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Finance and System of Provision of Housing: The Case  
of Istanbul, Turkey

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# Finance and System of Provision of Housing. The Case of Istanbul, Turkey

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**Abstract:** This paper outlines a theorisation of the systems of provision approach (sop) and illustrates the relation between financialisation and housing by applying the sop framework in the case of Istanbul. The interest of different segments of capitalist interests in urban space has been gradually growing in Turkey, and in Istanbul particularly over the last decade, with a special emphasis on the construction sector in general and housing, in particular. The housing provision in Istanbul has been changing in terms of the role of the state, the expansion and increase in construction sector in relation to the integration to global capitalism, moments of resistance in different neighbourhoods against gentrification, the expectations of consumers from different classes, and the changing role of labour. The paper shows that the role and impact of finance and financialisation is evident in the case of Istanbul in terms of revealing the tensions, conflicts and congruencies among different developers, different classes, between the state, developers and consumers.

**Key words:** İstanbul, housing, construction sector, financialisation

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## 1. Introduction

The systems of provision (sop) approach, adopted in this research, aims to link consumer theory to real world practices and provision, which is understood as both shaping and being shaped by material culture. This paper examines the case study of the İstanbul housing sop in the framework of FESSUD work package 8, following the methodology introduced in FESSUD working paper no. 2 (Bayliss et al., 2013). The paper follows the research question that also identifies a particular sop at a particular time and geography [i.e. its spatio-temporal fix]: how finance intervenes and the process of financialisation shapes the İstanbul housing sop.

To understand the housing sop of İstanbul, it is necessary to differentiate periods in which construction sector played a leading role in the growth of the Turkish economy through the ways and which housing finance provided and the role played by the state. There are two periods in which the construction sector has seen a dramatic growth with implications for housing finance for consumers and producers: first between 1982-1987, second between 2002-2007. In the former, the number of new building units was increased to 139,995 from 54,361 in five-year time; and the share of the construction sector in GNP rose from 5.2% to 7.3% (Balaban, 2011). During this period, the growth of the construction sector was mainly the result of increased infrastructural and mass-housing construction. The housing construction was based on the build-and-sell system, which had emerged in the 1960s, as a model of housing production by small- and medium-scale developers and builders. The main dynamic behind this model was the demolition of squatter houses (hereafter *gecekondu*)<sup>1</sup> through households selling their houses to builders for them to build four or five storey apartment blocks and give an agreed number of flats in return to the gecekondu owners. This model emerged because of the personal loans system (Başbakanlık Devlet Planlama Teşkilatı Müsteşarlığı, 1968: 281) and by the law of Condominium Ownership, enacted in 1965, which opened a way of transforming gecekondu settlements via the build-and-sell system (UN, 1996). Financial credit including development finance and consumer finance for housing was not given to individual dwellers or builders for building of mass

housing, but to small- and middle-scale contractors for supplying the demand for middle-income housing. However, in 1984, mass-housing production was started and it was also when mass-transportation and infrastructure investments were made through the support of the state in the form of financing and providing state-owned land for investment.

The second growth period began in the aftermath of the 2001 crisis and lasted until the first waves of the 2008 crisis were felt. The number of newly built buildings were 43,430 in 2002, 114,204 in 2006 and 106,659 in 2007; the share of the construction sector in GNP rose from 3.8% to 4.8% between 2004 to 2006; and the annual growth between 2004 and 2007 was 12%, which was the fastest growth across sectors of the economy (Balaban, 2011). The 2002-2007 period is characterised by commodification of public-owned lands, along with new forms of financial instruments made available for housing construction. Under these new conditions, investments in housing by the private sector and in big-scale infrastructure by the state have been intensified (Öztürk, 2011). With the enactment of Town Planning Law (No. 3194), planning powers of extensive scope were decentralised to municipalities. This change resulted in partnerships between big construction companies and municipalities. Construction companies bought cheap land on the peripheries of the cities, mainly in İstanbul, and the municipalities was given higher development rights in those particular areas, where they created new urban development plans (Balaban, 2011). The growth was shaped by different dynamics than the previous growth period. It basically entailed a shift from the *build-and-sell model* of small and medium-scale contractors to *sell-and-build system* by relatively larger construction companies. While the former secured access to land by promising the land-owner his or her share and then sells the rest to middle-income households, the latter first sells the flats before they build the blocs. New financial instruments involved a new mortgage law, the emergence and rapid spread of Real Estate Investment Trusts (REITs), and last but not least changing role of the state through transformation of the Mass Housing Administration (MHA).

One of the main motivations behind the changes in housing finance system in Turkey lies in the transformation of dilapidated areas, such as historical centres and gecekondu

neighbourhoods, some still on public-owned lands, to provide big plots of land in central locations of the city. Türkstat data show that total number of buildings throughout Turkey in 2014 is 19,239,000, 40% of which are squatter settlements (TOKİ, 2014a). It is stated in the programme of the MHA that 6,500,000 of those buildings need to be demolished and rebuilt within an average period of 20 years via urban regeneration projects (TOKİ, 2014a).

The boom in the housing sector since 2002 carries the dynamic of how the state figures İstanbul out as a global city as a part of integration of the country to global capitalist dynamics. Behind the restructuring of İstanbul, there are four main dynamics (Çelik, 2011a). Firstly, İstanbul is undergoing a period of restructuring towards becoming a 'global city', a centre of high-level finance and business services, linking Turkey more strongly into the international (especially EU-based) financial markets (Keyder, 2005). In parallel to that, there is the objective of making the city, a supra-national regional economic centre. Led by the national governments, this project has been developing since the 1980s, but has accelerated with the coming to power of the Justice and Development Party (JDP) in 2002. Secondly, the scale of the planning of the city moved upwards and started to be organised by a newly-created city-region authority and by the national housing agency, the Mass Housing Administration (MHA), each with newly-given strong powers (Gündoğdu and Gough, 2008). Thirdly, current developments seek to remove industry, traditional low level services and low-income housing from the centre- and inner-city areas to the peripheries of the city, and to use the freed space to build offices for international business, luxury housing and consumer services (Uzun, 2001; Kurtuluş, 2007). Moreover, there has been a rise in the development of gated communities in the outskirts of İstanbul, which are rich in terms of forest and water resources on both sides of Bosphorous.

Lastly, integral to this programme are 'regeneration' projects organised by the MHA to redevelop low-income, high-density housing built on publicly-owned land (mostly *gecekondu* settlement areas) in the inner city (Kurtulus, 2007). This has been initiated after the major 1999 Marmara earthquake. One of the consequences of the regeneration programme has been the eviction of most of the residents from those areas where these

programme started to be implemented. This has in turn led to the relocation of the inhabitants to the peripheries of the city where they are offered affordable housing built by the MHA. Since, most of these people could not afford them, there emerged pockets of resistance organised by the residents (Gündoğdu and Gough, 2008).

This work used qualitative research methods for the fieldwork of the research, including a desk study and semi-structured interviews. The desk study entailed the collection and the analysis of official and non-official documents, including reports prepared by the banks and finance sector, professional chambers, political groups as well as the relevant academic studies. Interviews, 27 in total, are conducted with the key actors of housing sector, involving the representatives of several state institutions, property developers, employer organisations, activist groups, financiers, professional chambers, workers as well as academics with an expertise in this field of inquiry. Except for one of the interviews, all were type recorded. The fieldwork was carried out during February – July 2014. All the members of the team made several visits to İstanbul at different times during that 6-month period.

Following the discussion above, this paper focuses on the housing provision in İstanbul since the 2000s and then all the actors of housing finance will be analysed separately. Producers of housing, the role of the state, the role of labour, consumers' involvement in the housing finance system and their resistance against relocation and gentrification will be discussed. To conclude, the contested relations between different actors in the financialisation of housing will be examined.

## **2. Defining the Turkish housing SOP**

In order to delineate the case of İstanbul as an example of Turkey's housing sop, which provides a set of analytical tools, including the role of the state, labour, finance, consumers and resistance, to understand the complex relationships in the provision of housing sector, we focused on the construction sector in general and housing in particular.

One way of grasping the unseen boundaries of districts in the ever-expanding city of



Istanbul is according to a class-based distinction in the spatial configuration of neighbourhoods. There are poor housing areas, including, gecekondu neighbourhoods, covering almost half of the city (Kurtuluş, et. al., 2012); historically dilapidated areas; affordable housing areas scattered all over to city as well as gated neighborhoods for the relatively well-off sections of the inhabitants. The middle-income households live in traditional neighbourhoods in apartment blocks of 5 or 6 storey. The upper- middle and upper-income households, though, live in newly gentrified neighbourhoods or gated communities. So, it is not easy to make a distinction on the basis of geography as different neighbourhoods shaped by a particular income group live next to each other with increasing spatial segregation. That is why, the poor housing areas and dilapidated historical areas have been in the target of investors, national and international, and sustained high levels of economic activity and supply of housing since 2004. The provision of housing has two faces for each income group: firstly, production of housing mostly for middle- and upper-income households on the valuable lands by evicting existing dwellers of gecekondu houses and historical areas and secondly, moving poor people to the peripheries of the cities by evicting them from the city centres. This also creates a huge change in the price of the houses in the gentrified areas compared to the previous use of the area.

There are two main tenure forms in Turkey: owner-occupation and private-rented. In Turkey, researching the financialisation of housing requires a closer look to owner-occupation, as it is the most common and the only way of using different financial models in housing. The Turkish housing system is characterised by high home-ownership rates, a considerable proportion of private renting and an absence of public renting. As it will be elaborated in the following sections, prior to the enactment of the Mortgage Law in 2007, buying a home was possible only with personal savings, family borrowing and/or inheritance; and a pro-landlord legal framework defined renter-landlord relations, which had been the subject of much criticism (Sarioğlu, 2007). As for social housing, the direct provision of housing by the government took place only under exceptional circumstances, such as to accommodate large numbers of migrants or population displaced by major

disasters. Hence, this research focuses primarily on owner-occupation as the basic form of tenure in İstanbul in particular, Turkey in general.

### 3. Finance and financialisation

In line with the developments of housing sector in which construction sector played a leading role in the growth of the Turkish economy, it is possible to differentiate various forms of financing provided either by the state through its different agencies and/or by private sources of finance.

Prior to the enactment of the mortgage law, there have been formal and informal housing finance systems in Turkey. Outside of the formal housing finance system the possibilities of housing finance were traditionally personal savings and family borrowing and/or inheritance (Sarioğlu-Erdoğan, 2014). There have been three institutional organisations to support the housing finance system formally since the end of the Second World War: Social security Institutions, governmental institutions, such as Ministry of Resettlement and Construction, the Real Estate Credit Bank (RECB) and from the 1980s onwards Public Housing Fund (PHF), plus commercial banks (Erol and Patel, 2004). The Workers Social Security Fund (SSF) was an institutionalised housing finance source to fund cooperative housing from 1950 at 4-5% fixed annual interest rate (Bedirhanoğlu *et al.*, 2013: 308). However, it was limited only to workers who had been covered by social security for at least five years, and the amount of housing loan was very minor. The amount of dwelling units built by SSF loans between 1950 and 1984 were 233,000 (Bedirhanoğlu *et al.*, 2013: 308). To grasp the financialisation of housing, we will examine how consumers and developers are a part of the financialisation process in the following sections through a historical perspective by examining consumer finance and development finance separately.

Finance has not been involved in the consumption of rented accommodation in the private sector, which is all privately owned with no involvement by the public sector. The arrangements are mostly made between the individual tenant and the individual landlord, not between a company and a tenant. Landlords purchase houses/flats to rent, in some

cases more than one in addition to the one they live in. One can buy it through mortgage, by their savings or from the producer by getting a signed bill for each month to pay, or by private sector cooperatives. That is why we will be focusing on the role of the state with its involvement in the financialisation of housing.

### **3.1. Consumer finance**

The consumers have the opportunity to use different financial methods to own a house. The commercial banks and the state are the main sources of finance provision for housing purchase. The commercial banks were not very much involved in housing finance until the establishment of the mortgage system. From the 1950s to the 1980s, in order to encourage industrialisation, the state set up 'a highly complex system of preferential interest rates on loans to priority sectors' (Öncü, 1988: 42). However, this did not involve concessionary credits to private housing production. Even the commercial banks were prevented by law from providing long-term housing loans, and it was only possible to get loans for housing from the state-owned real estate bank, the RECB. However, there has been a variety of lenders since the 2000s involving commercial banks and the state.

