

ISHC Annual Conference
Hospitality in a Changing World

ISHC
INTERNATIONAL SOCIETY OF
HOSPITALITY CONSULTANTS

Out of the Global Financial Crisis:
Where is the money?
Where is it going?

Buket Hayretci
Aareal Bank AG
Istanbul Representative Office

Ceylan InterContinental Istanbul, Turkey

20 – 23 October 2011

- 1. Aareal Bank AG**
2. Turkey portfolio
3. Hotel market characteristics
4. Financing considerations
5. Selected financed properties

Profile

ISHC
INTERNATIONAL SOCIETY OF
HOSPITALITY CONSULTANTS

One of the leading
international property
specialists

Presence in Europe,
the USA and Asia



International experience
and employees from more
than 30 nations

Specialist teams for hotel, logistics
and retail property finance

2011 ISHC Annual Conference – Hospitality in a Changing World

Business segments

Aareal Bank Gruppe Local Expertise meets Global Excellence

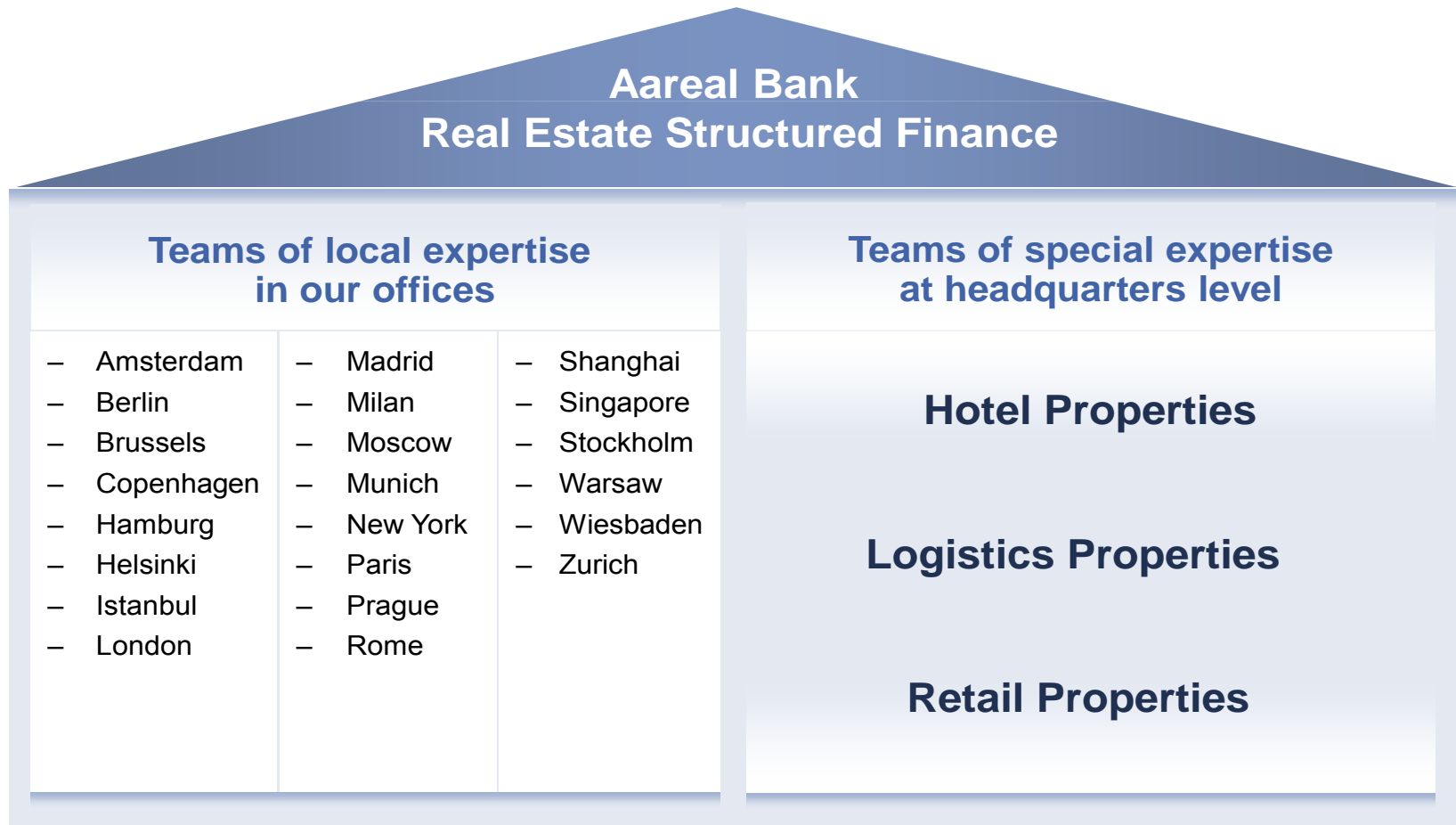
Structured Property Financing

- International presence and business activities on three continents - in Europe, the USA and Asia
- Industry experts for hotel and logistics properties as well as shopping centres
- Total portfolio: ~ € 22 billion

Consulting / Services for the institutional housing industry

- Market-leading IT systems for the management of residential and commercial property in Europe
- Market-leading integrated payment transaction system for the German housing industry
- Around 7 million units under management in the key market Germany
- International presence: France, the Netherlands and the UK

