

## Turkey: Construction a great hope in 2016?

While official stats have yet to be released regarding 2015's growth levels in the Turkish construction industry, the forecasts are looking good. Construction Global has reported that the industry is looking at an optimistic growth rate of 4.5%.

### **A positive outlook for the Turkish construction industry**

Initial estimates placed construction growth at 4%. This would carry on the average rate of 3% that Turkey has experienced annually since 2012. As a caveat, this growth is based on purely domestic demand and does not include overseas projects or exports.

According to the British Chamber of Commerce Turkey (BCCT), approximately 1.8 million employees work in the building sector and the entire industry constitutes 5.9% of Turkey's GDP. Indeed, construction is one of the economy's most important areas.



The industry sits behind food and beverages as the second largest section of Turkey's national income. Food and beverage expenditures account for 20% of the total figure. Private construction investment and household consumption for houses constitutes 17% - demonstrating the huge value of the building industry to Turkey.

### **What is being built in Turkey in 2016?**

It remains to be seen whether residential building developments will regain focus in 2016. However, a number of key infrastructure projects will either begin their initial planning stages over the next 12 months or see work on them accelerate.

Turkey is investing heavily in civic developments, and one such project is the Bilkent Integrated Healthcare Campus. Over \$1.2 billion dollars of investment has been sunk into this project so far into creating what will be the biggest hospital in Europe. The ground-breaking ceremony was

conducted in September 2013, and financial security for the 1,200,000 square metre development was secured in May 2015. Completion is slated for 2017.

Construction of Istanbul's third airport is expected to accelerate in 2016 Binali Yildirim, Turkish Minister of Transport, Maritime Affairs and Communication, announced in February of the same year. Located close to Lake Terkos on the city's European side, Istanbul's new airport will be one of the world's largest. Total costs are expected to reach in excess of \$7 billion dollars once the airport is commissioned in 2018.



It was announced in December 2015 that the government will begin the tendering process for the Istanbul Canal in the first half of 2016. A canal linking the Black Sea and the Sea of Marmara through Thrace, routed through Istanbul, was first proposed by President, then Prime Minister, Erdogan in 2011 but work is only just beginning. Naval traffic congestion is expected to be alleviated by the \$10 billion canal as between 150-160 vessels are expected to use it upon completion.

Another major infrastructure project that is of vital importance to Turkey, not just in terms of construction, but also in fostering improved trade links, will be the Turkish section of the Baku-Tbilisi-Kars railway. The BTK railway will link the country to Georgia and Azerbaijan, greatly improving trade in the area. 79 kilometres of track is required in the province of Kars in the north-east of the country.

### **Reasons for Turkey's construction industry growth**

According to MEED, the current expansion of Turkey's construction market can be partly attributed to two key factors: the country's burgeoning economy, and its increasing population.

GDP growth for 2014 stood at 2.9 per cent, despite the challenges facing some of the world's major economies. What's more, it increased by 2.3 per cent in the first quarter of 2015, beating the 1.7 per cent predicted by analysts in a Wall Street Journal survey.

Furthermore, Turkey's population is on the up, creating greater demand for housing and infrastructure, while also meaning the country has more consumers than ever before to earn and spend money. Its population has almost tripled since 1960 to 75.8 million, while annual growth stood at 1.2 per cent by the end of 2014. This is at a time when many developed markets are seeing their populations shrink.

## **Government support spurs building activity**

While growth in population and GDP are undoubtedly attractive reasons for developers - both local and international - to build in Turkey, they are far from the only factors.

Another key incentive is the positive climate for investment cultivated by the Turkish government. The majority of large construction projects are carried out as public-private partnerships, allowing contractors to invest on a long-term concession basis and reduce their exposure to risk.

Ed James, director of content and analysis at MEED Projects, explained: "The combination of a large and liberalised projects market along with transparent tendering processes makes Turkey an immensely attractive proposition for contractors, consultants and suppliers alike, who are concerned about a potential slowdown in project activity in the Middle East caused by lower government spending on the back of falling oil revenues.

"For companies looking to diversify and enter new markets, Turkey is an ideal opportunity, especially given its proximity and cultural affinity with the region."

## **A bright future for Turkish construction?**

With major infrastructure plans in progress or kicking off, and an optimistic growth rate for 2015 forecast, it seems as though Turkey's construction industry could enjoy a strong year in 2016. It might not be able to bear the brunt of the country's economic needs solo but could well remain a strongly performing sector.