

Fly-to-let: The carpet baggers

Loft apartments by the Bosphorus? Peter Conradi takes a look at the newly emerging market in Istanbul

Mehmet Dermancioglu is a man with a vision. Stretching out behind him, near the banks of Istanbul's Golden Horn, are the remains of an abandoned 19th-century flour mill, hidden behind high, crumbling walls.

If Dermancioglu and his Belgian financial backers have their way, this post-industrial wasteland will soon be transformed into a complex of 29 loft apartments that will introduce a new style of living to an inner-city district of Turkey's commercial capital.

"There used to be a lot of factories around the Golden Horn, pumping waste into the river, but it has really been cleaned up in the past 10 years," says Dermancioglu, who is pricing his lofts from £340,000 to a cool £1.1m. "Until now, there has still not been a lot of residential construction there, but I know a lot of people will follow us."

Developments such as this one are helping build a buzz around Istanbul. **While British holiday homeowners flock to south-coast resorts such as Kalkan and Gocek (the "St Tropez of Turkey", apparently), investors have been looking to the country's largest city.**

Technically, foreigners cannot buy in Turkey at the moment because the law is being changed. In reality, they are signing contracts, putting down deposits and waiting until the new law is passed — probably early next year — to pay in full and register the title.

This month's European Union decision to begin membership negotiations is likely to give the market a boost — even if it could be more than a decade before Turkey finally joins.

So where do you start in a city of 12m people that stretches out for miles along both the European and Asian shores of the Bosphorus? The most obvious place might be the old town's Sultanahmet district, where the bustling narrow streets surround tourist sights such as the Blue Mosque. It would be ideal if you were looking for somewhere to let to tourists, but, with its crowds and appalling traffic, it is unlikely to appeal to the expat banker or Turkish middle-manager who want to rent long-term.

Most will look instead at the other side of the Golden Horn, with its wider streets and late 19th- and 20th-century art-nouveau architecture. Upmarket districts include Tesvikiye and Nisantasi, and other areas north of Taksim Square, the heart of modern Istanbul, within easy commuting distance of the Levent, where many banks and multinationals have their offices. Especially popular are flats and houses with views of the Bosphorus, such as in Bebek, on the European side. Although a view of the water can add up to 30% to the purchase price, flats will command far higher rents and be easier to let out.

"It is very difficult to find anything to rent overlooking the Bosphorus for less than £1,400 a month," says Engin Kevenk of Golden Key International, a rental agency.

Also worth a look is Kemer Country, a complex of villas and

apartments centred around a golf course and club house in the Belgrade Forest on the outskirts of the city.

In 2002, Jon Gorvett, originally from Southampton, bought a three-bed flat in Nisantasi, just off Valikonagi, the Bond Street of Istanbul, for a mere £28,000. He believes it's now worth almost double that. "You must choose your area carefully," he says. "Many parts of the city are unrentable."

The good news for investors is that the rental market remains fairly buoyant, with rents slightly higher than two to three years ago. Mortgages have traditionally been difficult to obtain, meaning even many affluent Turks have rented rather than bought. The growing availability of mortgage finance and a drop in rates, however, may change attitudes and eventually cut away at the rental market.

Easier loans should help to push up prices, which, according to research by Colliers International, have moved ahead strongly since the economic crisis of 2001, and look like growing by anything from 10%-40% this year.

Prices per sq m range widely, although an average price might be about £1,130 per square metre, meaning about £100,000 should be enough for a reasonable-sized flat in a good part of town.

Flats tend to be large by British standards: homes of 200sq m or more — well over the floor area of a typical Victorian semi — are quite common, while studios are few and far between.

The Istanbul titles office is one of the most accurate in the country, with records dating back to the 1800s, but the Turkish market is not for the faint-hearted. Jones Lang Salle's global real-estate transparency index rates the country's market as "opaque", with poor supply and demand data, weak title and corrupt practices — making good impartial advice all the more important before jumping in.

How to buy

Costs: Buyer and seller must each pay 1.5% of the price as a transaction tax. Estate agents may also charge both sides 3% commission, but this is sometimes negotiable

Finance: Mortgages are usually only available for about 50% of the purchase price. Rates vary from 7%-8.5% in euros to 10% and above in Turkish lire

For sale

A three-bed apartment in the city centre is £180,000 with Mehmet Dermancioglu, 00 90 212 327 4901, www.1-e-1.com

This two-bedroom flat costs £65,000 with Turkish Property People, 01622 764 200, www.turkishpropertypeople.co.uk