. Türkiye’de de benzeri bir uygulama olarak ortaya çıkan varlığa dayalı menkul kıymet ihraç sistemi mevcuttur. Bu sistemde bireysel konut kredilerinin varlık şirketlerine devrolması şeklinde bir işleyiş tasarlanmış ancak sisteme bir takım kısıtlamalar getirilmiştir. Krizleri tetikleyen yatırım ve kentsel planlamadaki hatalı finansman sistemlerine tez içerisinde değinilmekle birlikte Dünyada ve Türkiye’de ortaya çıkan krizlerin nedenleri ve sonuçları bu tez kapsamında ele alınmamıştır.

Bu tez kapsamında inşaat sektörüne yapılan yatırımların mahiyetleri nüfus, hanehalkı gelir düzeyi, konut ihtiyacı, ipotekli konut satışları gibi değişkenler doğrultusunda analiz edilmeye çalışılmış olup hatalı yapılan uygulama örneklerine yer verilmiştir. Konut ihtiyacı olmaksızın konut inşaatı yaratarak ekonomiyi daraltmak şehirleri de tahrip edici bir etki yaratmaktadır. Tez içerisinde kırsal alanların kentlere dönüşümünde şehirlerin yeniden inşasının finanse edilmesi değil zaten kent olarak

nitelendirilen alanların tekrar tekrar dönüştürülmesi ve kent çeperi yakınlarına inşaatlar yapılarak uzun dönemde satılamayan konutlar nedeniyle finansman sağlayamayan inşaat firmalarının batması ve inşa edilen bu binaların atıl bırakılarak talep olmaksızın yapılan inşaatlar nedeniyle yeşil alanların tahrip edilmesi örnekleri ele alınmıştır.

Kent topraklarının bir kısmının özel mülkiyete tabi olması, imarlı alanların az olması, konut ve kira fiyatlarındaki sürekli artış ve artan kentsel yoksulluk plansız kentleşmeye ve kentsel sorunlara sebep olmaktadır. Kentleşme sorunların ortaya çıkmasının önemli nedenlerinden biri, bahsi geçen durumların ortaya çıkmasında dolaylı bir rolü olan finansman kurumlarıdır.

Bankaların, kredi işlemleri sonucunda mevduat şeklinde kaydi para olarak yaratırlar. Satıcı ve banka hesapları olan alıcılar arasında para değişimi, kaydi para sürecini destekler. Hanehalkı tarafından bankalara verilen para, ihtiyacı olan diğer insanlara alım gücü sağlar. Bankaların iç dinamiklerinde kime kredi verileceği analizini etkileyen (sosyal ilişkiler ve yöneticilerin rehberliğinde fonlanan batık krediler gibi) dış faktörler neticesinde yanlış kaynaklar yanlış yatırımlara aktarılabilmektedir. Kaynak kıtlığı olan bir ekonomide ise hem zaman hem de nakit kaybı var demektir. Bu noktalara değinebilmek adına tez içerisinde, bankaların kaynak aktarım mekanizmalarını yönlendiren finansman sistemlerinin işleyişine yer verilmiştir.

Bankalar tarafından yayınlanan halka açık raporlarda iller bazında en çok verilen bireysel kredinin (*inşa edilen konut sayısına bakılmaksızın*) konut kredisi olduğu görülmektedir. Konut kredisi kullanma şartlarının kolay olması nedeniyle de inşaat şirketleri daha çok faaliyet göstermek istemektedir. Konut sektörü aynı zamanda önemli istihdam fırsatları yaratmaktadır. Bu nedenle, konut yatırımları genellikle ekonominin durgunluk dönemlerinde istihdam yaratımı sağlamak amacıyla politika aracı olarak kullanılmaktadır.

