



Travel & Tourism

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



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December 2013

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Glossary of Terms

Acronym	Definition
3G	Third Generation
AKTOB	Mediterranean Touristic Hotels and Operators Association
ASK	Available Seat Kilometers
CAGR	Compound Annual Growth Rate
CPLs	Comparative Price Levels
EMRA	Energy Market Regulatory Authority
ESCAP	Economic And Social Commission For Asia And The Pacific
EXIM	Export Import Bank
GDP	Gross Domestic Product
ICCA	International Congress and Convention Association
İTU	Istanbul Technical University
JCI	Joint Commission International
KOSGEB	Small and Medium Enterprises Development Organization
OECD	Organization for Economic Co-operation and Development
POYD	Association of Professional Hotel Operators
RPK	Revenue Passenger Kilometers
SME	Small and Medium Enterprises
TEM	Trans-European North-South Motorway
THY	Turkish Airlines
TL	Turkish Lira
TRACECA	Transport Corridor Europe-Caucasus-Asia
TTCI	The Travel & Tourism Competitiveness Index
TURAD	Tourism Research Association
TUREB	Tourist Guides Association
TUROB	Association of Professional Hotel Operators
TUROFED	Turkish Oteliers Federation

Acronym	Definition
TÜRSAB	Association of Turkish Travel Agents
TÜRYİD	Association of Tourism Restaurant Investors and Operators
TÜYAP	All Fairs Organization Company
TYD	Tourism Investment Association
UAE	United Arab Emirates
UK	United Kingdom
UN/ECE	United Nations Economic Commission for Europe
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollars

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Executive Summary

- The global travel and tourism industry's contribution to the GDP was more than **USD 2 trillion, adding 2.9%** to the global GDP in 2012. The World Travel & Tourism Council forecasts that the total contribution of travel and tourism to the GDP will reach **USD 10.5 trillion** by 2023.
- The Turkish tourism industry has grown more than the global travel and tourism industry. The direct contribution of the travel and tourism industry to the GDP has been **TL 57.5 billion** and the total number of international visitor arrivals was more than **31.5 million tourists**.
- The industry has boomed since 2004 and this steady growth can be attributed to incentive mechanisms and regulations within Turkey, which supported growth in the industry. Numerous successful projects to attract tourists from all over the world also played an important part in tapping tourism potential.
- Turkey derives value from almost every sub-segment of tourism. It can provide a rich variety of options; from convention offerings to golf tourism; from mountain resorts and winter sports to halal tourism.
- Halal tourism market is increasing rapidly and is expected to reach more than **USD 160 billion** globally **in 2017**.
- Special emphasis is given to health-related tourism in this report. Health-related tourism has a very high potential for global growth. Turkey has both the necessary highly-skilled workforce as well as lower costs. Health-related tourism in this report includes: medical tourism, thermal, spa & wellness tourism, tourism for the elderly and disabled.
- The Ministry of Health expects health-related tourism to grow to **USD 7 billion by 2015** and **USD 20 billion by 2023**. These ambitious targets can only be reached by investments from both local and foreign investors.
- Istanbul is Turkey's most populous city as well as its cultural and financial center with a population of over **14 million people**. The number of international visitors coming to Istanbul continues to grow but hotel supply has not kept up with tourist demand. Each year the gap grows wider. More investments, especially in the accommodation sector, are needed to meet this demand. Special focus has been given to Istanbul as a tourist destination and presents opportunities for the investors to close this gap between demand and supply.
- Another hot market for foreign investors is real estate. New legislation has expanded the amount of property foreign investors can procure, providing one more reason to spend time in Turkey.



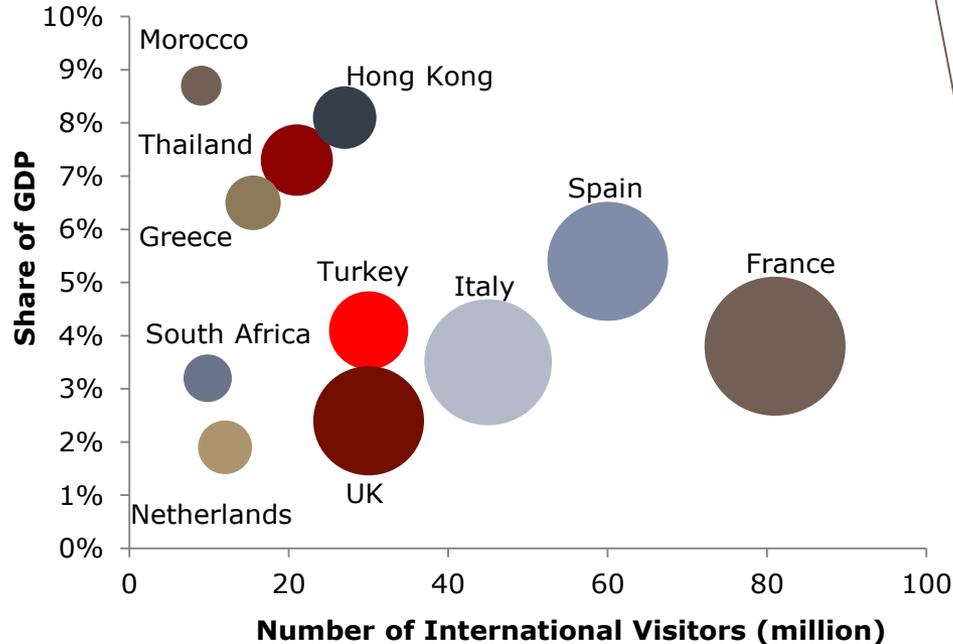
B. General Overview of the Global and Turkish Market

- i. The Global Travel and Tourism Industry and Turkey's Positioning
- ii. The Macroeconomic Overview of Turkey and the Industry
- iii. Overview of the Value Chain
- iv. Major Investments from Industry Stakeholders



The global travel & tourism industry is expected to show strong growth over the coming years driven by strong demand

Figure 1: Travel and Tourism Industry Statistics, 2012



○ Direct Contribution to Country GDP (USD billion)

Source: World Travel & Tourism Council

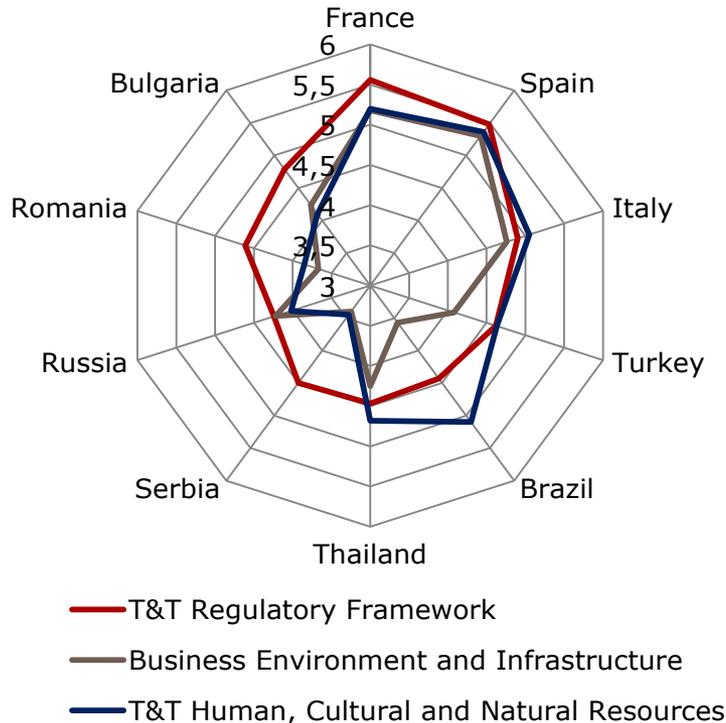
Note: Currencies' were converted to USD using 31 December 2012 exchange rates

- Governments all around the globe are becoming aware of the great economic potential of travel and tourism industry.
- The global direct contribution of the travel and tourism industry to the GDP was **USD 2.05 trillion**, which is **2.9% of the global GDP** in 2012.
- The direct contribution to a country's GDP includes the total spending on travel and tourism by residents and non-residents for business and leisure purposes as well as government spending on visitors for such things as cultural or recreational activities.
- As a bridge between Asia and Europe, at the crossroad of civilizations, Turkey has excelled in establishing itself as a mainstream destination for many European nations because of its rich culture, history and natural beauty. The industry's share in total **GDP is around 4%**, while its total contribution was **USD 32.3 billion** in 2012.
- In 2023, the direct contribution of the travel and tourism industry to the economy is expected to exceed **USD 60 billion** which will be approximately **3.4%** of Turkey's economy.



Turkey has become more competitive in the travel and tourism industry

Figure 2: The Travel and Tourism Competitive Index, 2013



Source: World Economic Forum; The Travel and Tourism Competitive Index Report
Note: Scores from 1 – 6

- The Travel & Tourism Competitive Index (TTCI) measures the investment attractiveness of the travel and tourism industry in different countries. The index captures weighted averages over three broad categories, namely:
 - **the regulatory framework**
 - **business environment and infrastructure**
 - **travel & tourism** – covering human, cultural and natural resources.
- Turkey improved both its air transport and tourism infrastructure from 2011 to 2013. **Nine airports** were built from 2003 to 2013, which increased the total number of airports to **more than 50**.
- From the three categories mentioned above, Turkey scored **4.62 in the regulatory framework** subindex, **4.08 in the business environment and infrastructure** subindex, **4.63 in travel tourism - human, cultural and natural resources** subindex, averaging an **overall score of 4.44 out of 6**.



Turkey is becoming a major player in the travel and tourism industry with an increasing number of visitors and revenues

Figure 3: International Tourist Arrivals, 2011

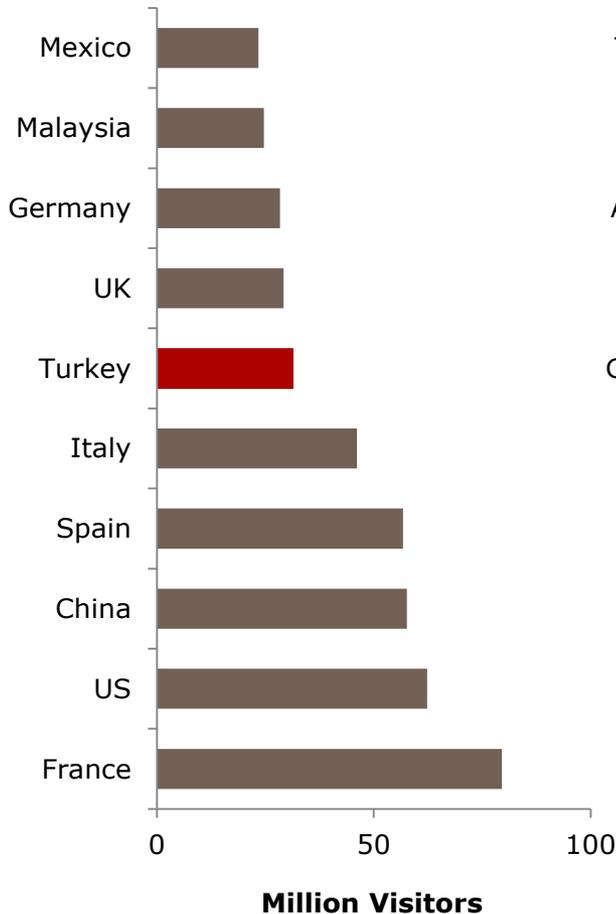
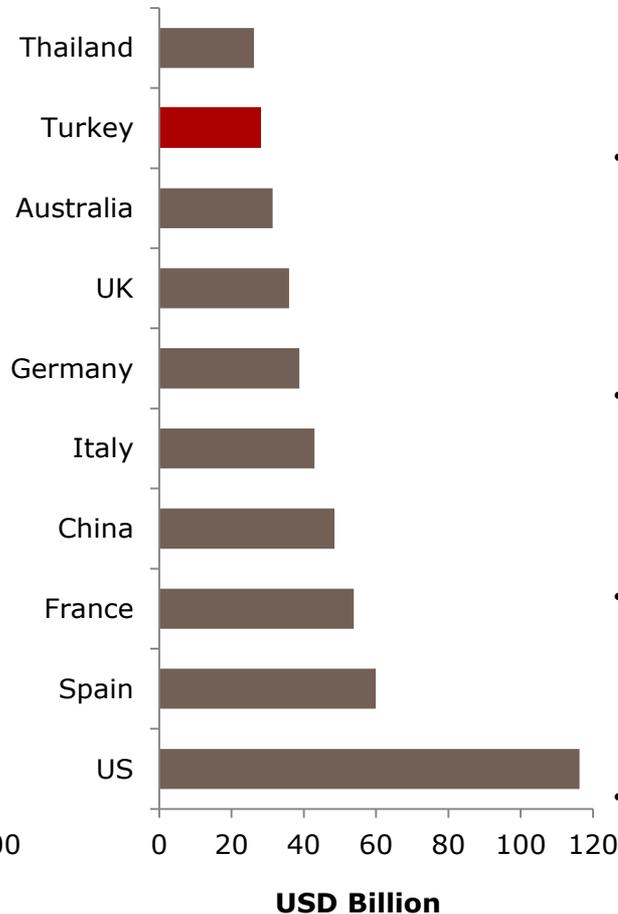


Figure 4: International Tourism Revenues, 2011



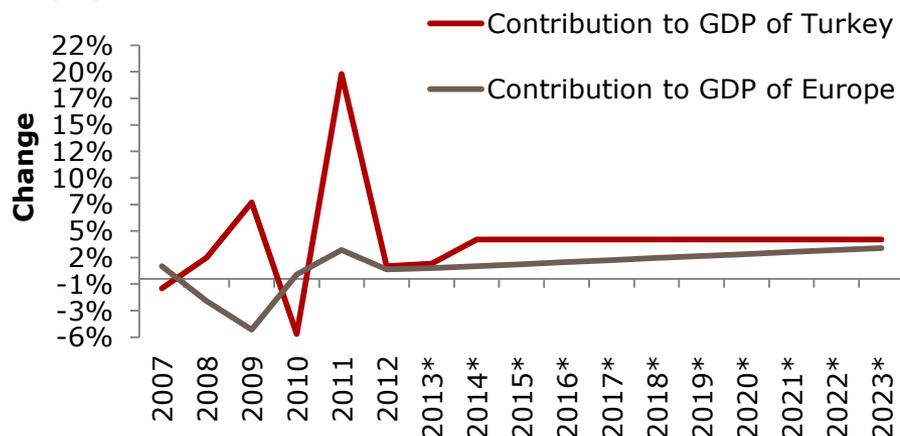
- Turkey has become **the sixth most visited country in the world** after Italy with a total of 31.5 million international visitors in 2011.
- Turkey's total revenue from international visitors was more than **USD 28 billion in 2011**. Business Monitor International forecasts revenues to exceed **USD 35 billion** by 2017.
- Oxford Economics outlook for the global economy is more optimistic for the coming years. As the global economy recovers, travel and tourism will increase.
- Improvements in the economies of European nations, for whom Turkey is a popular destination, will aid the growth of the travel and tourism industry.
- **Business Monitor International indicates that Turkey**, as an emerging market, will benefit greatly from the global economic recovery.

Source: UNWTO, Ministry of Culture and Tourism, Turkstat



The contribution of travel & tourism to Turkey's GDP has exceeded that of Europe and is expected to increase

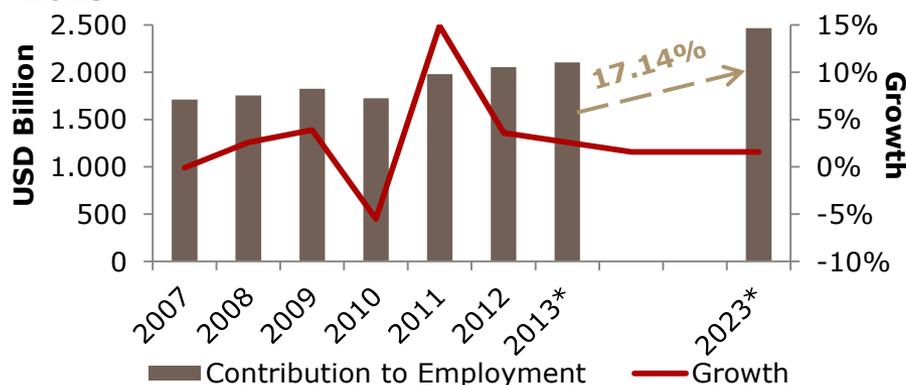
Figure 5: Travel & Tourism Growth, 2007-2023



Source: World Travel & Tourism Council

- The contribution of the travel and tourism industry to Turkey's GDP has a higher growth forecast compared to that of Europe. From 2013 to 2023, average growth is expected to remain around **3%** for Turkey. Meanwhile in Europe, average growth from 2013 to 2023 is projected as **approximately 2%**.
- After 2010, the travel and tourism industry recovered strongly with a **19.5% rate of growth** in 2011, significantly greater than the growth rate of the Turkish economy in that respective period. The reason for this fluctuation was domestic demand, capital investments and indirect revenues had decreased significantly in 2010 compared to 2009. However, the Turkish economy recovered in 2011 and the percentage of **growth returned to** higher levels.
- The industry also has a significant share of national employment. Starting from 2011, the industry gained strong upward momentum and is projected to increase through 2023.
- The contribution of the industry to employment is projected to increase from **USD 2.1 billion to USD 2.5 billion**, which is a **17% increase** from 2013 to 2023.

Figure 6: Travel & Tourism Employment, 2007-2023



Source: World Travel & Tourism Council

*: Projected growth is constant for Turkey from 2013-2023 and increases linearly for

Europe

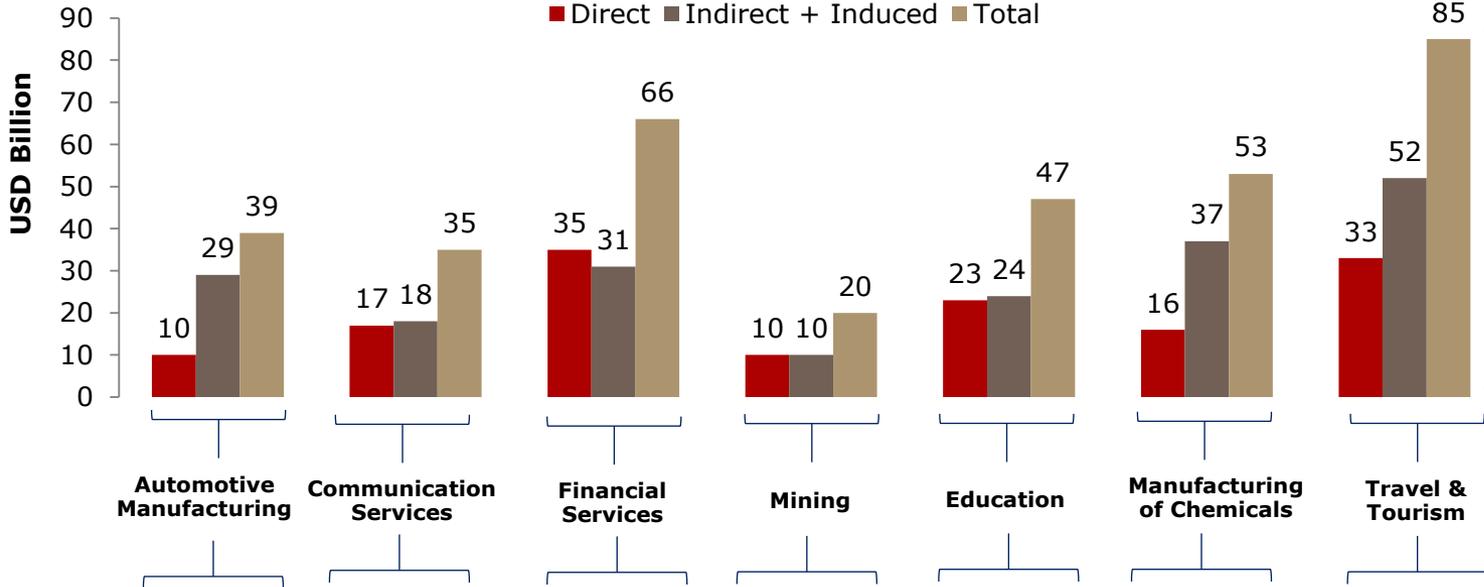


The travel & tourism industry leads in growth among industries both in GDP impact and employment

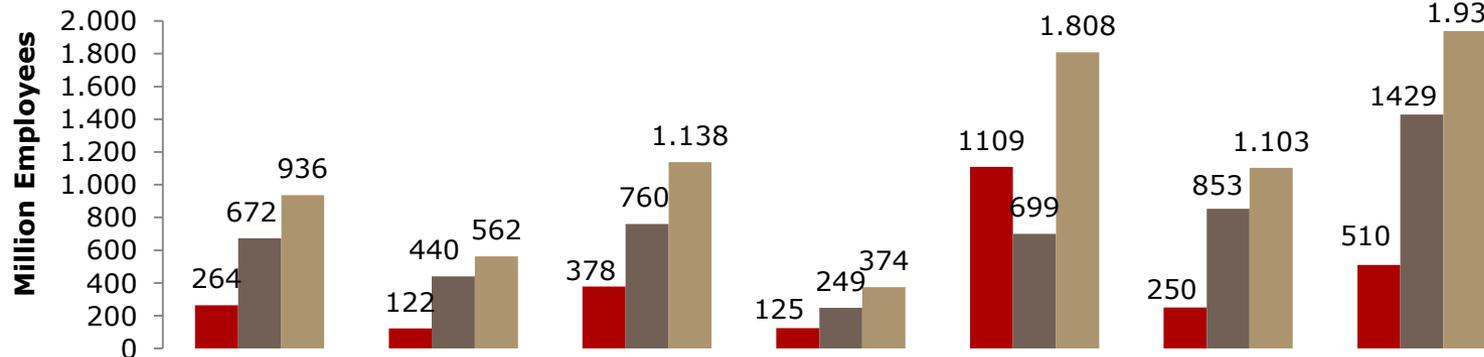
The travel and tourism industry generated a total of **USD 85 billion** through linkages with other sectors of the Turkish economy.

Figure 7: Turkey GDP Impact by Industry*, 2012

■ Direct ■ Indirect + Induced ■ Total



- The GDP of the travel and tourism industry in Turkey is greater than industries such as automotive manufacturing, communication services, financial services, mining, education and the manufacturing of chemicals.



- The travel and tourism industry has added a total of **1.9 million** jobs to the economy. It is the second largest employment provider after the public sector.

Figure 8: Turkey Employment Impact by Industry

*2011 prices

Source: World Travel & Tourism Council

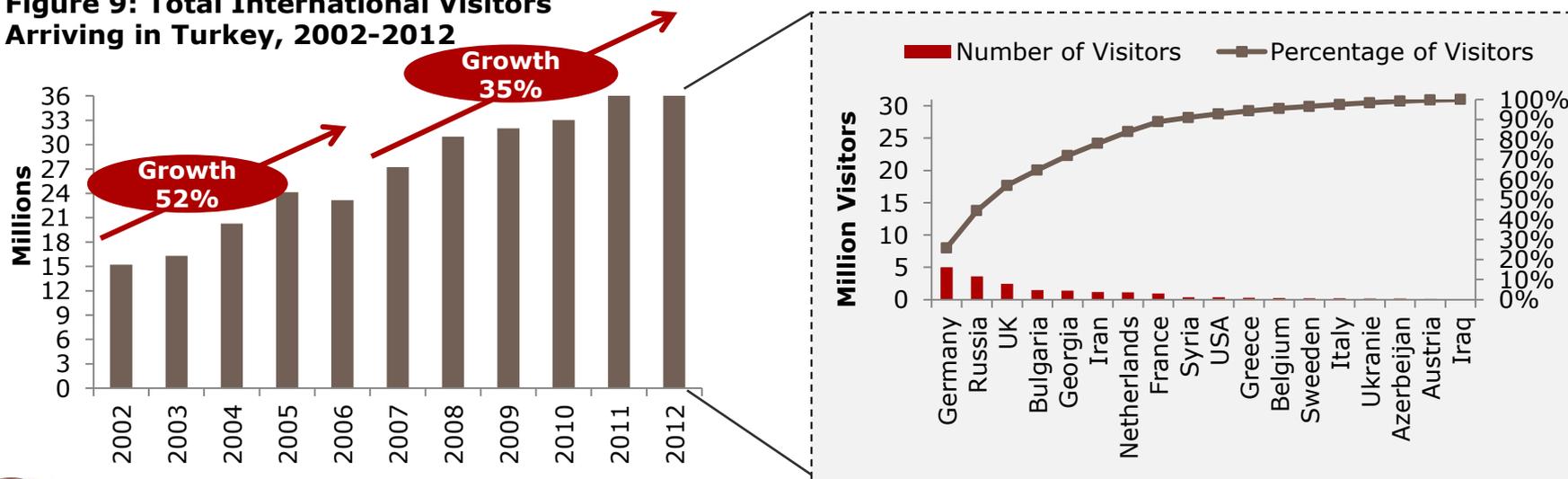
- With a highly-skilled workforce, this industry constitutes approximately **9%** of Turkey's employment.



