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URBAN RENT GENERATION: THE ESENKENT CASE IN ISTANBUL

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ABSTRACT

An increasing proportion of the rapidly growing world population is attempting to satisfy its economic and social needs in an urban context. The migration of people into cities results in urban growth. As a result of this process of urban growth, there is an increasing demand for urban land. Within urban areas land use is subject to fewer changes. Because instant increase in the supply of land in central areas is impossible, there is an increase in the spatial extent of the central area through an invasion of the surrounding zone. Therefore, there is a need to transform non-urban areas to urban areas. This transformation generates urban rents in those newly created urban areas and also re-forms all urban rents in the city.

Considering the pace of urbanization in Turkey, it is seen that most of the largest cities are continuing to grow very rapidly. Istanbul is the largest city in Turkey and a population growth continues in Istanbul because of the immigration. Therefore Istanbul is growing in terms of population and also in terms of urban sprawl. In this research, as a good example of the urban sprawl in Istanbul a residential area, which is called Esenkent, will be examined in the context of the generation of rent. As an example, Esenkent is important because the land on which Esenkent is established was expropriated by the local municipality. Therefore, there is a public intervention on urban rents. It means that the structure of property on land was changed. Briefly, urban rent generation in the residential area called Esenkent will be examined on the basis of the price changes of properties. The analysis will depend on the data from questionnaire surveys and interviews with the real estate agents.

1. Introduction

Istanbul is the most populous city in Turkey and the population of Istanbul continues to grow rapidly because of the immigration. According to the 1997 Census of Turkey, the total population of Istanbul in 1997 was 9.057.747. Between 1990 and 1997, while the average annual growth rate of Turkey's population was 1,5%, during the same period the average annual growth rate of Istanbul's population was 3,1% (State Institute of Statistics, 2001). As a consequence of this rapid population growth in Istanbul, the city is continuing to grow in terms of population and also in terms of urban sprawl. In this process, non-urban areas is transformed into urban areas, and because the space is also a commodity, the generation of urban space means the generation of urban rent (Harvey, 1994: 177).

The subject of this research is on the new residential area called "Esenkent" included in the Esenyurt Town Municipality which is included in the territorial jurisdiction of the Buyukcekmece Municipal Corporation in Istanbul. There is mainly a three axes-based urban expansion in Istanbul; that is towards north along the Bosphorus and towards east and west along the coast. The Buyukcekmece District is in the west part of Istanbul. Although there are lots of new peripheral settlements in the west side of Istanbul, as a popular axis of urban expansion in the city, there are more than one reason to choose the Esenkent as a case study: First, Esenkent was established near to Bahcesehir. Bahcesehir is also a new residential area targeting high income group. Bahcesehir was established by Bank of Emlakbank which is the vanguard bank in the housing sector of Turkey. Bahcesehir's total area is 4.701.420 square metres and it has been planned to build 16.000 houses. Construction of Bahcesehir started in 1990, though first and second part of the project was completed, construction of the project's third part is still continuing. Bahcesehir project is one of the biggest satellite towns in the world (Bank of Emlakbank, 2001). Settlement in Bahcesehir has begun since about 1996. As a result, Esenkent's location is important because of the Bahcesehir project. In other words, location of Esenkent is not casual. Second, Esenkent project was realized by the Esenyurt Municipality: The land on which Esenkent is established was expropriated by the Esenyurt Municipality and then was provided to 75 housing cooperatives included in

the Esenkent project. Therefore, it can be underlined that there is a public intervention on urban rents. The Union of the Esenkent Housing Cooperatives was founded in 1991 and the construction of Esenkent began in 1992. Esenkent's total area is 1.151.406 square metres and there are 7.337 houses in Esenkent. It has been estimated that 30.000 middle income group people will live in Esenkent (Esenkent Administration Plan, 2000: 3-4). Settlement in Esenkent has begun since about 1999; that is nearly two years have passed since the beginning of the settlement and now approximately 35% of the houses are full. It means that about 4.400 houses are still empty. In other words, there is a new urban space to market. Marketing function is fulfilled by the real estate agents in the property market. As they have an important role as a determinant factor in the property market, the analysis depends on the data from real estate agents (Evans, 1995: 25-27 and Amitabh, 1997: 112-113 and 136).