İnşaat şirketlerinin konut inşaat etmek istedikleri arazinin buna uygun olup olmadığı değerlendirme şirketleri tarafından inceledikten sonra, mühendisler bu arazide kaç katlı

bina inşa edilebileceğine karar vermektedir. Ancak, şirketler buna her zaman uymazlar ve planlama sürecindeki bir eksiklik süreçte aksaklıklar yaratabilir. Tez kapsamında savunulan husus, tüm bu hatalı süreçler başından itibaren bankalar tarafından desteklenmeyerek, plansız yapı inşaatlarının önüne geçmeye çalışmaktır. Kamu yararı sağlamak için yerleşime açılan alanların inşası sırasında bile, sağlanan finansal desteğin derecesi önem arz etmektedir.

Bu çalışmada bankaların sağladığı finansman yapısı konut alımı ve konut inşaatı olmak üzere iki açıdan değerlendirilmiştir. Farklı gelir gruplarına verilen kredilerin geri ödeme oranındaki düşüş, hem ekonomik darboğazlara yol açmakta hem de tarım arazileri gibi yerleşim alanı olmayan arsa ve arazilerin gereksiz yere imara açılmasına neden olmaktadır. Bu ise günün sonunda planlanmamış ve koordinasyonsuz kentleşmeyle sonuçlanacaktır. Bu bağlamda, inşaat ve gayrimenkul sektörleri, finans aktörleri sayesinde birbirlerini kısır döngü içerisinde desteklemekte, bu nedenle aslında sağlıklı finanse edilmeyen bir gayrimenkul sektörünün olduğu düşünülmektedir.

Tezin ilk bölümlerinde, bankaların verdiği kredilerin dolaylı olarak yarattığı etkiler tartışılmıştır. Bu bağlamda, bankacılık sektörü için iki farklı bakış açısı sunulmuştur. İlki her defasında yeniden borçlanarak eski borcun kapatıldığı sistem olan Ponzi sistemi, ikincisi ise kırsal alanların gelişmesine katkıda bulunması için kurulan Memleket Sandıkları'dır. Bu iki yaklaşımın kıyaslanması nedeniyle bankaların geçirdiği dönüşümü ve bankalar hakkındaki algı değişimini ortaya koymanın amaçlanmış olmasıdır. Sosyal refah ve toplumsal gelişmenin öncüsü olan bankalar, fon sağladıkları sektörler ile hep aynı kişilerin zenginleşmesine sebep olabilmekte veya sağlıklı kentleşmeye yol açabilecek hatalı finansman sistemi tesis edebilmektedir. Yüksek faiz oranları ve tefecilik anlayışına karşı kurulan bankaların ilki olan Memleket Sandıkları'nın, aslında gerçeği yansıtmasa da spekülasyon kar yaratımı sağlayan Ponzi Sistemlerine evrildiğinin düşünülmesi ülkedeki ekonomik krizlerin bir sonucudur. Kredi mekanizmaları sayesinde bankaların kritik bir rol oynadığı bu sistem içerisinde finansın kalbi olan bankaların tarihinin ve kredi

kavramının ortaya çıkışının kısaca belirtilmesi gerektiği düşünüldüğünden tez içerisinde İller Bankası'na ve kısaca tarihçesine yer verilmiştir.

Bankalar ödünç verme sürecinin en az zararla atlatabilmek ve geri ödemenin yapılmasını sağlayabilmek için kredi vermeden önce teminat alabilirler. Sözleşme karşılığı yapılan kredi anlaşmalarından en kritik kısım teminat olarak alınacak gayrimenkulün değerinin gerçeği yansıtıp yansıtmadığıdır. Bu noktada gayrimenkul teminatlı krediler olan konut kredilerinin tesis süreçlerine de tez kapsamında değinilmiştir. Değerleme şirketleri tarafından yapılan raporlamalarda öncelik verilmesi gereken hususların ilgili bölgenin imar planları, yapı izin belgeleri, emsal değerleri ile inşaa edilen kat sayısının tutarlı olması gibi değişkenler olması gerektiği düşünülmektedir.