Turkey surpassed 31.5 million tourist arrivals, bringing it to 6th place globally

- Turkey is a popular tourist destination with an ever-increasing number of visitors. Despite the economic downturn in Europe, which is one of Turkey's biggest target markets, the number of international visitors increased slightly from 2011 to 2012, and 35% from 2007 to 2012, reaching **more than 31.5 million** foreign visitors.
- In 2012, a majority of visitors were German citizens. Six countries topped the list of arrivals, namely, Germany, Russia, the Ukraine, Bulgaria, Georgia and Iran which constituted around 79% of the total number of international visitors.
- The total visitor number, which includes citizens residing abroad and foreign visitors, **increased 142%** from 2002 to 2012 and 35% from 2007 to 2012. Turkey maintains healthy growth in the sector while the Middle East and North Africa have seen more of a negative impact.
- Business Monitor International forecasts that the international tourist arrival rate will grow rapidly reaching more than **37 million visitors** in 2017.
- The number of Turkish citizens touring Turkey has also grown strongly from 2004-2012, having reached more than **6 million in 2012**.

Figure 9: Total International Visitors Arriving in Turkey, 2002-2012

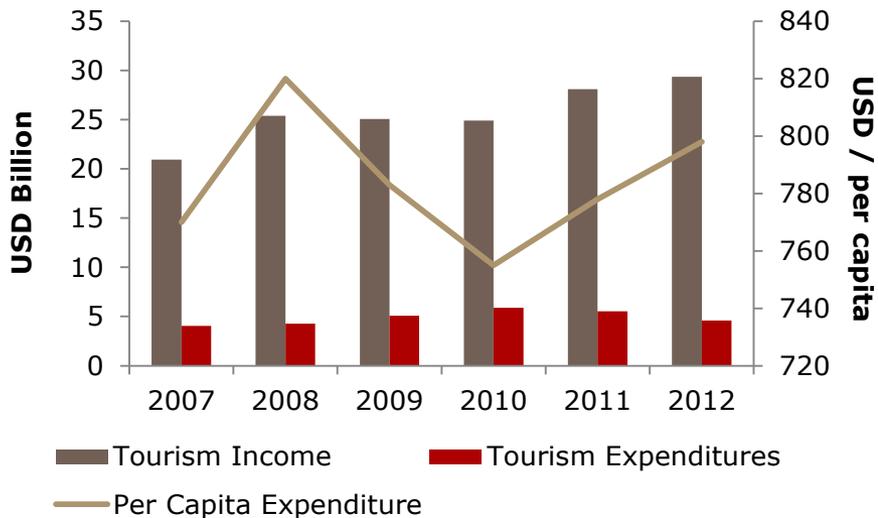


Source: Ministry of Culture and Tourism, Deloitte Analysis



Both tourism income and per capita expenditure is rising, indicating strong growth in the industry

Figure 10: Key Industry Metrics, 2007-2012



Source: Turkstat

Note: Per capita expenditure is the expenditure per person of arriving tourists

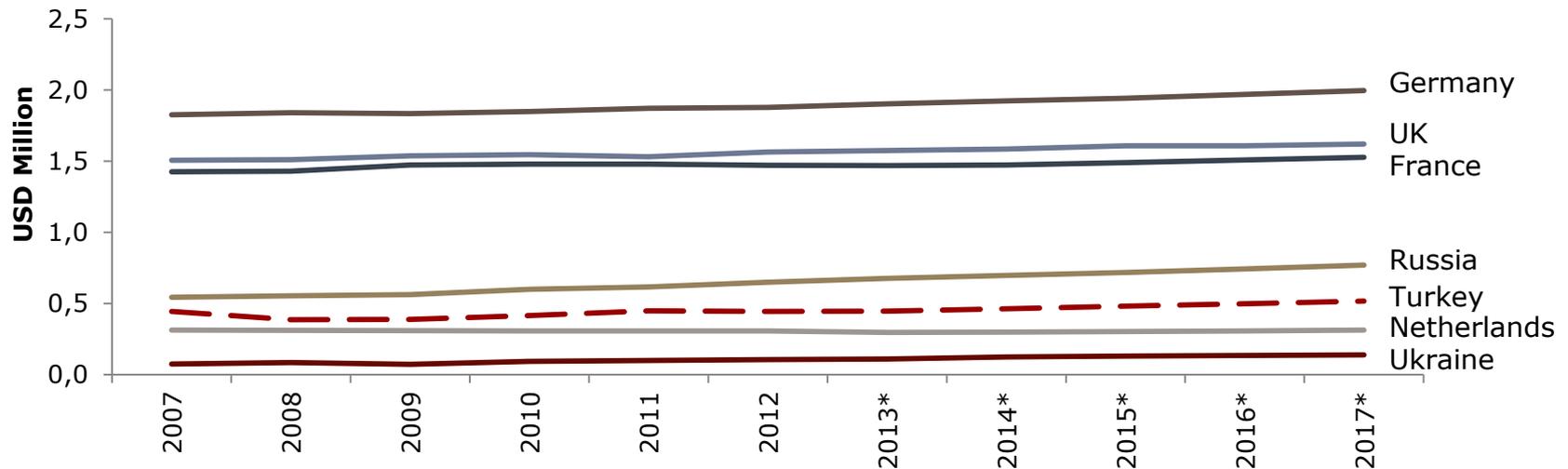
- As the global economy recovers and disposable income per capita increases, per capita travel and tourism expenditures will increase. Despite the global economic downturn, Turkey's travel and tourism income has risen approx. **40%** from 2007 to 2012.
- Per capita expenditure in 2012 was **USD 798**, which indicates an increase of **3%** from 2011, while per capita expenditure of visitors from 2007 to 2012 rose approximately **4%**.

- From 2007 to 2012, tourism expenditures rose approximately **14%**. However, the global financial crisis affected the travel and tourism industry, which in turn has altered tourist spending behaviors.
- The main reason for the accelerated growth of tourism income in Turkey after 2010 was the increase in the number of tourists coming from the **Asia-Pacific region**.
- The trend of visitors' increasing per capita expenditure shows that Turkey is attracting a greater number of wealthier tourists. There continues to be much demand for **high-end luxury resort investment** in order to respond to increased demand from high-profile **high-income** tourists.
- The global economic outlook is brighter for 2013 than what it was in 2012 as the global economy stands on firmer ground. This will in turn increase tourists' disposable income.
- There is still room for increasing per capita expenditure in Turkey by focusing on the luxury travel and tourism niche which includes areas such as golf tourism.
- Turkey can leverage its **rich culture and historical, assets along with its natural beauty** along with its sunny climate, golf courses, and beautiful coastlines to draw premium tourists who spend more.



The recovering global economy allows disposable income to increase, which boosts the travel and tourism market

Figure 11: Personal Disposable Income, 2007-2017



Source: Economist Intelligence Unit (EIU)

* Forecasts of EIU

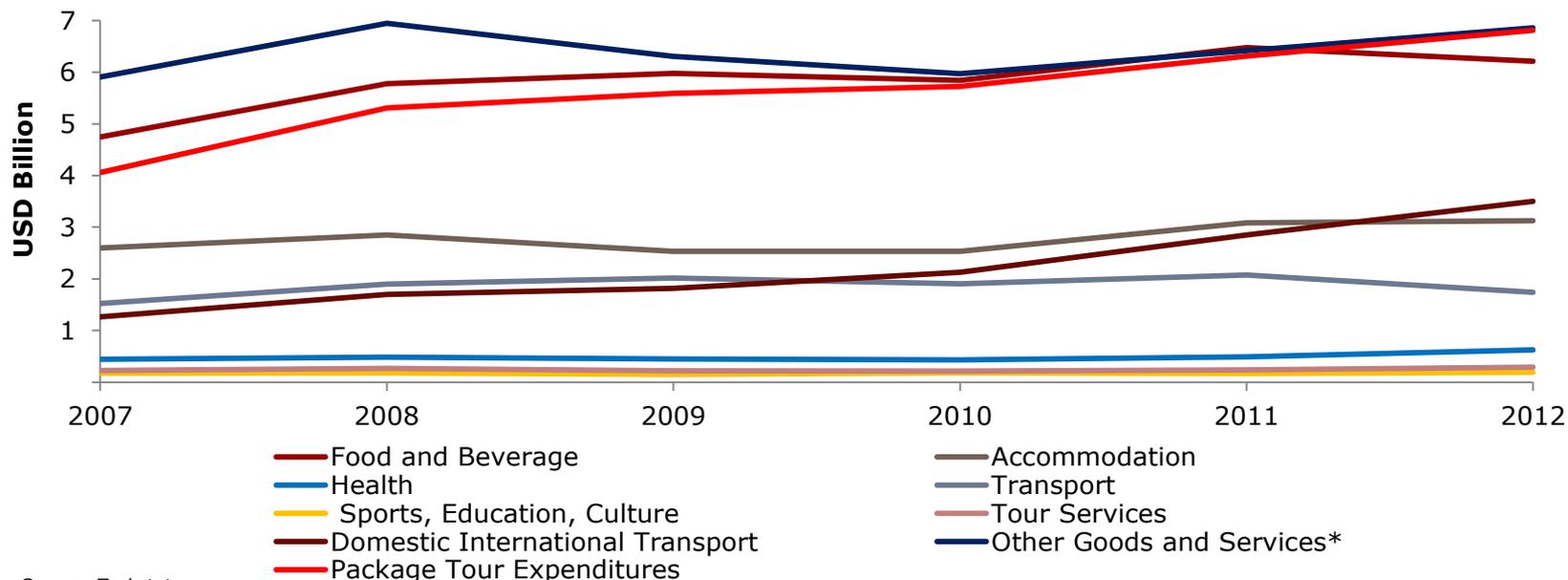
Note: USD at 2005 prices

- Turkey has been experiencing a steady increase in **disposable income per capita**. The disposable income of other countries is expected to be relatively stable over the coming years. Turkey's rising disposable income will lead to a greater desire for travel, thus, creating a greater demand for the domestic travel and tourism market.
- The continued economic stability of Turkey's travel markets, together with increasing disposable income for travel, will drive increases in both business and leisure travel. With unique offerings in the travel and tourism industry, Turkey will be able to capture a greater portion of this disposable income.



Turkey's travel & tourism revenues rose from 2007 - 2012 despite a shaky global economy

Figure 12: Tourist Income by Type of Expenditures, 2007-2012



Source: Turkstat

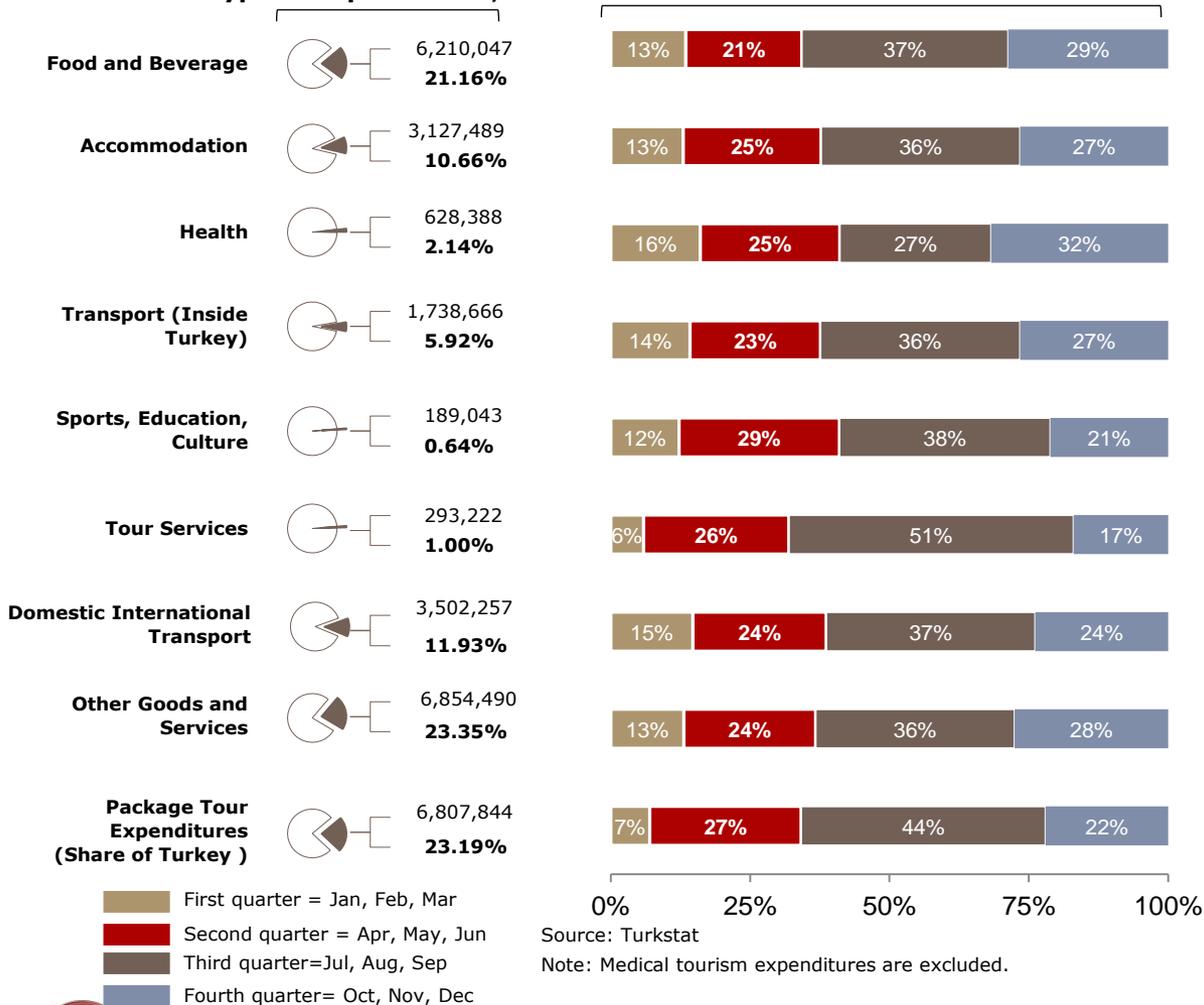
* Includes clothing and shoes, souvenirs, carpets, rugs, mobile phone roaming expenses and marina services

- The graph above represents the breakdown of expenditures of tourists coming to Turkey.
- The total expenditure increased by a **CAGR of 6.98%** from 2007 to 2012 reaching a total of USD 29.3 billion. The highest increase was in the domestic international transport segment, with a **CAGR of 23%**.
- Other goods and services had the largest share with **23% of the total expenditures** in 2012. These goods and services included clothes and shoes (44.63%), souvenirs (24.69%), carpets and rugs (5.33%), other expenditures (21.82%), marina service expenditures (0.67%) and mobile phone roaming expenditures (2.86%).



There is a high degree of seasonality in the tourism sector: the 3rd quarter is peak season.

Figure 13 Tourist Income by Type of Expenditures, 2012 Share of Spending in Each Quarter, 2012

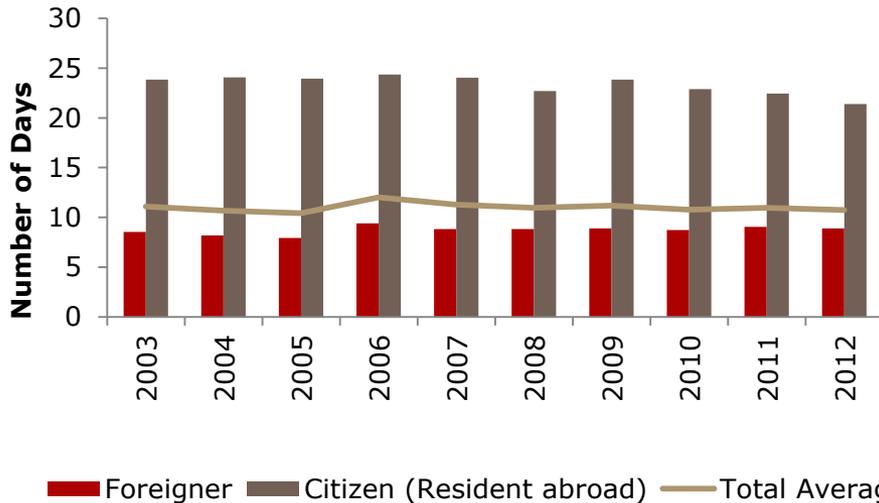


- The majority of spending in each category was made in the third quarter of 2012, which is peak season. The first quarter is off-peak for travel and tourism, thus explaining the low expenditure amounts.
- As the global economy strengthens, total expenditures will continue to increase.
- There remains plenty of potential for tapping into the **shoulder season** (off season). Tourists can receive incentives through advertisements and services relevant to their preferences and socioeconomic status.
- Opportunities are especially significant in the first quarter which is winter season. Turkey's distinct four season climate offers many winter tourism opportunities that can attract foreign visitors.



Domestic tourism is a considerable market

Figure 14: Average Number of Overnight Stays, 2002-2012



- Between 2002 and 2012 the average number of overnight stays remained stable over the period of 2002-2012. The total annual average overnight stays in 2012 was **11 days**.
- The average overnight stays for foreigners was 9 nights, while for citizens that reside abroad the average was **22 nights**, nearly triple the number. This fact underlines the power of inbound tourism.
- Ownership of summer residences is quite popular among domestic tourists. However, as the disposable income of domestic tourists increases, families are beginning to prefer Turkey's large and all-inclusive resorts to summer residences.

Figure 15: Number of Trips of Domestic Visitors, 2009-2012

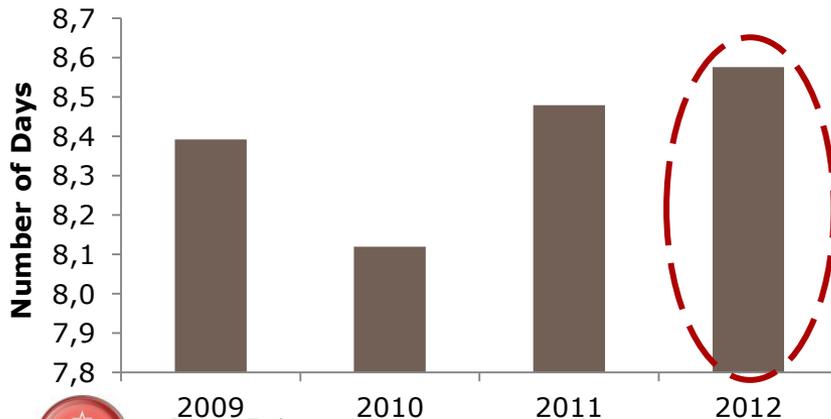
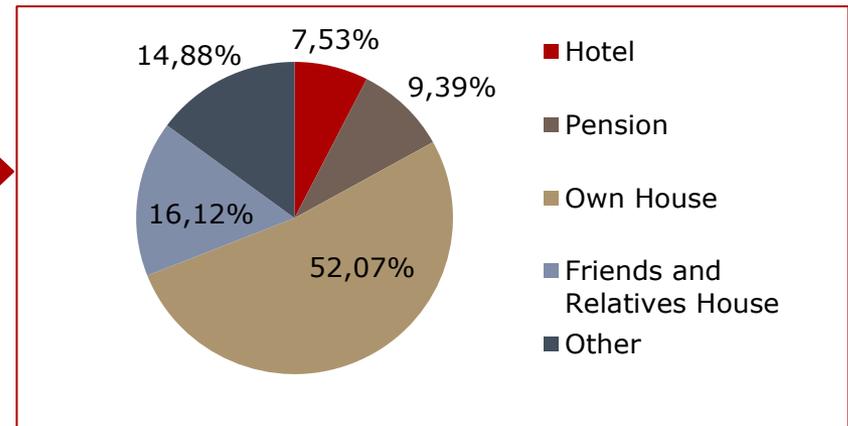
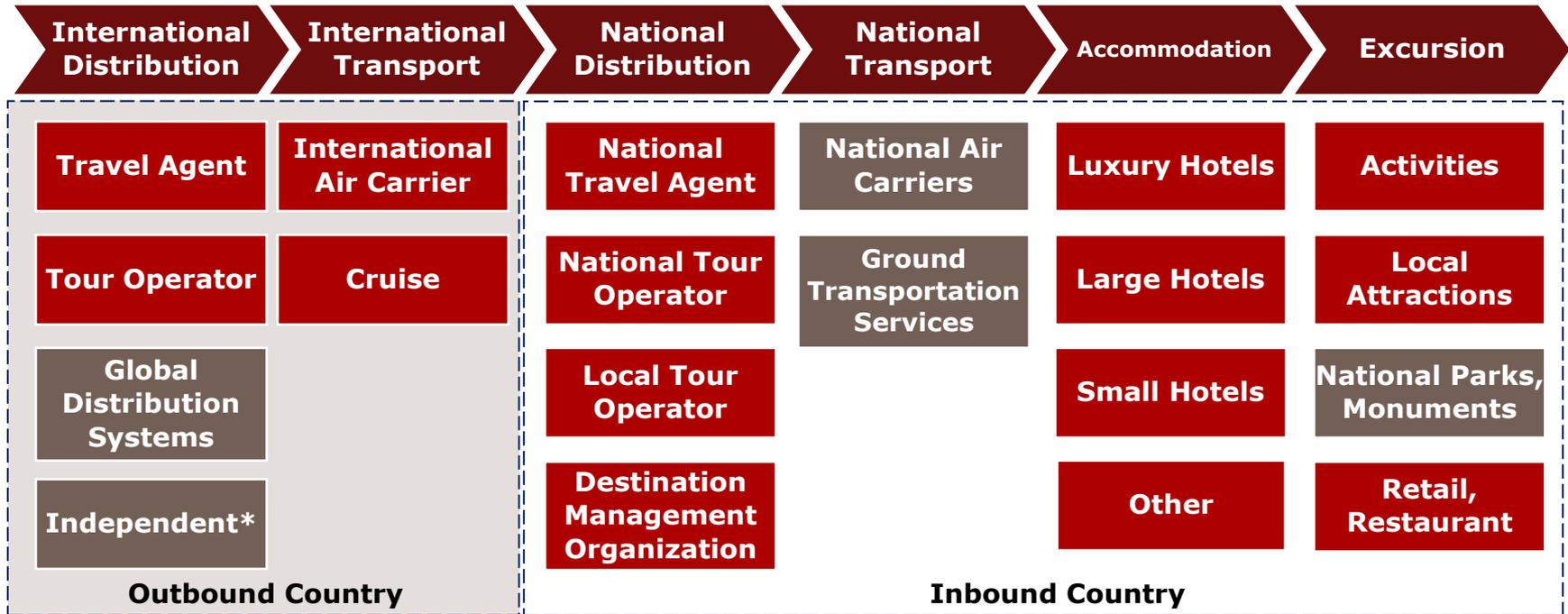


Figure 16: Number of Trips of Domestic Visitors by Type of Accommodation, 2012



2009
Source: Turkstat

A quick look at the value chain: both for inbound and outbound tourism



Source: The World Bank

*Individuals who organize their holidays without professional aid.

