



**BORSA
İSTANBUL**

REAL ESTATE CERTIFICATES

**The investment instrument
for real estate projects**

NOW, IT IS EASIER TO INVEST IN REAL ESTATE

What is real estate certificate?

It is an investment instrument structured to divide real estate projects into small shares.

What is the purpose of real estate certificate?

- 1) Providing the real estate industry with an alternative financing and investment instrument in organized markets.
- 2) Enabling investors to acquire real estates and helping those investors wishing to invest in real estate despite of lacking adequate savings.

What real estate certificate is

A capital market instrument traded on Borsa İstanbul which enables companies with a real estate project that is about to start or is in progress to sell independent units (residential and commercial units) by dividing them into smaller units, i.e. certificates, and also enables those buying adequate certificates to become owner of the independent unit by way of transfer of title deed and those failing to have adequate certificates to benefit from probable appreciation.

- It is an asset-backed investment instrument, each certificate represents a certain area unit (m², dm², cm², etc.) or a monetary unit (TRY 1, TRY 10, TRY 100, etc.).
- High priced real estates that are part of housing projects are divided into certificates with a value ranging from TRY 0 to TRY 200, thereby, enabling individuals from all walks of life to invest. However, an investor wishing to buy an independent unit that is part of the project may purchase any independent unit she/he may like by collecting adequate certificates.
- This is a product with no revenues derived from interest. Funds collected from public offering and secondary performance may be invested in in line with Islamic finance principles within framework of the issuers' choice.
- Independent units that are subject of real estate issuance and funds derived from issuance may not be utilize for purposes other than their intended use, may not be pledged, put up as security, attached, included in the bankrupt's estate, and no cautionary measures may be taken against them.

What it isn't

- They may not be used for sale of completed projects, and they may only be issued for projects that are in progress or are to begin.
- They are not fixed-income, and the value of the certificate to be traded at Borsa İstanbul may go up or down depending on market conditions as is the case with real estate prices.
- It is an investment instrument with a term, upon completion of the project, it is either turned into a title deed (primary execution) or converted into cash over its calculated value according to the method declared in advance (secondary execution).

What can be done with it?

Holders of Real Estate Certificates have three options:

1) Primary Execution (Receiving of the Title Deed in return for the Certificate)

- Number of certificates for independent units in proportion to their goodwill is declared prior to issuance of certificates.
 - Those who have bought adequate certificates may purchase independent unit of the real estate.
- Certificates of those filing an application before completion of the project are blocked and a preliminary sales contract is signed in return for the independent unit they demand.
- Real estate certificates of those with a preliminary sales contract following the project completion date or filing their primary execution application following such date are redeemed and the tile deed of the real estate is transferred in return.
- Independent units sold by the issuer as a result of the primary execution and those that have not been sold yet are declared at the public disclosure platform.

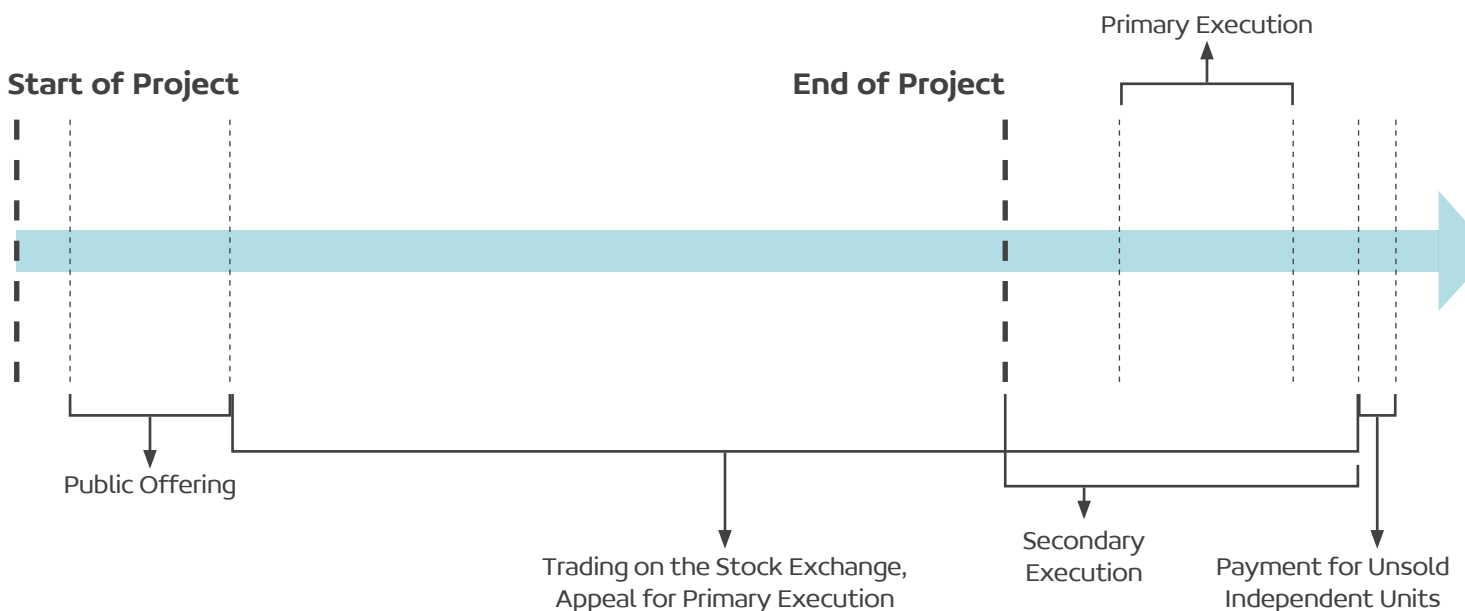
2) Secondary Execution (Payment of Cash in return for the Certificate)

- Investors not demanding primary execution are deemed to demand secondary execution upon completion of the project. Independent units that are not subject of primary execution are sold via auction within a certain time frame and proceeds thereof are distributed to holders of certificate holders demanding secondary execution.
- For those independent units not sold during the secondary execution, certificate prices are paid to investors in proportion to their shares over the price forming on the exchange over the last quarter or, if such price is not sound, the price set forth in the real estate value assessment report.