İkinci ve devam eden bölümler içerisinde, konut sektöründe kredi süreçleri ve konut değerlendirme raporlarında dikkat edilmesi gereken hususlar genel olarak ele alınmıştır. Sonraki bölümlerde, bankalar kentin finansal destekçisi olarak ele alınmıştır. Temel sorun olarak tanımlanan bankaların kentsel finansmandaki rolü ve kentin planlanan kalkınmasında kredi sürecinin önemi belirtilmiştir. Tez içerisine kamuoyu ile paylaşılan sektör verileri dahil edilmiş ve dağılımın daha anlaşılır olması için veriler harita üzerinde gösterilmiştir. Tüm bu verileri anlamlı kılmak için, illerdeki ipotek kredisi oranları, konut satışlarının sayısı, hane halkı gelirlerinin dağılımı, tüketim harcamaları içerisinde kullanılan konut kirası ve devlet destekli iller hakkında kamu ile paylaşılan veriler konut üretimi çerçevesi etrafında değerlendirilmiştir.

Konut inşaatları, konut talebinin daima artacağı beklentisi nedeniyle artma eğilimindedir. Bununla birlikte, ekonomik durgunluk konut piyasasını etkilemektedir. Bu nedenle hem konut satın almak için finansal güce sahip olmayan haneler hem de konut inşa etmek için sermayesi olmayan şirketler konut satın almak için bankalardan borçlanmaktadır. Hanehalkı satın alma gücü giderek azalırken bankalarca verilen konut kredisi sayısı artmaktadır.

Konut ihtiyacı olmamasına ve ekonomik olarak alım gücü her geçen gün enflasyon gibi nedenlerle azalmasına rağmen konut satışlarının artış eğilimi göstermesinin arka planında yatabilecek olan nedenlere tez kapsamı içerisinde yer verilmiş olup bu hususa örnek olarak yıllar itibarıyla gerçekleşen konut satış rakamları gösterilebilir. Tapu Kadastro ve Genel Müdürlüğü'nün açıkladığı konut istatistik verilerine göre; 2018 yılında tapuda el değiştiren gayrimenkullerin sayısı bir önceki yıla göre azalmış ve ancak satış fiyatları artmıştır. 2017 yılında 2.557.543 adet gayrimenkul (*ev, işyeri, arsa, tarla*) 309 milyar 307 milyon TL'ye, 2018 yılında ise 2.500.044 adet gayrimenkul 341 milyar TL'ye satılmıştır. Bu doğrultuda; Türkiye'de Ocak 2019'da konut satışı, geçen yılın aynı ayına göre %24,8 azalışla 72.937 adet olmuştur. Konut satışlarında İstanbul ili, 13.455 konut satışı ve geçen yılın aynı ayına göre %18.4 artış ile en yüksek paya sahip olmuştur. Konut satış sayısına göre İstanbul ilini, 6.785 konut satışı ve geçen yılın aynı ayına göre % 9,3 artış ile Ankara, 3.795 konut satışı ve geçen yılın aynı ayına göre % 5,2 artış ile İzmir takip etmektedir. Bu verilere göre en az satış yapılan iller 7 konut ile Ardahan, 9 konut ile Hakkari ve 17 konut ile Bayburt olmuştur. (Tapu ve Kadastro Genel Müdürlüğü, 2019) . Bununla birlikte, bu veriler konut satış rakamlarıdır, bu rakamlara bakılarak *konut üretiminde* herhangi bir artış veya düşüş olduğu söylenememektedir. Konut üretimi ve finansmanına ait istatistiksel verilere tez içerisinde yer verilmiştir. Konut inşaatları ve göstergeleri yıllar itibarıyla incelenmiş olup kamu kurum ve kuruluşlarınca yayınlanan verilerden elde edilen bilgiler yazar tarafından illere göre haritalandırılmıştır.