Open to investment

Note: Red boxes mean suitable for investment

- Whether inbound or outbound, deciding on the **mode of distribution** starts the process, creating the distribution channel of the value chain. This is followed by the mode of transportation to the selected destination. Finally, there is the mode of transfer upon arrival, accommodation and possibly a series of excursions, such as beach outings or visiting natural wonders, which would constitute the next components of the value chain.
- Each component of the value chain presents promising investment opportunities to foreign investors.



Turkey is positioned to pursue all the value inherent in the chain

- Diversification throughout the value chain has increased, driven by external events and the changes in tourist behavior towards more specialized offerings.
- The travel and tourism industry's major players continue to pursue strategies with limited co-operation between them. Turkey is currently focused on creating innovative new platforms and on increasing activities that add value within the supply chain by working with destination marketers and industry associations.
- Many opportunities exist to capture value in Turkey's **national distribution channel**. There are more than **6,800 travel agents** as of 2012. That is a **31% increase** from 2007.
- Europe's top three travel agencies, Thomas Cook, TUI and Rewe Group are actively promoting travel and tourism activities in Turkey. Opportunity is everywhere when you do business with Turkey.
- The variety of trips and **excursions** within Turkey can promote particular tourism activities ranging from ecotourism, health-related tourism, halal tourism as well as conventions. A rich variety of possibilities draw tourists with various desires, habits and spending capabilities, enlarging and enriching the customer base. Excursions are the key motivation behind choosing destinations. With its ancient history, and its rich culture, Turkey is able to offer a broad spectrum of trips and excursions within its borders.
- Many newspapers and magazines draw attention to tourism in Turkey. The Guardian indicated that "with its beaches, activities and culture, Turkey is a great choice for a holiday". **Condé Nast's Traveler magazine** announced that "Turkey's glamorous cosmopolitan city (Istanbul) is a must see". **CNN Traveler** pointed out that great golf courses have recently opened in resorts all over Turkey, which are more affordable than the courses in other countries.
- Turkey strives to effectively package, cross-sell and cross-promote to maximize tourism potential throughout the value chain. Furthermore, there is still room to increase **shoulder season** occupancy, which is the time between peak and off-peak season, specifically, between spring and fall when fares tend to be relatively low.



In 2012 there was a total of 165 hotel chains in Turkey. 15% of these hotels are owned by international investors

Company	Overview
	<ul style="list-style-type: none"> In addition to Turkey's first 5 star hotel, the Hilton Istanbul, founded in 1955, the Hilton Worldwide Portfolio of Brands Turkey Hotels include the Conrad Istanbul, the Adana HiltonSA, the Ankara HiltonSA, the Hilton Bursa Convention Center & Spa, the Hilton ParkSA, the Hilton Izmir, the Hilton Kayseri, the Mersin HiltonSA, the Hilton Bodrum Turkbuku Resort & Spa, the Hilton Dalaman Sarigerme Resort & Spa, the DoubleTree by Hilton Ankara, the Hilton Garden Inn Istanbul Golden Horn, the Hilton Garden Inn Konya, the Hilton Garden Inn Kütahya, the Hilton Garden Inn Mardin, the Hilton Garden Inn Şanlıurfa, the DoubleTree by Hilton İstanbul Old Town, the DoubleTree by Hilton İstanbul-Moda, the DoubleTree by Hilton Kapadokya Avanos, the DoubleTree by Hilton Kusadasi, the DoubleTree by Hilton İstanbul-Avcilar, the Hampton by Hilton Ordu and the Hampton by Hilton Bursa.
	<ul style="list-style-type: none"> Mövenpick Hotels & Resorts is an international upscale hotel management company with over 14,000 employees. It has locations in 25 countries with 71 hotels and resorts currently in operation. It has positioned itself in the upscale business /holiday resorts segment of the market. Mövenpick was voted "Turkey's Leading Business Hotel" by World Travel Awards in 2012. The hotel has more than 600 rooms in 3 locations, - Istanbul, Ankara and Izmir. Mövenpick is looking to expand its presence in the Turkish market.
	<ul style="list-style-type: none"> Jumeirah Hotels & Resorts is regarded as one of the most luxurious and innovative hotel chains in the world and has won numerous international travel and tourism awards. In 2004, Jumeirah Group became a member of Dubai Holding - a collection of leading Dubai-based businesses –bringing in a new phase of growth and development for the Group. The group has hotels in more than 10 countries and is planning to expand into Europe, the Middle East and North Africaas well as in the Asia-Pacific market. Jumeirah operates the Pera Palace Hotel in Istanbul. The Pera Palace has a rich history. It was built in the 19th century and currently offers 83 deluxe rooms.
	<ul style="list-style-type: none"> The Shangri-La Group was established in 1971. Hong Kong-based Shangri-La Hotels and Resorts is the Asia-Pacific's leading luxury hotel group. There are 80 hotels and resorts throughout the Asia-Pacific region, North America, the Middle East, and Europe. The Shangri-La group has a room inventory of over 32,000. Shangri-La operates The Shangri-La Bosphorus in Istanbul. The hotel comprises 186 rooms. The total investment for the hotel was over USD 250 million.



Major international tour operators are already doing business in Turkey. A few examples:

Company	Overview
 <p>TUI Travel PLC More than a smile</p>	<ul style="list-style-type: none">▪ TUI Travel is one of the world's leading leisure travel companies, with over 240 trusted brands in 180 countries and more than 30 million customers.▪ TUI Travel has more than GBP 14.5 billion in revenues.▪ TUI Travel also operates in Turkey as a tour operator and as a provider of accommodations.▪ Hotels include:<ul style="list-style-type: none">▪ Tui Travel Hotels▪ Sintopia Hotels▪ Blue Collection▪ Magiclife Hotels▪ Robinson Clubs
 <p>REWE GROUP</p>	<ul style="list-style-type: none">▪ With a turnover of more than 49.7 billion Euros and about 327,600 employees (2012), REWE Group is one of the leading trading and travel & tourism companies in Europe and Germany.▪ REWE Group has many brands in travel and tourism division. These brands promote a variety of travel and tourism opportunities in Turkey and around the globe.▪ REWE Group also operates hotels in Turkey. These hotels include LTI, Calimera, and Hotel Prima Sol.
 <p>Thomas Cook</p>	<ul style="list-style-type: none">▪ Thomas Cook was one of the first tour operators in the world.▪ Thomas Cook UK & Ireland is the second largest leisure travel group in the UK with approximately 15,500 employees. The company has a number of leading travel-related websites.▪ Thomas Cook Airlines operates a fleet of 35 aircraft from 21 regional airports to destinations worldwide.▪ Thomas Cook also offers accommodation services in Turkey where it operates the Sentido Group Hotels.



And Turkey is already on the radar of major international online travel companies

Company

Overview



- TripAdvisor is one of the world's largest travel sites, enabling travelers to plan their trips. TripAdvisor offers trusted advice from real travelers and a wide variety of travel choices and planning features with seamless links to booking tools.
- TripAdvisor offers a Turkish site that includes special offers for travel and tourism activities in Turkey.



- Booking.com is the world leader in booking accommodations online. Each day over 475,000 rooms are reserved on Booking.com. The Booking.com website and app attract visitors from both the leisure and business sectors worldwide.
- Booking.com is based in the Netherlands and is supported internationally by 100 + offices in over 50 countries.
- The company offers accommodation services in Turkey and gives local customer support in Turkish through Turkish-speaking customer representatives.



- HRS operates a global electronic hotel reservation system for business and private travelers based on a database of more than 250,000 hotels in all price categories in Germany, Europe and the rest of the world. This system enables users to make direct reservations free of charge, with immediate confirmation and with constantly-updated, special HRS prices. The quoted room prices for selected hotels are guaranteed for each reservation.
- HRS has seen an opportunity in the Turkish market and has started operating in Turkey along with hosting a Turkish site.



- Hotels.com is another global site that offers accommodation and tour package services.
- Hotels.com gives travelers one of the widest selections of accommodations on the net, including both independent and major chain hotels as well as self-catering options for over 145,000 properties worldwide. The company offers a one-stop shopping source for hotel pricing, amenities and availability and also specializes in providing travelers with accommodation during sold-out periods.
- Hotels.com launched itself into the Turkish travel and tourism market by creating a Turkish site.



Stakeholders say... Some quotes from the travel & tourism industry

"Outside of the main centers, notably Istanbul and Ankara, there are cities lacking branded hotels and therein lies investment opportunities."

- Managing Director of the W Hospitality Group, Trevor Ward (May 2013, [Breakingtravelnews.com](#))



"Istanbul has a tremendous European/Asian feel to it. It feels safe and that's one of the reasons it has such growth from a tourism perspective."

- VP of Hotel Sales Fairmont, Jeff Doane (June 2013, [Hotelnewsnow.com](#))



"A lot of Europeans who would have normally gone to Western European countries in search of sunshine and culture are now coming to Turkey and, in particular, Istanbul."

- VP and Managing Director of Wyndham Hotel Group, Rui Barros (June 2013, [Hotelnewsnow.com](#))



"We have invested 500 million USD so far in the tourism sector and we expect our investments to reach 750 million USD by 2015 with new projects. By 2023 Limak is targeting 15 new hotels."

- Limak International Hotels & Resorts' General Coordinator, Kaan Kavaloğlu (September, 2011, [Turizmhabercisi.com](#))



"Turkey's booming economy and stable political environment make it very attractive for development."

- VP of Development for Turkey of Marriott International, Tarık Nasser (June 2013, [Hotelnewsnow.com](#))



"Our investments in tourism will continue and we are thinking of establishing sports complexes and other tourism related investments in Istanbul."

- Chairman of Özaltın Holding, Nuri Özaltın (December 2012, [Kamudanhaber.com](#))



"We have invested 120 million Euros so far for Titanic Deluxe Belek. The total market volume for tourism in Turkey is 30 billion USD and Antalya is responsible for 60%. Most beautiful five star hotels are located in Belek, therefore we decided to invest in Belek."

- Chairman of Titanic Hotels and AYG Group, Mehmet Aygün (March 2013, [Turizmaktuel.com](#))



C. Investment Enablers of the Industry

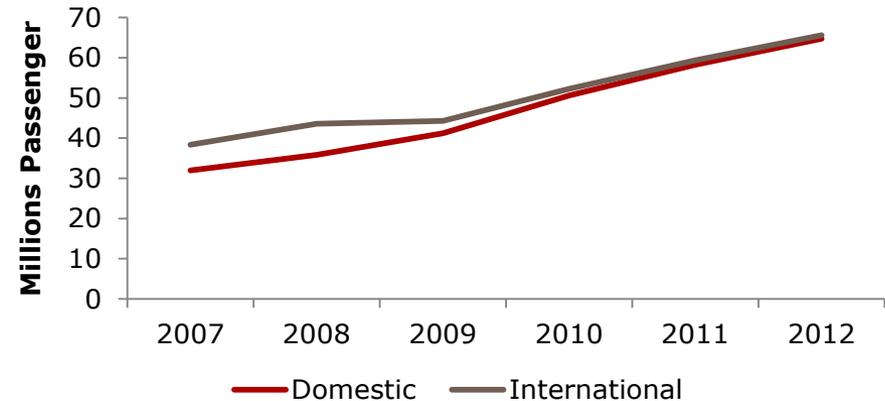
- i. Transportation
- ii. Information on Resources, Costs and Construction
- iii. Government Support and Incentives



Double digit and steady growth in airline passengers

- Airline carriers are a critical component of the value chain. The airways continue to be one of the most popular modes of transportation for outbound tourism.
- The annual growth rate of airline passenger numbers has remained strong from 2007 to 2012. **Double digit growth rates** were experienced every year except for 2009, which was a crisis-recovery year all around the world. More than **130 million** passengers arrived in 2012, indicating an **85%** increase from 2007.
- In 2012, the total number of flights was more than **1.6 million**. Some of these were domestic flights, including transfers from the main hub of Istanbul. **Istanbul Atatürk Airport** had more than **45 million visitors** in 2012, of which 29 million were passengers on international flights.
- **Antalya Airport** is designed to welcome millions of passengers every year, who come to Turkey's southern beaches. The airport has two international and one domestic terminal. 25 million passengers have flown into Antalya Airport in 2012, 20 million of these passengers were passengers on international flights. Antalya Airport has more than 50 different airways flying from/to more than 75 destinations. Antalya Airport is ranked as the **21st busiest airport** in the world by number of international passengers.

Figure 17: Airline Yearly Passenger Numbers, 2007-2012



Source: General Directorate of State Airports Authority

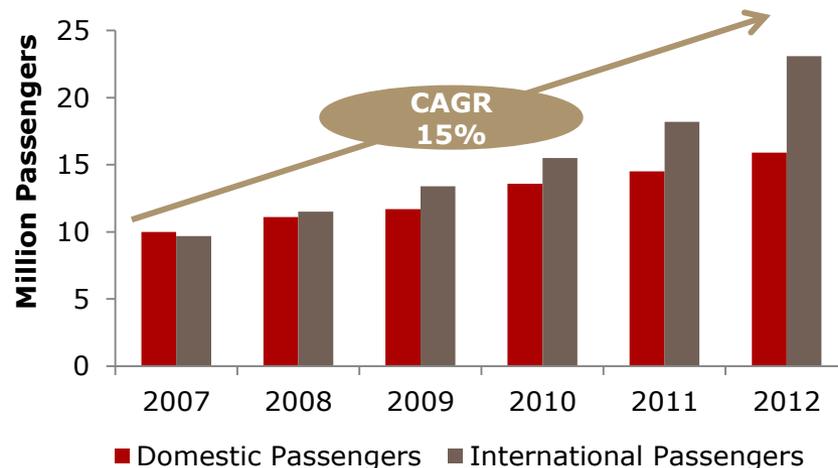
- **Muğla Dalaman Airport** is another significant airport used by travelers and has direct flights from/to more than 25 destinations.
- There has been a rise in the number of airlines that operate in Turkey and expansion among existing ones. Existing airlines are also constantly opening new routes to destinations within Turkey.
- The annual growth in the number of passengers of both domestic and international flights of Turkey's national carrier Turkish Airlines reflects global growth.



Turkish Airlines, the flagship carrier of Turkey's tourism industry, has grown significantly – with a CAGR as high as 15% ...

- Turkish Airlines is Turkey's premier airline. It successfully connects to all the major geographic locations of Turkey through its main hub in Istanbul's Atatürk Airport.
- Turkish Airlines received **The Best Airline in Europe Award** from Skytrax, World Passengers choice awards, three years in a row in 2011, 2012 and 2013.
- Turkish Airlines has a fleet of **200 planes** that flies to over **180 destinations** in **98 countries** with **36 domestic lines**.
- Despite a weak global economy, Turkish Airlines is expanding and has ordered **117 Airbus** airplanes for its fleet. The total number of airplanes in the fleet is projected to be **235 by the end of 2013**.
- The key metrics in the industry are number of passengers, available seat kilometers (ASK) and revenue passenger kilometers (RPK). Turkish Airlines ranked **third in passengers, fourth in ASK** and **fifth in RPK** among European airlines.
- This ranking contributes to the global image of both the national carrier and Turkey's brand image, making Turkey an even more attractive choice for travel.

Figure 18: Passenger Growth



Source: Turkish Airlines

- Even the global economic recession of 2008 and 2009 did not have an adverse impact on passenger traffic for Turkish Airlines. The total number of passengers surged from **20 million to 39 million** from 2007 to 2012 with the exceptionally large increase of **approx. 98%**. During the same period, **international passenger traffic** increased **138%**, while domestic passenger traffic increased **59%**.
- By the end of 2013, it is expected that the total number of passengers will reach **46 million**. By the end of 2020, Turkish Airlines expects the number to be more than **90 million passengers**.



...and will continue to grow

- Another important opportunity for the travel and tourism industry lies in transfer passengers, who use Turkish Airlines as their carrier, but intend to go on to a destination outside of Turkey.
- Turkish Airlines' **transfer passenger total** has grown a staggering **30%** from 2011 to 2012.
- **International-to-international transfer passengers** accounted **39%** in 2012. **International-to-international transfers** increased **23%**, from 2011 to 2012. Turkey's travel and tourism industry will significantly benefit not only from the increase in passenger numbers, but also from the increase in international-to-international transfers through Turkish Airlines.
- Furthermore, Turkish Airlines is the official sponsor of major football clubs such as **Barcelona, Borussia Dortmund** and **Manchester United**, and major sports figures such as famous tennis player Caroline Wozniacki which helps promote the company and Turkey as well.
- Turkish Airlines is growing in line with the travel and tourism industry. By 2021, the total number of planes in its fleet is **expected to be 423**.
- Additionally, Pegasus Airlines and its growing brand and Onur Air with its competitive edge, provide alternatives to and within Turkey.
- Pegasus owns 43 planes which fly to 71 destinations, 42 of which are international. This number is expected to increase to 118 by 2016 following Pegasus' order of 100 planes from Airbus.
- Onur Air also provides connections to Europe, Northern Cyprus and the Middle East in addition to its domestic lines.
- Onur Air possesses **27 planes with a total capacity of 5,987 seats**. These numbers are expected to grow demonstrating increasing competition in the Turkish airline industry.
- The travel and tourism industry will further benefit from the new airport which will replace Atatürk International Airport. The new airport will be far superior technologically and will have a higher capacity for air and passenger traffic.



The highly developed ground transportation infrastructure supports circulation within Turkey (1/2)

Figure 20: Road Network of Turkey



- Ground transportation is another key aspect in the national distribution system. Ground distribution mainly consists of highway and railway services. Further, there is a growing sector for shuttle services that enable airport transfers.
- Turkey has a very complex and well-developed ground transportation infrastructure. There are **65,382 km** of highways in Turkey, of which **12,573 km** is a part of the international highway network.

- Turkey has invested in many projects that develop national and international highway networks. These projects include: **Trans Europe North-South Highway (TEM)**, **United Nations Europe Economy Commission UN/ECE, Economic and Social Commission for Asia and Pacific (ESCAP)**, **Transport Corridor Europe - Caucasus - Asia (TRACECA)**, etc. These projects will enable Turkey to connect to international highways therefore boosting trade, tourism and international supply chains.
- There are over **500 bus companies** with D1-D2 licenses that are allowed to travel in between cities and more than **140 bus companies** that are allowed to transport passengers internationally.
- Projects such as the **3rd Bosphorus Bridge** and the new airport in Istanbul will ease transportation within the city. Recently, the government launched new mass transit options (Metrobus, Kadıköy-Kartal Metro) and by building new highways and roadways that connect the central districts of the city with more suburban districts that have not been easily accessible.



The highly developed ground transportation infrastructure supports circulation within Turkey (2/2)

Figure 21: Railway Network of Turkey

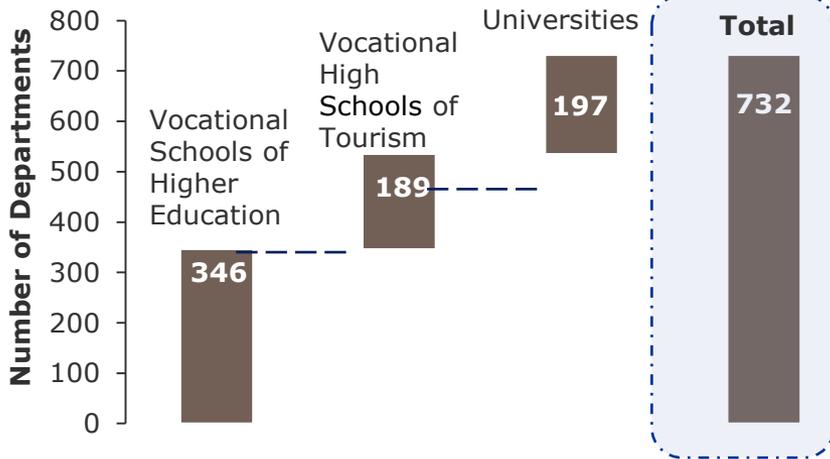


- A total of 888 km of high-speed railway network is in operation within Turkey.
- The Turkish government has plans to expand these lines and invest more than USD 23.5 billion into the sector until 2023. Therefore, another 6,792 km of high-speed railway lines will be built from now until 2023.
- High-speed trains will further enhance the travel and tourism industry in Turkey by allowing tourists to travel quickly, easily and in a cost-effective way anywhere in Turkey.



Turkey enjoys highly qualified workforce at competitive rates...

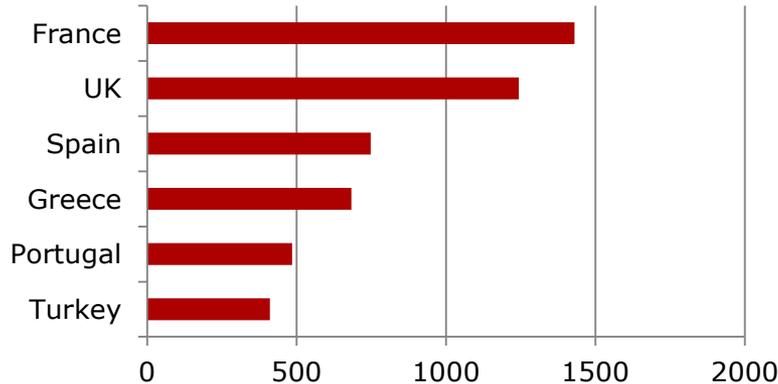
Figure 22: Workforce in Travel & Tourism by Level of Professional Education



Source: ÖSYM

Note: Vocational school of higher education are 2-year schools.

Figure 23: Minimum Wages



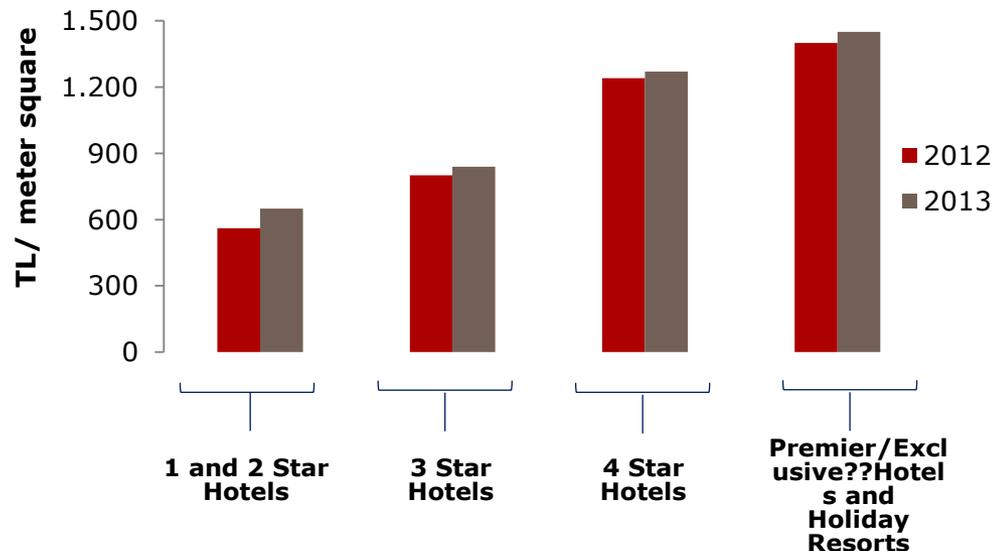
Source: Eurostat

- Turkey's travel and tourism industry has a highly qualified and trained workforce that graduate from vocational schools of higher education, vocational high school of tourism and universities.
- There are a total of **732 tourism related univesity programs** and high schools with a total student body of **38,321 students**.
- Vocational schools of higher education have 2-year license programs, whereas vocational high schools have 3 to 4 years of high school tourism programs.
- Travel and tourism schools use the **dual educational system**, which combines theoretical work in the classroom and its application using on the job training, thereby enabling graduates to meet the requirements of the industry.
- We can derive the average cost of hiring an employee from a specific industry from the average gross earnings of the respective industries' employees. The latest data on average gross earnings in the travel and tourism industry was **TL 1,274 in 2010**. Thus, Turkey has a **highly qualified workforce and highly competitive labor costs**.
- Even with earnings adjusted for consumer price inflation for 2012, the average gross salary was still lower compared to that of Europe, as indicated by the minimum legal monthly wage levels for the selected countries shown. Therefore, low wage rates still make Turkey an extremely attractive market for investors.



