

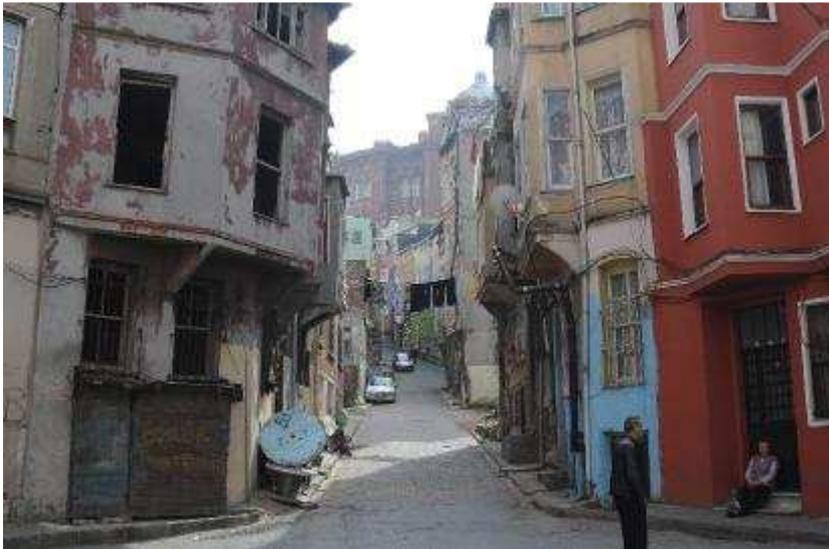
Istanbul developers aim to restore Ottoman-era glory

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BENJAMIN HARVEY

ISTANBUL - Bloomberg

Developers looking for the next hot neighborhood are turning to Balat, a working-class district tucked inside the city walls in Fatih on the Golden Horn, for commercial and residential redevelopment opportunities similar to those that transformed Beyoğlu and Galata. Longtime residents worry about government auctions of renovation rights, while developers emphasize the importance of not pushing out the area's current residents



When Emrah Gültekin looks at the crumbling facades, dangling laundry lines and narrow streets of Istanbul's working-class Balat district, he envisions a prosperous neighborhood with the best views and highest prices in the city.

Gültekin, the 37-year-old chief executive of a local property developer, plans to spend \$140 million to renovate more than 60 buildings, mostly from the early to mid-19th century, in Balat. The rundown neighborhood surrounded by Byzantine walls is within walking distance of the Sultanahmet tourist area.

A file photo from the Ayvansaray, near Balat, Istanbul. The gentrification of Istanbul is proceeding slowly but surely in Balat, Ayvansaray and Galata. DAILY NEWS photo, Hasan ALTINIŞIK

"That cafeteria used to be used by drug dealers; now it's part of a college," he said, pointing to a wooden platform with tables occupied by art students. "This place has a lot of potential, but no one wants to move here at the moment."

Gültekin said the values of the mainly residential properties may jump sevenfold to \$5,500 a square meter within about five years. That's in line with what similar high-end apartment buildings are now selling for, according to Ipera, another real estate developer.

Gültekin is among investors seeking to profit from fixing up residences in the dilapidated historic districts of central Istanbul as Turkey's affluence increases.

"Lots of people with accumulated wealth from Anatolia are coming to Istanbul and looking for a place in the center," said Murat İğnebekçili, a real estate analyst at EFG Istanbul Securities. "We'll be seeing some massive urban transformation projects in that area."

Balat, a UNESCO-protected district on Istanbul's Golden Horn waterway, was once one of the most prestigious areas of the city. A century and a half ago, it was home to a merchant community of Turks, Jews, Greeks and Armenians. By the 1990s, its crowded streets had been largely left to poor migrants from the east and to Roma.

Lucrative investment

Gültekin's company, Balat AŞ, plans to convert the crumbling wooden structures into classrooms, offices, shops and residences around the arts school. It will need to spend about \$1,500 a square meter on the refurbishments. After renovation, permitting and other costs are factored in, he expects to more than double his money.

Ipera is also looking for projects in Balat after buildings in other gentrified areas got too expensive. In the past five years, Ipera spent \$6 million renovating a pair of properties and a rundown warehouse in the area around the Galata Tower in Beyoğlu, said Emre Baran, Ipera's co-founder and CEO.

Baran bought the first building, the five-story Ipera10 on Serdar-i Ekrem Street, in 2005 for the equivalent of \$800 a square meter. He invested the same amount in improvements to the 1903 structure and then sold three refurbished duplex luxury apartments for an average of \$4,000 a square meter about three years later. A commercial space in the same building sold last April for \$10,000 a square meter, he said. Fashion designers have set up shop on Serdar-i Ekrem, helping to lift prices.

High-end apartments in Beyoğlu now cost as much as \$8,000 a square meter if they have views of the Bosphorus Strait, Golden Horn and landmarks including the Blue Mosque, Hagia Sophia and Topkapi Palace, he said. A search on property website hurriyetemlak.com shows luxury flats in the area costing as much as \$9,250 a square meter.

"It went from being an inner-city slum area to one of Istanbul's trendiest areas," Baran said of Galata. Luxury residential property prices in Istanbul more than doubled from 2002 through 2008, reaching \$7,300 a square meter, according to data provided by **Murat Ergin**, managing director at **Kuzey Batı**, the local affiliate of London-based broker Savills. They then fell 15 percent to \$6,200 a square meter in 2009 before starting to rebound. **Ergin** expects they may return to peak levels by early next year.

"The upscale market is moving back to the center," reversing a trend where higher-income residents moved to gated communities in the suburbs or skyscrapers in the business district, **Ergin** said. "These projects are performing much better than the market average, at least three to four times."

More room for growth

Saffet Çiçekdağ, managing partner of PEGA Real Estate in Istanbul, said he expected prices to rise as much as 25 percent in the next two to three years.

"There's lots of room for growth" in the Turkish real estate market, said Neslihan Karagöz, an analyst at Oyak Securities. "We expect that young people will begin buying homes as incomes increase."

The amount of mortgage debt outstanding in Turkey equals about 5 percent of the country's GDP, Karagöz said. That compares with the European Union average of 49.8 percent as of 2008.

The gentrification of Istanbul hasn't always been welcomed by established residents. Hasan Acar, a 40-year-old machinery repairman, is leading a group in Balat that opposes a type of development that has occurred in Istanbul neighborhoods, where the government auctions off the right to renovate entire areas at a time. Acar said people in those types of projects are being forced out of their homes without adequate compensation.

Gültekin said his company hasn't experienced any tensions, partly because he's negotiating deals with each property owner individually. "We compensate them and they can move somewhere nicer while we renovate the old place," he said, stepping over a puddle in Balat, where art school students pass veiled women on the street. "If people are pushed out, there are going to be problems."