#### **3.1.1. The involvement of commercial banks in consumer finance: a new mortgage system**

The early 2000s witnessed a change in the housing loan market through the shift in the investment policies of commercial banks. It was the time when the supply of high-income government bonds shrunk and the involvement of commercial banks in housing loans immensely expanded. The commercial banks became the primary source of housing loans, in contrast with the period before the 2000s. The value of the housing loan market of commercial banks increased from 70.1 billion TL (290.8 million USD) in 1997 to 248.4 billion TL in 2000 and 273.6 billion TL (1.6 billion USD) in March 2004 (Erol and Patel, 2004). Since the 2001 crisis, declining interest rates and falling inflation levels created necessary

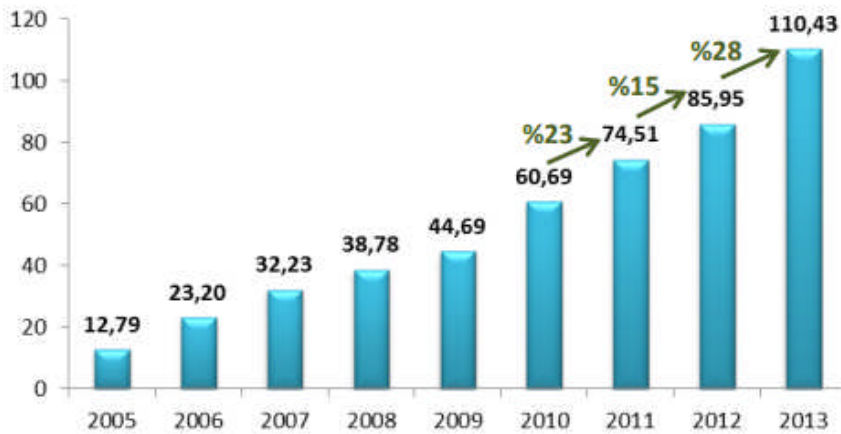
macroeconomic environment for the expansion of housing loans. So, the share of housing loans rose in the share of total loans between 2001 and 2009.

In 2007 a new mortgage law, called Housing Finance, was enacted and the law provided a safer set of conditions for commercial banks, but also provided a variety of mortgage loan options for consumers (Bedirhanoğlu *et al.*, 2013: 308). It became not only commercial banks who can lend or lease to the consumers, but also leasing companies and mortgage lending consumer finance companies need the approval of the Banking Regulation and Supervision Agency (BRSA) to lend mortgages (Bedirhanoğlu *et al.*, 2013: 320).<sup>2</sup>

The new mortgage law has expanded the portfolio of commercial banks in the mortgage market and, in addition to involvement of banks, leasing companies and consumer finance companies (non-bank institutions) (Sarioğlu-Erdoğdu, 2014). The Turkish banks offer a bunch of mortgage products, involving Turkish Lira denominated fixed rate, adjustable rate, and graduated payment mortgages and US Dollars, and, Euro-denominated mortgages (Erol and Çetinkaya, 2009: 357). However, borrowers in the market are still very limited because of the high interest rates in the absence of secondary markets. As of September 2007, almost all mortgages originated from deposit banks, with private deposit banks providing 61%; public deposit banks 15%, and foreign banks 24% (Erol and Çetinkaya, 2009: 331). Despite the limitation of the borrowers, the volume of housing credits increased from 12.8 million TL in 2005 to 110.4 million TL in 2013 (see Figure 1). The banks have a variety of mortgage products involving 'Turkish Lira (TRY)-denominated fixed-rate, adjustable rate, and graduated payment mortgages and US Dollar-, and, Euro-denominated mortgages' (Erol and Çetinkaya, 2009: 332). The amount of upfront arrangement fee varies among the banks, while some do not charge any arrangement fee, others may charge 1% to 5% of the loan amount as the fee. The value of mortgage debt in Turkey as of December 2006 was € 12,2 million meaning that Turkey has the second largest mortgage market among the new and candidate members of the EU (see HFI, Summer 2011).

**Figure 1 Housing loans between 2005 and 2013 in Turkey**

*million TL*



*Source:* Gyoder (2013): Türkiye Gayrimenkul Sektörü Temel Göstergeleri Raporu (Turkish Real Estate Sector's Main Indicators Report)

There are two conditions for purchasing a residential unit via the new mortgage loan: the dwelling should be completed at least 80% at the time of the loan issued by the Municipality and an occupancy permit must have been issued. The eligibility of the person who aims to use the loan does not have any limits in terms of the owned assets. If a person already owns a house, he or she still can get a mortgage loan for the second purchase. The eligibility conditions are defined according to the financial status of the borrower defined by monthly income, not to the home-ownership status or the household type (i.e. married or single) (Sarioğlu-Erdoğdu, 2014). The period of the loans is generally for a 10-year repayment period and longer repayment periods are not welcomed in the market. It is also rare for borrowers to choose a maturity less than 7 years and nearly half of households prefer a maturity of 5 to 10 years and the rest prefer more than 10 years (Turhan, 2008). It is also not possible to shift a mortgage loan from one property to another.

**Figure 2 The share of mortgaged housing sales in the total of housing sales in Turkey<sup>3</sup>**



*Source:* Gyoder (2013): Türkiye Gayrimenkül Sektörü Temel Göstergeleri Raporu (Turkish Real Estate Sector's Main Indicators Report)

After the new regulation in the mortgaged housing market, the rate of mortgaged housing sales as well as building construction permits have risen immensely from 2009 to 2013 with the highest jump in 2010 (Figure 2 and 3). In 2013 44% of the total housing sales were in the four biggest cities: Istanbul (20%), Ankara (12%), Izmir (6%) and Antalya (5%). Compared to 2012 the sales in in these cities rose by 40%, 29%, 55% and 71%, respectively (Table 1). The sale of new houses in 2013 made 46% of the total sales (Akbank, 2014). The costs of purchasing had risen 13.6% in 2013 compared to the previous year. The rise of sales in İstanbul was related to the rise in the mortgaged sales in the city. In 2010 İstanbul had the share 36.5% share in total mortgaged sales, the biggest in the country.

According to Kurtuluş (et. al., 2012) the high share of mortgaged purchase was a result of the ability of high income earners to take out housing mortgages. The reasons behind their interest in purchasing dwellings are two-fold. Firstly, dwellings offered in the market are mostly the prestigious housing projects for higher income groups, produced by large-scale

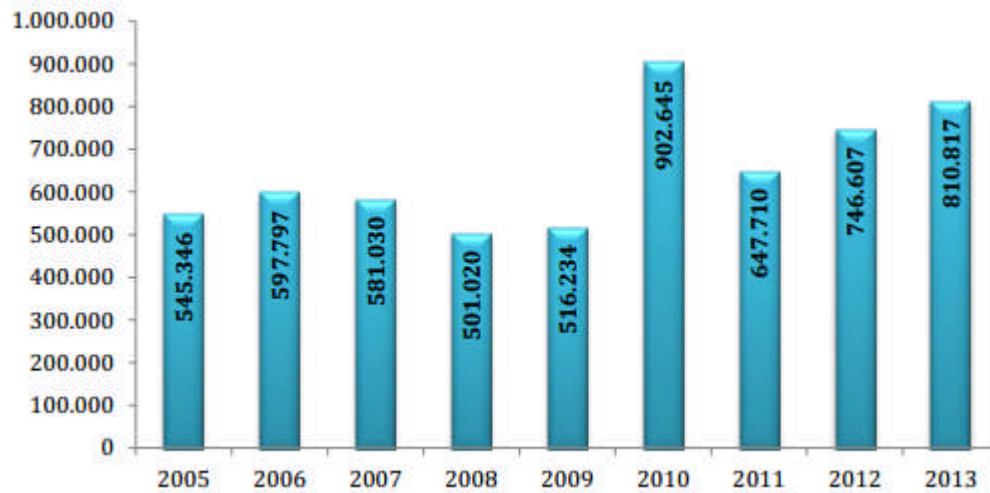
construction firms. Secondly, housing purchase is considered the promising and most secure investment in Turkey.

**Table 1: The statistics of housing sales according to the major cities**

	2012	2013	2013/2012 Change	First 2 months- 2013	First 2 months- 2014	2014/2013 Change
Turkey	701,621	1,144,989	63%	175,963	170,236	-3%
İstanbul	167,110	233,153	40%	37,206	34,610	-7%
Share	23.8%	20.4%		21.1%	20.3%	
Ankara	106,019	137,057	29%	22,496	19,527	-13%
Share	15.1%	12%		12.8%	11.5%	
İzmir	46,429	72,035	55%	11,250	10,428	-7%
Share	6.6%	6.3%		6.4%	6.1%	
Antalya	34,555	59,033	71%	9,485	9,608	1%
Share	4.9%	5.2%		5.4%	5.6%	
Total of four major cities	354,113	501,278	42%	80,437	74,173	-8%
Share	50.5%	43.8%		45.7%	43.6%	

Source: Akbank, 2014

**Figure 3 Building construction permits**



*Source:* Gyoder (2013): Türkiye Gayrimenkül Sektörü Temel Göstergeleri Raporu (Turkish Real Estate Sector's Main Indicators Report)

### 3.1.2. The involvement of the State in consumer finance: a shift to large scale mass housing production and a new finance model

There has been a number of legal and institutional changes and developments since the foundation of the Republic in order to finance and regulate the urbanisation process. Real Estate and Orphan Bank (REOB) was founded in 1926 to provide financial resources for construction and as well as to institute an authority in charge of introducing and executing a city planning (Adam et al., 2009: 266). In the Municipality Law of 1930 (Law no: 1580), the role and functions of municipalities were defined quite largely so that they could neatly plan the urban modern life in the capital city of the Turkish Republic (Tekeli, 2005: 9). In 1933, The Bank of Municipalities was founded (Law No: 2301). The bank was restructured in 1945 as Bank of Provinces with a mandate to provide technical support as well as funds and loans to local governments (municipalities) for infrastructural investments (Kibaroğlu and Başkan, 2011: 16). Despite these rather ambitious intentions for urbanisation of the nation-state, the financial resources of neither REOB or Bank of Provinces nor the municipalities



were sufficient to meet the demand for housing. The REOB credits were provided mostly for high income household for luxurious houses. This project was financed by the RECB that was transformed in 1946 with enhanced financial resources from REOB. In 1958, to produce metropolitan and regional plans of major cities, the Ministry of Settlements and Development was founded (Law no: 7116). In addition to the unrealistic projections of the plans, the state authorities responsible for executing the plans of the city was lacking necessary means to perform their functions.

The RECB, the state-owned bank, gave credit at a highly privileged rate for the long term, mostly to civil servants, but was only backed with limited funds. In the whole banking system, housing credit accounts were no more than 1.7% of outstanding loans in 1979 (Öncü, 1988: 42). The RECB was the leading actor in housing loans from the 1950s with its large investments and interest in expanding its housing loan products (Erol and Patel, 2004). The exceptional role of the bank for providing finance for housing was being involved in residential construction directly both as a lender and as a development institution. The RECB was able to offer mortgages for the purchase of three types of housing units: ones constructed by the Bank itself; ones constructed by joint venture where the Bank participates with builders or developers; and ones constructed by any builder in the market (Erol and Patel, 2004). The loans of the Bank were based on one unique index that was civil servants wage index, working for the state, of that particular year. The repayments of the mortgages were indexed according to the affordability of the loan to the household income. This type of mortgage lending was designed for middle-income civil servants, who were the main group of borrowers, with their state guaranteed salaries (Erol and Patel, 2004). In the case of non-state guaranteed borrowers, which are very minor in number, the Bank takes over the flat when the borrowers cannot make the payment on time.

The SSF and the RECB were a component of the redistributive policy of the State aimed at supporting the middle-income households in financing purchase of dwellings. Housing produced under this programme made less than 10% of the all housing produced in the formal housing market (Öncü, 1988: 42), the only sources of housing finance, aiming to be a

part of redistributive policy of the State for the middle-income households, representing less than 10% of all housing produced in the formal housing market (Öncü, 1988: 42), in addition to the redistributive policy for the poor by allowing them to build *gecekondu*<sup>4</sup> or to get their rights. Their limited activities contributed more to the construction of middle-income and luxury housing than affordable housing for the lower income households. Ataköy and Levent housing complexes in İstanbul are the typical examples of luxury housing investments made by the RECB in the 1950s. The housing units produced by the SSF were also purchased by higher income groups at that time (Buğra, 1998: 308). The rest of the housing market was dependent on *gecekondu* housing or on a build-and-sell business run by small producers.