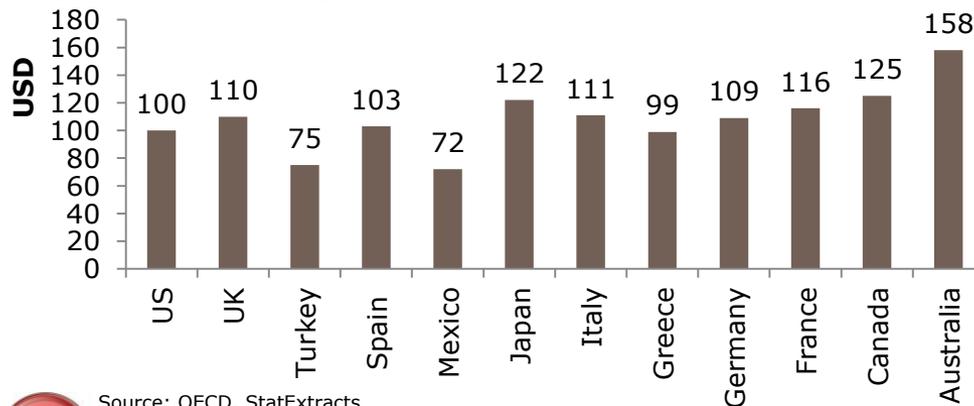
... and cost competitiveness for both capex and opex

Figure 24: Communique on Application of Approximate Unit Cost for Architecture and Engineering Services Rates



- The unit cost of construction differs for each type of hotel. 1 or 2 star hotels have a cost of **TL 630/meter square**, while premier hotels and holiday resorts have a cost of **TL 1,450/meter square**.
- The average **increase in the costs** from 2012 to 2013 is **circa 7%**, which approximately equals the inflation rate of 6.2% during the same period. Costs have mostly risen in **1 and 2 star hotels** by **16%**, with the lowest increase in **4 star hotels** with a **2%** rise.
- **Comparative Price Levels (CPLs)** provide a measure of difference in the price levels between countries.
- Turkey's price levels are relatively less than those of other countries. For example, **USD 111 is needed to buy certain goods in Italy, while it takes only USD 75** to buy the same goods in Turkey.
- Regarding the official segmentation of the electricity tariff, tourism facilities are considered to be commercial and are charged commercial tariffs. The electricity tariff rate for commercial customers after July 2013 was determined as approximately **14.88 USD cent/kWh*** by Energy Market Regulatory Authority (EMRA), and is approximately the cost of energy for tourism facilities.

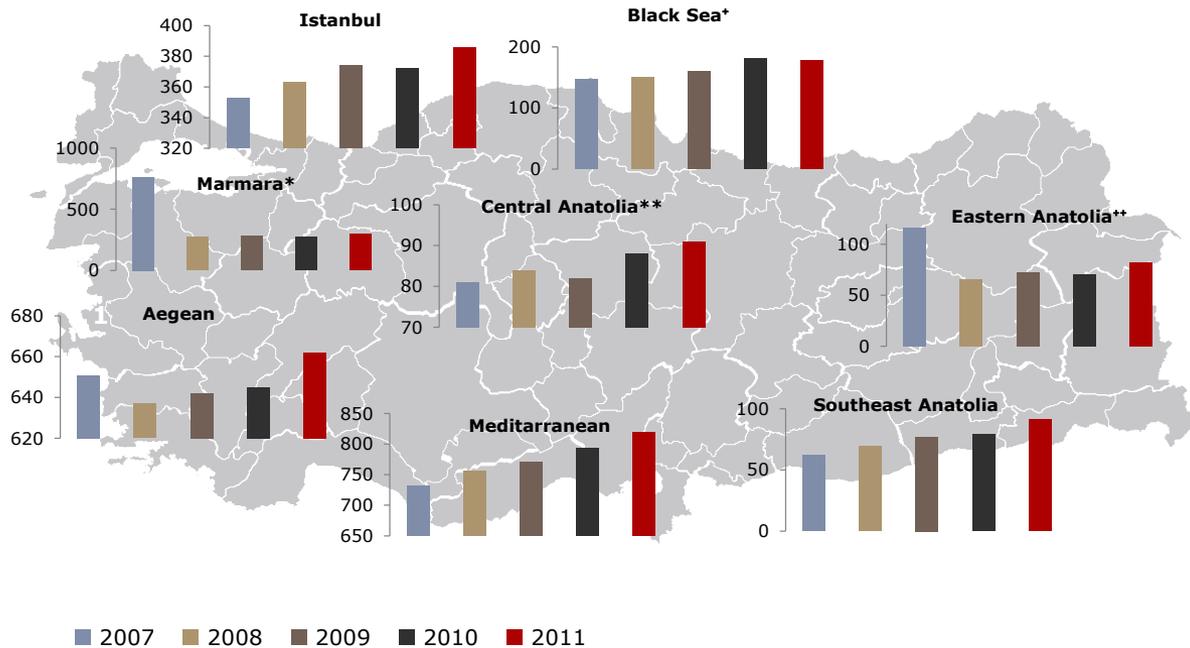
Figure 25: Monthly Competitive Price Levels



Source: OECD, StatExtracts
* USD/TL at 1 July 2013

Turkey still has untapped potential in all seven geographical regions for travel and tourism

Figure 26: Number of Licensed Hotels by Region, 2007-2011



- As of 2011, there were a total of **2,783 licensed hotels** with a total bed capacity of more than **660,000**.
- The Mediterranean region has the largest number of licensed hotels among the regions with more than 800 licensed hotels. The growth in that region was **CAGR 3%** from 2007 to 2011. It is followed by Aegean region with more than 600 hotels.
- Antalya has a total of **725 licensed hotels** with a total bed capacity of more than **345,000**.
- Eastern Anatolia and Southern Anatolia both have an untapped investment potential.

Source: Ministry of Culture and Tourism

* includes eastern and western Marmara (region) or east and west Marmara (city)??

** includes western and central Anatolia

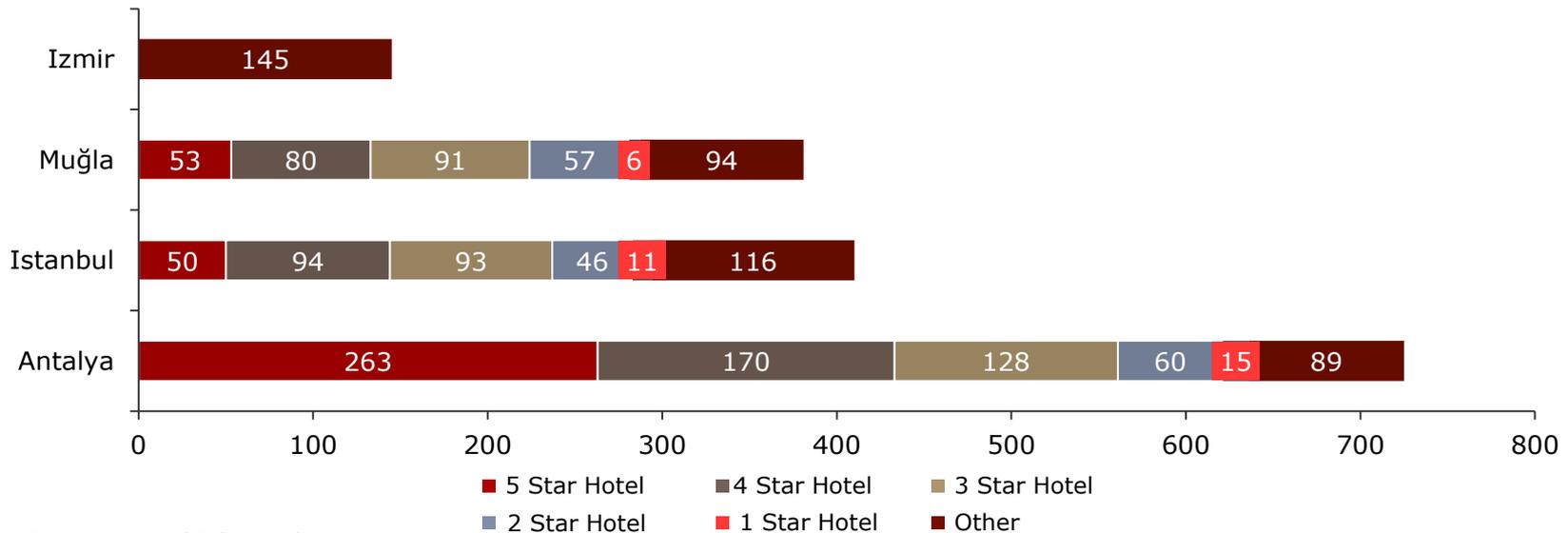
+ includes the western and eastern Black Sea region

** includes??northeastern and central eastern Anatolia



There is still room for further investments in accommodations

Figure 27: Number of Licensed Tourism Facilities, 2012



Source: Provincial Culture and Tourism Directorates

Note: No breakdown of hotel type is available for Izmir.

Other hotel types include: motels, boutique hotels, efficiency apartment hotels, special facilities, hostels as well as other facilities

- Antalya has by far the most licensed tourism facilities in Turkey with over 700 facilities. It is followed by Istanbul and Muğla with more than **400 and 380 facilities**, respectively.
- Antalya also has the largest bed capacity with more than **345,000 beds**, followed by Muğla with over **90,000** and Istanbul with over **73,000**. Izmir has the lowest capacity with a little more than 29,000.
- The Turkish market continues to increase at a rate faster than its bed capacity and despite a surge of investments, there is still room for new investments.



...despite the fact that almost all of the major hotel chains are operating in Turkey

Table 1: Major Hotel Chains in Turkey

Major Hotel Chains in Turkey	Number of Facilities
Hilton International	22
Intercontinental Group	16
Anemon Hotels	16
Best Western International	15
Dedeman Hotels	14
Crystal Hotels Resorts & Spa	11
Accor Hotels Turkey	10
Rixos Hotels	10
Wyndham Hotels	10
Marriott	8

- International and local hospitality groups are continuing to expand in Turkey.
- Almost all major hotel chains from **Hilton to Marriott** and **Mövenpick** are operating in Turkey. These chains provide accommodations for a variety of visitors from luxury travelers to conventioners.
- Premium hotel chains are able to form alliances with major local investors to attract particular market segments to Turkey. Some of these hotels include: the Shangri-La, which has formed a partnership with Tanrıverdi Holding and JW Marriott Hotel in Ankara, which has created a partnership with Özdoğan Group.
- The biggest international hotel chain is Hilton International operating in more than **15 cities** in Turkey with over **22 hotels**. Moreover, Hilton has invested heavily in Eastern and Southeastern Anatolia in cities such as Mardin, Şanlıurfa and Kayseri in order to take advantage of the untapped potential in the region.

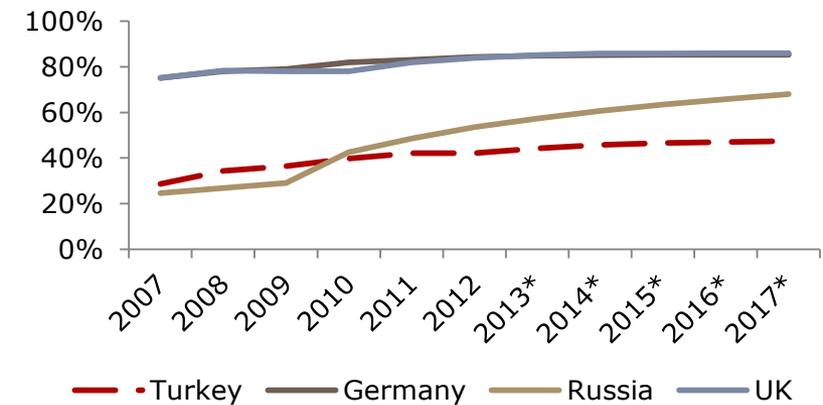
Source: Resort Magazine, 2012



Tourists can stay connected: Reliable access to Turkish IT and communications infrastructure

- The infrastructure for communication is important for the investor as well as for the individual tourist. Research shows that increased bookings are correlated to **IT infrastructure** and its availability in the hotels.
- Turkey offers a strong information and communications infrastructure to meet the demands of both investors and tourists, with a diverse technology infrastructure ranging from fiber optic internet lines to 3G and other wireless networks covering nearly the entire country. Turkey had more than **67.2 million mobile subscribers** by the end of the third quarter of 2012. Moreover, the number of subscribers to 3G services, launched in July 2009, surpassed **40 million** in 2012. These figures give an idea of the information technology infrastructure and its coverage.
- Furthermore, most hotels have access to cable TV, which provides more than **50 analog** and **60 digital domestic** and foreign channels, IPTV and Satellite TV in Turkey.

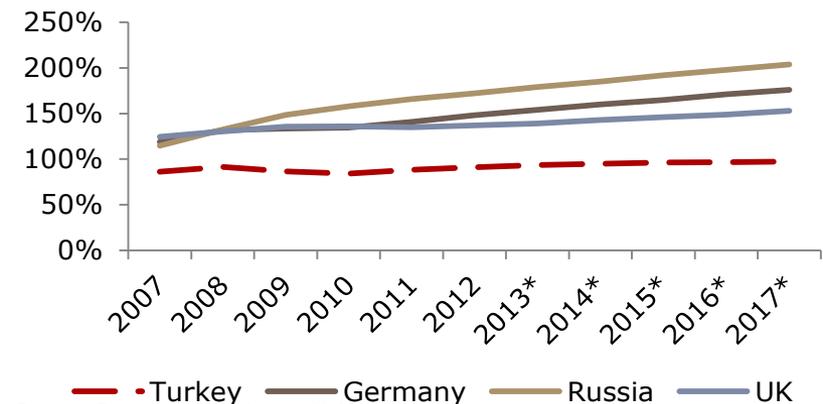
Figure 28: Internet Subscriptions (per 100 people)



Source: Economist Intelligence Unit

* EIU Forecasts

Figure 29: Mobile Subscriptions (per 100 people)



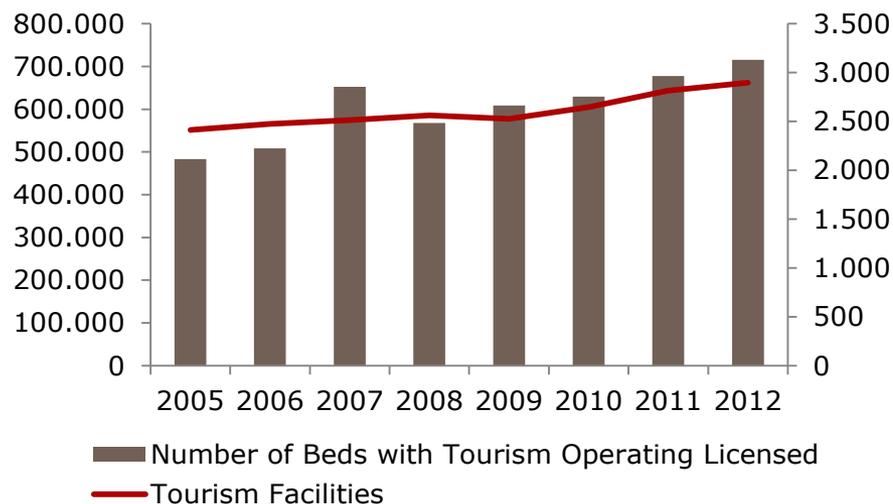
Source: Economist Intelligence Unit

* EIU Forecasts



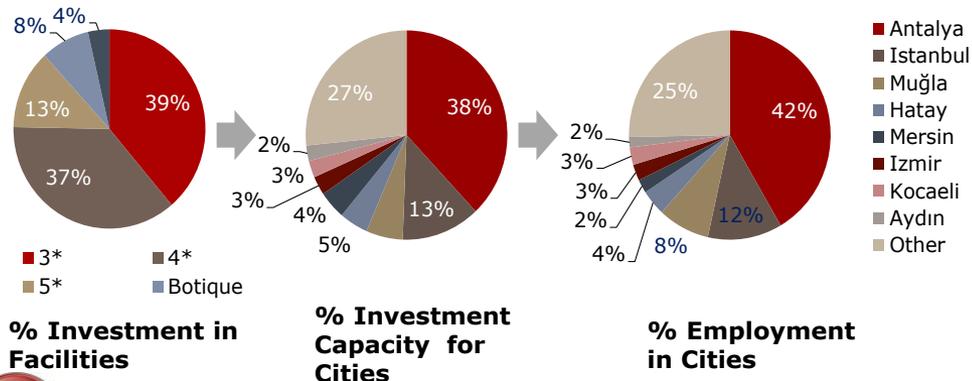
Ambitious targets: 60 million tourists by 2023 calls for investment in hotels and hospitality

Figure 30: Bed Capacity and Number of Tourism Facility Developments, 2005 - 2012



Source: Ministry of Culture and Tourism, TYD

Figure 31: Investment Distribution in the First Quarter of 2013



Source: AKTOB

- Even with the economic downturn in 2008 and the recent global financial crisis capacity of licensed tourism facilities has increased **48% between 2005 and 2012** reaching a total of **715,692 beds**.
- The growth of tourism facilities for the same period was **20%**, surpassing **2,800 operating facilities** in 2012.
- According to the Tourism Investors Association (TYD) projections the number of tourists to Turkey will reach **60 million by 2023**. In order to reach this goal, TYD predicts that the private sector will need to invest at least **USD 24 billion** and the public sector **USD 15 billion** in the coming years.
- According to TYD projections, accommodation capacity needs to be increased to **1,500,000 beds**, which will require approximately **USD 13 billion** in new investments.
- According to the data gathered by AKTOB, in the first 3 months of 2013 **107 tourism projects** have received incentives worth more than **TL 1.4 billion**. **85** of these new hotel building projects are **properties using new investments**. From these investments **38%** of them are 3 star, **36%** of them are 4 star and **13%** of them are five star hotels. The lion share of these new investments were in Antalya (38%), followed by Istanbul (12%).



Several types of incentives are available in the tourism industry

- There are several types of incentives and support available for investors in Turkey:
 - Investment support provided by KOSGEB.
 - Investments made under decree of the Council of Ministers.
 - Incentives made under Law no. 2634, regulating the incentives for the tourism sector.
 - Exempted items listed under Law no. 1319, regulating some tax exemptions.
 - Loans provided by EXIM Bank.
 - Incentives for foreign direct investments.

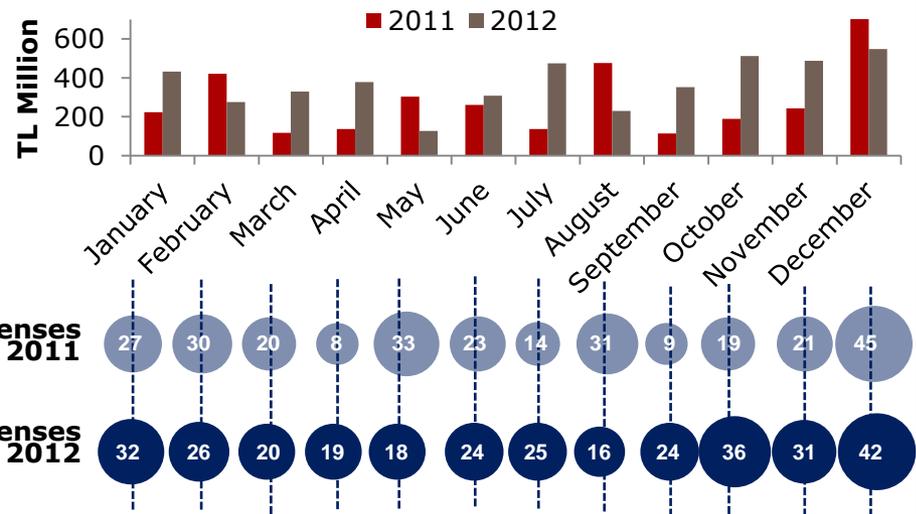
• **Investment support provided by Small and Medium Enterprises Development Organization (KOSGEB)** supports management organizations, marketing, international trade, human resources, finance and information management related to investments for SMEs. The upper limit of the support is TL 150,000 and is provided for 3 years.

• **Investments made under decree of the Council of Ministers** supports overall, regional and large scale investments.

• **Incentives made under Law no. 2634.** This is the main regulation that covers the incentive mechanism of the travel and tourism industry. It is mandatory to obtain a tourism investment license and tourism operating license from the Ministry of Culture and Tourism.

- **Exempted items listed under Law no. 1319** indicates that tourism entities are exempt from income and corporate taxes during their first 5 years of operation.
- **EXIM Bank** provides loans to entities such as tourism agencies that attract international visitors and to private airline companies as well as other tourism-related companies.

Figure 32: Tourism Investments that are Granted Loans from the Treasury



Source: Ministry of Culture and Tourism



Investment incentives differ in respect to regions...

Figure 33: Incentive Regions

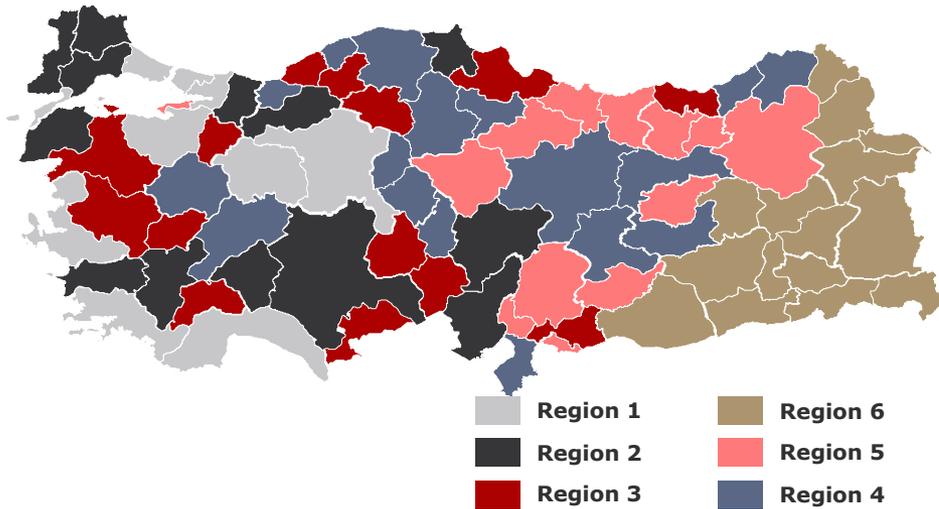


Table 2: Support for National Insurance Contribution of Employer

Region	Support Duration		Maximum Support (Rate for Fixed Investments)	
	Investments Before 31/12/2013	Investments After 1/1/2014	Regional Incentive Applications	Incentive for Large Scale Investments
I	2 Year	-	10%	3%
II	3 Year	-	15%	5%
III	5 Year	3 Year	20%	8%
IV	6 Year	5 Year	25%	10%
V	7 Year	6 Year	35%	11%
VI	10 Year	7 Year	50%	15%

- Turkey is divided into 6 investment incentive regions. The **6th region** includes developing cities and thus has the highest incentive rates, while 1st region covers the most developed cities and has the lowest incentives.
- Hotel Investments with 3 stars and above, can benefit from the regional incentives. Additionally Travel and tourism investments are considered primary investment subjects. In order to protect historical and cultural value and/or places that have a high tourism potential, the Council of Ministers, along with advisors from the Ministry, determine the primary investment areas.
- There are many incentives that range from tax reductions to insurance contributions. One example is the support given to employers for their contribution to the social security system. Details of the duration of support and the rates for each region are given in the table.
- The insurance contribution rates cannot exceed the defined rates for each region. For strategic investments, an employer's national contribution would be **15% across all regions**.
- In order to benefit from the employer's national insurance contribution incentive, employers have to register with the Social Security Institution according to the **Social Insurance and Universal Health Insurance Law no: 5510**.