2. The Aim and Method of the Research

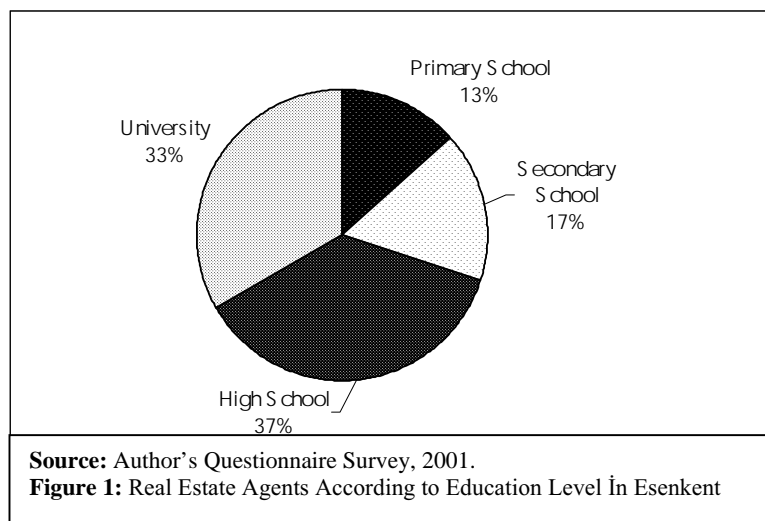
This research aims to examine urban rent generation in Esenkent in the context of development process of the property market and also in the context of the price changes houses. This study is based on primary data sources which relate to the interviews, based on questionnaire surveys, with the real estate agents in Esenkent property market. The interviews with real estate agents were conducted by me and covered a period of five days in May 2001. There were 38 real estate agents in the Esenkent Property market at that time. Only 8 real estate agents out of 38 refused to answer questions. Thus, 30 questionnaires and interviews were completed during the survey. The average time spent on each interview was about one hour and a maximum of six questionnaires per day were undertaken.

The questionnaire developed in this study covers two main sections: (i) Demographic, social and economic characteristics of the respondents; (ii) Characteristics and the development process of the Esenkent property market; information about the price of houses and the elements affecting valuation process in Esenkent. The questionnaire consists of open-ended questions, multiple choice questions and the questions in priority scale. The data obtained from the questionnaires was worked by using the statistics

program, SPSS 10.1 for Windows. Simple statistics such as averages and percentages were used in this study.

3. Demographic, Social and Economic Characteristics of the Real Estate Agents

When looked at the composition of the real estate agents by gender, it is observed that 16,7% of them are women and 83,3% of them are men. Therefore, Esenkent property market is dominated by the men real estate agents. According to age composition of the real estate agents, it is observed that 66,7% of them are between 25-45, 23,3% of them between 45-64 and 10% of them between 20-24. Thus, it can be concluded that a young population is dominant in the Esenkent property market because 76,7% of the real estate agents are between 20-45. When examined the composition of the real estate agents by birth place, it is observed that 40% of them were born in Istanbul, 9,9% of them were born in the other cities (Bursa, Canakkale and Balikesir). Therefore, 49,9% of them were born in the cities included in the Marmara Region (That is Istanbul, Bursa, Canakkale and Balikesir). 43,3% of them were born in the cities included in the East Anatolia Region (That is Ardahan, Mus, Erzincan, Erzurum, Malatya and Kars). When looked at the composition of the real estate agents by the migration date to Istanbul, 44,4% of them migrated to Istanbul between 1975-85, 33,3% of them between 1985-95 and most of these real estate agents were born in the cities in East Anatolia Region.