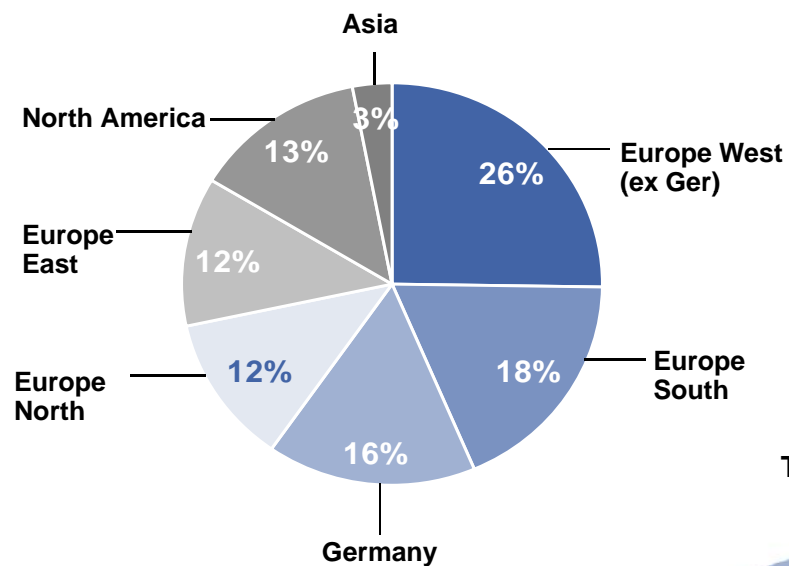
Offices / Specialist Teams



Portfolio

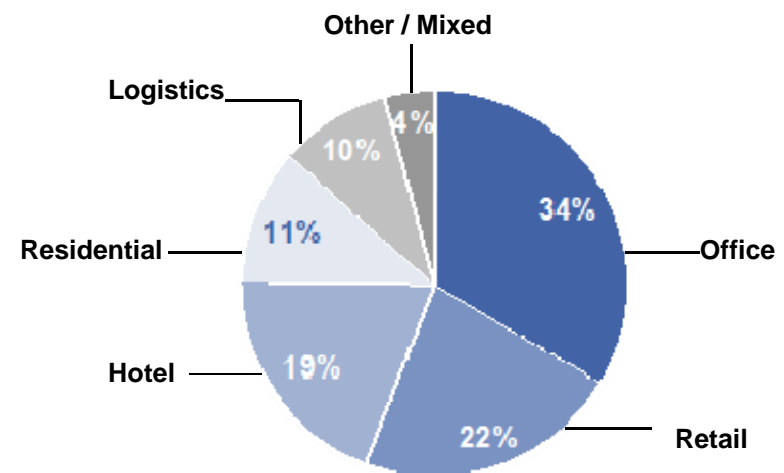
Portfolio at year-half 2011

Global by region

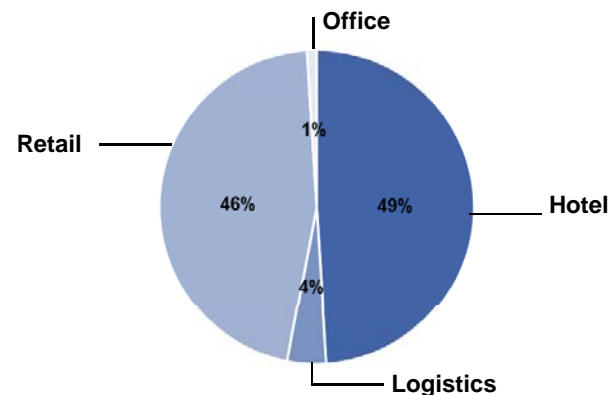


As of 30.06.2011

Global by property



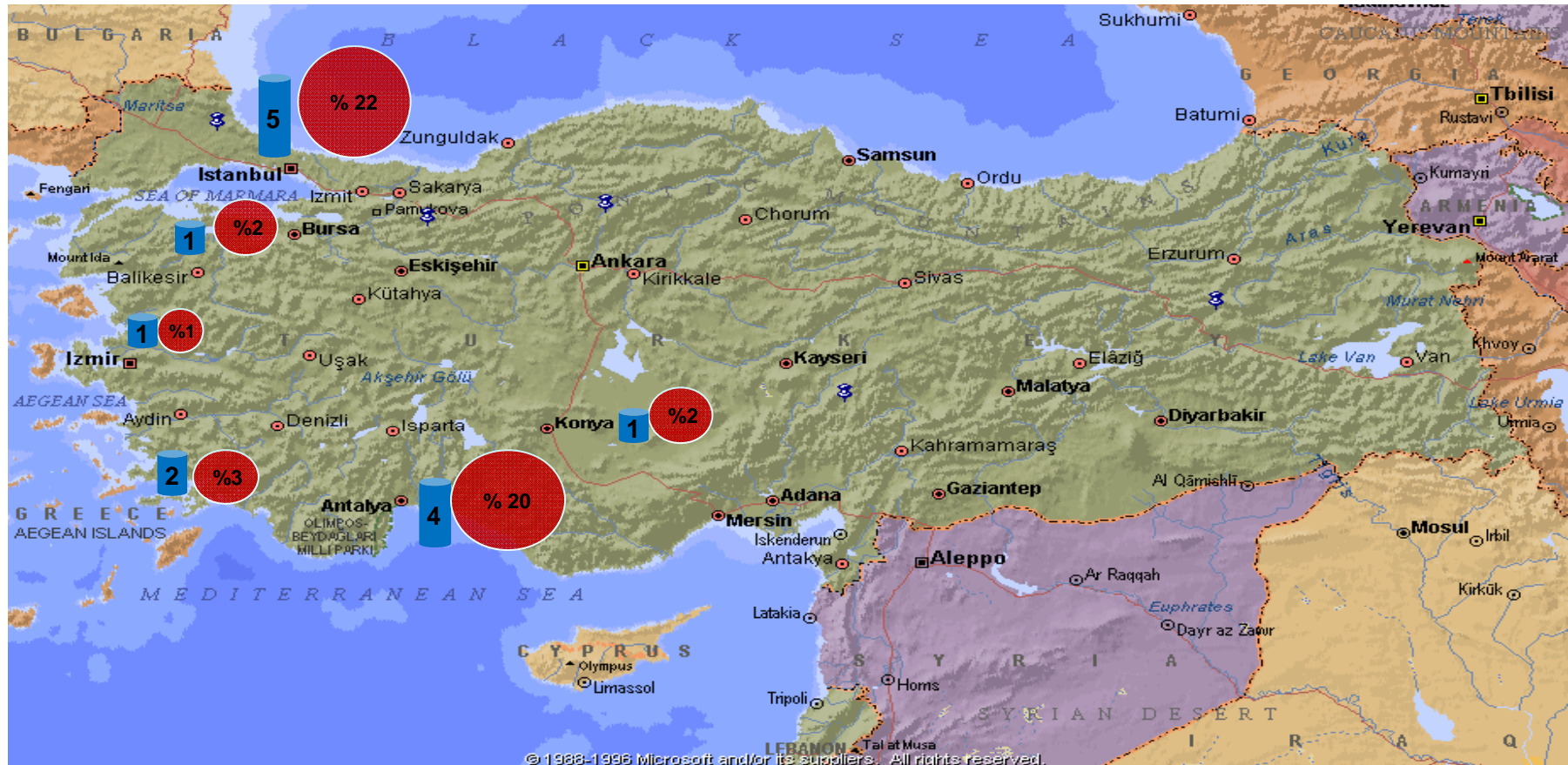
Turkey



With a total outstanding loan amount of ca. € 800 million as of YH 2011, Turkey constitutes 3.5% of the global portfolio

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Hotel portfolio Geographical distribution



% % of portfolio by outstanding loan amount (08.2011)

Number of properties financed

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Hotel market characteristics

Turkey's hotel market

General features of the market

- Non-institutional investors market dominated by the “locals”.
 - Major international investors include: ADIA, Kassarov Group, Palmali Group, TUI, ISR Holding
- Equity market, low leverage.
- Lack of quality product, especially for mid-market segment in secondary cities.
- Lack of transactions; current prime yields at ca. 8%.
- Relatively stable performance of hotels during crisis, no covenant breaches.
- Main international hotel brands already present in the market and more are looking to expand (Accor, Hilton, IHG).
- Challenges in the market:
 - Open to political risks due to geographical location