Konut açığı, bir ülkedeki konut stoku sayısının (*adet konut sayısı*) gerekli miktardan az olduğu anlamına gelir. Konut sorunu kentsel bir konudur ve konut üretimleri her zaman nüfusla doğru orantılı olarak gerçekleştirilmemektedir. Konut altyapısı olmayan yerleşkeler yetersiz bir formasyona sahiptir. Bu yetersizlik, sağlıklı kentleşme sorununu da beraberinde getirmektedir. Bir yandan, konut sorunu, nitelikli konutlarda bireylerin barınma anlamında sosyal içeriğe sahipken, diğer yandan kıt kaynakların olası kullanımı açısından ekonomik bir nitelik kazanmaktadır. Bu noktada bir başka değinilmesi gereken husus da kolay erişim ve düşük maliyetli konut inşaatlarının kent etrafında gecekondulaşmanın önünü açmış olmasıdır. Hızlı ve plansız kentleşmenin, sorunun önemli bir parçası olduğu düşünülmektedir. Uzun

vadeli kentsel gelişim planlarının eksikliği ve rant gibi nedenlerle kamu arsalarının inşaata açılması sorunun çözülmesini zorlaştırmaktadır. Kamuya açık alanlarda gecekondlu inşası ve işgalcilere verilen yasal haklar kentleşme sürecini hızlandırmıştır ancak sağlıklı bir kentsel çevre üretmek için yeterli zaman yaratılamamıştır.

Bu tezde tespit edilen asıl sorun, Türkiye'de kentsel çevrenin gelişmesinin etkin bir şekilde finanse edilmemesidir. Bu nedenle tez kapsamında; ulusal kaynaklar doğru bölgelere yönlendirilmediğine, ucuz maliyet nedeniyle planlanmamış arazilerin konut inşaatına açıldığına, konut satışlarının nüfustan bağımsız olarak artabildiğine, Türkiye'de en çok yatırım yapılan sektörün inşaat sektörü olduğuna ancak inşaat sektörünün ekonomide spekülatif bir büyüme yaratmak için çok uygun olduğuna, üretim sektörüne yapılan yatırımlar uzun vadede daha verimli olabileceken inşaat sektörüne kısa vadede yüksek getiri sağlamak için yatırım yapıldığına, sağlıklı kentsel gelişim için hangi alanların finanse edileceğın kritik bir rol oynadığına yönelik bilgilere yer verilmiştir. Elde edilen veriler etrafında etkili kentsel gelişim için model önerileri oluşturulmuştur. Model önerilerinde amaç, devlet tarafından emlak sektörüne tahsis edilen kaynakların kentsel kalkınma süreçleriyle birbirlerini destekleyeceği ve besleyeceği bir uygulama ortaya koymaktır, çünkü kentsel çevrenin gelişimi ancak doğru borç verme süreçleri tasarlanarak sağlanabileceği öngörülmüştür. Bununla birlikte, bu tez kapsamında, konut yapımının altında yatan sosyolojik nedenler ve bunların nasıl önleneceğine dair öneriler veya hükümetin imar barış stratejilerine değil, finansal olarak desteklenen konutların sağlıklı kentsel üretime nasıl katkıda bulunabileceği üzerine bir model önerilmeye çalışılmıştır.

Önerilen modellerden biri, kentleşmedeki sağlıksız uygulamaları önlemek için finansman sağlanmadan önce, kredi verilecek arazinin imar planları sadece değerlendirme firmaları tarafından değil, ev sahibi olmak isteyen kişi tarafından da incelenmesi gerektiğidir. Bunu sağlayabilmek için ise kamu kurumlarının her bölge için düzenlenen arazi planlarını kamu tarafından kolay erişilebilir hale getirmesi önemli bir rol oynamaktadır. Değerlendirme raporları, bir arazinin imar planına uygunluğunu değerlendirerek inşaat ruhsatının bulunup bulunmadığına dair bilgiler içermektedir ancak bu kontrolün tek başına yetersiz olduğu düşünülmektedir. Kontrol

mekanizmasının etkinliđinin denetleme rolü bulunan kurumlar tarafından arttırılması, hem imar planı olmayan ruhsatsız bölgelerin yerleşkeye açılarak hatalı kentleşmeye yol açılmasını önleyici bir rol oynayacak hem de bankalar tarafından kredi verilirken teminat olarak alınması banka için de riskli olacak bölgelerin yapılaşmaya açılması için finanse edilmesinin önüne geçilerek kredi geri ödemelerinin aksatılması önlenecek ve makro düzeyde doğru kaynaklar doğru alanlara aktarılmış olacaktır.