Source: Ministry of Culture and Tourism

Investment Support and Promotion Agency of Turkey

...with considerably higher rates of incentives for less developed regions

Tax Reduction Rate

- There will be withholding tax and income tax support for investments.
- A tax reduction is applied to the income obtained from those items that are exclusively subject to incentives. However, for regions 2, 3, 4, 5 and 6, all income received from the investment will have a tax reduction for a fixed time period.
- As the investment contribution rate is the total investment divided by the revenue the government would have received if the necessary corporate and income taxes was collected.

Region	Investment Contribution Rate		Corporate Tax or Income Tax Reduction Rate
	For Regional Incentive Applications	Large Scale Investments	
I	10%	20%	30%
II	15%	25%	40%
III	20%	30%	50%
IV	25%	35%	60%
V	30%	40%	70%
VI	35%	45%	90%

Incentive Support Factors

- Regional incentive applications are regulated under these broad categories:
 - Expanding industry scope,
 - Support for decreasing labor costs,
 - Increasing financing opportunities
- The factors for regional support are summarized in the table below. As shown, region 6 is the region with the most attractive incentives, while regions 1 and 2 have the least.
- Different incentives apply to large scale investments.

Support/Region	1	2	3	4	5	6
Vat Exemption	✓	✓	✓	✓	✓	✓
Customs Duty Indemnity	✓	✓	✓	✓	✓	✓
Investment Site Allocation	✓	✓	✓	✓	✓	✓
Interest Support	☒	☒	✓	✓	✓	✓
Income Tax/ Withholding Tax Support	☒	☒	☒	☒	☒	10 Years
Support for National Insurance Contribution of Employers	☒	☒	☒	☒	☒	10 Years



A quick look at the legal side: The Tourism Incentive Law defines a wide variety of incentives

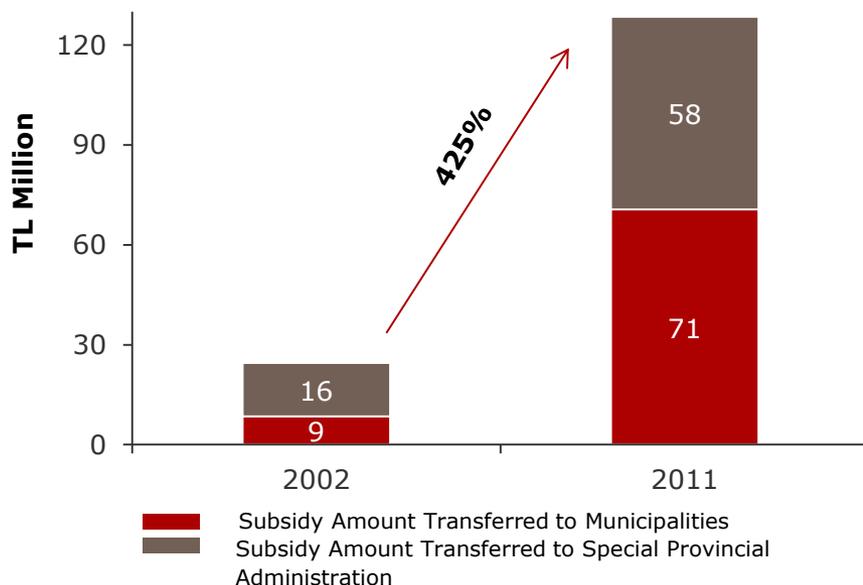
- 1 Tourism Loans:** The Tourism Bank Inc. of the Republic of Turkey can allocate loans originating from foreign funds to tourism investments.
- 2 Allocation of public land to investors:** Investors can rent public land for up to 49 years, depending on the type of investment, capacity of the facility and characteristics of the location.
- 3 Employment of foreign personnel and artists:** Establishments that have a Tourism Certificate can employ foreign staff, up to 10% of the total number of employees, if approved by the Ministry of Labor and Social Security. This ratio can be increased through the approval of the Ministry of Labor and Social Security. Foreign employees would be able to start work not more than 3 months prior to the start date of the opening of the establishment.
- 4 Communication Facilities:** Applications and requests for telephone and telex facilities of certified tourism establishments are regarded as a priority to the government.
- 5 Rates of Utilities:** Certified Tourism establishments pay their gas, electricity and water bills at the lowest rate possible.
- 6 Sale of Alcoholic Beverages and Regulation on Games of Chance:** Certified Tourism establishments shall be exempt from the provisions of article 178 of Public Health Law no. 1593 and of article 61 of the Elementary Training and Education Law no. 222, which is concerned with the sale of and licenses for alcoholic beverages to the extent that the Ministry gives permission.
- 7 Tourism Development Fund:** A Tourism Development Fund has been established to support tourism investments that will be made for tourism centers in areas of cultural interest, for those that require preservation and in regions that are being developed with loans with a maximum repayment period of 20 years for up to 15% of the total investment cost and the expenditures for the development of foreign marketing opportunities.

Investments that are made in accommodation and entertainment facilities, restaurants, convention and exhibition centers, golf and yacht facilities and tourism complexes benefit from incentives under the scope of The Law for the Encouragement of Tourism.



The Ministry of Culture and Tourism has heavily invested in infrastructure over the years

Figure 34: Total Subsidy Amount Transferred for Travel & Tourism



Source: Ministry of Culture and Tourism

- The Ministry of Culture and Tourism allocates money to **provinces and municipalities** for infrastructure investments for tourism.
- The total money allocated by the Ministry for infrastructure investments increased **425% between 2002 and 2012** and reached **TL 129 million**.
- The Ministry of Culture and Tourism also supports movies produced in Turkey as a part of their marketing strategy. The total amount allocated in incentives for film production between **2005 - 2011** was **USD 108 million**.



Buying property in Turkey: A short guide for foreign investors

Legal Basis

- Information regarding countries whose citizens can buy property and real estate in Turkey can be obtained from Turkish Embassies/Consulates abroad and the General Directorate for Land Registry and Cadastre.
- Persons of foreign nationality can buy any kind of property (house, business, land, field) within the terms set by law.
- Persons of foreign nationality who buy property without any construction (land, field) have to submit their construction plan for the property to the relevant Ministry within 2 years.

Legal Restrictions for Foreigners Buying Property

- Persons of foreign nationality can buy a maximum 30 hectares total in Turkey and can acquire limited in rem rights.
- Foreigners cannot acquire or rent property within forbidden military zones and security zones.
- Persons of foreign nationality can acquire property or limited in rem rights in a district/town for up to 10 % of the total area of the said district/town.
- There are no legal obstacles neither for foreign real person nor for off-shore corporations when applying for a mortgage.

- The properties are subject to provisions in following cases: (i) if the properties are acquired in violation of laws; ii) if the relevant Ministries and administrations identify that the properties are used in violation of purpose of purchase; iii) if the foreigner does not apply to the relevant Ministry within the time allocated in case the property is acquired under a project commitment; iv) if the projects have not been completed within the time allocated.

Financial Aspect of the Procedure

- Both seller and buyer have to pay the title deed fee, calculated according to the selling price which cannot be less than the 'Property Statement Value' to be issued by the relevant municipality. (According to the Charges Law no: 492, the title deed fee percentage for 2013 is 2%.)
- The circulating capital fee which is determined locally has to be paid. (Maximum 70 x 2.5 TL for 2013.)
- At the stage when the Land Registry Directorate inquires to the relevant military authorities whether the property is located within a military or special zone, a circulating capital fee for the map prepared by the Cadastre Directorate has to be paid (323 TL for 2013).

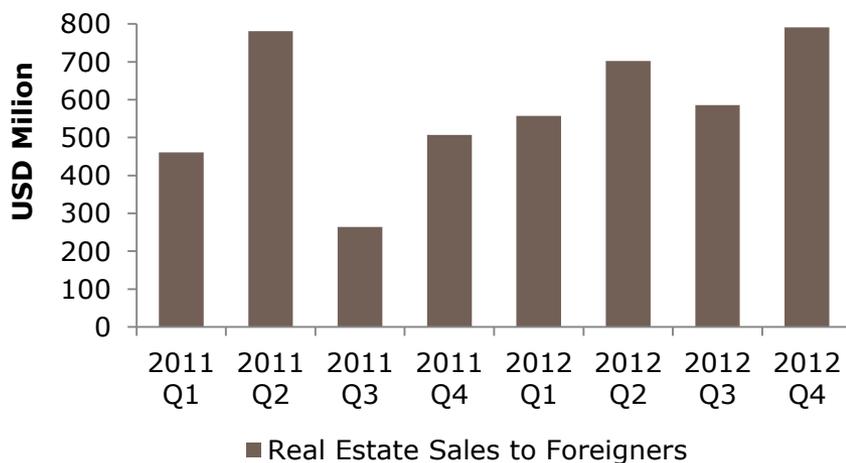


There are many opportunities for foreigners who wish to buy property in Turkey

Other points for foreigners who wish to buy a property in Turkey.

- A foreigner has to inquire with the Land Registry Directorate about whether there is any limitation on the property, such as mortgage, lien or any obstacle which prevents the sale of the property.
- If the application by the foreigner for buying a property is rejected, the decision can be appealed to the relevant Regional Office of the Land Registry Directorate.
- Foreign investors interested in purchasing property in Turkey are not required to hold a residence permit. However, buying a property does grant the foreigners eligibility for a limited residence permit in Turkey.

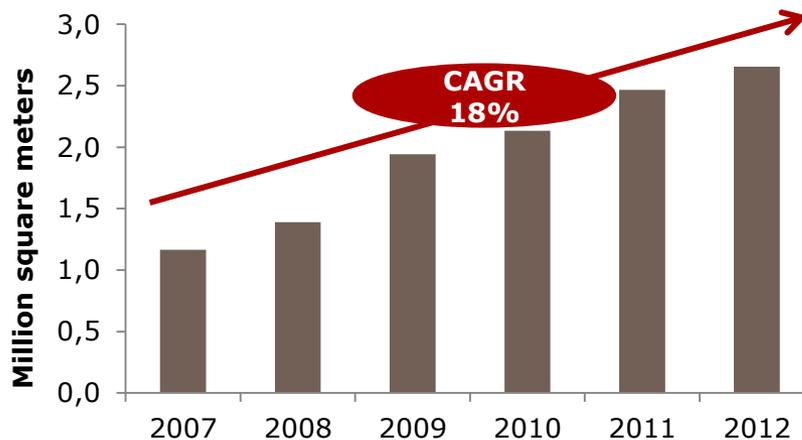
Figure 35: Real Estate Sales to Foreigners



Source: GYODER, Ministry of Foreign Affairs

- After the reciprocity law in 2012, the number of real estate sales to foreigners increased 31% from 2011 reaching **USD 2.64 billion** in 2012. In 2012, more than 13,000 properties were sold to more than 14,000 foreigners.
- Foreign investors tended toward shopping center investments and have procured over **2.6 million square meters** of rentable shopping center space. That means an **increase of 128%** from 2007.

Figure 36: Total Rentable Space for Shopping Center Development Purchased by Foreigners, 2007-2012



Source: GYODER



D. Opportunities and Investment Areas

- i. Opportunities in Industry Sub-Segments
- ii. Special Focus
 - a. Special Focus: Health-Related Tourism
 - b. Special Focus: Istanbul



Turkey offers a wide variety of attractions and diverse holiday options, interesting both leisure and business travelers

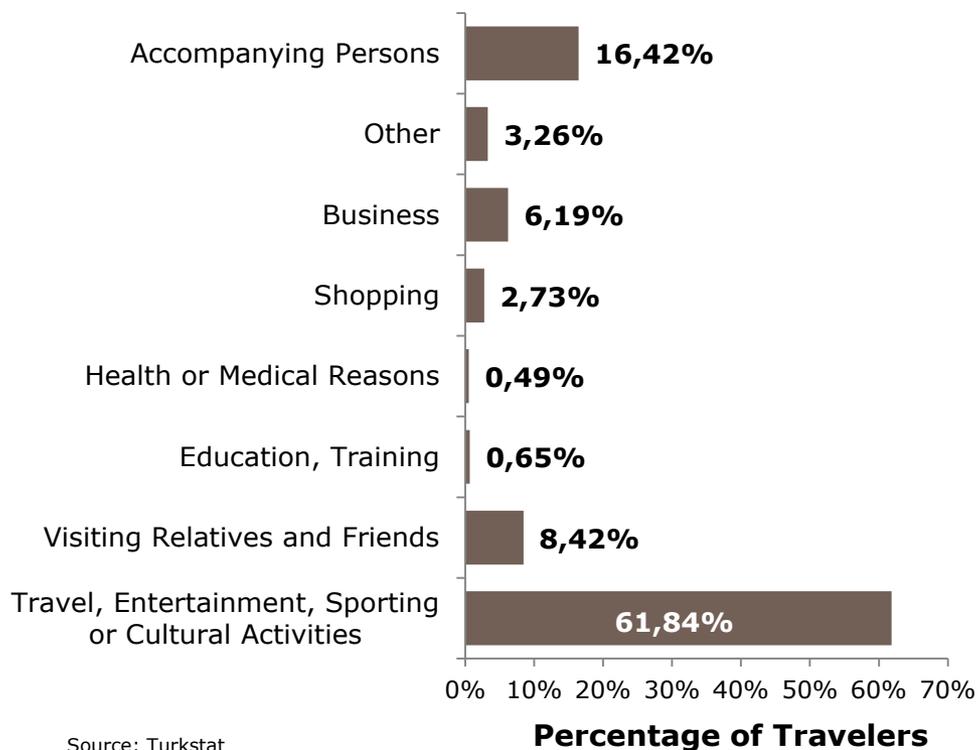


- Turkey is equipped with Turkish and international five star hotels, venues, fairs and convention centers. It offer a wide variety of possible business-related and leisure activities.



Travel, entertainment, sports or cultural activities were the major reasons for visiting Turkey in 2012

Figure 37: Purpose of Visit by Foreigners, 2012



- The graph illustrates the scope of foreign tourists visiting Turkey.
- Turkey promotes its rich history, culture and diverse entertainment options and has a high rate of tourism for this reason. Foreign visitors have indicated that **62%** came to Turkey for **travel, entertainment, sports or cultural activities**.
- The «Visiting relatives and friends» segment and business segment, which includes conferences, meetings and assignments, have a **8% and 6% share, respectively**.
- Other purposes for visiting include **religion/pilgrimage and transit passengers** and these make up **approximately 3%** of the visitors.
- Turkey's outstanding quality in hospitality and its longstanding experience in the travel and tourism industry along with its experienced workforce make it an attractive place for investment.

- Tourist behavior is growing increasingly complex as travel becomes a part of lifestyle choices. Travelers are more experienced and more demanding of new, varied, authentic and customized excursions and experiences.



Turkey, with its lush scenery, rich culture and history has much to offer: The rise of ecotourism

Figure 38: Snapshot of Ecotourism



Source: Ministry of Culture and Tourism

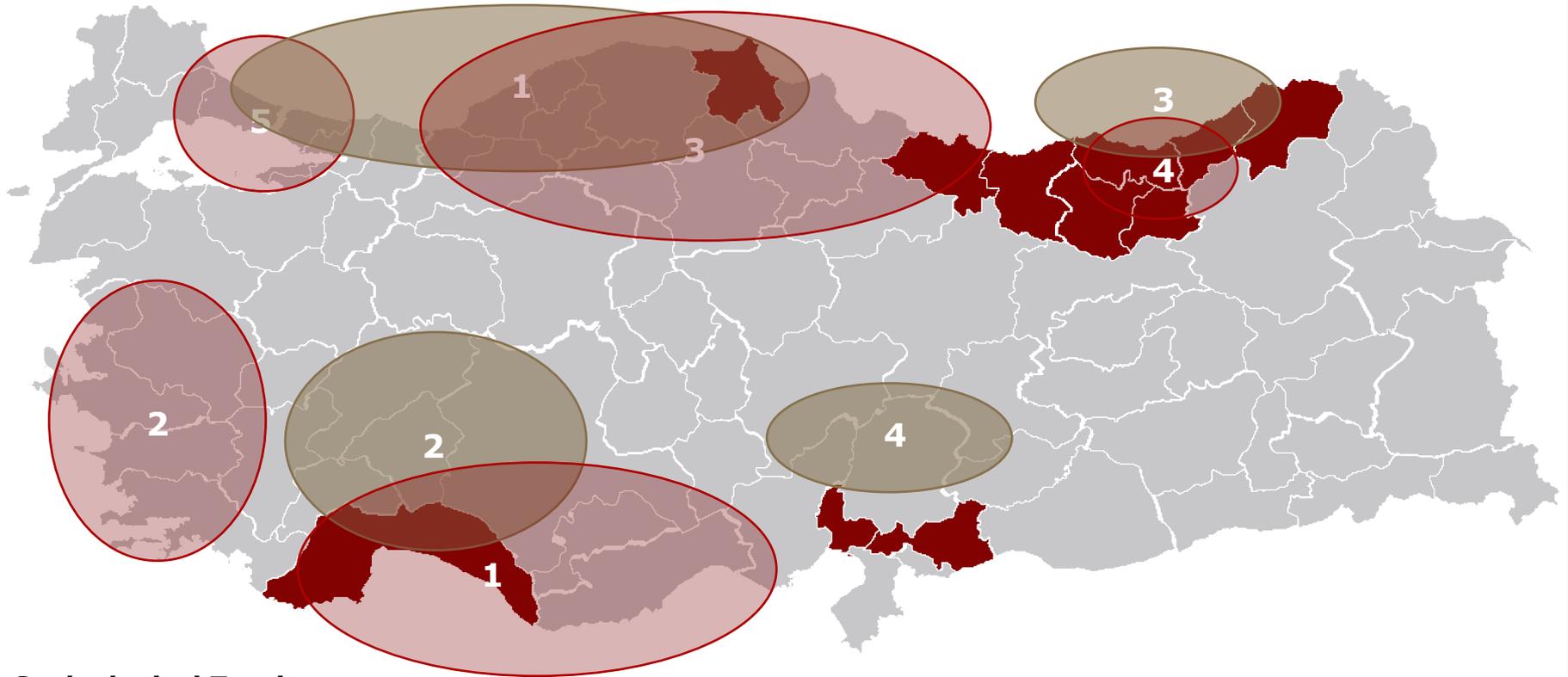
- In this report we have classified ecotourism as any tourism activity that involves visiting natural sights, nature tracking, bird watching and rural tourism.
- Ecotourism constitutes around **USD 77 billion** of the travel and tourism industry's global revenue and is continuously growing.
- Ecotourism protects Turkish villages by adhering to local customs and supporting the local economy. It preserves forests from destruction by limiting construction of tourist-oriented commercial establishments such as massive resorts and hotels.

- Turkey has great potential for ecotourism since it is not only a natural peninsula but also **26%** of its land is covered in forest.
- Turkey also has major mountains and nature trails, including the **509 km Lycian Way** and the **500 km St. Paul Trail**, which thousands of tourists visit each year.
- Another popular type of ecotourism is ornito-tourism, which is about bird watching. Turkey has a large range of bird species. There are more than 400 species of birds that can be observed.
- Rural tourism is yet another sub-category of ecotourism. Rural tourism also has its sub-categories such as agritourism, green tourism, etc.
- The Ministry of Culture and Tourism and The Ministry of Food, Agriculture and Livestock are developing strategies to attract more visitors for rural tourism activities.
- There are many **organic farms** in Antalya, Burdur, İzmir, Datça, Bozcaada and in several other locations that host visitors.
- Spelunking is another important reason for coming to Turkey. It is a nature sport aimed at exploring underground caves. Turkey's largest cave is Pinargozu Cavern, **16 km west of Beyşehir** Lake, and the deepest is Cukurpinar Sinkhole, **1,880 meters** south of Anamur. These caves are found on the Taurus Mountain belt. Currently, there are **50 caves** that are opened to tourists.



Turkey has a wide range of offerings in ecotourism

Figure 39: Ecotourism Map



Speleological Tourism

- 1- Antalya, Mersin, Isparta, Burdur
- 2- İzmir, Muğla, Denizli
- 3- Düzce, Zonguldak, Bartın, Sinop, Çankırı, Tokat
- 4- Trabzon, Gümüşhane
- 5- İstanbul, Bursa, Kırklareli

Preservation Areas

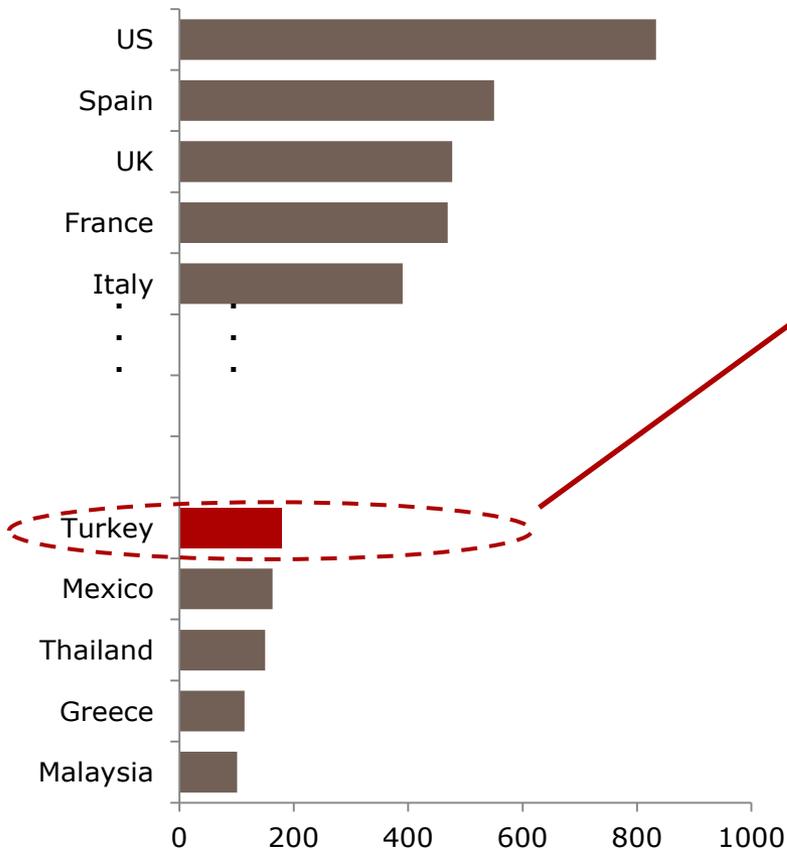
- 1- İstanbul, İzmit, Düzce, Bolu, Zonguldak
- 2- Afyon, Uşak, Isparta, Antalya
- 3- Trabzon, Rize
- 4- Konya, Kayseri, Adana

- Plateau Tourism
- Preservation Areas
- Speleological Tourism



Turkey is growing in convention-related tourism: Istanbul is rated in the top 10 as a location

Figure 40: Number of Conventions Held, 2012



- In 2012, the USA ranked first in the number of conventions held with 833 international events.
- Turkey is one of the most popular convention destinations according to ICCA statistics, coming in **21st** in 2012.
- Istanbul held **9th place** of all the cities holding conventions with a total of **128**. Istanbul Convention Visitors Bureau (ICVB), which is the marketing organization and official convention bureau of Istanbul, plays a key role in city's success in convention-related tourism.
- Some of the major congress and convention centers in Istanbul are: **CNR World Trade Center** in Yesilköy, Lütfi Kırdar International Congress and Exhibition Hall in Harbiye, Dolmabahçe Culture Center in Harbiye, Feshane Fair Center in Eyüp, Sütlüce Convention Center on the Golden Horn, Istanbul Hilton Exhibition Center in Elmadağ, İTÜ Ayazağa Campus Fair Area in Ayazağa, TÜYAP Fair and Congress Hall in Beylikdüzü, and TÜYAP Istanbul Exhibition Hall in Tepebaşı.