The shift from small-scale private construction to large-scale mass housing production with substantial state involvement began in 1981 with the establishment, under the Mass Housing Law (No. 2487), of the PHF, a central state institution to regulate and to provide finance for the production of mass housing for low- and middle-income households. The PHF was designed as a financial institution for housing production, rather than producing housing itself; and it operated without the input or involvement of local authorities. The principles of the new legislation and the institution were to provide cheap loans for the construction of housing for low- and middle-income households. This was also the time when the SSF had to stop providing finance because of the foundation of the PHF in 1984. The priority of housing finance by the state was given to mass-produced affordable housing, which was no larger than 100 m<sup>2</sup> per unit. Non-capitalist mass housing organisations, such as housing co-operatives, unions of co-operatives, and social security organisations were also able to benefit from the PHF (Keleş, 1990: 151-53).

In 1984 the Mass Housing Law (No. 2985) was changed and credits were made available to private individuals, builders, contractors, as well as housing loans for investment in infrastructure in tourist regions. Restrictions on the production of social housing were removed in order to provide credit for second homes, for residences in a resort area, and for house sizes of 150 m<sup>2</sup> per unit; that is, luxury housing by Turkey's standards (Keleş,

1990: 153-55). This change was a substantial shift in the Fund from providing cheap housing for the poor to providing personal loans and credit for the middle- and upper-income households (Çelik, 2013). The term 'social housing' in Turkish housing literature is used to refer to 'affordable housing'. It does not have the meaning of housing provided by the state to be rented to the people who cannot afford to buy. 'Social housing' rather means houses that are sold without making profit. In the rest of the paper, 'affordable housing' will be used to refer to 'social housing' in the Turkish housing literature. All 'social housing' were to be sold and there was no socially rented housing.

The main sources of the housing loans were the state-owned banks as it was mentioned in the previous section. However, the PHF was given the role of housing producer as a separate institution other than the state-owned banks in order to regulate the housing market by providing finance. The PHF gave rise to the creation of large numbers of housing cooperatives for middle-income people in the near-peripheral areas of large cities, financing without the risk of unintended interest subsidies in more than 548 thousand residential units (Bedirhanoğlu *et al.*, 2013: 308). The PHF was given housing loans via Emlak (RECB) and Vakıf Banks, which are public deposit banks, and a private bank called Pamuk Bank for over 500 thousand housing construction loans and 250 thousand long-term housing loans since its foundation. The role of the commercial banks, from the 1980s, was to give housing loans as a part of their consumer lending activity; however they had very low percentage of housing loans (Erol and Patel, 2004). The outcomes of this housing strategy are reflected mainly in İstanbul. From the 1980s to the 2000s, the city has developed with mass housing areas in the near-peripheries along the coastline, linked with new motorways to the city centre (Çelik, 2013). In 2002 new mortgage loans provided by the PHF has been slowed and was terminated by 2005. However, in the total active time of the funding period of the PHF, it has provided loans for the production of 1,051,000 dwelling units between 1984 and 2005, including 944 thousand cooperative housing (Türel, 2010). The main reason for the sharp rise in housing loans in 2005 was related to the rapid decline in the monthly interest rates on housing loans and the extension of maturities for them.

Another way of getting a loan for housing is from Mass Housing Administration (MHA), the government-housing agency (see the section on the state for more detail). The MHA mainly targets the low- and middle-income households for housing loans. The MHA has similar rights and authorities as banks, in addition to its extensive planning powers (Sarioğlu-Erdoğan, 2014). Implicit interest rate subsidies are used loans provided by the MHA, most importantly between 1984-1989, when the fixed mortgage interest rates were set at 15 percent, 20 percent and 25 percent, according to the size of the dwelling unit, and inflation rate varied between 29 and 69 percent (Türel, 2010).

By the enactment of Law No. 6306 (The risk of disaster law), urban regeneration projects, aiming to regenerate areas or just one single building under the risk of disaster, conditional on the consent of 2/3 of the residents, are directly used as a model of housing finance separate from other mortgage types. This new type of mortgage, called *urban regeneration mortgage*, has a particular loaning system, involving interest support and rent allowance by the Ministry of Environment and Urban Development. The former involves a signed protocol between the Ministry and the banks, involving seventeen private and public deposit banks,<sup>5</sup> which want to provide urban regeneration mortgages. The interest support to the banks is provided from the Special Account of Urban Regeneration Projects via the interest support rate proposal of the Ministry affiliated to the Undersecretariat of the Treasury under the Council of Ministers. The interest support rate varies from 3% to 4% with maximum 2 years of non-payment period, and maximum 7 to 10 years of maturity.<sup>6</sup> This concession is also free from the payment for Resource Utilisation Support Fund, and Banking and Insurance Transaction Tax.<sup>7</sup> Currently, 3,289 homeowners used regeneration mortgages, and the total loan provided for them was 299 million TL.<sup>8</sup> The latter is the rent allowance, which can be used if there is no temporary allotment for the residents of the regenerated buildings. The rent allowance is limited to 600 TL per month for 18 months outside regions under the risk of a disaster, including earthquake, and a maximum 36 months in a risky region. So far, rent allowance is used by 3427 tenant and 3,704,000 TL has been paid; and 75,138 homeowner moved to another flat in the period of rebuilding and 170 million TL paid as rent allowances.<sup>9</sup> The rent allowance payments are made through the Ministry. The crucial point

is that a resident can either get the rent allowance or the interest support, not both for the same project.<sup>10</sup>

**Table 2 Housing Prices Index**

House Prices, House Prices Index 2007 = 100				
PERIODS	TURKEY	ISTANBUL	ANKARA	İZMİR
2011 Q1	95.1	95.0	92.9	97.5
2011 Q2	96.4	96.5	94.2	97.8
2011 Q3	98.4	99.0	96.7	101.7
2011 Q4	100.8	101.8	98.3	105.6
2012 Q1	103.5	105.2	100.1	108.8
2012 Q2	106.7	108.4	104.0	112.1
2012 Q3	114.5	116.6	111.7	119.8
2012 Q4	118.3	121.8	112.3	123.7

SOURCE: GARANTİ MORTGAGE REİGEN REAL ESTATE INDEX  
DATA AS OF THE LAST MONTH OF QUARTER

*Source:* Gyoder (2013): Türkiye Gayrimenkül Sektörü Temel Göstergeleri Raporu (Turkish Real Estate Sector's Main Indicators Report).

As housing prices increase in İstanbul every year (Table 2) the sales of houses are below the supply. This means that investment in the production of housing on valuable land exceeds the demand. In the first quarter of 2014 the demand for newly built houses fell compared to the first quarter in previous year. (Table 3). It is discussed by economists<sup>11</sup> that there has been a particularly sharp decline in mortgaged housing sales. In the first four months of 2013 in İstanbul, about 80,000 houses were sold; however between January and April 2014 it decreased to less than 70,000, falling almost 15 percent. The sales with loans in the first four months of 2013 were 37,000 units; however in the same period of 2014 the figure had fallen to 25,000. This means a decline of 47 percent in credited sales.<sup>12</sup> The houses produced in the market were mainly prestigious ones that were sold to middle- and high-income households, who can get mortgaged loans due to their regular and high incomes. Despite all the campaigns of the builders and the state supports to attract the buyers, there has been a slow-down in the housing market. It can be argued that there might be an economic crisis in relation to the housing construction boom; however the

state takes precautions to slow-down and regulates the housing market. In parallel to the state measures, the construction firms also started campaigns, which has a zero or fixed and low interest rate; payment options other than mortgage, including giving a bill to the buyer.

**Table 3 Supply and demand of housing: first quarter 2013– first quarter 2014**

Period		Construction Licence	Occupancy Permit Obtained	New Housing Sales	Difference
		Number of Housing Units	Number of Housing Units (I)	Number of Housing Units (II)	(II)-(I)
2013	I	162,916	153,399	121,736	31,663
	II	239,668	157,300	130,627	26,673
	III	193,145	184,959	134,819	50,140
	IV	220,361	204,961	141,947	63,014
2014	I	279,306	255,231	120,212	135,019
Total		1,095,396	955,850	649,341	306,509

Source: CHP Ekonomik Görünüm Raporu, 2014 (Economic Perspective Report)

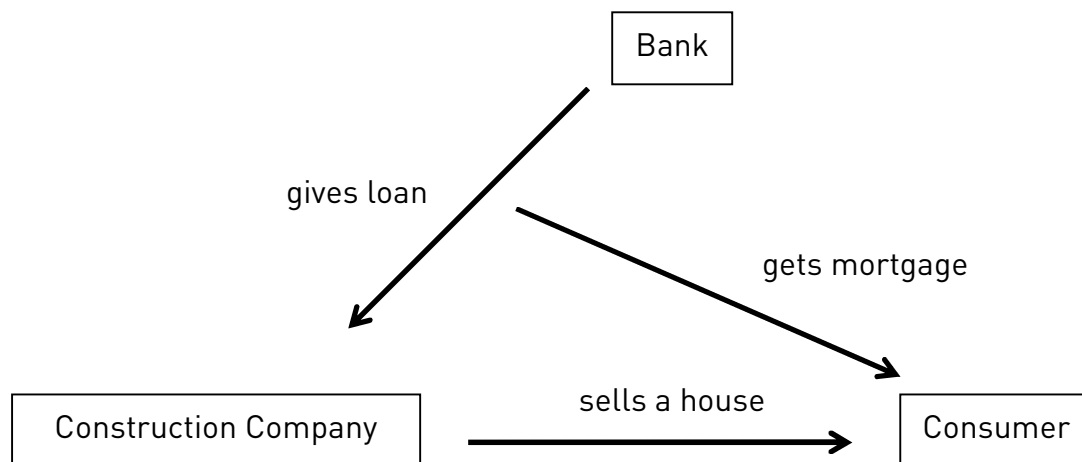
### 3.2 Development finance

Three resources provide development finance: commercial banks, the state (the MHA), and the REITs, which will be examined in this section.

### 3.2.1 The involvement of banks in development finance

The role of the commercial banks is to give loans to developers to start a construction project in a particular area. The developer needs to provide a certain credibility showing the previous construction projects finished, assets owned and guarantors. The peculiarity of this type of finance is its relation with consumer finance. According to the interview we made with a finance specialist working in a bank<sup>13</sup>, the consumers who are willing to purchase a house from a project, can get mortgage with a lower interest rate from the bank that the builder works with. The mortgage is given to the buyer as a part of re-payment of the loan that has taken by the company from the bank. In other words, consumers pay the loan of the construction company via getting mortgage from the bank that the construction company works with. So, the construction companies not only sell the houses, but also at the time of purchase via mortgage, the company transfers their loan to the consumer (see Figure 4).

**Figure 4 The cycle of loaning system from a bank**



### 3.2.2 The involvement of the state in development finance: The MHA

The MHA generates a particular model, called *revenue-sharing* for housing production, in order to meet the objectives of the government's housing production agenda since 2002,

when the Justice and Development Party (JDP) came to power. This model is based on production of housing units on TOKİ owned lands in cooperation with the private sector (developers and contractors) and sharing the sales revenue of the project with the shareholder firm. The shareholder meets all the investment costs, except for land, as this is provided by the MHA at the beginning of the investment period. Having the land at no cost, getting procurement procedure and needed legal permissions in the shortest term under MHA's public guarantee, the shareholder firms have the advantage of high marketing and sales capabilities (TOKİ, 2014d).

The peculiarity of the MHA housing production is not only limited to its housing provision model, but also the size of its land stock, which is approximately 118,000,000 m<sup>2</sup> by December 2012 that can be used for any purposes of the MHA. The total size of the real estates under the ownership of the Administration is 213,000,000 m<sup>2</sup> with a value of 14,000,000,000 TL (TOKİ, 2014b). Since 2002, the MHA produced 640,726 housing units involving 540,216 (85.4%) units of affordable housing. The shares of affordable housing varies in 22.92% for low-income poor housing group, 40.6% for low and middle income households, 15.1% of it was produced by the regeneration of squatter housing, 6% for disaster recovery housing and 0.89% for village-agriculture housing. The rest of housing production, which is 14.6%, was produced for luxury housing as part of a revenue-sharing model to cross-subsidise affordable housing. The affordable housing units vary between 65 to 87 m<sup>2</sup> with 12% as collateral and 15 years loan (TOKİ, 2014c).