Examination of the composition of the real estate agents by education shows that 36,7% of them graduated from high school, 33,3% of them had a university degree, 16,7% of

them graduated from secondary school and 13,3% of them from primary school. It is observed that the total proportion of the agents graduated from high school and university amounts to 70%. Thus, it can be underlined that education level is quite high for the real estate agents in the Esenkent property market. Although there are real estate agents graduated from primary school among the men, among the women there is not any real estate agent graduated from primary school. Hence, it can be concluded that women real estate agents are better educated than the men in the Esenkent property market. Based on the data related to education level, this result can also be derived: For the time being, professional education is not necessary to be a real estate agent in Turkey. Moreover, to be a real estate agent, there is not any limitation related to the education level. For this reason, it is possible to come across a real estate agent graduated from primary school or university. In Esenkent property market only one agent graduated from high school has a professional education, that is real estate agency. After having the professional education in Germany, he had worked first in Germany and then in Bahcesehir, Turkey as a real estate agent. Now, he is working in Esenkent as an agent. This person describes his profession as a “real estate adviser” and dislikes being described as a “commission agent”. He thinks that the education level of the real estate agents in Turkey is inadequate. According to him, most of them are the “commission agents” and he is complaining this situation. However, it should be pointed out that the “commission agent” definition implying anger and despising was heard from some other real estate agents who have been working as a real estate agent for years, though not having professional education. People describing themselves as a “real estate agent” or “real estate adviser” consider that “commission agents” are opportunist and passing. In spite of this, it is observed that there are few real estate agencies occupying only the profession: Most of the agencies’ signboards include “decoration”, “organization” and “construction” as well as real estate agency. As a matter of fact, the composition of the real estate agents by the previous occupation approves this situation in the Esenkent property Market. According to the previous occupation, 30% of the agents were tradesman, 23,3% of them real estate agent, 10% of them public servant, 10% of them independent businessman, 6,7% of them occupied with tourism, 6,7% of them student, 3,3% of them occupied with textile, 3,3% of them manager, 3,3% of them bank official and 3,3% of them occupied with trade. Briefly, while the proportion of the real estate agents whose previous occupation has also been

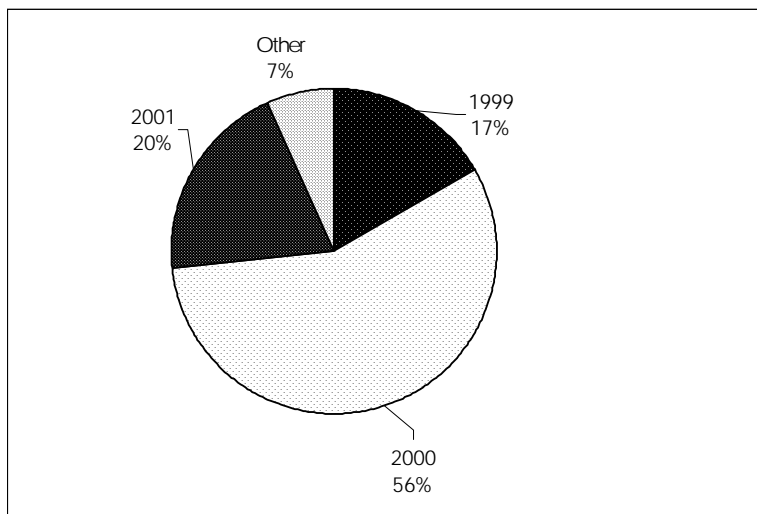
real estate agency is only 23,3%, the proportion of the real estate agents whose previous occupation was out of real estate agency amounts to 76,7%. A close examination of the latter category reveals that since the beginning of the process more than half of them have been involved in the Esenkent project. That is, some of them were cooperative chairman, some of them were occupied with the construction and decoration of the buildings and some of them were manager and accountant at the cooperatives in Esenkent project. Moreover most of them have houses and dwell in Esenkent.

Half of the real estate agents has the other income sources except income from real estate agency. Most of the real estate agents are continuing to be occupied with the previous occupations like construction, decoration and organization and they describe these occupations as an additional occupation. In other words, some of the real estate agents added real estate agency to the previous occupation. It is observed that the other important income source is pension as well as additional occupation. Following income sources are rent and the incomes from the other family members. Although 50% of the real estate agents have the other income sources, 76,7% of them say that they don't consider real estate agency as an additional occupation.

Consequently, despite the rapidly increasing number of the real estate agents in the Esenkent property market it can be concluded that the occupation of the real estate agency has a passing characteristic for the most part of the agents in the Esenkent property market. A great deal of empty flats in Esenkent makes real estate agency attractive, and it is observed that people especially involved in the Esenkent project from the beginning try to get a share from the final stage of the Esenkent project; that is the process of marketing houses. In the course of time, depending on the increasing proportion of fullness, it can be expected that the number of existing real estate agents will decrease.