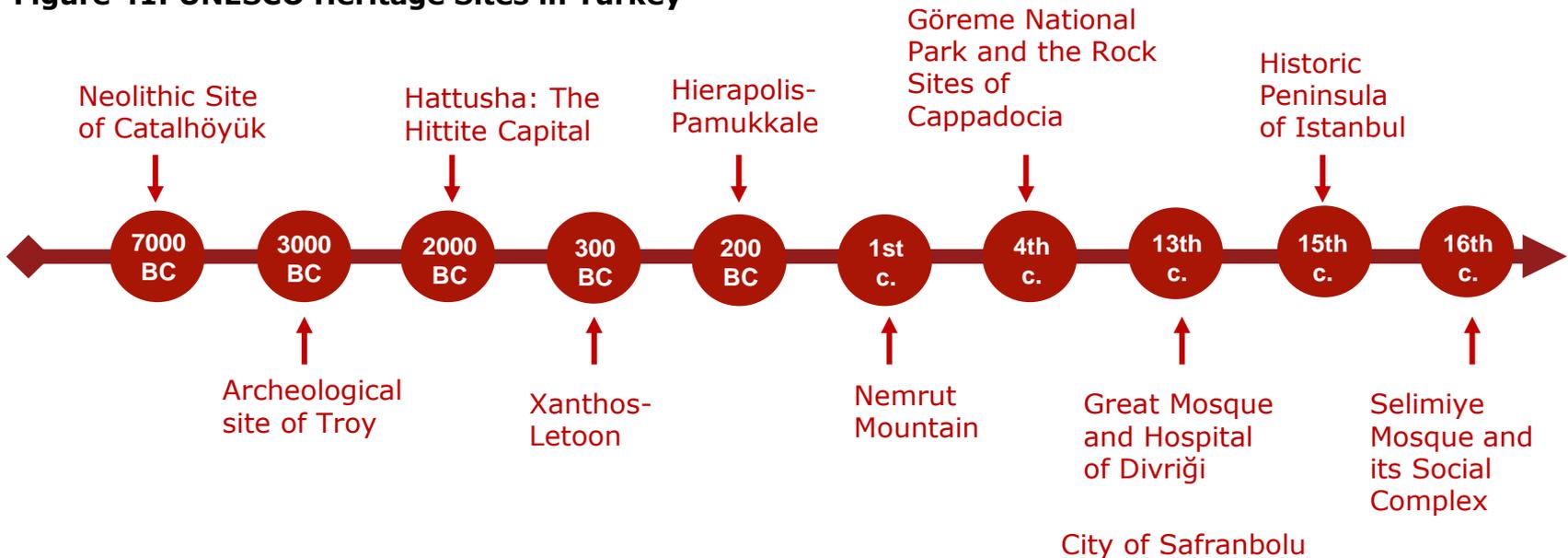
Source: ICCA



UNESCO has identified 11 heritage sites in Turkey. There are 41 more sites waiting to be classified

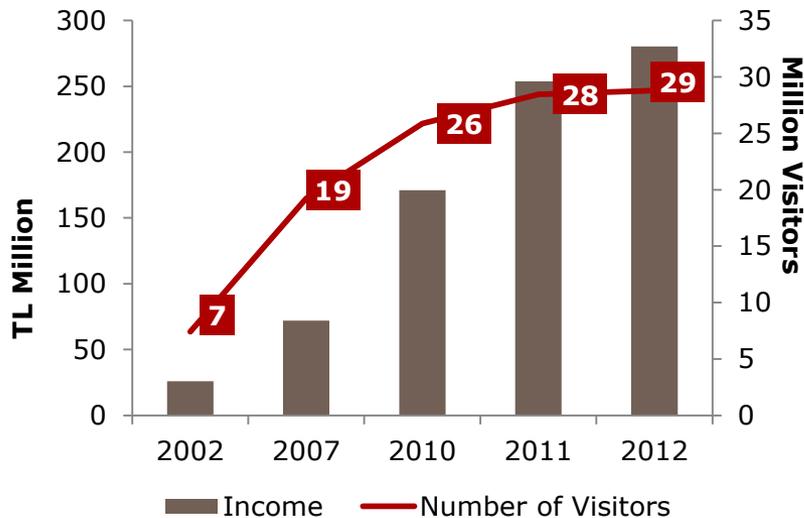
- Turkey, located at the crossroads of civilizations, has a rich cultural heritage. There are many world heritage sites that have been identified by UNESCO. Turkey itself is a large open air museum. There is a vast amount of archeological wealth in Anatolia spanning east to west.
- From the first known urban settlement in Çatalhöyük to the famous historic sites of Roman, Byzantine and Ottoman origins, diverse cultures thrived in and around Turkey.

Figure 41: UNESCO Heritage Sites in Turkey



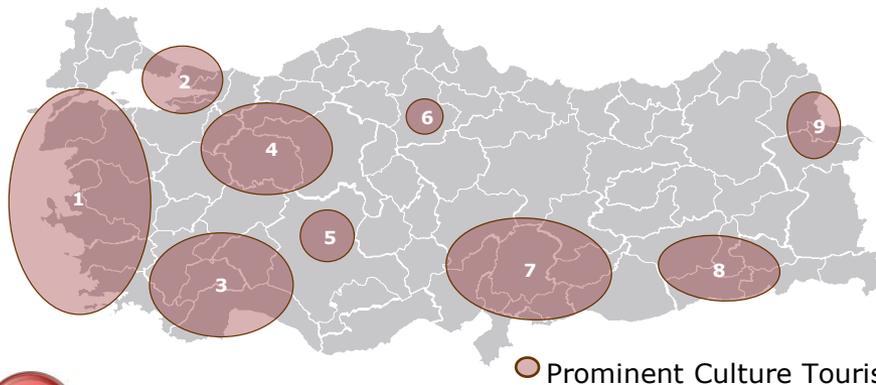
The rich history of ancient civilizations can be found in Turkey's museums and ruins

Figure 42: Museum and Ruin Sites Incomes and Visitor Numbers, 2012



Source: Ministry of Culture and Tourism

- Turkey has a rich and very ancient history dating earlier than 10,000 BC. There have been many civilizations since the Paleolithic Age from the Hittites, Assyrians and Urartus to the Romans, Ottomans and many others that have settled in this region. There are more than 300 museums and ancient sites that display artifacts.
- The income of museums and ruins have increased drastically with a **CAGR 27%** from 2002 to 2012. The total number of visitors has increased more than a **CAGR 15%** during the same period.
- The Hagia Sophia, Topkapı Palace, the Efes Ruins, the Mevlana Museum, the Hierapolis Ruins, the Trojan Ruins and the home of Santa Claus are only a few examples of the most important museums in Turkey.



Prominent Cultural Tourism Sites

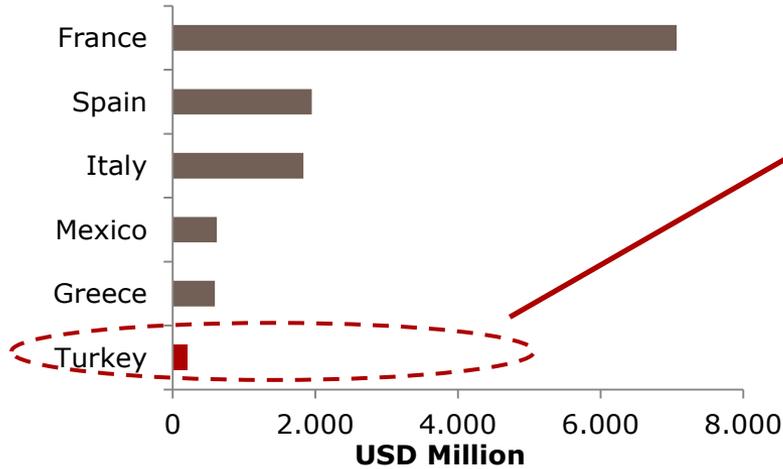
- 1- İzmir, Aydın, Balıkesir, Çanakkale
- 2- İstanbul, Bursa
- 3- Antalya, Muğla, Isparta, Denizli
- 4- Eskisehir, Kütahya
- 5- Konya
- 6- Çorum
- 7- Adana, Gaziantep, Antakya,
- 8- Şanlıurfa, Diyarbakır, Mardin, Bitlis
- 9- Kars, Iğdır

○ Prominent Culture Tourism Sites



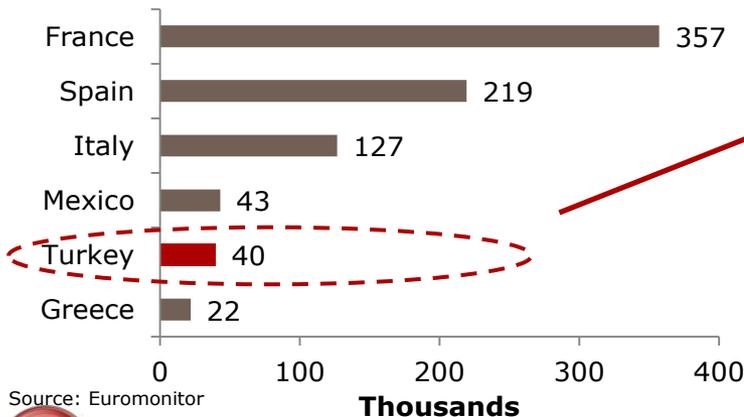
...which attracts more visitors who generate more income

Figure 43: Revenues Generated from Attractions, 2012



Source: Euromonitor

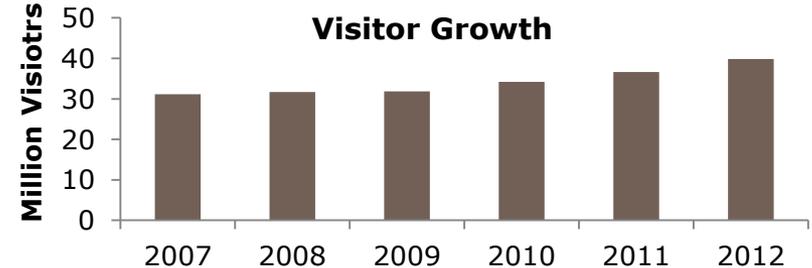
Figure 44: Number of Visitors of Tourist Attractions, 2012



Source: Euromonitor

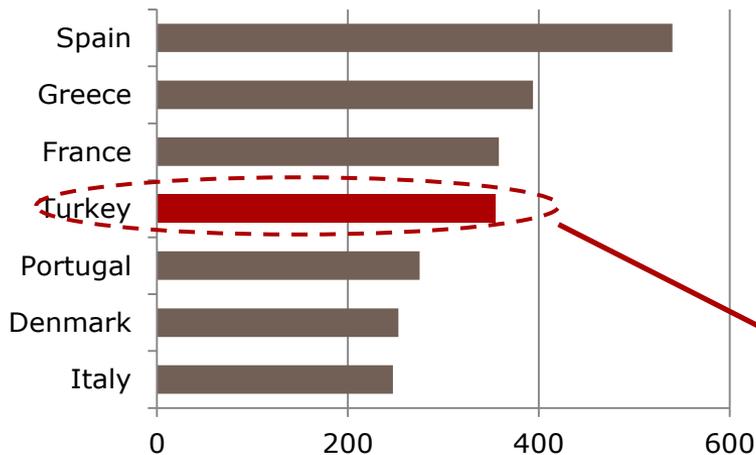
- The tourism market covers the sites visited by tourists, comprising sales and free entry to foreign and domestic tourists. More specifically, these categories include: art galleries, casinos, circuses, historic buildings/sites, museums, national parks/areas of natural beauty, theaters, theme/amusement parks, zoos/aquariums, etc.
- In 2012, Turkey generated a total of **USD 200 million** from more than **40 million** visitors. There is still ample room for growth compared with other countries in terms of revenue.

- The breakdown of the number of tourists visiting attractions between 2007-2012 is displayed in the graph below. In 2012, Turkey had over 40 million people visiting its attractions. This means an approx. 28% increase from 2007.



The majority of tourists come to Turkey for its extensive coastline and beautiful beaches

Figure 45: Number of Blue Flag Beaches, 2012



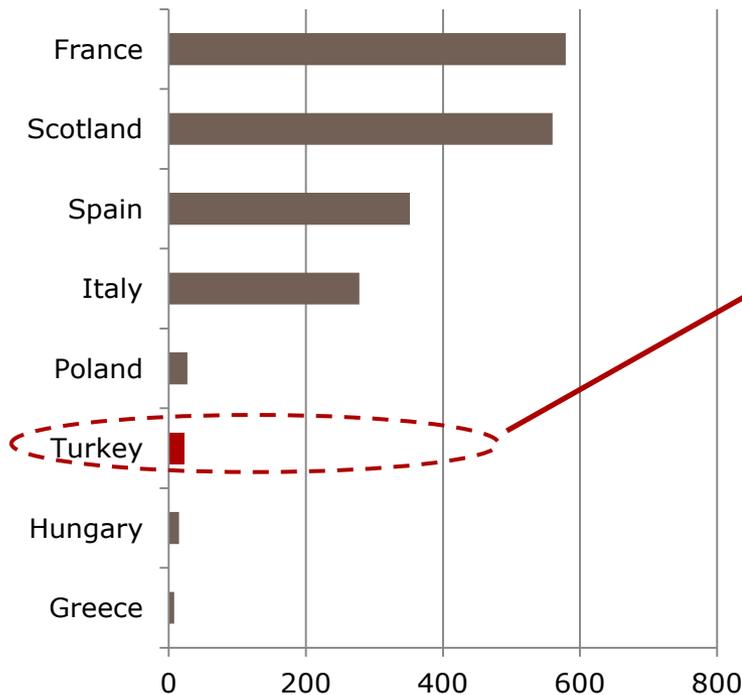
Source: TUOFED

- Turkey has **7,200 km** of coastline and offers beautiful beaches to tourists who come specifically for that experience. In recent years, demand has been strong for all-inclusive resorts and other tourism facilities that offers beach holiday options. One of the main reasons for this demand is the increase in the number of Blue Flag beaches. A 'Blue Flag' is an important indicator of cleanliness of beaches, marinas and the sea.
- Beaches are awarded the Blue Flag based on compliance with 32 criteria including: environmental education and information, water quality, environmental management, safety and services. All Blue Flags are awarded for one season.
- According to research conducted by the Foundation for Environmental Education, Spain has the highest number of Blue Flag beaches with 540 as of 2012. Turkey has **355 Blue Flag** beaches and ranks **4th among 38 countries**.
- The number of Blue Flag beaches were 140 in 2013 and has climbed strongly from 2003 to 2012 with a **CAGR of 10%**.
- There are also **19 Blue Flag** marinas in Turkey.



Turkey is becoming a major player in golf tourism

Figure 46: Number of Golf Courses in Europe, 2012



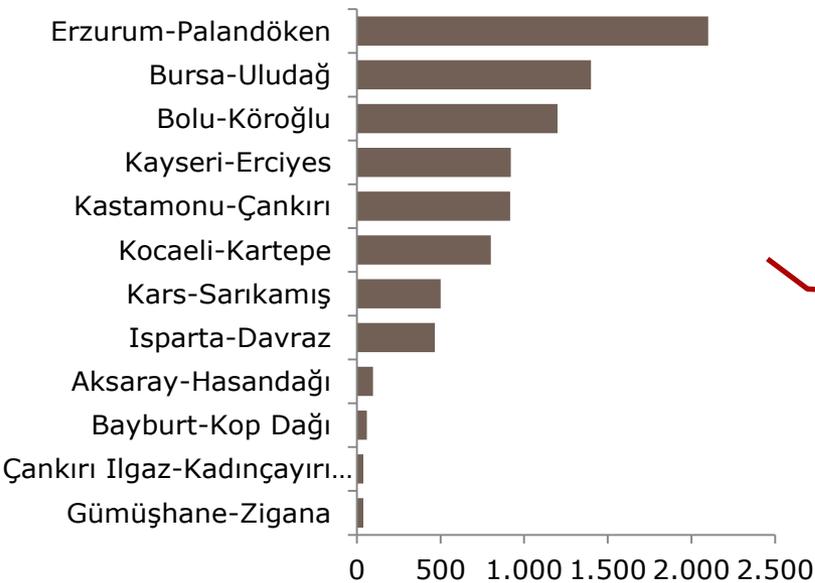
Source: European Golf Association, Ministry of Culture and Tourism

- Global golf holiday sales grew by an average of **9.3%** in 2012 with respect to the previous year, exceeding an estimated **USD 2 billion**, globally.
- According to Golf Business Community, golf tourists spend on average **Euro 150-180 per day** on a short trip, while spending **Euro 250 on a long trip**. Thus, golf is a lucrative business in terms of revenue gain.
- There are **15 operation licensed** golf tourism facilities in Turkey with the number of golf courses at **23**.
- Turkey is an emerging destination for golf tourism. There are several good golf courses in the south of Turkey. International Golf Tour Operator Agents have chosen Belek/ Antalya as the best golf region in 2008.
- The major reason for choosing a golf tourism destination is the quality of golf courses. Most golf courses in Turkey use Bermuda grass, which is perfect for a Mediterranean climate and can be used for more than a decade.
- There is huge potential for golf tourism in Turkey. High gains can be achieved as holiday resorts invest in the golf business. The Ministry of Culture and Tourism plans to have a total of **29 golf facilities** with a bed capacity of **25,000** in **Antalya, Aydın, Muğla, Mersin and Nevşehir**.



Winter tourism is the key element for diversifying travel & tourism services and broadening the tourist season to the whole year

Figure 47: Mountain Resorts' Bed Capacity



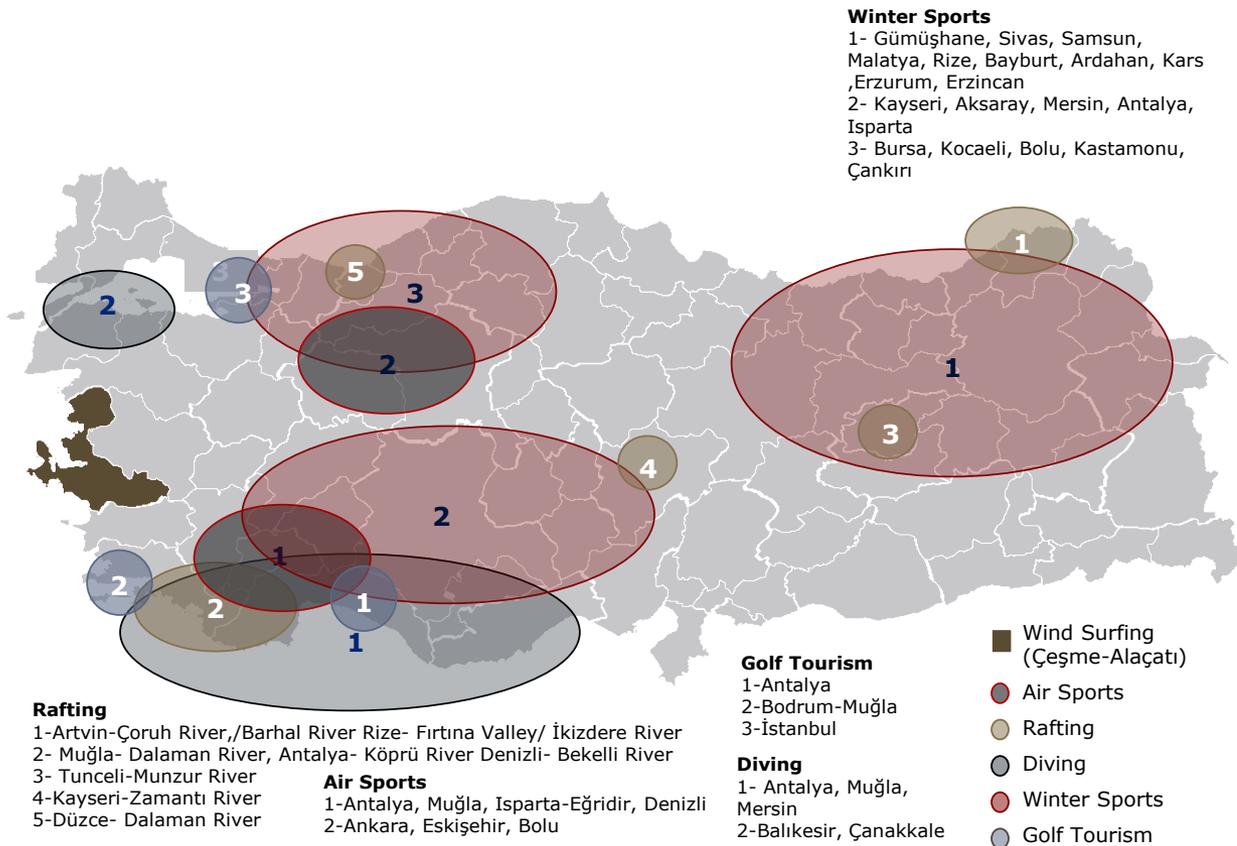
Source: Ministry of Culture and Tourism

- There are a total of 13 winter tourism resorts in Turkey. Only 8 of these resorts are fully operational, while the rest only provide accommodation services. Currently, the total capacity of these resorts is **8,541 beds**.
- The Ministry of Culture and Tourism plans to expand the capacities of existing facilities and invest in new ones. The target capacity for winter tourism resorts is a total of **74,915 beds**.
- According to **The 2023 Tourism Strategy Paper**, the "Winter Corridor", which includes the Erzincan, Erzurum, Ağrı, Kars and Ardahan provinces, are the primary investment areas for winter tourism.
- Turkey successfully hosted the **2011 University Winter Games**, which took place between January 27 and February 6 2011 in Erzurum. Students from **50 countries** attended the games competing in more than **10 types** of winter sports. For this event, Turkey built **ice skating arenas, ski jumping facilities and improved ski resorts in the area**.
- These aggressive targets and marketing campaigns show that Turkey is eager to further tap the potential of winter tourism.



Sports tourism is one of many alternatives Turkey offers - from windsurfing and diving to rafting and skiing.

Figure 48: Sports Tourism

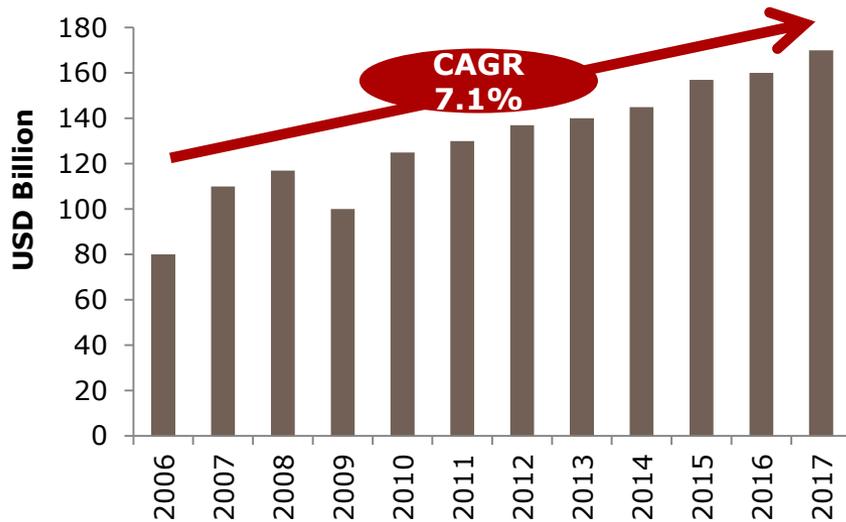


- Turkey offers a variety of opportunities for sports tourism from winter sports to summer sports and everything in between. Opportunities exist both for tourists and investors.
- Ancient ship wrecks, plane wrecks and underwater lagoons along the coasts of **Antalya, Kalkan, Kaş, Bodrum, Datça, Sinop and Çanakkale** all attract divers.
- Wild rivers offer unmatched experiences for rafting fans. Canoeing and waterskiing are also popular.
- Turkey is actively promoting river tourism and has hosted **The 4th River Championship** where **300** athletes from **28 countries** competed in various events on the Çoruh River.