Bu tez kapsamında önerilen bir diğerk model ise kentsel çevre gelişiminin ancak doğru borç verme süreçleri tasarlanarak sağlanabileceğidir. Bir alanın yerleşime açılması için firmalara borç verilmeden önce, o alanın kamu ortak alanı olup olmadığı, firmaların geri ödeyebilme güçleri (*firma likit varlıklarının toplamı veya geçerli teminatlarının olup olmadığı*), inşaa edilecek konutların satış imkanlarının bulunup bulunmadığı bankalar tarafından dikkate alınmalıdır. İmar planları neticesinde önceden kamusal alan olarak belirlenen yerlerin borç verme süreci, finansman kurumları tarafından ayrı bir mevzuatla desteklenmelidir. Bunu sağlayabilmek adına tüm banka ve finansman kurumlarında, imar planı dahilinde olmayan alanların veya imar planlarında kamunun ortak alan kullanımı olarak belirlenen bölgelerinin kredilendirilmesi hususunda ayrı bir başvuru süreci olmaksızın tüm bankalarda ortak bir prosedür uygulanmalıdır. Böylelikle geri ödeme zorluğu çekebilecek müşteriler riski de bankalar nezdinde en aza indirgenmiş olacaktır.

Model önerileri içerisinde bahsedilen diğerk bir husus da, inşaat faaliyetlerinin gerçekleştirileceğı bölgede konut ihtiyacı olup olmadığını kontrol edilmesi gerekliliğidir. Bir şehirde aşırı konut üretimi yapılmamalı ve talep olmayan bu üretimler için finans kurumlarından borç alma maliyetine katlanılmamalıdır. Farklı sektörlerde faaliyet gösteren şirketlerin en büyük hatası, deneyimli olmasalar bile yüksek gelir elde etmek için inşaat sektörüne yatırım yapmaları ve satış gücü düşük konut inşaatları nedeniyle iflasa sürüklenmeleridir.

Bu tez sonunda, kredi politikaları ve şehir planlama süreçlerinin birbirlerini etkilemesi ve beslemesi gerektiğı sonucuna varılmıştır. Hem bankalara yapılan kredi geri ödeme sürecinin hızlandırması ve kredibilitesi yüksek olan kişilere kredi verilmesine katkı

sağlanması için hem de şehirlerin imar planları ile uygun olacak şekilde yerleşime açılması ve sağlıklı kentsel gelişimin tesis edilebilmesi için doğru kredilendirme süreçlerinin tesis edilmesinin önem arz ettiği düşünülmektedir. Yatırımcılar hükümetler tarafından zaten olgunlaşmış olan inşaat sektörüne değil, uzun vadede refah artışı sağlayabilecek potansiyeli olan üretim sektörüne yönlendirilmeli, fiktif bir gönenç sağlayan sektörel büyüme süreçlerinin önüne geçebilmek ve ekonomide istikrar tesis edebilmek için oluşturulacak iyileştirme politikaları üretim sektörüne yapılacak katkılarla sağlanmaya çalışılmalıdır.



## APPENDIX B: TEZ İZİN FORMU / THESIS PERMISSION FORM

### ENSTİTÜ / INSTITUTE

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**TEZİN ADI / TITLE OF THE THESIS (İngilizce / English)** : Housing Crediting And Urban Development In Turkey

**TEZİN TÜRÜ / DEGREE:** **Yüksek Lisans** / Master ☒ **Doktora** / PhD ☐

1. **Tezin tamamı dünya çapında erişime açılacaktır.** / Release the entire work immediately for access worldwide. ☒
2. **Tez iki yıl süreyle erişime kapalı olacaktır.** / Secure the entire work for patent and/or proprietary purposes for a period of **two years**. \* ☐
3. **Tez altı ay süreyle erişime kapalı olacaktır.** / Secure the entire work for period of **six months**. \* ☐

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*A copy of the decision of the Institute Administrative Committee will be delivered to the library together with the printed thesis.*

**Yazarın imzası** / Signature .....

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