### 3.2.3 The involvement of the REITs in development finance

Another model of finance for housing developers is the Real Estate Investment Trusts (REITs) having \$ 8,518 billion value in the stock exchange market. REITs in Turkey are established in 1998 bound by the general principles set by the Capital Markets Board (CMB). In the beginning, REITs in Turkey invested in real estate to rent, but this has changed into developing real estate, which ended up as a growing portfolio of real estate development. The REITs, which had invested in real estate for trade and business, shifted their investment into housing and shopping malls.<sup>14</sup> There were 14 REITs with a total



portfolio of \$ 3,295 billion in 2008 (Erol and Tirtiroğlu, 2011) and currently there are 31 REITs with \$ 8,518 billion in 2014 (Table 4) on the İstanbul Stock Exchange. The REITs in Turkey use a variety of activities in order to get capital gains and to earn private rental income:

**Table 4 Portfolio value of the REITs**

Year	Number	The Value in the Market	
		Thousand TL	Billion \$
2011/12	23	11,708,492	6,224
2012/09	24	13,409,858	7,482
2012/12	25	15,781,822	8,857
2013/03	27	16,877,359	9,317
2013/06	28	16,299,683	8,480
2013/09	30	17,084,711	8,395
2013/12	30	18,632,452	8,730
2014/03	30	19,956,284	9,227
2014/06	31	20,671,981	9,722
2014/09	31	19,432,453	8,518

Source: Sermaye Piyasa Kurulu (Stock Exchange Commission), 2014<sup>15</sup>

- (i) purchase and sell real estate,
- (ii) lease real estate from third parties and rent them in return to generate rental income,
- (iii) purchase and sell capital market tools and do reverse repo transactions with such

tools,

- (iv) buy land in order to carry out real estate development projects, and
- (v) purchase foreign real estate on the conditions of obtaining ownership and investment in real estate-backed foreign marketable securities and of not exceeding 10% of the value of the REIT portfolio' (Erol and Tırtıroğlu, 2011: 178).

The advantages of the REITs are their exemption from both corporation and income taxes, and they do not have to pay out dividends on a regular basis, which enables Turkish REITs' dividend withholding tax rate to be zero percent (Erol and Tırtıroğlu, 2011). The role of the REITs gains importance when we consider the first ten REIT companies according to their value in the market (Table 5). It is evident from Table 5 that the major REIT is Emlak Konut, which is owned by the state with the major share held by the MHA. The land portfolio of the MHA and the power of the MHA in the parliament in order to pass new laws, Emlak Konut as an associated state institution to the MHA, is seen not only as the leading REIT in the market but also as the monopoly. According to our interviewee from Yeşil REIT, 'the establishment of Emlak Konut REIT helped to raise the number of project developers and investors in the sector. It used to be 150-200 investors and has risen to 1500-2000. The involvement of Emlak Konut REIT in the sector created unfair competition because of its huge assets; however it also widened the size of the market. I wish The Bank of Provinces having all the budgets of the municipalities or Ministry of Environment and Urban Development establish their own REITs'.<sup>16</sup>

**Table 5 First ten REIT companies in Turkey in 2014 3<sup>rd</sup> quarter:**  
**real estate investments share and the value in the market**

No	Name of Company	Real Estate Investments (%)	The Value in the Market
1	Emlak Konut REIT	61.30	9,006,000,000
2	Torunlar REIT	58.02	1,535,000,000
3	Doğuş REIT	93.19	895,200,131
4	İş REIT	83.33	864,108,000
5	Yeni Gimat REIT	97.74	823,065,600
6	Saf REIT	86.19	806,807,519
7	Halk REIT	76.57	767,690,000
8	Akmerkez REIT	73.30	594,733,440
9	Vakıf REIT	28.72	577,428,215
10	Sinpaş REIT	55.15	510,000,000

*Source:* Sermaye Piyasa Kurulu (Stock Exchange Commission), 2014<sup>17</sup>

#### 4. Producers

The majority of housing production in Turkey in general and in İstanbul in particular is produced by private builders. The state has different roles in the production of housing (see the Section on the role of the State) but is not involved as producer. So there is a need to investigate the private builders and their engagement in the housing sop of Turkey and İstanbul. Production is not limited to the builders, since home furnishing and construction material producers are an important part of the sop. But we will not go into them in detail. The period between 1950 and 1980 was when manufacture and commerce of home

furnishings emerged and became the investment area of local entrepreneurial groups. As a part of accumulation in construction industry, the subsectors, including ceramic and furniture industry, has grown at the local scale. So, the construction sector was not only limited to building.

In the early years of the construction sector, the existing small number of large contracting companies has tended to concentrate on state-financed public works investments; however, in housing building, the big corporations were absent because of the lack of substantial state subsidies and the lack of large-scale development projects. Instead, the building industry has expanded in the big cities and been dominated by small-scale firms using cheap labour to respond the urgent housing need (Kurtuluş, et. al., 2012). The foundation of small firms was a peculiar type of housing builders in Turkey, called build-and-sell system (Öncü, 1988). The small firms, which are frequently called 'one man firms', were founded after the 1950s. The owners of the firms were the previous construction workers who started as unskilled labour in a construction site and became a constructor by gaining skills through apprenticeship and by accumulating enough capital. The latter stemmed from their rising income as they get skilled and via borrowing personal loans from friends or selling land in the village where they originated. This group of builders were intentionally outside of the bank loaning system, because of their unstable economic conditions over the long term. Build-and-sell contractors have not necessarily been involved directly in state bids and projects. The ones that were involved in state projects had the chance to turn into bigger construction firms (Kurtuluş, et. al., 2012). The number of build-and-sell contractors has risen from 15 in the beginning of the 1950s in İstanbul to 183 in 1973 in only the Anatolian side of the city. In the current situation the number of the contractors grown immensely and there are 200.000 contractors (Interview with Yeşil REIT), including build-and-sell; however we do not have the exact number of the active builders. It is not possible to reach the exact number of contractor type of builders. So, the contractors were carrying three separate roles in one body, including the building of the houses; financing the construction process and selling them.

These small build-and-sell firms first acquire the land in exchange for a couple of flats in an apartment block to be constructed, minimizing the initial capital outlay. The profitability of this kind of building depended on the capacity of the contractor in holding off from selling the entire set of flats while they accumulated capital gains. When all the flats are sold, it will then provide enough cash to the contractor to start on the next building project in the chain (Öncü, 1988). However, the dense high-rise residential development of the three decades after 1950 and the supply of serviced land in or close to the city centre came up against a limit. So, the owners of the remaining land started to demand half ownership of the apartment blocks to gain more profit. Also, the rise in the construction materials costs decreased the profit of the contractor (Öncü, 1988; Kurtuluş, et. al., 2012).

**Table 6 Composition of gross domestic capital formation (percentage distribution; current prices) between 1950-1982**

	1950	1955	1960	1965	1970	1975	1980	1982
<i>Private Sector Dwellings</i>	25.8	30.1	20.6	21.9	19.6	11.5	24.5	11.8
<i>Public Sector Dwellings</i>	1.4	0.5	0.3	0.9	0.5	0.8	0.8	1.6

Source: Öncü, 1988.

Towards the end of the 1970s, the larger Turkish contractors, who had been investing in the Middle East in big infrastructure construction, also came back to the domestic residential market. The demands of land owners, along with the capacity of larger contractors in providing technology and meeting the higher costs of workers and the newly emerged state-subsidies in housing (see finance and the state sections), opened the housing market to larger contractors at the expense of smaller ones (Öncü, 1988). According to Erdoğan (1978), small-scale contractors lost their ability to compete with large contractors because large builders were able to get loans or land from the state institutions for housing investment.

The 1980s witnessed legal changes in urban planning where local governments gained powers over planning and a rise in their financial power. The state gained significant roles not only at the local level but also at higher levels. The foundation and enhancement of the PHF (Public Housing Fund) Law provided loans to cooperatives and contractors in which an amount of small-scale build-and-sell contractors left the market. Large-scale builders and the build-and-sell contractors that remained in the sector were the housing providers of the time. Those big projects have raised the value of land and the costs of construction, and created speculation that ended up with shortages of housing for the poor and housing for low-income households (Kurtuluş, et. al., 2012). According to different sources, the new housing production model aimed to produce approximately 1000 mass housing project targeting middle- and upper-income households. The first 150 of these projects were produced between 1987 and 1999; 450 of them were produced between 2000 and 2005; and 400 of them were produced between 2006 and 2011 (Kurtuluş, et. al., 2012: 29).

There were ups and downs for the construction sector during the 1990s and a crash after the 2001 crisis (-17.4%). However, the sector prospered in Turkey's economy between 2001 and 2007. This growth depended on the significantly rising role of the private sector in the housing sop (Kurtuluş, et. al., 2012). This role was evident in the 9<sup>th</sup> Economic Development Plan of Turkey, where the housing questions were not put in a separate section; rather they came under Construction and Contractor Services sector. This shows that housing is not seen as a part of the state's duties anymore; rather, it is accepted as a part of private sector. The change in the plan when compared to the previous ones shows the active involvement of the state in the housing sector as a regulator, not as the responsible actor of the production. The role of the state is accompanied with the new mortgage law and the foundation of the REITs (see Finance Section for more detail), which enabled big builders to create consortiums to run big housing projects (Kurtuluş, et. al., 2012).

Large-scale projects are mainly enabled by the MHA and Emlak Konut REIT bids. By 2011, the MHA investments in housing were 1500 in number and 32 billion TL in value, with almost 30% of the investment in İstanbul. While the contractors working with the MHA vary from

small to large scale, the top ones mostly invest in İstanbul with huge amounts of commitment value of the finished works (Table 7). All the top contractors of the MHA were founded after the beginning of the 1940s, but either started to invest in construction or increased their investment in construction over the last decade. These contractors invest in housing alongside investing in shopping malls, tourism, business, culture and sports centres. The housing projects made by these companies are made through a revenue-sharing model of the MHA, which is the transfer of public land to the companies in return for a share from real estate development.

<b>Table 7 Top Contractors of the MHA (2011)</b>		
<i>The Company</i>	<i>Commitment Value (million TL)</i>	<i>Number of Projects</i>
Metal Yapı	1.251	1
Varyap	953	5
Aşçıoğlu	915	3
Ağaoğlu	773	3
Mesa	747	3
Kuzu	724	20

Source: Sönmez (2011)<sup>18</sup>

The last group of producers is the large-scale manufacturing (e.g. Ülker, Eczacıbaşı, Anadolu, Zorlu, Boyner, Abdi İbrahim, Tahincioğlu) and trade (e.g. Kiler, Torunlar, Astaş) groups in textile, medicine, food and so on industry investing in housing, shopping malls and real estate development since the 2000s.<sup>19</sup> In 2010, Turkey, with its big scale 33

construction firms in the list of 225 biggest construction firms of the world, was ranked second following China on the top (Kurtuluş, et. al., 2012). The total number of firms in the Turkish construction sector has risen from 7035 in 2008 to 13,733 in 2011, i.e. by 95.2% in three years. (Kurtuluş, et. al., 2012).

Some firms also have their own REITs (e.g. Torunlar, see Table 5), which get their share of real estate investment from the privatisation of public real estates by public tenders of the MHA. They all are producing 'prestigious' housing projects for high-income households. However, because of the scale of the projects, the need for expertise in different parts of construction work, and for reducing costs by using cheap labour via cutting the costs of workplace health and safety, and social security of workers, these big companies subcontract the job to small contractors. As discussed in the Labour Section of this paper, the deaths in 'prestigious projects' construction sites are highest in İstanbul compared to other sectors and places. Workers who died by falling from a skyscraper construction in the first five months of 2014 alone numbered 97.<sup>20</sup> The high ratio of deaths and accidents in prestigious projects, in other words in big scale construction firms, is mainly because of high subcontracting of the work itself, but also the subcontracting of the control of health and safety conditions in the workplace to private companies, which will be discussed in the next section in detail.

## 5 Labour and labour regime

The role of the labour process in the housing sop can be shown by looking at how the reproduction of labour changed through time starting from the 1950s. The 1950s were the start of rural migration to the big cities of Turkey, in particular to İstanbul. Between 1950 and 1980, the massive flow of rural migration to big cities had an important effect on urbanisation as a part of their integration into capitalist production processes. Changes in capitalist relations and migration of workers created a restructuring of labour, capital and market relations. These changes had significant consequences for the built environment, as well as for production relations and labour processes. Gecekondu settlements were a solution to the housing need of the migrants in the big cities and also supported the supply



of labour to industry. Migrants were cheaper labour power as firm-owners did not have to cover housing costs. Gecekondu was a cheap and convenient housing good solution for low-paid workers, and workers were not able to demand extra payment for housing because of their lack of organisation. So, the new migrants were a solution to the need for cheap labour in the growing industrial sector in cities, and low costs of housing through gecekondu production helped to keep wages of the workers low. While this encouraged people because of job opportunities with low costs, it was also a process of forming a reserve army of labour (Yıldirmaz, 2009: 131-2; 2010: 443). As nationally-oriented capital accumulation and industrialisation increased and big companies grew until the 1980s, the working class was expanded and strengthened. There was a threefold increase in the number of workers in manufacturing between the 1960s and the 1980s.