2) Sale of Certificates at the Exchange

- Investors not demanding primary execution and wishing to convert into cash their certificates prior to completion of the project may sell their certificates to other investors on the stock exchange. In this meaning, the real estate certificate is a financial product predicted to have enough liquidity, like stocks traded at the exchange, depending on the demand of investors wishing to benefit from price changes in the real estate market.

Real Estate Certificate Time Schedule Template



THE METHOD FOR CERTIFICATE NUMBER AND PRICE FOR A PROJECT THAT IS SUBJECT OF THE REAL ESTATE CERTIFICATE

Sample Calculation*

Independent Unit No.	Area of Independent Unit (sqm)	Total Value of the Independent Unit	Goodwill Value	Independent Unit Value Excluding Goodwill	Price per sqm	Real Estate Certificate Value	Number of Real Estate Certificates
1	100,00 sqm	110.000 ₺	10.000 ₺	100.000 ₺	1.100,00 ₺	11,77 ₺	9.346
2	110,00 sqm	125.000 ₺	15.000 ₺	110.000 ₺	1.136,36 ₺	11,77 ₺	10.620
3	110,00 sqm	130.000 ₺	20.000 ₺	110.000 ₺	1.181,82 ₺	11,77 ₺	11.045
4	120,00 sqm	145.000 ₺	25.000 ₺	120.000 ₺	1.208,33 ₺	11,77 ₺	12.320
5	125,00 sqm	155.000 ₺	30.000 ₺	125.000 ₺	1.240,00 ₺	11,77 ₺	13.169
Total	565,00 sqm	665.000 ₺	100.000 ₺	565.000 ₺	1.176,99 ₺*		56.500

Total Number of Real Estate Certificates = Total area of the project (sqm) * 100

Value of 1 Real Estate Certificate = Project average value per sqm/100

The Independent Unit's price per sqm

Real Estate Certificate Number of an Independent Unit = $\frac{\text{The Independent Unit's price per sqm}}{\text{Real Estate Certificate Value}} \times \text{Area of independent unit (sqm)}$

- Accordingly, value of a Real Estate Certificate in the foregoing example is $1.177 / 100 = \text{TRY } 11.77$.
- The total number of real estate certificates to be issued is $565 \times 100 = 56,500$
- If the goodwill was equal for all independent units, number of certificates for any independent unit would be area of the independent unit x 100,
- If one pays attention, since the 100sqm independent unit numbered 1 is an independent unit with a low goodwill, it can be bought with 9.346 certificates because its average sale price is above the sale price per sqm of this independent unit.

Stages	Date	Market Price of the Certificate	Investor Type		
			Certificate Buyer for Sale on the Stock Exchange	Certificate Buyer for the Purpose of Secondary Performance	Certificate Buyer for the Purpose of Primary Performance
Project Starting Date	January 2017				
Certificate Issuance	February 2017	11.77	Purchase of 100 certificates	Purchase of 10 certificates	Purchase of 5.000 certificates
Start of Trading at the Exchange	March 2017	12.77	Purchase of 100 certificates	Purchase of 15 certificates	Purchase of 3.500 certificates
	March 2018	13.77	Purchase of 200 certificates	Purchase of 25 certificates	Purchase of 2.545 certificates
Project Completion	January 2019	16.77			
TOTAL REVENUE			$100 \times 11,77 = (1.177)$ $100 \times 12,77 = (1.277)$ $200 \times 13,77 = 2.754$ <hr/> (profit)₺ 300	$10 \times 11,77 = (117,70)$ $15 \times 12,77 = (191,55)$ $25 \times 13,77 = (344,25)$ $50 \times 16,77 = 838,50$ <hr/> (profit)₺ 185	$5.000 \times 11,77 = (58.850)$ $3.500 \times 12,77 = (44.695)$ $2.545 \times 13,77 = (35.044,65)$ $11.045 \times 16,77 = 185.224,65$ <hr/> (profit)₺ 46.665
SUMMARY			An investor buying 100 certificates at issuance and 100 certificates on the stock exchange sells all of her/his certificates prior to completion of the project.	50 certificates is paid in cash at secondary execution	The title deed of the independent unit numbered 3 is transferred to such investors since she/he is able to collect adequate certificates.

*Different examples may be formed by the Issuer within framework of the Real Estate Certificate Communiqué. For the purpose of tables, figures and calculations used in this section, dates included in the time schedule, numbers of independent units and certificates, purchase-sale preferences of different types of investors and profit/loss materialization will differ for every instrument. In this example, it has been assumed that the certificate price will always increase over the time. It should also be taken into account that certificate prices may plunge depending on supply and demand under real market conditions. Information contained in this brochure is not a genuine application and is only for information purposes.

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