4. Findings Related to the Valuation Process in Esenkent

When examined at the real estate agencies according to the foundation date, it is observed that 56,7% of them started their operation in 2000, 20% of them in 2001[1], 16,7% of them in 1999, 3,3% of them in 1996 and 3,3% of them in 1992. If the number of agents founded in a period is considered as an indicator of the market activity, it can be concluded that the Esenkent property market got into motion in 2000. First real estate agents founded in 1992 and 1996 are exceptional, and it should be emphasized that they were the tradesman involved in construction process in the Esenkent project. Examination of the other real estate agents whose former occupation was tradesman shows that 44,4% of them started their operation in 2000, 22,2% of them in 2001 and 11,1% of them in 1999. The analysis of the real estate agents whose previous occupation was real estate agent shows that 42,9% of them started their operation in 2001, 28,6% of them in 2000 and 28,6% of them in 1999.

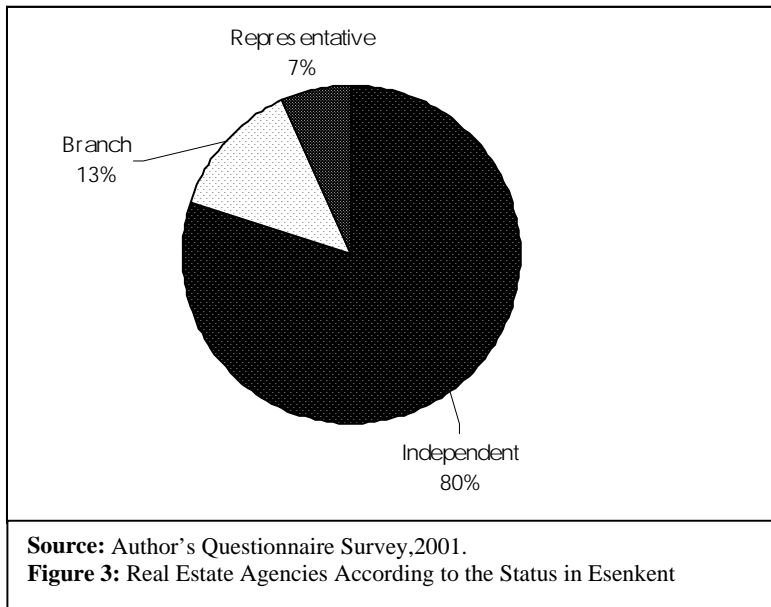


Source: Author's Questionnaire Survey,2001.

Figure 2: Real Estate Agencies According to the Foundation Date in Esenkent

Examination of the status of the real estate agencies shows that 80% of them are independent, 13,3% of them branch office and 6,7% of them representative. Being a branch office or a representative is important because it reflects the degree of institutionalization and a more professional point of view. In other words, it can be expected that, in comparison with independent offices, agencies which have institutional identity can be permanent in the property market. Therefore it can be concluded that the

institutionalization degree of the agencies in the Esenkent property market is poor and also it can be expected that most of them will be temporary in the market.



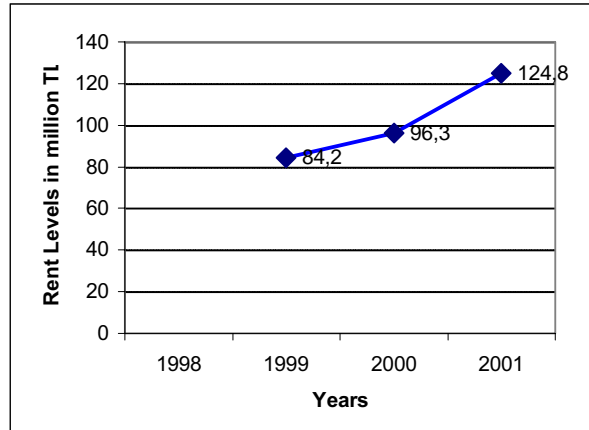
Legal commission rate for houses is 12% of the total annual rent for renting and 3% of the sales price for selling. However, most of the real estate agents said that they could rarely take the legal commission rate. They usually take a monthly rent or less than a monthly rent as a commission for renting and 2% or less than 2% of the sales price as a commission rate for selling. This flexibility of the commission rates reflects the role of bargaining mechanism at the transaction process in the property market.