The 1970s witnessed a movement of working class struggle in Turkey, including widespread strikes, as in Western Europe. Working relations and conditions were restrictive by new laws, including not to allow the right to strike, collective agreement and unionisation, which continued until the military coup in 1980 (Öztürk, 2011: 124, 126). The 1980s started with radical changes in economic and social life in Turkey. The coup dramatically affected social life, especially the strong working class movement. This period began with new decisions - the 'January 24 Decisions'- which aimed to meet the demands of the major business groups after the economic crisis between 1977 and 1979. The economic decisions were mainly framed to discipline the working class, involving a decrease in union rights, banning strikes, trial of the directors of Confederation of Progressive Trade Unions of Turkey (DİSK), and shifting the setting of wage rates from collective agreement to the Board of Higher Arbitration (YHK).

This period saw the initiation of neoliberal economic policies in Turkey, which entailed not only the restructuring of capital, but also the relations between capital, labour, and the state so as to discipline labour. Between 1980 and 1990, the beginnings of the expansion of Turkey's international trade were set in place. An international accumulation strategy was one form of restructuring, and started with enactment of new regulations, which aimed to

promote integration into international markets. Aiming to increase participation and improve competitiveness in global markets, the manufacturing of goods was based on cheap mass production without creativity or quality (Türkün, 2014). These policies were intended to put pressure on labour movements, and imposing restrictions on the gains made by the working class during the previous decade, but also promoted restructuring of capital to the advantage of big companies (Öztürk, 2011: 134). These measures had the effect of suppressing real wages by as much as 32% in relation to consumer prices, and the wage share in the industrial sector was more than halved, from 37.2% to 15.4% between 1978-79 and 1988 (Türkün, 2014).

Since the 2000s, there has been a further change in the mode of integration of Turkish economy into global capitalist order and with the election of the JDP government in 2002, the financialisation-led process has been intensified. This was evident in the increasing investment in the construction sector and in the commercialisation of state-owned land and in the privatisation of public sectors, including health and education. As a part of neoliberal urban politics, the MHA has played a central role, which will be shown in detail in the following sections.

In the period after the 2000s, the rise in the construction sector by private companies has a particular form of influence in the working conditions of workers and in the employment practices to minimise production costs and the amount of capital that is committed to production. The pressure put on the workers in the construction sector is also a part of the labour-intensive characteristic of a late development capitalist country like Turkey. The number employed in the sector doubled between 2004 and 2013 and also the share of employment has risen from 4.9% to 7.1% over the same period (Koçak, 2013a: 17). The potential cheap workforce and the high rate of unemployment made the need of machinery and technology redundant (Koçak, 2013a).

Developers reduced production costs in two ways: in terms of employment practices and in terms of working conditions. The dominant employment practice construction sector, as a part of private sector, is subcontracting. Subcontracting employment has systematically

risen since 2002. The number of subcontracting workers was 387,000 in 2002 and has risen to 1,611,000 in 2011. The rise in subcontracting workers tripled between 2002 and 2007, and rose 50% between 2007-2011 (Öngel, 2014: 40). The private construction sector has the second highest share of subcontracting in employment after the public cleaning sector (Koçak, 2013a: 20). Subcontracting both decreases the production costs (by providing cheap labour), creating competition among the firms, but also aims to limit and diminish worker's rights including right to unionise and collective agreement (Öngel, 2014: 39).

The privatisation process in the public sector which accelerated subcontracting, and the Work Law (Law 4857) enacted in 2003 in order to regulate subcontracting relations (Şafak, 2004), have been two of the other factors in the loss in employment in the public sector and PEE (Public Economic Enterprises) around 70% from 2000 to 2013 (Öngel, 2014: 39). The leading subcontracting sector in public services is health workers at 62% by 2009 (Öngel, 2014: 41). The highest rate of subcontracting employment is in construction in the private sector. Almost all of the employment relations and the production processes are dependent on subcontracting in the construction sector. According to the statistics 1,709,000 people are employed in the construction sector and 775,000 of them are informally employed (Öngel, 2014: 46).

Informal employment is also overlooked by the state through the legal rights given by the Work Law (Law Number 4857) and by Collective Agreement and Unions Law (Law Number 6356). According to the first regulation, in the workplaces where the number of workers is 30 or more, there is a requirement to provide job security. The right to union is also applicable only in the workplaces where more than 30 people are employed. Despite state regulations, half of the workers in the sector are both out of job security and the right to union compensation (Koçak, 2013a: 19). According to Law 6356, there is also a gradually rising threshold for union recognition in a workplace according to the unionisation rate in each sector. The threshold for the construction sector was 3% in 2008, which runs the risk of losing unionisation rights for all the workers in the sector (Koçak, 2013a: 19).

Informality and the number of migrant workers are highest in the construction sector. Most

of the migrant workers coming from abroad, including Azerbaijan, Turkmenistan, Afghanistan and Georgia, that are favoured by employers wishing to use informal workers for subcontracting (Koçak, 2013a; Toksöz and Akpınar, 2008). In some cases after the main company distributes the work to subcontractors, the subcontractors give the job to other subcontractors and this might involve three or more layers. The workers are employed for short periods as unqualified workers in three ways: as workers for a project-based or subcontracted job working for building construction and repair, road bridge construction and restoration of historical remains; as porters to carry all kinds of construction materials in the construction materials stores and as well as cleaners; as daily workers for small-scale works hired from the local job market in the city centre (Toksöz and Akpınar, 2008). This way of splitting the job into small pieces creates the opportunity to reduce the production costs not only in paying low wages, but also because there is no need to pay for the control and provision of good working conditions, including health and safety.

Another way developers reduce production costs is seasonal employment and flexible working conditions. The construction sector, with its 479 thousand seasonal workers, is the leading sector in seasonal employment (Öngel, 2014: 48). Seasonal workers in the construction sector make 78.6% of all workers in the construction sector and 57.4% of all seasonal workers (Koçak, 2013a). Flexible working conditions involve insecurity, long working hours, and no or very low control of health and safety conditions in the workplace, including poor conditions of sheltering in the site and high numbers of deaths. The construction sector has the highest number of accidents of all sorts in the workplace among other sectors: 7.6% of all accidents in 2008; 10.7% in 2009; 10.2% in 2010 and 11.2% in 2011; and one-third of deaths in the workplace in the last ten years (İzmir Tabip Odası Raporu, 2014). 272 workers died in the construction sector in the first nine months of 2014, intensified in the construction of prestige projects, including third bridge construction and luxury housing projects in İstanbul, and in the construction of hydroelectric power plants in different parts of Turkey. In September 2014, 10 workers died on one of REIT's biggest construction sites, Torunlar REIT, where another worker died at the beginning of this year. According to the recently published report by İzmir Medical Chamber (2014) and in Koçak

[2013a] there are three dynamics behind the high numbers of deaths and accidents in the construction sector: long working hours; subcontracting as the main employment and production structure; and subcontracting of the control of health and safety in the workplace. Long working hours are because of the pressure put by the employer on the workers in order to reduce the cost of production. Working hours are not only long, but also unpredictable. At an average of more than 45 hours per week, this is the longest working hours among other sectors (Koçak, 2013a: 21).

The privatisation of public services, including health, also took its toll on the control of health and safety in the workplace. The control of health and safety conditions in the workplaces was privatised in two ways: a construction company either needs to employ their own health and safety expert and workplace doctor or need to hire a subcontracting company, called 'Common Health and Safety Unit' (CHSU). Most of the construction companies prefer to hire a subcontracting company to reduce their costs. By the new law for health and safety (Law Number 6331) 1037 companies have been established in different cities. The expert hired from the company controls each workplace once a month or in every two weeks. The common working practices of the CHSU experts are doing risk analysis; periodic controls and preparing emergency plans without visiting the workplace; health controls in the employment of the worker undertaken in four minutes, hiding evidence of workplace accidents and recording trainings that have not happened (İzmir Tabip Odası Raporu, 2014).

Pressure put on workers in employment practices and working conditions and also the rise in the number of workers in the sector have intensified the active workers movement since the 2000. The actions of the workers vary from the moderate, including meetings with employer and press statements to striking, marching, taking the manager as hostage, work stoppage and protesting in front of the main developer's company or house. In most cases, workers got their payments or the employer promised to make the payment (Koçak, 2013b: 7). The actions of workers are geographically dispersed from the west part of Turkey to the east regions and not only limited to İstanbul where construction is focused. The main

demand of the workers and the reason behind their actions are mainly related to unpaid wages. For months workers may not get their wages paid by the companies. When the (subcontracting) companies cannot get their payments from the main company, they cannot pay to the workers. Construction sector in Turkey is very much prone to the crisis in the economy, which was experienced twice (in 2001 and 2008) since the rise in the construction sector. This is common in the subcontracted system of construction sector. So, the ultimate way to get paid is to stop working. In some cases the demands might be to get social insurance and improvement in working conditions, but mostly it is to get their due wages. Five of the work stoppages happened in the MHA construction sites including big public investments like building of dams, hospitals, the underground and stadia. As the MHA works with subcontracting companies it is sometimes impossible to find someone in charge until the workers stop working. In the beginning of 2014 construction workers unionised and this might have raised their bargaining power with the companies. Unionisation is aimed not only at unpaid wages, but also holiday pay, extra working hours, and better working conditions in the workplace. However, as mentioned above, the nature of construction working is seasonal and short term, which makes it difficult to unionise. The longest time to spend in one place is four months and workers may remain unemployed for months between jobs. The nature of working conditions in Turkey puts a barrier on the bargaining process and workers getting and exercising rights. So, unionisation is the first and inevitable step to better conditions (Interview with Union of Construction Workers).

## **6 The State: the role of the State in housing provision**

This section examines the interventions of the state by looking at the changing legislation and institutions from the 1950s to the present. Housing provision is one of the areas where the role of the state has undergone significant changes while the private initiatives whether self-help housing giving rise gecekondü settlements or in the form of corporate sector involvement gained pace in line with the changing trajectories of Turkey's development process.

The post-war era had witnessed the adoption of 'import-substitution industrialisation' (ISI)

strategy albeit on ad hoc basis initially or on a planned basis from the 1960s onwards. This coincided with the rise of an industrial bourgeoisie investing in the manufacture of consumer goods for the domestic market which had implications for the construction sector in general, and housing in particular. It was also the period during which the corporate sector has developed a new institutional form referred to in Turkish as “holding companies”, that is, conglomerates with diversified interests ranging from manufacturing to banking and other service industries (Öztürk, 2011; Yalman, 2009). The links and partnerships with financial institutions have been developed for those groups which did not have a financial arm. In order to promote ISI, the state also played a key role by setting up preferential rates on loans to priority sectors as indicated by the development plans (Öncü, 1988). However, these were not complemented by concessionary credits to private housing production from the commercial banks. The role of the state has been rather than investing in housing production, prioritised investment in infrastructure and basic services as mentioned in the First Development Plan (1963-7) (Çelik, 2013). However, in the Second Development Plan (1968-72) the role of the state changed into ‘regulator’ rather than ‘investor’ or ‘builder’ (Çelik, 2013). While housing provision was not taken to be the main duty of the state and access to housing by provision were very limited through the loans given by state-owned banks such as RECB, and mainly available for middle-income households (Buğra, 1998). In this regard, the role of the state was to support investments in infrastructure, especially in the building of motorways, airports, dams and NATO facilities leaving the housing sector at the mercy of small- and medium-sized companies. The state even discouraged the production of luxury housing and rather aimed to support the improvement of existing gecekondu settlements through making investments in infrastructure (Çelik, 2013). So, the state played a role in the continuity of gecekondu housing production. Gecekondu settlements were legalized together with the right to have the title deed or to buy the land.

This period was followed by a new set of urban policies reflecting the neoliberal adjustment programme, which initiated a series of social, economic and political transformations in the country especially after the 1980s coup d’état. With the transition to civilian rule from 1983

onwards, the stimulus for economic growth continued to stem from the domestic market, notwithstanding the official rhetoric of adopting export-oriented strategy of development (Bedirhanoğlu *et al.*, 2013, Yalman, 2009). It is to be noted in this context there has been a shift to large-scale mass housing production with the enactment of Mass Housing Laws (No. 2487 and No. 2985), which was instrumental in regulating and providing finance for the production of mass housing for low- to upper-income households. With these laws a new institution came into being for the provision of housing, Mass Housing Administration (MHA), which would assume extensive powers in due course as it will be examined below. The changing role of the state was not limited to regulating the housing market from a national state body through Mass Housing Law, planning power was also devolved to lower levels of government, making municipalities the key actors in the planning process. Municipalities were also restructured as a part of this change. Such a shift was enabled by two new legal arrangements: the decentralisation law for the administration of the Municipalities of Large Cities (Law Number 3030); and Town Planning Law (number 3194), which strengthened the financial structure of the metropolitan municipalities and gave more power to local governments (Tekeli, 1991a). In this way, 'local governments became relatively independent, especially with respect to urban development' (Uzun, 1991:84). On the other hand, gecekondu settlements were attempted to be legalised once again with the provision of title deeds to the dwellers. At the same time, they were incorporated in the planning system through improvement plans.