The rise of halal tourism: Turkey is the 2nd most visited country after Malaysia for halal tourism

Figure 49: Outbound Tourism Expenditure of Muslim Tourism

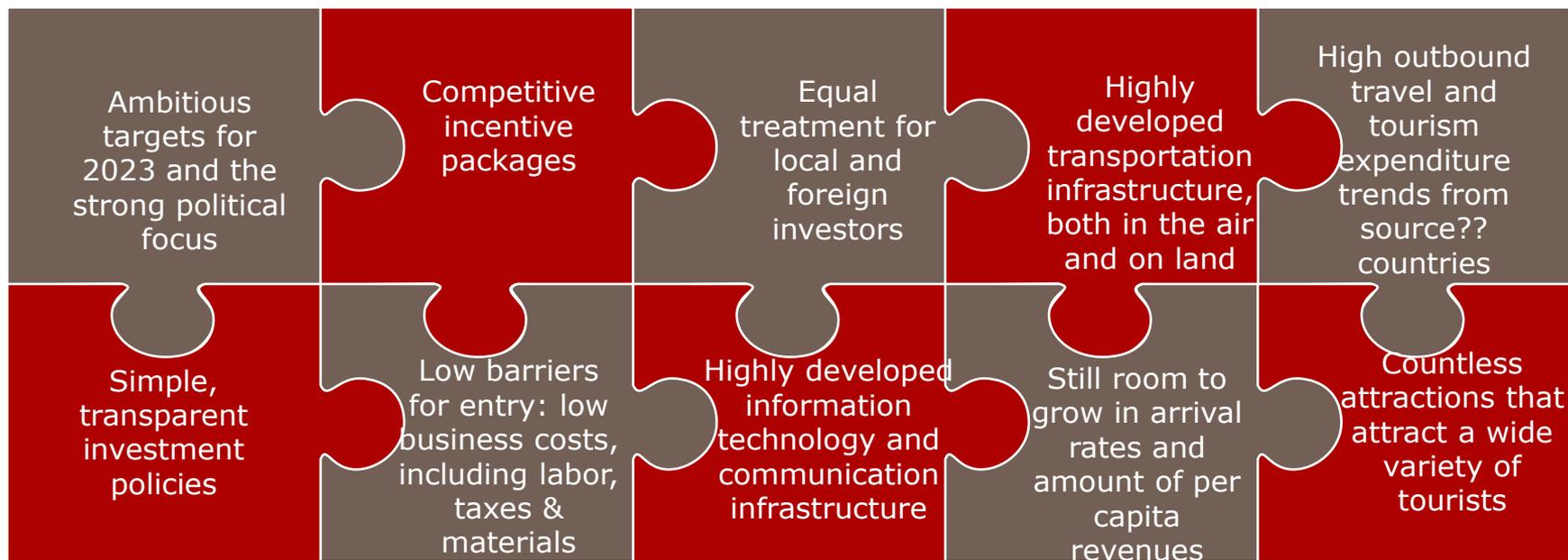


Source: DinarStandard, Crescent Rating

- According to DinarStandard research in 2012, Turkey is the **second most visited** country by Muslim tourists. Some of the other countries in the list are Malaysia, Indonesia and the United Arab Emirates.
- This segment is expected to exceed **USD 160 billion** globally by 2017.
- One example of a hotel that serve conservative Muslim tourists in Turkey is the Caprice Hotel founded in 1996 in Didim. The number of these hotels reached 6 in 2002. After 2002, this number increased rapidly and in 2007 there were 27 hotels that provided services to conservative Muslim tourists. Currently, there are **more than 40 conservative hotels** in Turkey, including the Caprice Thermal Palace, the Adenya Beach Resort & Hotel, the Karya Hotel and the Şah Inn Paradise.
- Along with Turkey, several countries are investing in halal tourism to capture a larger market share in this fast growing market. In the coming years, unique niche offerings will be provided for halal tourism. These offerings include halal health sites, Muslim friendly spas and Islamic tour packages.



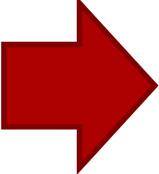
To sum up: There is a wide range of opportunities for investment in the Turkish tourism industry



- Turkey offers strong motivators for investment in the travel and tourism sector throughout the value chain, from a strong political focus that shapes the regulatory framework, to the availability of resources both in terms of physical infrastructure and human capital. Enjoying cost competitiveness without compromising quality and freedom to choose among a variety of investment opportunities in a booming economy has already captured the attention of international investors, yet there is still room for growth.
- The travel and tourism industry is interdependent with other industries ranging from infrastructure to transportation. Tourism investments create a call for investments in other sectors as well, such as construction, supplies, catering, public relations and advertising along with the entire value chain of the tourism sector.



While there is opportunity in every component of the value chain, in all segments, some points shine brighter (1/2)



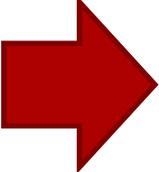
Hotel Investments:

- The Turkish travel and tourism market will continue to grow at a faster rate than its accommodation supply. Hence, investors can take advantage of the emerging market. There is still room for expansion in all segments of the sector including the luxury, mid-market and budget segments. **Investments in accommodations are still needed from holiday resorts to business hotels to boutique hotels, as well internet-based home exchange opportunities. Especially attractive locations would be:**
 - **İstanbul, for its shortage in bed capacity and ever growing demand, both in leisure and business. Tip: Business will boom further with the start of megaprojects such as Kanal Istanbul. Kanal Istanbul will create an artificial sea-level waterway to minimize shipping traffic on the Istanbul strait. The project will build an island between Europe and Asia with an artificial canal running between them.**

- **Eastern and Southeastern Anatolia both have untapped potential for culture tourism and the increasing popularity of charming boutique hotel that blend well with the regions' characteristic nature, history and culture. In addition, these regions are in «high incentive zones», as described in previous sections.**
- **İzmir, for its preparations in hosting Expo 2020, which calls for new bed capacity, along with several other investments.**
- **Fast growing Anatolian cities: Bursa, Adana, Gaziantep, Kayseri and their growing attraction as business centers.**



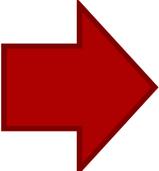
While there is opportunity in every component of the value chain, in all segments, some points shine brighter (2/2)



Tour Operations:

- There are markets that have not been specifically targeted for travel and tourism activities such as the **Asia-Pacific region, the Americas and the Far East**. An increase in the number of tourists from these markets would have a great impact on the industry: Here lies the opportunity for tour operators.
- Further, there is a highly fragmented local market for tour operators, which might soon be pushed to **consolidate** to achieve better advertising and economies of scale.

Combining the experience and ability of local tour operators with the global experience of international companies offers opportunities for more efficient operations. Although a wide variety of excursions and tourist experiences are available in Turkey there is still room for **designing innovative value propositions through maximizing the experience and know-how of international investors. Sports, ecotourism, halal tourism, cultural tourism are all open for innovation: festival tourism, new sports activities that fit with the natural resources of the country and more sophisticated and niche experiences related to cultural tourism are other areas of opportunity.**



Wining & Dining:

- There are several world class chefs and restaurants in Istanbul and several high profile dining establishments, especially in the Aegean and Southeastern regions, yet there still is room for:
 - **New high profile restaurants and there is still no Michelin-starred restaurant in Turkey.**

- **Restaurants especially in eastern and southeastern Anatolia reflect the delicate cuisine of the region, where authentic recipes are generally served in the homes of local people and often not available to tourists. These restaurants would go hand-in-hand with hotel investments and excursions in the region.**



Special Focus: Istanbul



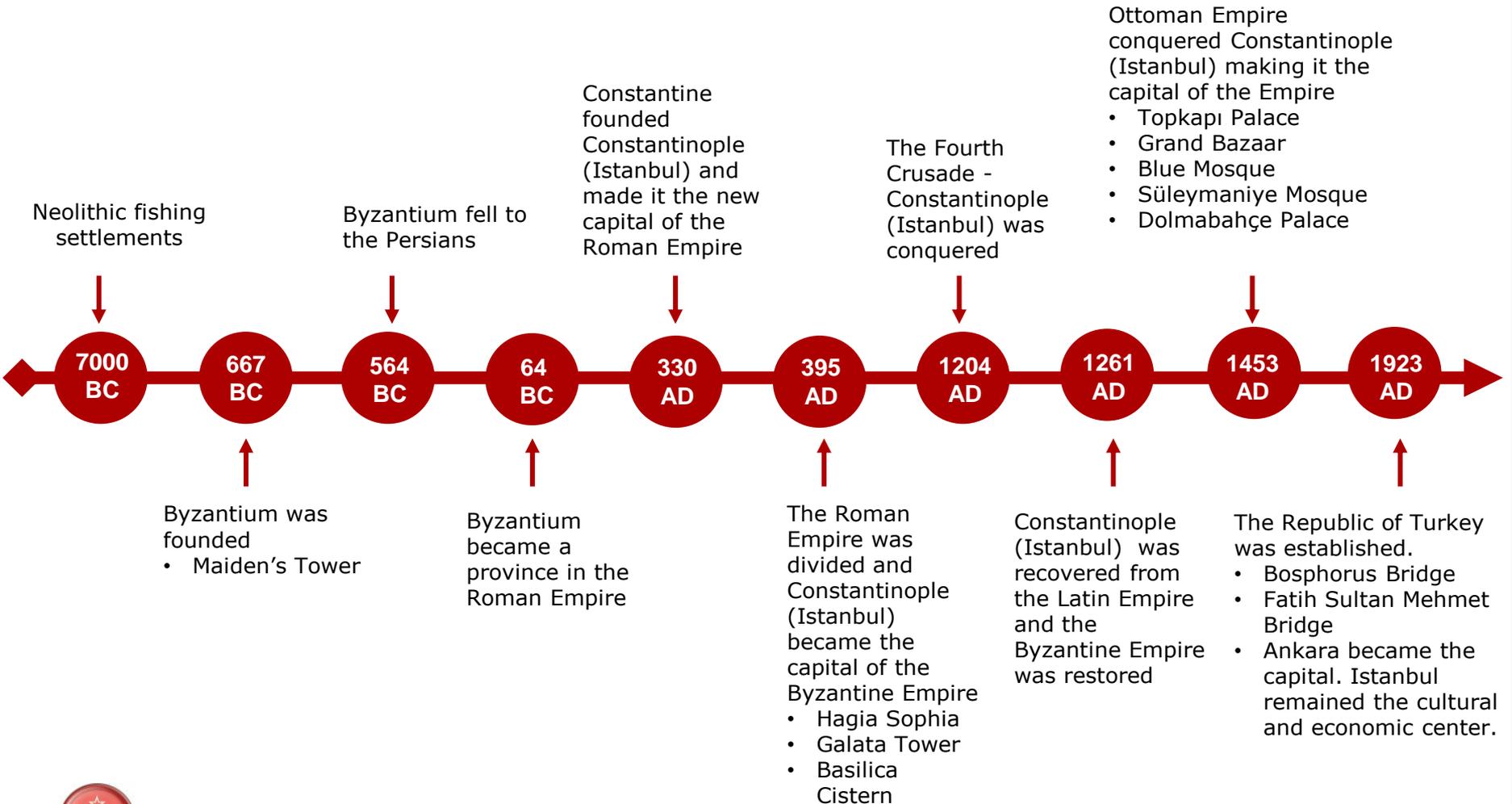
Istanbul: more than a city, a brand of its own

- With a population that exceeds 14 million people and expected to be 16.5 million in 2023, Istanbul is the heart of Turkey. Istanbul has the highest foreign trade volume by province. In 2012, more than half of imports and exports were conducted in Istanbul.
- The MasterCard Global Destination Cities Index states that total visitor spending in Istanbul was **USD 10.6 billion**, coming in **11th after** Frankfurt and Seoul in 2012. Visitor spending **increased 20.7%** from the previous year.
- As infrastructure expands there will be many more tourism opportunities in Istanbul. **The 3rd Bosphorus Bridge** and the new airport will bring more tourists and ease of travel to the already booming travel and tourism industry in Istanbul.
- Istanbul will be expanding to the north as the construction of the **3rd Bosphorus Bridge** and the new airport get underway. New roadway networks are to be built and will allow even greater connectivity within and across Istanbul and Turkey. Foreign investors are keeping an eye on this area for different kinds of travel and tourism investments.
- The underground train network is also rapidly expanding in Istanbul. A crucial project, **Marmaray**, will connect the European side of Istanbul with the Anatolian side by crossing underneath the Bosphorus Strait. The railway tracks of Istanbul's Anatolian and European side will be connected.
- Özgür Arslan, the Undersecretary of the Ministry of Culture and Tourism, stated that Istanbul will become the 6th most visited city in the world and will place **4th** with the most revenues earned from travel and tourism in 2013.
- Istanbul is also becoming a frequent destination for fashion. To promote Istanbul as a fashion destination, a global fashion week is held each year. Many international fashion designers and international brands as well as local designers and brands take part in Istanbul Fashion Week.
- Recently, **Doğuş Group** and **IMG signed** a joint venture agreement to develop a broad range of activities including fashion, sports and entertainment centered in Istanbul.
- Thus, Istanbul is moving forward with great momentum both in terms of number of visitors and visitor spending.
- In an attempt to ensure this momentum, a new international airport is to be built in Istanbul which will be one of the world's largest airport when completed with a **capacity of 150 million passengers**.



Istanbul is rich in ancient history and culture

Figure 50: Thousands of landmarks: A brief history of Istanbul dating back to ancient times



Istanbul: A major destination that is attracting more visitors from around the world

- Istanbul with a population of **over 14 million** is the largest city in Turkey.
- Istanbul is the most visited tourism destination in Turkey. More than **29% of foreign visitors** come to Istanbul for its cultural activities, ancient history and to experience the city.
- In 2012, **11% of foreign visitors** were from **Germany**, 6% from Russia, while the US, UK, France and Italy each had a 5% share. The UK, Russia, the Netherlands and Japan have more and more visitors coming to Istanbul.
- Foreign visitor traffic from **Arabic countries** has increased dramatically from 2011 to 2012. Istanbul has seen a **51% increase** in the number of tourists from Arab countries reaching more than **1.3 million visitors**.
- There are a total of **2,456 tourism agents** in Istanbul.
- Istanbul has more than **410 licensed hotels** with a total bed capacity of more than **73,000**. Additional investment is urgently needed to meet the increase in the number of travelers, which is indicated by a **CAGR of 8%**.

Figure 51: Istanbul Foreign Visitor Growth, 2009-2012

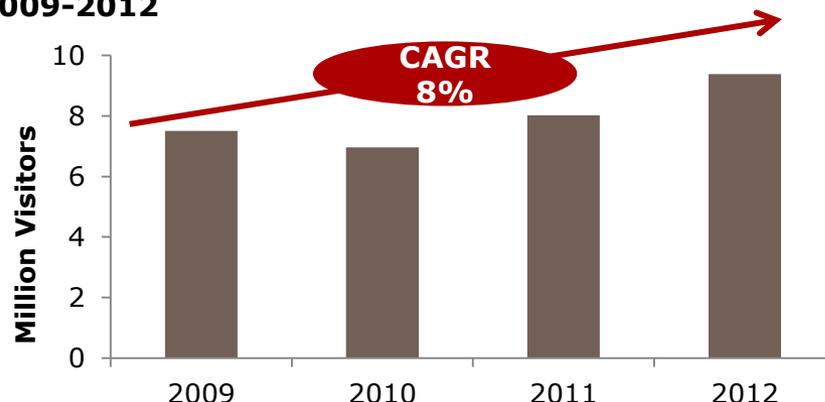
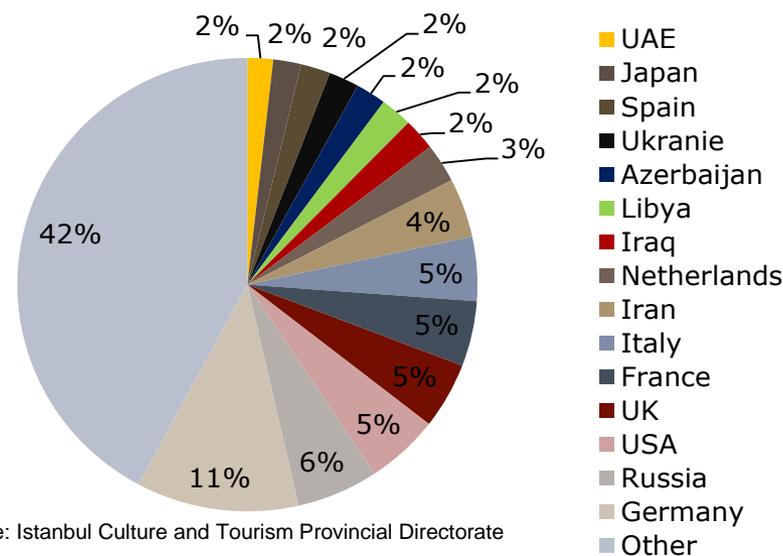


Figure 52: Country Origins of Foreign Visitors, 2012

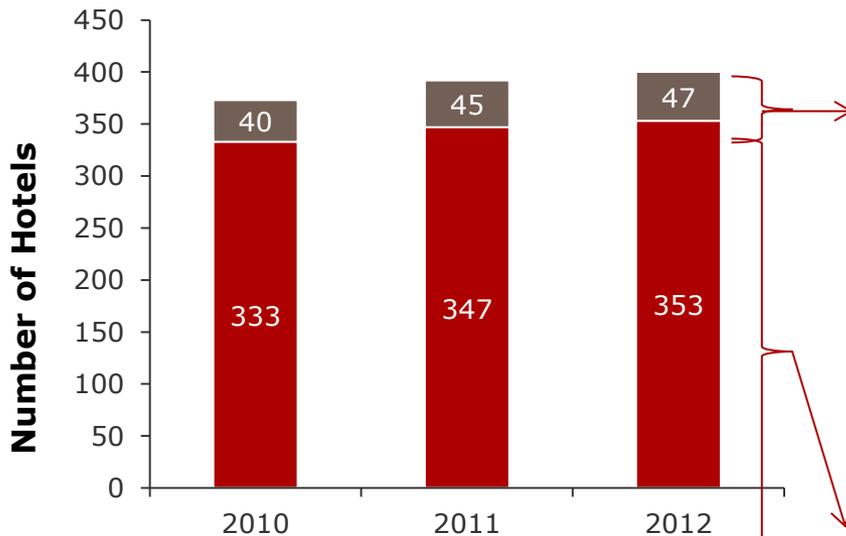


Source: Istanbul Culture and Tourism Provincial Directorate



The increasing arrival rate in Istanbul calls for new investments, especially for accommodations

Figure 53: Hotel Development in Istanbul, 2010-2012

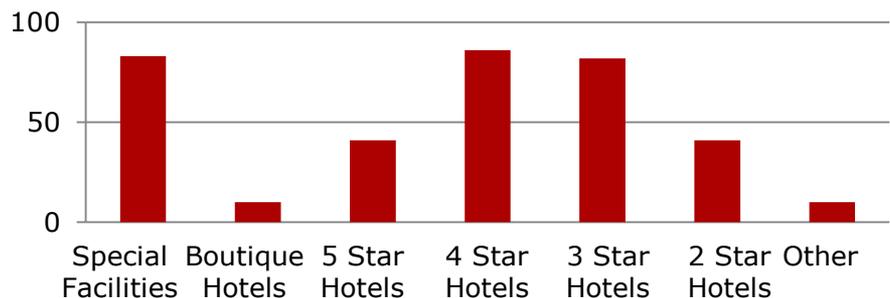


- The total number of hotels in Istanbul is on the rise with an increase of **7%** between 2010 and 2012.
- The bed capacity grew 15% for the same period, exceeding **70,000 in 2012**. With periods where hotels are fully booked and occupied including during conventions and the peak season, there is considerable opportunity to increase bed capacity.

Figure 54: Istanbul-Anatolian Side Hotel Numbers



Figure 55: Istanbul-European Side Hotel Numbers



Source: Istanbul Culture and Tourism Provincial Directorate

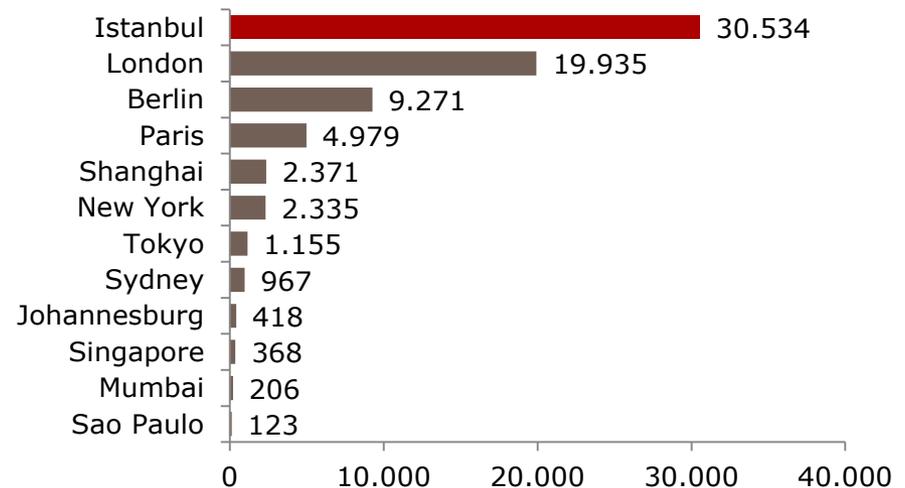
Note: The Other category includes one star hotels, golf resorts, lodging houses, motels and efficiency hotels



Istanbul offers a wide variety of activities ranging from cultural and golf tourism to conventions and business tourism

- There are **570 licensed** catering facilities and restaurants with a total capacity of **97,000**.
- 85% of the total convention tourism in Turkey is in Istanbul thanks to its easy transportation, the advanced communication infrastructure and the availability of diverse venues.
- There are more than **75 museums** that are administered by state agencies.
- There are **58 archaeological and urban tourism** sites in Istanbul.
- Furthermore, Istanbul has established art biennials, which have become important fixtures on the international art calendar, further interesting tourists.
- Istanbul, with its young, dynamic population and fast growing economy, is an attractive city for investments in the tourism industry.

Figure 56: Number of Cultural Heritage Sites, 2012



Source: World Cities Culture Report

- Istanbul's rich ancient culture and history can also be seen in the number of cultural heritage sites: Istanbul has **over 30,000 such sites**.
- According to OECD, the cultural heritage sites in Istanbul are underutilized. As more investments are made, Istanbul's full potential can be realized.



Kanal Istanbul is a project that will create an artificial sea-level waterway, connecting the Black Sea to the Sea of Marmara

- Kanal Istanbul will be **25 meters in depth** and **145 to 150 meters in width**.
- The canal is projected to be operational by the Turkish Republic's 100th anniversary in the year 2023.
- The projected cost of Kanal Istanbul is **USD 10 billion**. The total cost is expected to reach **USD 25 billion** with the addition of other infrastructure including bridges, highways and airports.
- The project's aim is to minimize sea traffic in the Bosphorus Strait. The project will also minimize the risks associated with tankers carrying crude oil.
- In April 2013, the first stage of the Kanal Istanbul project, which includes the construction of various network bridges and highways, was begun.