When we look at the real estate portfolio composition of the real estate agents, 27,6% of the agents said that 50% of their real estate portfolio consists of houses for sale and the rest is for rent, 17,2% of them said that 60% of their portfolio consists of houses for sale and the rest is for rent and 13,8% of them said that 70% of their portfolio consists of houses for sale and the rest is for rent. It can be concluded that more than half of the real estate agents have a portfolio that mainly consists of houses for sale. Furthermore, 36,7% of the agents think that the sales market is generally more vivid than the rental market, for 26,7% of them, it is contrary, 16,7% of them think that both of the markets are active, for 16,7% of them, activity of the markets depend on the season, and 3,3% of the agents think that both of the markets are stagnant. Therefore these data reveal the fact that the Esenkent property market, especially the sales market, is quite dynamic.

In this study, four different flat sizes, 72 square metres, 108 square metres, 122 square metres and 126 square metres, were determined, and price intervals for each flat size were collected from the real estate agents. These price intervals were converted to average prices. Rent levels and sales prices of the flats presented into tabular and graphic formats are as follows.

Years	Average Rent Levels (Prices in TL)
1999	84.200.000
2000	96.300.000
2001	124.800.000

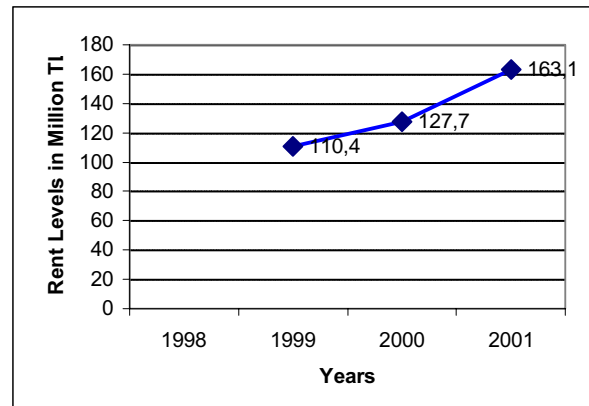
Source: Author's Questionnaire Survey, 2001.
Table 1: Average Rent Levels for a 72 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 4: Average Rent Levels for a 72 m² flat in Esenkent

Years	Average Rent Levels (Prices in TL)
1999	110.400.000
2000	127.700.000
2001	163.100.000

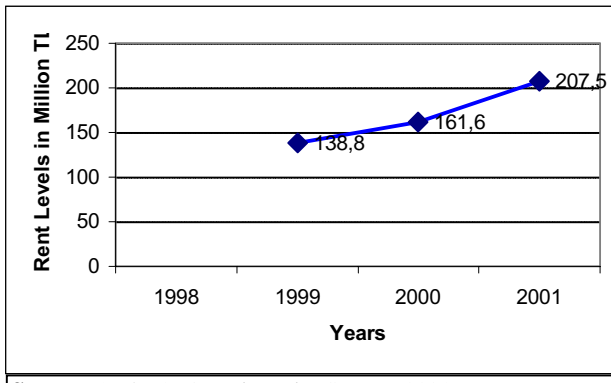
Source: Author's Questionnaire Survey, 2001.
Table 2: Average Rent Levels for a 108 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 5: Average Rent Levels for a 108 m² flat in Esenkent

Years	Average Rent Levels (Prices in TL)
1999	138.800.000
2000	161.600.000
2001	207.500.000