There have also been institutional changes in the city-scale planning institutions since the MHA gained new planning powers in 2004. As the national scale planning authority has gained extensive powers, the city-scale planning authorities in İstanbul - the Greater İstanbul Municipality (GİM), İstanbul Metropolitan Planning Bureau (İMP) and District Municipalities - have experienced alterations in their planning powers as urban regeneration projects became the main policy for redevelopment of dilapidated neighbourhoods and gecekondu settlements (Çelik, 2013).



Before this, the institutional framework of city-scale planning in İstanbul was under the control of the GIM at the metropolitan level and under the control of district municipalities at the district level. The GIM and the district municipalities - 73 in total in İstanbul - are composed of locally-elected council members from different political parties and a mayor leading the council during every election period of five years. The planning powers of the GIM and the district level were assigned according to the scale of the municipalities. While the GIM was responsible for the macro-level plans, district municipalities were responsible for making district level plans at a micro-scale under the principle of decisions of the Greater Municipality. District municipalities were able to offer their comments on the macro-scale planning processes and to cooperate with other district municipalities in the preparation of metropolitan plans. After the preparation of the plans at the district level, they were submitted to the Greater Municipality for approval. In this way, the planning process was centrally run at the city-level (Tekeli, 1991; Çelik, 2013).

However in 2004, planning became more centralised, with the establishment of the İstanbul Metropolitan Planning Bureau. The IMP was founded as a firm of the GIM having the responsibility for making the large-scale city-region plan, creating the 'spatial constitution' of the İstanbul city -region. The aim of its foundation was to establish regional planning for the whole of the İstanbul region by gathering together all the stakeholders (universities, professional chambers, representatives of ministries and district municipalities, NGOs, construction companies and developers). The plan was prepared by fifteen different working groups with more than 300 professionals of urban planning, architect and engineering. The IMP has strategic planning powers that override the district municipalities, and is differentiated from traditional municipal bureaucracy in relation to partnerships with investors. The goal was the 'the spatial constitution' of İstanbul at the city-region level. The plan prepared by the IMP defined the new role of the city in its region as being to foster integration with global capitalist dynamics. This role was mainly reified under the conceptual framework of 'being a global city': this includes furthering the deindustrialisation of the city centre and dispersing manufacturing to the outer peripheries of the city in its region, while enhancing the service sector in the city centre. A 1/100,000

scale macro-plan was produced in partnership with academics and with the active involvement of international agents, big real estate companies, business, industrial capital and some NGOs. As the IMP implemented the plan, the duties of the Institution were terminated. The IMP was wound up and disbanded once the plan was implemented. The decisions made at the city-region scale by the IMP were assigned to the GIM to prepare city-scale plans (Çelik, 2011a).

The role of the GIM was to prepare large-scale plans in accordance with the macro-scale plan of the IMP by setting annual goals and investment programmes. District municipalities had to prepare micro-scale plans, but also had more locally dependent responsibilities and regulatory procedures: collecting solid waste; inspecting for health hazards and public safety; building car parks and recreational areas; building and maintaining secondary and local urban roads; building and maintaining facilities for health, education and culture; protecting cultural, natural and historical assets; offering social and cultural services for the elderly, women, children and disabled; providing burial services; and offering training for skills and trades (Çelik, 2013).

While the responsibilities and duties of greater and district municipalities remained the same, their planning powers changed after 2004. The institutional and legislative alterations to the planning powers of local institutions were due to the national state's approach to moving the whole planning system towards an 'urban regeneration' focus. This shifted power to national scale institutions and weakened the role of the local state and reduced the ability of dwellers to participate in the planning process. The main change towards upward scaling of planning powers was the empowerment of the national-state authority of housing and planning, the MHA (Çelik, 2013; Türkün, 2014).

The role given to the MHA was to consolidate the politicised process of urban regeneration projects. It was assigned to a central state body because the Greater and District Municipalities were limited financially, politically and administratively in undertaking the scale of spatial restructurings projected. The MHA was therefore reinvigorated as a powerful operator in the urban regeneration process, solving the legal and bureaucratic

'obstacles' for investors, giving financial and technical support to the municipalities, and organising resident relocations resulting from regeneration projects, and weakening possible civil resistance by both subtle and brutal methods. Within this framework, in recent years the MHA has initiated various urban regeneration projects, most of which have been located in İstanbul (Çelik, 2013; Türkün, 2014).

In recent years, the changes or enactments in legislation that totally or partially concerned the production of the built environment affected by 78 laws and 10 bylaws (Balaban, 2012). The majority of the changes was to ease the process of urban planning and remove the obstacles to giving developers in both the private and public sectors more power over the process of selecting locations to invest in and the volume of that investment (Balaban, 2012).

Since 2003, urban regeneration has become the main urban policy and the MHA the central state institution of planning. In contrast with the former period of urbanisation between 1950 and 2000 in Turkey, the JDP government gave all the authority for regeneration and all other planning powers to the MHA by transferring power from, and overriding, the municipalities (Çelik, 2011b: 491-3). The power of the MHA has been expanded by many far-reaching legal and institutional reforms:

- (i) the MHA has been given powers to establish its own companies, undertaking partnerships with existing private companies in and outside the country; providing credit and land; and/or directly undertaking regeneration projects (Law Number 4966, 2003).
- (ii) the MHA has been granted power to carry out profit-oriented projects in partnership with private companies, mostly on state-owned lands on a revenue sharing model. The MHA produces luxury housing, the profits from which can cross-subsidise affordable housing projects (Law Number 4966, 2003).

(iii) all the duties and powers of the national Urban Land Office have been transferred to MHA, with its land stock, which expanded the land stock of the MHA from 16,500,000 m<sup>2</sup> to 194,000,000 m<sup>2</sup>, at no cost to the MHA (Law Number 5273, 2004).

(iv) the MHA has gained urban planning powers for the first time since its establishment. It gained the power of making plans at all scales: urban regeneration projects in gecekondu settlements (Law Number 5162, 2004); in historical areas, and dilapidated inner city zones (Law Number 5366, 2005); planning of all state-owned lands (Law Number 5018, 2009); and has taken all the planning duties of Ministry of Public Works and Settlement (Law Number 5069, 2007) (Çelik, 2013).

The MHA has become the only central state institution with extraordinary powers to restructure the relationship between the state, space and urban policy through its housing policies (Çelik, 2011b). Its powers expanded in scope and content to include, as well as housing, the building of schools, hospitals, dormitories, sport centres, social and cultural facilities, police stations and military facilities. Therefore, the completed and on-going MHA projects constitute an important part of the recent urbanisation process in general, and urban regeneration projects in particular. Since 2002, the MHA has produced approximately 500,000 housing units, has started 248 urban regeneration projects, met 5-10% of urgent housing need, and is planning to produce 500,000 more housing units. Of total housing production, 17% is luxury-housing units; the rest is affordable housing. 15% of affordable housing is for dwellers in urban regeneration areas, the rest of affordable housing units are for low- and middle-income people (MHA, 2010:4).

Erdogan Bayraktar, former Head of the MHA, emphasised in most of his statements in the newspapers that expanding the role of İstanbul at the global scale is both necessary and urgent. İstanbul needs to enhance its competitive power at a global scale to become a centre for real estate investment. The Concluding Report of the 2008 Housing Summit of the Association of Real Estate Agencies (Gyoder, 2008) also argued that, 'In Turkey, the complexity of planning processes puts a halter on the construction sector's activities. The

powers and limitations of the institutions effective in this process should be reconsidered to create clear and fast solutions in a long-run planning process'. The Association demands new legal regulations as part of the adjustment process for integration into the EU and for integration with global capitalist dynamics. These declarations are also related to the global city role of İstanbul to be a part of the 'networks of cities' at global level in order to attract foreign investment. Although large-scale urban investors and real estate investment trusts are satisfied with the role of the MHA, they still demand reduction in the planning bureaucracy and for more power to be given to the MHA as the central planning authority equipped with guarantor role to reduce the risks of the investors (Gyoder, 2007, 2008).

The demands and concerns of international construction companies find their correspondence in the changes to laws and the changes in the role of institutions. In 2004, the MHA, which had limited powers in relation to regeneration projects was given power for the regeneration of gecekondu settlements (Law No. 5162, 2004), historical areas and dilapidated inner city zones (Law No. 5366, 2005) and the planning of all the state-owned lands (Law No. 5018, 2009). Additionally, all planning duties of the Ministry for Public Works and Settlement (Law No. 5069, 2007) and all the duties and powers of the national Urban Land Office were transferred (Law No. 5273, 2004) to the MHA (Çelik, 2013). As a result, the MHA has become the only central state institution with extraordinary planning powers (Çelik, 2011b). According to Çelik (2013), this was a response to the demands of internationalised construction companies and for the effective and expansive usage of the state's central financial resources for demolition of gecekondu settlements and dilapidated houses and to provide affordable housing for the people evicted from their living spaces, and also using the police force to crush the militant resistance of dwellers of poor neighbourhoods against urban regeneration. In 2012 a new legislation (Law No. 6306, 2012) was passed to empower the Environment and Planning Ministry and the MHA to use the planning powers for all scales and incentives in the areas where there is risk of disaster. This new law allows the commencement of urban regeneration at parcel (plot) level with a report showing that the building is susceptible to possible disaster (Türkün, 2014).

Upward rescaling of the state was not only limited to the expanded powers of the MHA and the Ministry. The rise in the foreign direct investment (FDI) in the construction sector reached an 18.5% growth rate (Yemar, 2009). In order to establish an integrated construction sector in real estate and for foreign investment, there have been changes in the laws. The increase in the construction sector was supported by the changes in the Public Procurement Law (No. 4734, 2002). The process of changes in the law points out a dynamic scaling process involving conflicts and negotiations between classes. “The scale was shaped by the unequal but mutual power relationships between global and domestic capital groups” (Ercan & Oğuz, 2006: 641).

While the MHA was empowered, the Greater Municipalities are given new powers to carry out urban regeneration projects at the local level (Law no. 5998, Article 73, 2010), providing ways of depoliticising the contradictions among different capitals and residents. The rescaling process was not only shaped by the interest of global capitals in the construction sector, but was also shaped by domestic capital groups and by the resistance of residents. A recent change in the Development Law (Law no. 3194, Article 13)<sup>21</sup> enables the state to transfer development rights of a parcel of private property to another parcel or to an asset to be sold in the stock exchange. The dynamics behind the new laws can be: Firstly, the state is aiming to found the derivative market for mortgage loans. Secondly, the urban regeneration areas are met with organised resistance of the residents that put barriers on the accumulation process of investors and a barrier on the creation of a derivative market (Çelik, 2013). Thirdly, this will also be used to enhance the portfolios of the REITs, which cannot gain ownership of land but, after this law, are able to keep stocks in the derivative market. That the change in the law is not an unexpected shift is clear from the interviews we made with one of the heads of the REITs, as well as the old head of the association of REITs, and with a mediator-urban planner who is very active in the development of the law.<sup>22</sup>

## 7 Consumers

With the varied forms of housing consumption, it is analytically useful to identify three main

dimensions (Robertson, 2014): patterns of household formation; quality of housing standards; tenure. First, patterns of household formation are not only limited to population change. Household formation varies according to the types of users. In the beginning of the 1950s, the major flow of migration to İstanbul introduced big families living in the same house to the other users. In the first wave of migration, firstly 'the man of the house' has moved into a house of his relative to find a job and as he started to settle in the city, the big family was brought to İstanbul. The houses were *gecekondu* settlements, which were 40% of total housing in İstanbul, made by the migrants through self-help and not big enough to share with the whole family or more than one family. This type of housing was made to respond to the need for very 'basic' sheltering, where there is no sanitation or access road. However, the way of using the house was to have one or two rooms, which are used as the dining and bedroom interchangeably. So, extended families under one roof were common in the 1950s and onwards. At the same time, having a flat and living in it with your nuclear family started to be the household project of the Republic in the form of the build-and-sell system and cooperatives. Even if the new dual trends of having an extended family migrated from rural areas and having a nuclear family were evident, old extended families of İstanbul were living in mansions, called '*konak*', involving more than four rooms. During the recent two decades couples and single-person households characterised a growing portion of household formation; however, nuclear family flats are still in common use. Household formation patterns are not only limited to the supply of the housing market, it is also shaped by the demand of the consumers influenced by the cost, availability, and the cultural and legal constraints of marriage.