Figure 57: Overview of Kanal Istanbul



Source: kanalistanbulprojesi.info



Special Focus: Health- Related Tourism



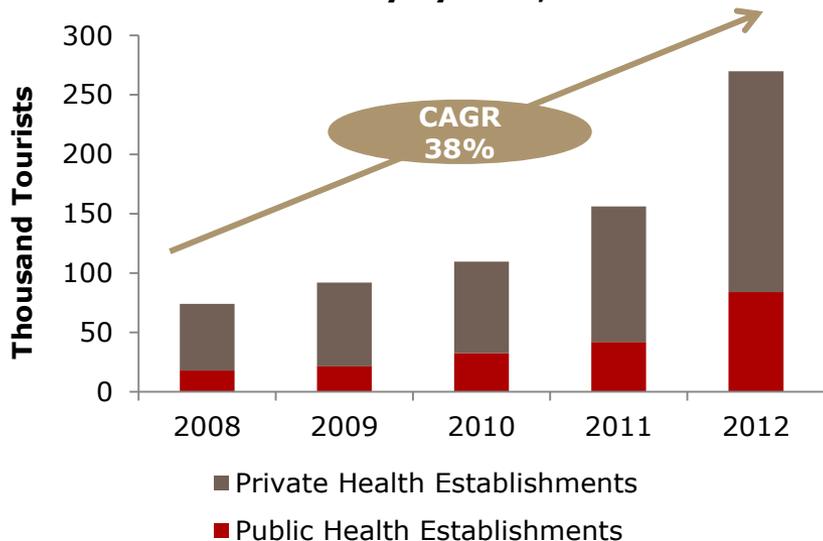
Health-Related Tourism: A Rising Star

- Health-related tourism has been one of the hottest categories all over the world: **over 50 countries** have defined health-related tourism as a main industry and countries around the world are investing to access the increasing share of global health tourism spending.
- **The Ministry of Health** considers health-related tourism as visits to a destination country to receive medical treatment, under three main categories:
 - **medical tourism,**
 - **thermal tourism,**
 - **elderly and disabled tourism.**
- Many factors have influenced the growth of this particular industry, including **evolving medical tourism guidelines** and **accreditations, increasing local health care providers** interest in the industry, increasing demand because of either low costs or reduced wait times.
- With low cost healthcare, Turkey has been an emerging market in medical tourism in recent years, following the trend in India, Thailand, Malaysia and Singapore.
- The total number of patients receiving healthcare in Turkey has **more than doubled** from 2007 to 2012.
- Turkey has many hospitals, thermal springs, special diagnostic and treatment centers that offer affordable and high quality service.
- The aging population in the developed world and the burden on their respective healthcare infrastructure has proven to be a challenge in maintaining a sustainable healthcare system. In this respect, Turkey has created an opportunity by incorporating this need with highly skilled doctors and medical personnel, healthcare infrastructure and technology at relatively low costs. Thus, Turkey is becoming a very attractive health tourism destination.
- Furthermore, in terms of connectivity, Turkey is in a geographically favorable position coupled with the availability of cheap (budget airlines) and convenient (direct flight paths) air travel – the barriers to accessibility is low.
- The focus on competition and quality are significant enablers that are helping Turkey to become a medical and wellness tourism hub in the region.
- Positioning Turkey as a health tourism destination requires a significant amount of new investments and marketing by healthcare facilitators. However, with incentive legislation regarding health-related tourism , this target is reachable.
- The growth of medical tourism will depend on costs, consumer behavior, quality of service and foreign economic development.



Health-related tourism is an emerging global trend, one that has already taken off in Turkey

Figure 58: Distribution of Patients Receiving Health Care in Turkey by Year, 2008-2012

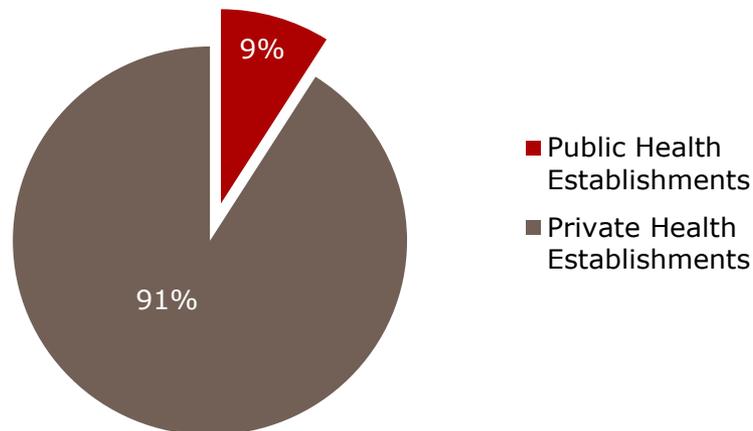


Source: Ministry of Health

- In order to benefit from the growing trend, the Turkish government is playing an active role by enacting legislation and by supporting the development of the industry in the region.
- Consumer surveys suggest that accreditation plays an important role when selecting the country and the hospital. In response to this survey, Turkish hospitals have been employing international standards to receive accreditation from the **Joint Commission International (JCI)**.

- JCI sets standards for the safety of patients and the quality of healthcare. It provides accreditation to healthcare institutions that satisfy rigorous standards.
- Turkey has more than **50 hospitals** that are accredited by JCI.
- With a skilled workforce in the area and an increasing number of private and public hospitals, Turkey is becoming one of the most popular destinations for healthcare related tourism.
- As of 2012, **270,000 foreign patients** received treatment in Turkey.

Figure 59: The Rate of Health Tourists Receiving Treatment at Public and Private Hospitals, 2011

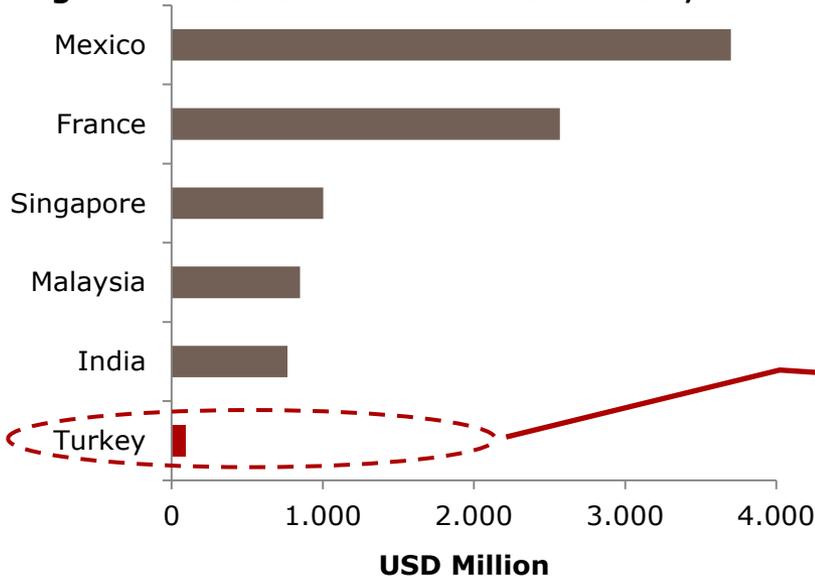


Source: Ministry of Health



Turkey currently has a low share of global health tourism, but its resources and infrastructure has great potential

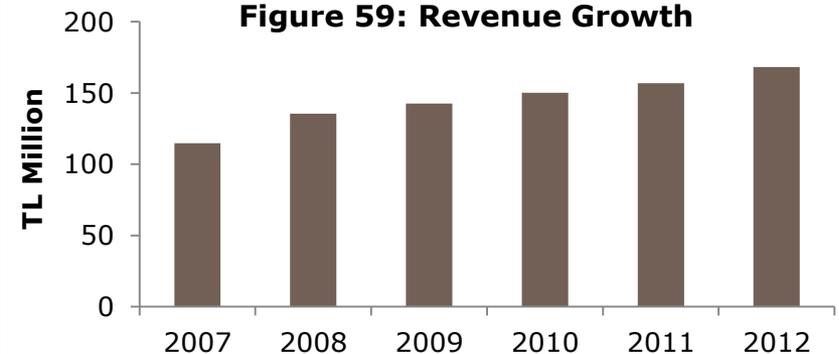
Figure 60: Health and Wellness Tourism, 2012



Source: Euromonitor

- The figure shows the health and wellness tourism revenue data for each country. It includes sales of spa packages, products and services available to international and domestic tourists. More specifically, categories include, spas (hotel/resort, destination, other), medical tourism and other health and wellness facilities.
- Turkey has generated **USD 94 million** income from Health and Wellness Tourism in 2012 with a **6.5%** increase from 2007 to 2012.
- The revenues have grown steadily from 2007 to 2012, reaching **TL 168 million** in 2012. This indicates a **47% increase** from 2007 to 2012.

Figure 59: Revenue Growth

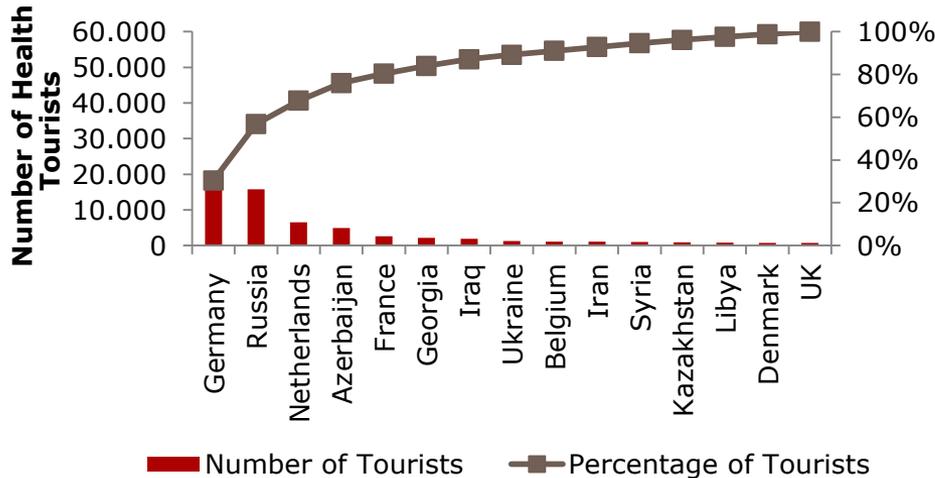


- As investment in the health tourism industry grows, Turkey will definitely reach its full potential as a major destination.



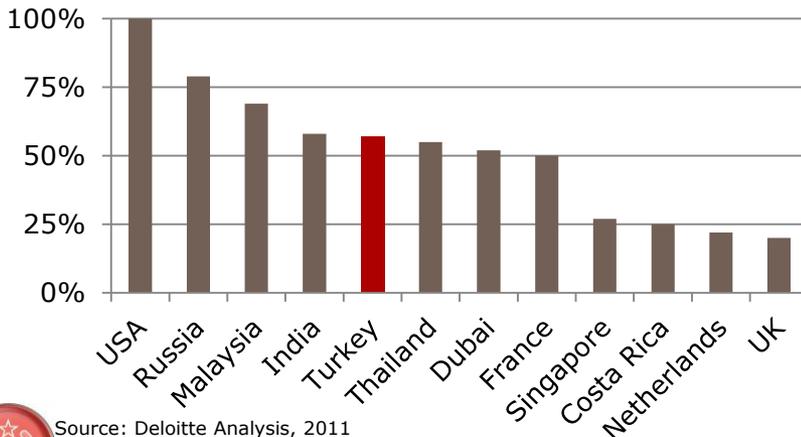
In 2011, foreign patients from 107 different countries received medical treatment in Turkey

Figure 61: Health Tourists in Turkey by Country of Origin, 2011



Source: Ministry of Health

Figure 62: Global Healthcare Cost Comparison (versus the US), 2011



Source: Deloitte Analysis, 2011

- The graph shows the number of patients that have checked in to private and public health establishments in 2011.
- Nationals from Germany, Russia, the Netherlands, Azerbaijan and France constitute **approximately 80%** of the patients in 2011.
- Istanbul had the highest number of health tourists within Turkey with more than 25,000 foreign patients. It was followed by Kocaeli and Ankara with 11,000 and 8,000 foreign patients, respectively.
- Popular treatment are eye operations with a **frequency of 11%**, followed by **orthopedics with 8%** and **cardiology with 5%**. Plastic surgery and oncology also have a high percentage of foreign patients.
- In a study dating back to 2011 and conducted by Deloitte, Turkey ranked favorably as an affordable healthcare provider. Turkish healthcare providers are **45%** more cost effective than those in USA.



A popular destination for thermal tourism and tourism by the elderly and disabled

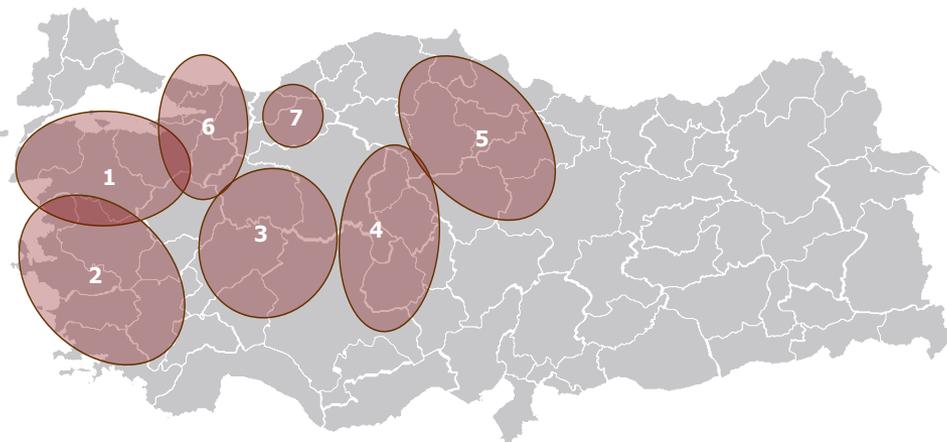
Thermal Tourism

- Thermal tourism, as a part of health-related tourism, covers such supplementary treatments as climate cures, physical therapy, rehabilitation, workouts, psychotherapy and dieting alongside various other methods including thermo-mineral baths, mineral water, inhalation treatments, mud baths, as well as the use of thermal waters for entertainment and recreation purposes.
- Currently, there are **81 thermal facilities** in Turkey. **18 of these facilities** are tourism investment licensed facilities and **63 are operation licensed** facilities with a total bed capacity of 27,666.
- In the long term, the Ministry of Health projects thermal facilities will attract **15 million tourists** and will launch new facilities with capacities that exceeded 500,000 beds.
- The main cities for thermal tourism are Afyonkarahisar, Balıkesir, Bursa, İzmir, Nevşehir and Ankara along with other cities.

Tourism for the Elderly and Disabled

- Turkey presents a great opportunity for the elderly and disabled providing them with rehabilitation services in nursing homes, along with sightseeing and occupational therapies.

Figure 63: Thermal Tourism Map



- | | |
|---|-----------------------------------|
| 1: Yalova, Balıkesir, Bursa, Çanakkale | 5: Amasya, Tokat, Sivas, Erzincan |
| 2: İzmir, Manisa, Aydın, Denizli, | 6: Kocaeli, Bilecik |
| 3: Kütahya, Uşak, Eskişehir, Ankara, Afyon, | 7: Sakarya, Düzce, Bolu |
| 4: Yozgat, Kırşehir, Nevşehir, Aksaray, Niğde | Source: Ministry of Health |

- According to the, World Ageing Organization, there are currently **600 million people** who are above the age of 65 and it is expected that this number will reach 2 billion by 2050. Thus, there will be a huge market for elder tourism, which will expand enormously and Turkey is poised to benefit.
- Additionally, Turkey will invest in infrastructure for the disabled to support them on their travels. The Ministry of Health is working to produce initiatives that will increase investments in this particular sector.



Turkey has globally competitive prices in the surgical procedures market

Table 3: Surgery Cost Comparison by Country, 2011

Surgery	USA	Thailand	Singapore	Malaysia	India	Turkey
1 Coronary Artery Bypass	55,000-130,000	11,000	13,000-18,500	11,500-12,500	9,000-11,000	11,375-15,000
2 Cardiac Valve Surgery	130,000-160,000	10,000	12,000-13,000	14,500-15,500	9,000-10,000	16,950
3 Angioplasty	42,000-57,000	13,000	11,500-13,000	7,500-8,500	10,000-12,000	5,000-6,000
4 Hip Joint Replacement	24,000-43,000	12,000	12,000-16,000	9,500-10,500	8,000-10,000	10,750
5 Lipoplasty	14,000-16,000	N/A	4,500-5,500	2,000-3,000	2,000-3,500	2,000-3,000
6 Rhinoplasty	6,500-7,500	N/A	3,500-4,500	2,000-2,500	1,500-2,500	3,000-4,000
7 Lasik (Eye)	2,000-2,500	N/A	1,500-2,000	N/A	N/A	1,613*

Source: Ministry of Health,

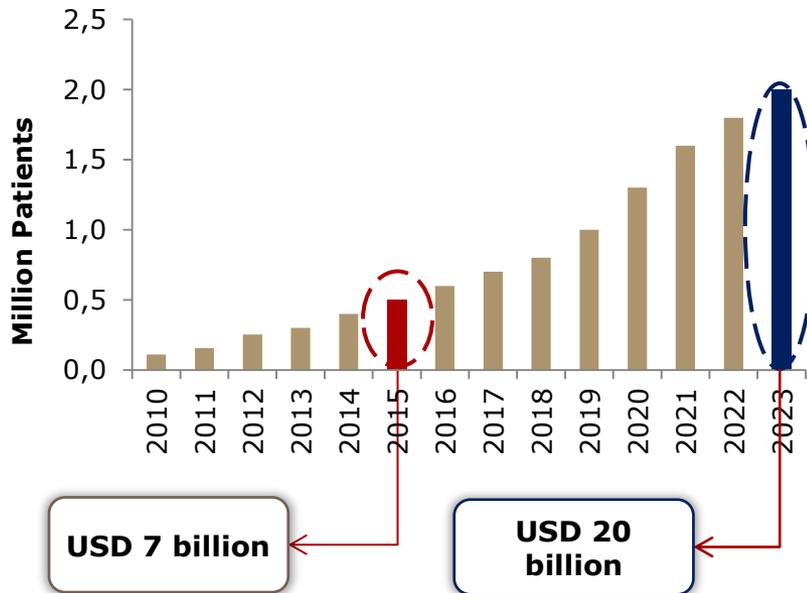
Note: All prices are given in USD

* Converted to USD using the average USD/TL rate in 2011



Turkey plans to build health "free zones" targeting foreign patients with a projected USD 20 billion revenue by 2023

Figure 64: Patient and Revenue Projections in Health Tourism



Source: Ministry of Health

- The Ministry of Health is projecting **USD 7 billion** in revenues from 500,000 foreign patients in 2015 and **USD 20 billion** in revenues from **2 million** foreign patients in 2023.

- In order to achieve these aggressive goals, the Ministry of Health will focus on marketing efforts and promotion co-operating with the Ministry of Economy and the Ministry of Culture and Tourism by:
 - Increasing the scope of health tourism by determining the standards and preparing detailed legislations for thermal, spa and wellness tourism and elderly tourism.
 - Improving the management of health tourism by promoting co-operation between the shareholders of the sectors.
- The Ministry of Health is planning to open health "**free zones**", which will include hospitals, rehabilitation centers, thermal tourism facilities, nursing houses, health techno-cities and R&D centers. These health "free zones" will be built in big cities where transportation will be relatively easy.
- **60% of the labor force** will be provided by foreign doctors and medical personnel, since **85% of the patients** are expected to be foreigners.
- Tax and investment incentives will be provided to investors in health tourism.



There are also a set of incentives specifically designed for health-related tourism

Market Entry Support

- Expenses incurred by preparing reports on international legislation or investments related to the topic of healthcare facilities, health-related tourism companies or for joint ventures will be covered up to 60% and with a maximum of **USD 100,000** for healthcare facilities and health tourism facilities, 70% for joint ventures.
- Patients that are residents of the countries identified by the Ministry are covered 20% for healthcare costs and 50% for flight expenses. The costs are covered with a limit of **USD 1,000 per patient**.

Foreign Promotion Support

- Promotions in foreign expos, sponsorships, advertisements and presentations for marketing health tourism are covered 50% for health tourism companies and health facilities up to an amount of **USD 300,000** and 70% for joint ventures up to an amount of **USD 500,000**.

Consultancy Support

- The Ministry will cover 50% of any consultancy expenses made by health tourism companies or health facilities up to an amount of **USD 200,000 per year**.

Foreign Branch Support

- Rent expenses of healthcare facilities, health tourism companies or joint ventures' foreign branches are covered for a span of 4 years. Healthcare facilities and health tourism companies' expenses are covered to 60% with a limit of **USD 200,000**, while the joint venture expenses are covered to 70% with a limit of **USD 300,000**.

Certification Support

- Certificates and accreditations received or renewed in order to enter into foreign markets are covered to 50% with a limit of **USD 50,000**.

Trade Mission and Procurement Committee Supports

- The Trade Mission and Procurement Committee will provide support for each participant's transportation, accommodation, promotion and organization costs by covering 70% of the expenses up to an amount of **USD 150,000**.



Useful Links



Government Institutions and NGOs shape the future of the travel and tourism industry



Tourism Investment Association



T.C. KÜLTÜR VE TURİZM BAKANLIĞI

The Republic of Turkey Ministry of Tourism and Culture



The Republic of Turkey Prime Ministry Investment Support and Promotion Agency



Tour Guides Association



Association of Turkish Travel Agents



Turkish Hotels, Touristic Hotels & Investor Association

Turist Rehberleri Birliği



Tourism Research Association



Association of Professional Hotel Operators



Turkish Hoteliers Federation



Mediterranean Touristic Hotels and Operators Association



Association of Tourism Restaurant Investors and Operators



The Republic of Turkey Ministry of Health



Association of Tourism Transporters



The Republic of Turkey Ministry of Economy



The Republic of Turkey Undersecretariat of Treasury



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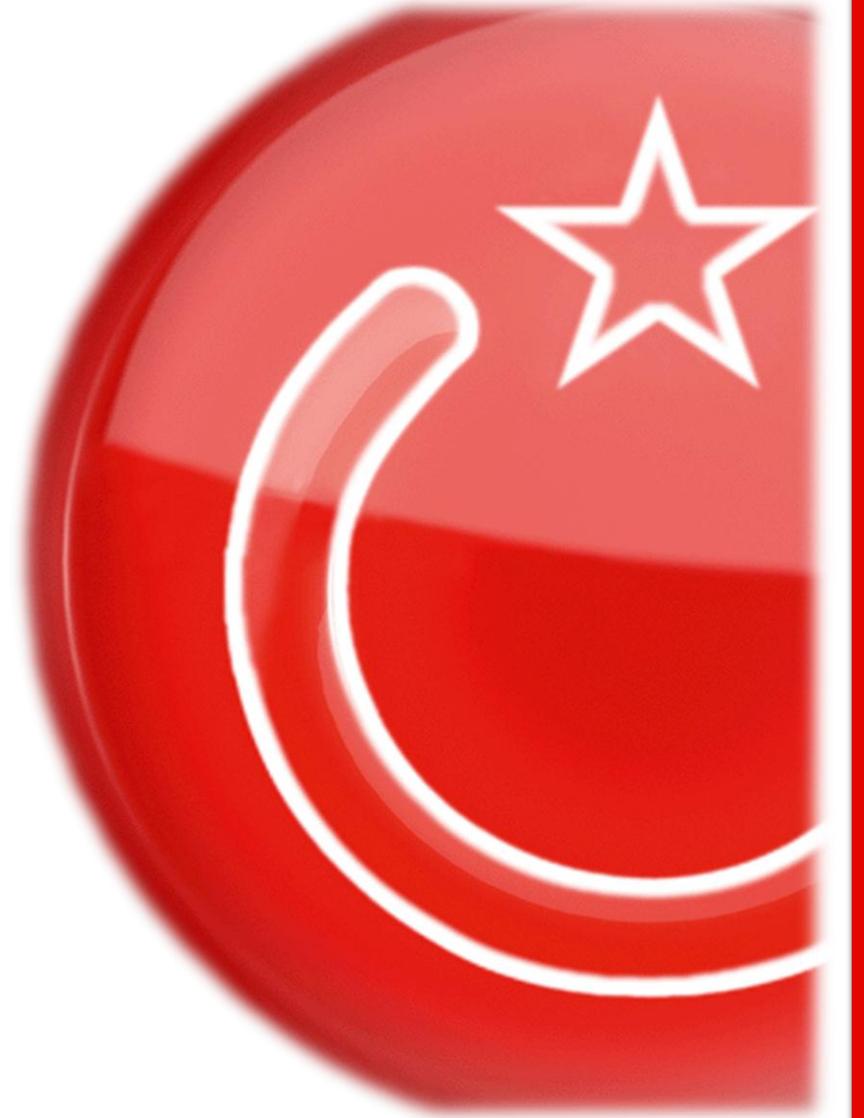
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