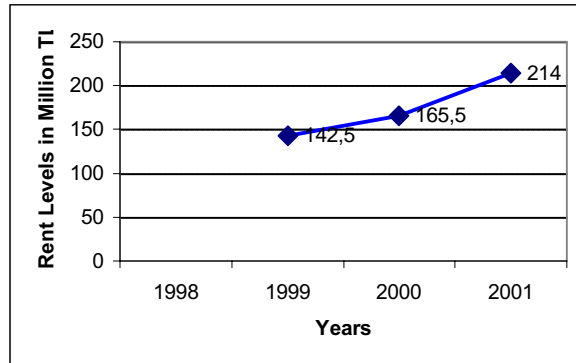
Source: Author's Questionnaire Survey, 2001.
Table 3: Average Rent Levels for a 122 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 6: Average Rent Levels for a 122 m² flat in Esenkent

Years	Average Rent Levels (Prices in TL)
1999	142.500.000
2000	165.500.000
2001	214.000.000

Source: Author's Questionnaire Survey, 2001.
Table 4: Average Rent Levels for a 126 m² flat in Esenkent

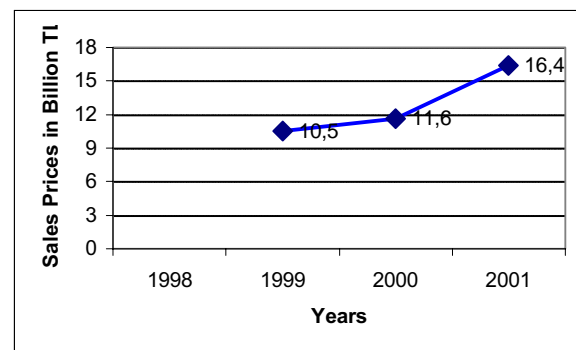


Source: Author's Questionnaire Survey, 2001.
Figure 7: Average Rent Levels for a 126 m² flat in Esenkent

A closer examination to the rent levels of the flats between 1999-2000, prices of all different sizes of flats increased about 16% and the price increase is about 29% in the subsequent year. According to the Istanbul Cost of Living Index for Wage Earners (The Istanbul Chamber of Commerce, 2001: 8-9), increase rate of dwelling expenses index including house rent was about 54% between 1999-2000. Although rent levels in Esenkent increased nominally in this period, this increase was not in real terms. For year 2001, if the rent level remains the same nominally, there will not be any real price increase in the rent level as the same index for the first five months of the year is about 30%. Even if the dwelling expenses index for the rest of the year remains the same, there will not be any real rent level increase. However, nominal rent increase rate between 2000-2001 is about twofold of the nominal rent increase rate between 1999-2000, and the former is closer to the increase rate of dwelling expenses index than the latter.

Years	Average Sales Prices (Prices in TL)
1999	10.500.000.000
2000	11.600.000.000
2001	16.400.000.000

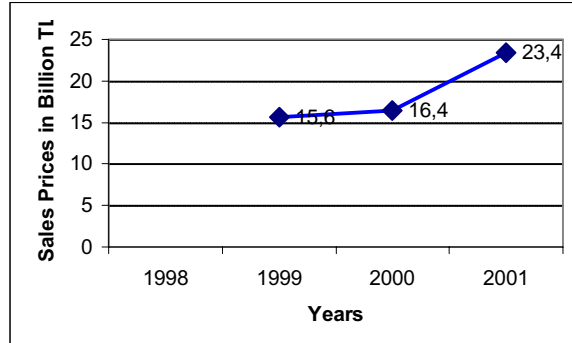
Source: Author's Questionnaire Survey, 2001.
Table 5: Average Sales Prices for a 72 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 8: Average Sales Prices for a 72 m² flat in Esenkent

Years	Average Sales Prices (Prices in TL)
1999	15.600.000.000
2000	16.400.000.000
2001	23.400.000.000

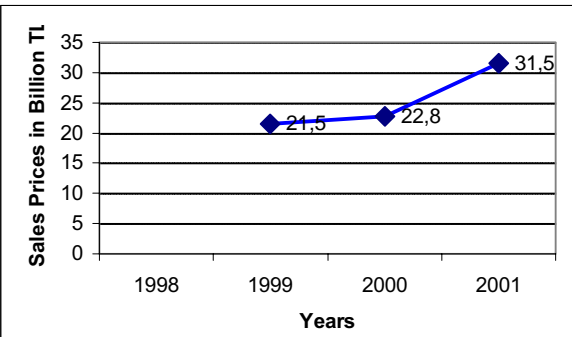
Source: Author's Questionnaire Survey, 2001.
Table 6: Average Sales Prices for a 108 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 9: Average Sales Prices for a 108 m² flat in Esenkent