 - Low transparency
 - Legal setbacks – Usufruct right
 - Non-SPV / Holding structures

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Financing considerations

Financing models



Refinancing / Acquisition Financing

Refinancing / Acquisition Financing of an existing property with a running cash flow

↳ refinancing of equity, repaying of existing debt, increasing the amount of leverage, etc.

Development Financing

Short-term loans to finance total development costs (land + construction + soft costs)

↳ funds disbursed in accordance with construction progress

Portfolio Financing

Refinancing of a portfolio of real estate investments

↳ property type, region, classification, size etc.

Financing considerations

Main financing parameters in the market

- Primary focus on major cities (Istanbul, Ankara, Izmir, Antalya)
- Mainly investment loans with only selective development financings
- Focus on feasibility (micro location, catchment, sustainability etc.)

Financing parameters	Market levels
Loan term	<ul style="list-style-type: none"> • Up to 5 years (local banks provide up to 10+ years on a fully-amortizing basis)
Leverage	<ul style="list-style-type: none"> • Maximum 65% loan-to-value
Repayment structure	<ul style="list-style-type: none"> • Bullet payment (3% - 5% p.a.) • Grace period during construction phase
Margin	<ul style="list-style-type: none"> • Above 400 bps for refinancings • Above 600 bps for development financings
Conditions precedent	<ul style="list-style-type: none"> • Valuation report • Technical due diligence and insurance audit report • Legally required permits and authorizations • Property management contract • Appointment of project controller • Execution of hedging (if floating interest)

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Selected financed properties

Grand Hyatt Hotel (Istanbul)



Investor	Dogus Turizm
Location	Taksim, Istanbul
Opening	1994
Management	Hyatt
Number of rooms	360

Radisson Blu Bosphorus (Istanbul)



Investor	Feri Otelcilik
Location	Ortaköy, Istanbul
Opening	2005
Management	Radisson
Number of rooms	120

Selected financed properties

W Hotel (Istanbul)



Investor	Bilgili Holding
Location	Akaretler, Istanbul
Opening	2008
Management	Starwood
Number of rooms	134

Dedeman Hotel (Konya)



Investor	Okyanus Group
Location	Konya
Opening	2006
Management	Dedeman
Number of rooms	207

Selected financed properties

Topkapi & Kremlin Resort Hotels (Antalya)



Investor	MNG Group
Location	Lara, Antalya
Opening	1999/2003
Management	Self-managed
Number of rooms	908/837

Club Voyage Belek (Antalya)



Investor	ETS Group
Location	Belek, Antalya
Opening	2007
Management	Self-managed
Number of rooms	723