Second, the quality of housing standards that varies according to the income of the household are not only defined through the material quality of the buildings after the 1999 earthquake in the Marmara Region where İstanbul is located, but also for the quality of interior design and the lifestyle of the consumers. The earthquake risk is used to legitimise 'urban regeneration' projects, involving eviction, for a better quality of housing. However, the mass housing built for this purpose by the MHA does not carry the necessary quality.<sup>23</sup> As in the case of MHA mass housing units built for Ayazma residents became dilapidated

within two years, which is a common problem of affordable housing units of the MHA and not only evident in Istanbul. The aspect of the quality of housing standards is applied to middle- and upper-middle-income households in which they are offered a high-class lifestyle in the new housing areas, which have sports facilities, shopping malls, recreational areas, restaurants and cafes in a guarded housing estate. This kind of life also brings the 'inevitable need' for interior design. Both of them enhanced the rise in the construction sector by affecting different parts of the sector in terms of consuming newly built houses or spending money on furniture or interior design of the houses or both. This involves a rise in the personal loans of the consumers, including mortgage loans. Karaçimen's (2014) work shows that since 2003 there has been a rapid rise in household sector borrowing from financial institutions. Separate from housing loans, the striking rise in personal loans and credit cards are generally used to purchase durable and semi-durable consumer goods and expenditures (Karaçimen, 2014: 173). The total of consumer loans and credit card debt increased from 1.8% in 2002 to 18.7% in 2012 in Turkey (Karaçimen, 2014: 163).

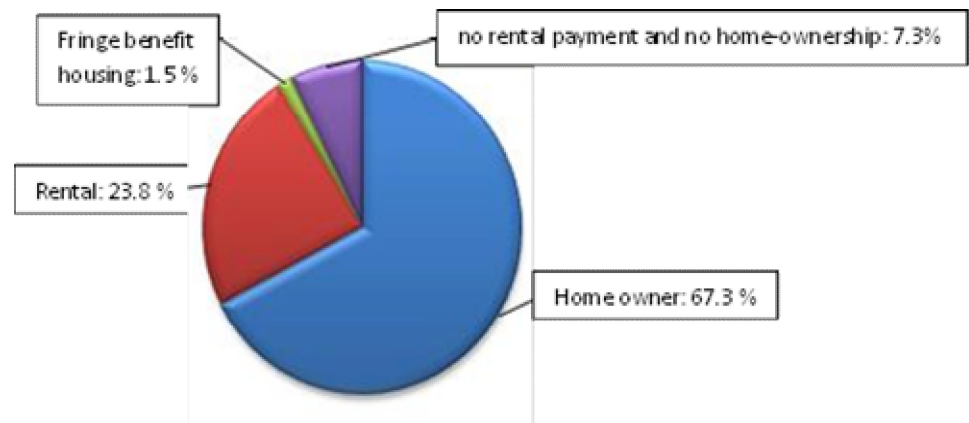
The last dimension is very much related to the second one in terms of the connection between the mortgage loans and the rise in owner occupation. As owner-occupation has been rising in Turkey, by 2011 the majority of the tenants were home-owners (Figure 5). For the first time in Turkish urbanisation history the government put 'making everyone home-owners' in their agenda.<sup>24</sup> Home ownership is not only limited to the middle- and upper-middle-income households who are used to being able to afford to buy a house, but everyone, including residents of gecekondu settlements with no secure jobs, will also expect to own a house via MHA mortgage finance and urban regeneration mortgage, provided and subsidised by the state. The motto used to attract those who cannot afford to buy a house was: 'Buying a house via mortgage will be like paying rent monthly!'.<sup>25</sup>

When we consider homeownership with the second dimension of housing consumption, housing ownership does not necessarily mean reaching a satisfactory quality of housing. For example, paying monthly to get a house means that low-income households are expected to make a down payment (US\$ 2670 and repayment US\$ 170 per month) but they



have small units at the end (65-87m<sup>2</sup>).<sup>26</sup> The growth of owner-occupation during the last decade has been accompanied and intensified by access to different finance opportunities and also paved the way for the financialisation of assets for all income groups.

**Figure 5 Structure of housing by legal basis of dwelling occupation**



*Source: TÜİK, (2011)<sup>27</sup>*

It is then possible to argue that the expansion of owner-occupation, which fed mortgage lending and the financialisation of mortgage assets, can be grasped as an outcome of two sets of circumstances. First is the provision of different housing tenures, including the location, quality, size, design and the facilities. Second is the state project in Turkey, where there is a very powerful state housing agency, which directly aims to provide owner-occupied housing for every segment of income. As it was possible for a regular income owner to get mortgage loans from the banks, the state has put new tools of lending mechanisms in place for low-income households (see Financialisation Section for more detail).

## 8 Resistance

The urban social movements in relation to space do not have a very long history in Turkey. However, the resistance practices against being evicted from gecekondu settlements started in the 1970s (Aslan, 2004; Ünsal, 2014). Despite the non-interventionist strategy of the state in relation to gecekondu settlements, there have been attacks by the state to

demolish gecekondu houses. These actions have been met either by resistance from gecekondu dwellers or in the form of negotiation. The resistance to demolitions had a new form that has never been experienced before in the history of urbanisation in Turkey. In the late 1970s, the political mobilisation of the working class was very strong and for the first time labour unions were organised under a confederation and acted to uphold the social and economic rights of their members, including housing (Keleş, 1990: 141). The political mobilisation and the strong working class movement in this period had a positive impact on urban social movements and which also gained a political character. Some radical left groups had a particular interest in the housing problem because they saw it as a part of the class struggle (Aslan, 2004: 81). These movements demanded the right to have local services in existing gecekondu settlements, including sanitation, transportation, communication and roads, in order for the settlements to become integrated into the city. They also demanded the right to construct new gecekondu settlements for people who did not have dwellings. The second demand directly targeted the housing problem of migrants who came from the rural areas to cities as cheap labour. So, the main demand was free access to unused state-owned lands (Çelik, 2013). However, the demands of the dwellers and the left activists was met by severe repression by the state. As a result, the state started to abandon the policy of not using force and started to take precautions in the form of using police force or precipitous demolition of new gecekondus (Aslan, 2004: 78). In brief, resistance in gecekondu neighbourhoods was based on the increased awareness of class struggle of this period, and was politicised in relation to left working class movements, which provided support and active involvement. The resistance to the state's actions against some gecekondu settlements was not based on notions of property ownership, but was well organised around ideas of collective commons and with the participation of the majority of the neighbourhoods (Çelik, 2013). This has changed in the later struggles in terms of demands and getting organised; however this change is true for some neighbourhoods not all included in the regeneration projects.

The demolition of the gecekondus continued during and after the 1980s; however the resistance changed in terms of its form partially related to the defeat of the working class

in 1980. The resistance turned into reaction based on individual and property rights rather than being a collective movement (Çelik, 2013). That is why it is possible to argue that such a resistance in the 1980s paves the way for the goal of homeownership as form of resistance. The urban movements was not only limited to gecekondu resistance after 2004. As the neoliberal policies targeted investment in urban land, big infrastructure investments (e.g. roads, bridge) and rising property rights in developing parts of the city (e.g. in the CBD) in order to produce rent, it caused an unequal share of public investment and destruction of the environment. A new group of urban opposition has grown in this period via the professional chambers (e.g. Chamber of Architects and Urban Planners) and via the newly established middle-income 'neighbourhood beautification associations' (Ünsal, 2014).

The current form of urban movements has varied in organisation and in their demands. Especially after 2004 the severe change in the urban planning system and in the interventions of the state in urban space in the form of direct involvement changed the forms and practices of resistance. It is possible to categorise the types of organisations into four groups: (i) traditional left parties or political groups; (ii) professional chambers; (iii) neighbourhood organisations and; (iv) city wide urban movement groups. Traditional left parties and political groups are active in specific neighbourhoods that are subject to urban regeneration. The role of the traditional left parties and political groups are mostly limited to a specific location, i.e. a neighbourhood, where they have been actively involved in politics before the urban regeneration project has started. In some cases, political groups and parties put a specific programme in place to infiltrate into the neighbourhoods that are subjected to urban regeneration. The urban regeneration process in general opened the way of including urban issues and politics into the agenda of political groups and parties as a prior topic. For example, the leading political group in some gecekondu neighbourhoods is Halkevleri, which generated a full programme and activities against urban regeneration on the basis of 'right to shelter' by opening bureaus of right to shelter in each neighbourhood in which they are active (Interview with Halkevleri).

It is the Chambers that are professionally involved in the planning process at different

stages of planning; i.e. the Chambers of urban planners, architects and landscape architects. The role of the professional chambers is twofold. Firstly, they give support to the dwellers in the areas of urban regeneration projects via expertise and experience in urban planning. Secondly, the chambers use their experience in juridical processes and right to go to court on the grounds of urbanisation principles given to them by the constitution of Turkey and on the grounds of public interest.<sup>28</sup> The Chambers have the opportunity, coming from their historical background, to reach the official documents from different levels of the state via their members working in the related department and also to attract the attention of the public by being the experts in the field.<sup>29</sup> Another peculiarity of the Chambers is to be able to follow urban regeneration projects and spatial interventions of the state on the unfair bases through their branches all around Turkey. So, the responsibility and the action of the Chambers are not limited to one city, but mainly focused in İstanbul, because of the intensity of the interventions.

More than fifty neighbourhoods have been designated as urban regeneration (UR) project areas in İstanbul since 2004. In some of the neighbourhoods the UR process was eventually depoliticised and has been completed, with the relocation of some dwellers to MHA housing units but with others being left homeless or living in tents. The UR involves evicting most of the residents and relocating them to the periphery of the city that is 20 to 30 km away. These developments have been met with organised resistance by residents in most of the neighbourhoods. In almost half of the neighbourhoods, where there is a threat of eviction because of urban regeneration project in the neighbourhood, residents founded neighbourhood associations at the local level in order to organise collective opposition against the projects. The basis of resistance is diverse in relation to ownership patterns, the historical and political background of each neighbourhood, the political strategy of the state at that particular local scale and the value of the land. The form of resistance is twofold: actions to get the police out of the neighbourhood; and exercising democratic rights, including the establishment of neighbourhood organisations, holding meetings, issuing press statements and initiating lawsuits (Çelik, 2013). The struggle of the associations is to gain the right to housing, property ownership and participation in local

governing. The scale of the struggles and the demands were mainly limited to the local level.

The last group of organisations is the city-wide urban movement groups where there is no formal membership. The organisational structure of these groups is based on non-traditional left structure and horizontally distributed division of labour in the group. They mainly formed themselves on the issue-based grounds; i.e. 'Don't touch my school' groups were organised against the privatisation of public schools and the privatisation of their land.<sup>30</sup> Some of them were active during the limitation of that particular issue and when the issue concluded in a positive or negative end, they abolished themselves and some people in the group engages with another. However, some of the groups gained experience through time and remain active in the struggles in the same form in which they started and possibly over other issues. These types of groups have emerged since the urban regeneration projects and the centralisation of planning powers started in 2004 (see the section on the state). The main arguments and actions of the groups have accelerated and focused around the concept of 'right to the city' with the ethos of urban social movements around the world (Kuymulu, 2013; Harvey, 2008; Çelik, 2014) and in the European Social Forum organised in İstanbul in 2010 (Interview with Müştereklerimiz, 2014). The forum opened the way to debate around this concept in a two-day workshop including all the active groups at the time of the event with all types mentioned above (Interview with Müştereklerimiz, 2014). The differences between the city-wide urban movement groups can be categorised according to (i) how they position themselves in their relation with the neighbourhood organisations - whether they are directly involved in an alternative planning project working with residents to negotiate with the district municipality (Interview with Dayanışmacı Atölye) or just stated their own position and shared it with the neighbourhoods directly (Interview with İmece); (ii) the scale of their interest - whether over the whole city or neighbourhood or both; (iii) being issue-based or more generic.

The accumulation of experience by all the groups that are politically involved in urban issues at different scales and in different forms were mobilised into a large-scale

resistance started from the cut of trees in an inner-city park, called Gezi, in Taksim Square in order to build a shopping mall in 2013. The resistance of the activists, mostly involved in the groups mentioned above, on the first night of the attempt to cut the trees, halted the process. Starting from the first day, the activists occupied the site and did not allow the state bodies to dig the park and cut the trees. Gezi Park was kept under the control of the mentioned groups for two weeks, and they set up a collective life in the park, including all the services needed. During the occupation of the park, protests continued on the streets of all but two of the cities of Turkey. However, the police intervened brutally at the end of the two weeks by using physical violence and people formed forums in their neighbourhoods to come together to discuss the issues related to their localities and develop a democratic space for everyone coming from all political backgrounds. The discussions in the forums organised in the occupation period of Gezi, opened a discussion beyond reclaiming the right to the city that was the commons debate.<sup>31</sup> The most clear result of the commons discussion was reclaiming 'commons' as space in the form of forums in neighbourhood parks, kitchen gardens in the city and squats, but also trying to create a common ground for a political discussion for reclaiming rights.