Years	Average Sales Prices (Prices in TL)
1999	21.500.000.000
2000	22.800.000.000
2001	31.500.000.000

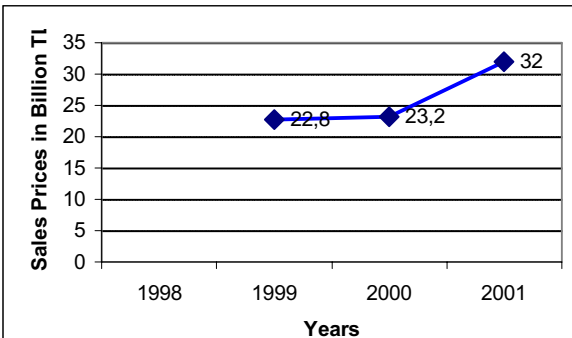
Source: Author's Questionnaire Survey, 2001.
Table 7: Average Sales Prices for a 122 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 10: Average Sales Prices for a 122 m² flat in Esenkent

Years	Average Sales Prices (Prices in TL)
1999	22.800.000.000
2000	23.200.000.000
2001	32.000.000.000

Source: Author's Questionnaire Survey, 2001.
Table 8: Average Sales Prices for a 126 m² flat in Esenkent



Source: Author's Questionnaire Survey, 2001.
Figure 11: Average Sales Prices for a 126 m² flat in Esenkent

Examination of the trend of sales prices shows that increase in prices of all different sizes of flats in periods 1999-2000, and 2000-2001 are approximately 6% and 40% respectively. According to Istanbul Wholesale Price Index (The Istanbul Chamber of Commerce, 2001: 20-21), increase rate of construction materials index was about 54%

between 1999-2000. In comparison with this rate, there was not any real increase in sales prices of flats in this period. However, between 2000-2001 there is an important increase in the sales prices. Average increase rate of construction materials index for the first five months of the year 2001 is about 29%. If there is not any change in the construction materials index for the rest of the year 2001, there can be a real increase in sales prices of flats in this period. Even if there is not any real increase, it can be concluded that the increase rate for sales prices is quite rapid between 2000-2001. While the increase rate of rent and sales prices between 1999-2000 is very low, increase rate of rent and sales prices is quite high between 2000-2001. In particular increase rate of sales prices of flats is remarkable. As mentioned before, 2000 is the year that 56,7% of the real estate agents started to work in Esenkent. Therefore it can be concluded that the period in which the number of real estate agents increased rapidly coincides with the period in which the price increases accelerated.

Analysing the answers given to the questions including priority scale concerning to valuation process in the Esenkent property market, 53,3% of the real estate agents state that the most important factor affecting valuation process is the fact of being in the neighborhood of Bahcesehir; moreover for 16,7% of them this factor is in the second place and 6,7% of them put this factor in the third place. Therefore for 76,7% of the real estate agents this factor is among the first three places in the priority scale. This result is supported and consistent with the answer given to that question: What place of Esenkent is at a premium? The agents' answers show that the places in Esenkent nearer to Bahcesehir are at a premium, and this fact stresses that being in the same area with Bahcesehir is the most important factor in the valuation process. Furthermore, most of the real estate agents think that the price difference will become narrower between two residential areas, although some of them think that prices in Bahcesehir will not be influenced by the Esenkent property market.

Conclusions

In this study, the development of property market and the valuation process in Esenkent was examined via the questionnaires and interviews with the real estate agents. The results of this research can be summarized as follows: Urban space and urban rent has

been generated by the Bahcesehir project which facilitates the establishment of similar projects and creates new rent areas as it serves as a center of attraction.

In this context, being near to Bahcesehir is the most important factor in the valuation and marketing process in the Esenkent property market, and the trend of rent and sales prices of houses indicates that a rapid increase in prices is in progress.

Acknowledgements

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Notes

[1] It should not be forgotten that the questionnaire survey carried out in May, 2001. Therefore total number of the real estate agents in Esenkent property market can change until the end of 2001.

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