

REAL ESTATE ACQUISITION

Introduction

Türkiye is known for its unique geographical location, straddling the crossroads of Europe, the Middle East, and Central Asia. The country's burgeoning economy and increasing population constantly drive the expansion of the real estate market. Besides, the real estate industry is regarded as one of the leading sectors behind Türkiye's economic growth.

In recent years, the government has further promoted investing in real estate through remarkable legal reforms which created a better climate for foreign investors.

In 2012, one of the severe restrictions against foreign individuals called the reciprocity requirement, under which only those whose countries of origin allows Turkish citizens to purchase real estate in those countries were allowed to purchase real estate in Türkiye, was abolished. This amendment increased the number of unrestricted countries from 89 to 183, while citizens of a few countries are still prohibited or subject to certain limitations for national security purposes.

In 2014, the duration of the residence permit granted to foreign real estate owners have been extended from 3 months to 1 year, as a result of the enactment of a completely new law on immigration. Accordingly, such foreigners have been granted the right to renew their residence permits as long as they continue to own real estate in Türkiye. However, it should be noted, in order for foreigners to obtain a residence permit in Türkiye as real estate owners, real estate must be worth at least 200 thousand US Dollars.

Acquisition by Foreign Individuals

Foreign real persons may purchase real estate or acquire limited real rights (e.g. right of usufruct, right of construction,

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etc.) over immovable property in Türkiye, subject to the conditions below;

- a) The foreigner must be a citizen of a country that is not among the restricted countries announced by the Government.
- b) Total acquisition to be made by a foreigner cannot exceed 30 hectares across the whole country.
- c) Total acquisition to be made by all foreigners cannot exceed 10% of the surface area of the real estate district that is subject to private ownership.
- d) Real estate must not be located in a military forbidden zone.

Nonetheless, the above restrictions do not apply when establishing mortgages in favour of foreign individuals. Thus, all foreigners, regardless of their country of citizenship, are equally treated as Turkish citizens and not subject to any limitations in case of mortgages to be established in their favour.

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Acquisition by Foreign Companies

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Acquisition of real estate by companies incorporated in foreign jurisdictions is substantially restricted. Indeed, only foreign companies which operate in certain industries may purchase real estate in Türkiye.

In this regard, foreign companies operating in petroleum, tourism or industrial manufacturing sectors are allowed to acquire real estate in Türkiye, provided that they obtain the necessary investment and operation licenses from the relevant ministries in accordance with the provisions of specific laws.

Foreign companies cannot acquire real estate that falls within a military forbidden zone, as is the case for individuals.

Likewise, overseas companies, regardless of where they are incorporated, are equally treated as Turkish companies in terms of establishing mortgages in their favour. Hence, no limitations apply when they acquire a mortgage right.

It is worth mentioning that foreign legal entities other than commercial companies, such as associations, foundations,

public institutions, or similar non-profit organizations, cannot directly acquire real estate or limited real rights in Türkiye.

Acquisition by Foreign-Invested Turkish Companies

Whether a company incorporated under Turkish laws is assumed to be a foreign-invested company or not depends on the amount of foreign participation in the shareholding and management structure of the Turkish company.

In this regard, Türkiye-based companies are qualified as foreign invested where;

- a) 50% or more shares are owned by foreign investors; or
- b) Foreign investors have the power to appoint or dismiss the majority of persons in the management body.

The term “foreign investors” include;

- a) Foreign individuals (regardless of their country of citizenship),
- b) Foreign commercial companies (regardless of where they are incorporated or headquartered),
- c) Other foreign legal entities (e.g. associations, foundations, public institutions, non-profit organizations, etc.), and
- d) International Institutions.

Foreign-invested Turkish companies can acquire full ownership or limited real rights of real estate in Türkiye, provided that such acquisition complies with the scope of activities and objectives stipulated in their articles of association.

However, such companies have to obtain approval from the relevant authority prior to the acquisition transaction where the real estate in question is located in certain zones specified in accordance with laws regarding national security.

To be more precise, the acquisition of full ownership or limited real rights of real estate located in (i) Military Forbidden Zones, (ii) Military Security Zones, (iii) Strategic Zones requires permission to be granted by army commanderships, and real estate falling within (iv) Special Security Zones requires permission to be granted by provincial police or gendarmerie departments.

Foreign-invested Turkish companies are not subject to the above limitations in cases where;

- a) A mortgage is established in their favour,
- b) The acquisition is made as a result of a foreclosure of a real estate mortgage,
- c) Full ownership of real estate or limited real rights thereon is transferred as a result of merger or demerger,
- d) The real estate is located in Special Investment Zones (e.g. Free Trade Zones, Organized Industrial Zones, Industrial Zones, Technological Development Zones, etc.)
- e) Such company is a banking corporation and the acquisition is made with a view to securing a loan or collecting a debt.

On the other hand, Türkiye-based companies in which foreign investors own less than 50% shareholding and are not able to control the company are not assumed as foreign-invested companies within the meaning of real estate acquisition. Hence, such companies are treated as if they were fully owned by Turkish nationals, and allowed to acquire real estate and limited real rights without restriction.

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