## 9 Conclusion: contested relations

The aim of the paper is to reveal how finance has intervened in and the process of financialisation has shaped the İstanbul housing sop. In doing so, the changing role of finance and the role of different actors in shaping the housing sop were discussed. An interesting finding of our interviews has been the calls for a regulatory framework which would respond to a variety of conflicts and cleavages which have been characterising the housing market over the 2000s in particular. While it does not seem quite plausible to accomplish such a neutral mechanism for the resolution of such conflicts, it is nonetheless, necessary to reveal the nature of contested relations between different actors to clarify how the housing sop in İstanbul has taken its current form.

- ***Dwellers and the state:*** The tension resonates in the provision of housing to the dwellers in the regeneration areas. All cases in İstanbul have resulted in forced

eviction of the dwellers from where they used to live. However, it was not only limited to forced eviction; it was also the process of involving dwellers into mortgage loans for 20 years. In most cases, dwellers living in 'urban regeneration' areas do not have a regular income, where they can pay and afford a new flat. This was left as the only solution for all the consumers. That is why there has been militancy, which changes from time-to-time in relation to the pressures coming from the state and resistance against urban regeneration.

- ***Between different scales of the state:*** Conflicts between different levels of state action are seen in two ways in the financialisation of housing in Istanbul: firstly, there are tensions and conflicts between different scales of state institutions; and secondly, between elected members of the councils and state personnel. These tensions can be seen in the relations between the Greater İstanbul Municipality and district municipalities; between the Greater İstanbul Municipality and the MHA; and between district municipalities and the MHA. The main conflicts between different scales of the state proliferate between different state bodies. These interests do not only result from the historical traditions of each institution, but also from different scalar demands and expectations of each institution. The interests of different state bodies at different scales - sometimes even between different departments in the same institution - do not necessarily coincide with each other. They may object to each other's plans and decision-making processes. These tensions intensified in the recent decade as the central state institutions, the MHA and the Ministry, got intensive powers.
- ***Developers and the state:*** The pressure put by the developers on the state is to regulate the housing market. The demand coming from the large-scale builders is to regulate the housing production market by putting limitations in the criteria of being a contractor. While the housing sales were declining and the solution of the small- and middle-scale contractors was to give bills to the consumers for buying a house from the builder, without getting a mortgage. The bills are used between a builder

and a consumer as a form of contractual relation, in the cases where the consumer do not have credibility for mortgage, but gives guarantee to the builder by signing bills for each month's payment. When one cannot pay, then the lender confiscates any assets of the borrower through court decision. This type of solutions decreases the prices of the houses in the market, which according to the larger companies would create unfair competition. Thus, the larger companies are able to put pressure on the state to regulate the contractors.

- **Workers and housebuilders:** As was mentioned in the previous sections there is only one way to stop construction: it is when the workers boycott the housebuilder to get their rights back. It is not the financial regulations or changes in the planning process that can stop construction, it is only the workers who can stop it. That is why when workers go on strike, the longer one takes a day, but mostly it takes a couple of hours for the housebuilder to negotiate with the workers or to pay their wages. Therefore, the power of the workers in the construction sector is very strong in terms of their relations with the housebuilder. However the workers are not powerful enough to put pressure on the state to regulate their working conditions.

We have attempted to show how the housing sop in Turkey is shaped by the financialisation of the housing market during the last decade. The financial rearrangements started to feed mortgage lending and owner-occupation; however, the weakness of the mortgage lending and the absence of derivative markets in Turkey, creates conflicts between housing finance and productions. That is why the strong role of the state in lending credits and responding to the demands of different actors varies.

The financialisation of housing sector in Turkey seems increasingly problematic in terms of politicising the housing provision thus creating conflicts not only between consumers and providers but also between the state and consumers and/or developer as well as among different levels of the state. These conflicts have been in turn aggravating already existing inequalities among different classes and/or groups of dwellers. The dependence of the growth of housing sector on the direct support of the state has been producing cleavages



between different socio-economic groups as well as spatial segregation. Among the casualties of these processes was the eviction of poor people from their living spaces and their relocation to the other parts of the city.

By examining different actors involved in the process of housing provision from a wider analysis of relations between them, we have illuminated the current problems in housing production in Turkey, how the problems arise, and how they are responded by the state. The sop of Turkey has been mainly shaped by the major involvement of the state in the planning, provision and finance of housing. Even if all sops incorporate some element of public sector involvement, in the case of Turkey the role of the state in the provision of housing is extensive and has given rise to a variety of institutional forms and mechanism. This may provide a basis to understand public sector sop (pssop) (Bayliss, et. al., 2013) of housing, as well in future research.

## Glossary

BRSA (BDDK): Banking Regulation and Supervision Agency (Bankacılık Düzenleme ve Denetleme Kurumu)

CBD: Central Business District

CHP: Republican People's Party (Cumhuriyet Halk Partisi)

CHSU: Common Health and Safety Unit

CMB (SPK): Capital Markets Board (Sermaye Piyasa Kurulu)

DİSK: Confederation of Progressive Trade Unions of Turkey (Türkiye Devrimci İşçi Sendikaları Konfederasyonu)

FDI: Foreign Direct Investment

GİM: Greater İstanbul Municipality

GYODER: The Association of Real Estate and Real Estate Companies (Gayrimenkul Yatırım Ortaklıları Derneği)

IMP: İstanbul Metropolitan Planning Bureau

JDP (AKP): Justice and Development Party (Adalet ve Kalkınma Partisi)

MHA (TOKİ): Mass Housing Administration (Toplu Konut İdaresi)

PEE: Public Economic Enterprises

PHF: Public Housing Fund

RECB (EKB): Real Estate Credit Bank (Emlak Kredi Bankası)

REIT (GYO): Real Estate Investment Trusts (Gayrimenkul Yatırım Ortaklıkları)

SSF (SSK): Social Security Fund (Sosyal Sigortalar Kurumu)

UR: Urban Regeneration Projects

YHK: High Council of Judges and Prosecutors (Yüksek Hakimler Kurulu)

## Endnotes

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<sup>1</sup> Gecekondu: Built overnight.

<sup>2</sup> For more detailed information on the new Housing Finance Law, see Section III D. of Bedirhanoğlu *et al.* (2013) Comparative Perspective on Financial System in the EU: Country Report on Turkey, FESSUD Studies in Financial Systems No. 11, <http://fessud.eu/deliverables/>. Henceforth this study will be referred to as FESSUD Country Report Turkey for WP2.

<sup>3</sup> The total sale of dwellings in 2013 is 1.144.989; however Figure.2 do not show the total number of sales in 2013.

<sup>4</sup> Gecekondu (plural gecekondu) is a Turkish word meaning a house put up quickly without proper permissions, a squatter's house, and by extension, a shanty or shack. In common usage, it refers to the low cost apartment buildings or houses that were

constructed in a very short time by people migrating from rural areas to the outskirts of the large cities (Wikipedia).

<sup>5</sup> <http://www.csb.gov.tr/gm/altyapi/index.php?Sayfa=sayfa&Tur=webmenu&Id=8198>

retrieved: 01.12.2014

<sup>6</sup> <http://www.csb.gov.tr/gm/altyapi/index.php?Sayfa=sayfa&Tur=webmenu&Id=13456>

retrieved: 01.12.2014

<sup>7</sup> <http://www.isbank.com.tr/TR/bireysel/krediler/ev-kredisi/kentsel-donusum/Sayfalar/kentsel-donusum.aspx> retrieved: 01.12.2014

<sup>8</sup> <http://ekonomi.haberturk.com/emlak/haber/1014618-o-kiralari-devlet-oduyor> retrieved: 01.12.2014

<sup>9</sup> <http://ekonomi.haberturk.com/emlak/haber/1014618-o-kiralari-devlet-oduyor> retrieved: 01.12.2014

<sup>10</sup> <http://www.csb.gov.tr/gm/altyapi/index.php?Sayfa=sayfa&Tur=webmenu&Id=13456> retrieved: 01.12.2014

<sup>11</sup> [http://www.todayszaman.com/business\\_renowned-economist-warns-against-turkish-real-estate-bubble\\_288838.html](http://www.todayszaman.com/business_renowned-economist-warns-against-turkish-real-estate-bubble_288838.html) ; [http://www.nytimes.com/2014/05/21/realestate/commercial/after-Istanbuls-building-boom-come-worries-of-a-bust.html?\\_r=0](http://www.nytimes.com/2014/05/21/realestate/commercial/after-Istanbuls-building-boom-come-worries-of-a-bust.html?_r=0) ; <http://mustafaSönmez.net/?p=4325> retrieved: 01.12.2014

<sup>12</sup> <http://mustafaSönmez.net/?p=4325> retrieved: 01.12.2014

<sup>13</sup> Interview with a Financer, 2014

<sup>14</sup> <http://www.vakifgyo.com.tr/hakkimizda.asp?icerikID=1&KatID=10> retrieved: 05.05.2014

<sup>15</sup> <http://www.spk.gov.tr/apps/aylikbulten/index.aspx?submenuheader=1> retrieved: 10.12.2014

<sup>16</sup> Interview with Yeşil REIT, 03.07.2017

<sup>17</sup> <http://www.spk.gov.tr/apps/aylikbulten/index.aspx?submenuheader=1> retrieved: 10.12.2014

<sup>18</sup> <http://mustafaSönmez.net/?p=684>

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- <sup>19</sup> <http://www.htemlak.com/diger-haberler/haber/986870-sanayi-demode-insaatlar-sahane>  
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- <sup>20</sup> [http://www.radikal.com.tr/ekonomi/gokdelenler\\_icin\\_5\\_ayda\\_100\\_kisi\\_oldu-1196421](http://www.radikal.com.tr/ekonomi/gokdelenler_icin_5_ayda_100_kisi_oldu-1196421)  
retrieved: 10.06.2014
- <sup>21</sup> [http://www.hkmo.org.tr/resimler/ekler/7ddfa72df4fae1c\\_ek.pdf?tipi=2&turu=H&sube=0](http://www.hkmo.org.tr/resimler/ekler/7ddfa72df4fae1c_ek.pdf?tipi=2&turu=H&sube=0)  
retrieved: 24.12.2014
- <sup>22</sup> Interview with Yeşil REIT and Faruk Göksu.
- <sup>23</sup> [http://www.toplumunsehicilikhareketi.org/index.php?option=com\\_content&view=article&id=99:basna-ve-kamuoyuna&catid=26:raporlar&Itemid=31](http://www.toplumunsehicilikhareketi.org/index.php?option=com_content&view=article&id=99:basna-ve-kamuoyuna&catid=26:raporlar&Itemid=31)
- <sup>24</sup> <http://www.radikal.com.tr/haber.php?haberno=183894> retrieved: 12.12.2011
- <sup>25</sup> <http://www.htemlak.com/HTEmlak/haber/940337-kira-oder-gibi-ev-sahibi-yapan-10-konut-projesi> retrieved: 01.12.2014
- <sup>26</sup> <http://www.TOKİ.gov.tr/english/HousingPrograms.asp> retrieved: 12.12.2011
- <sup>27</sup> <http://www.TÜİK.gov.tr/PreHaberBultenleri.do?id=15843> retrieved: 12.10.2012
- <sup>28</sup> For details of cases: <http://www.mimarist.org/#> and <http://www.spoist.org/dava-metinleri/blog>
- <sup>29</sup> Interview with the attorney of Chamber of Architects İstanbul Branch; Interview with Assistant Secretary-General of Chamber of Architects İstanbul Branch; Interview with the Head of Chamber of City Planners İstanbul Branch
- <sup>30</sup> For different campaigns of the group: <http://okuluma-dokunma.org/> (Retrieved 01.11.2014) and for more detail of their campaigns: <http://www.sendika.org/2014/07/mahalleme-parkima-okuluma-dokunma/> (Retrieved 05.09.2014)
- <sup>31</sup> For a detailed discussion on commons please see <http://www.commoner.org.uk/>; for discussions on commons in Turkey please see: <http://mustereklerimiz.org/>

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## Figures and Tables

### Figures

1. Housing loans between 2005 and 2013 in Turkey
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7. Top Contractors of the MHA (2011)

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## Interviews

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## **THE ABSTRACT OF THE PROJECT IS:**

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

## THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
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13	Lund University	Sweden
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