



# Tourism Market Overview

Turkey & Istanbul  
2020



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# Important notice and disclaimer

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## Important notice and disclaimer

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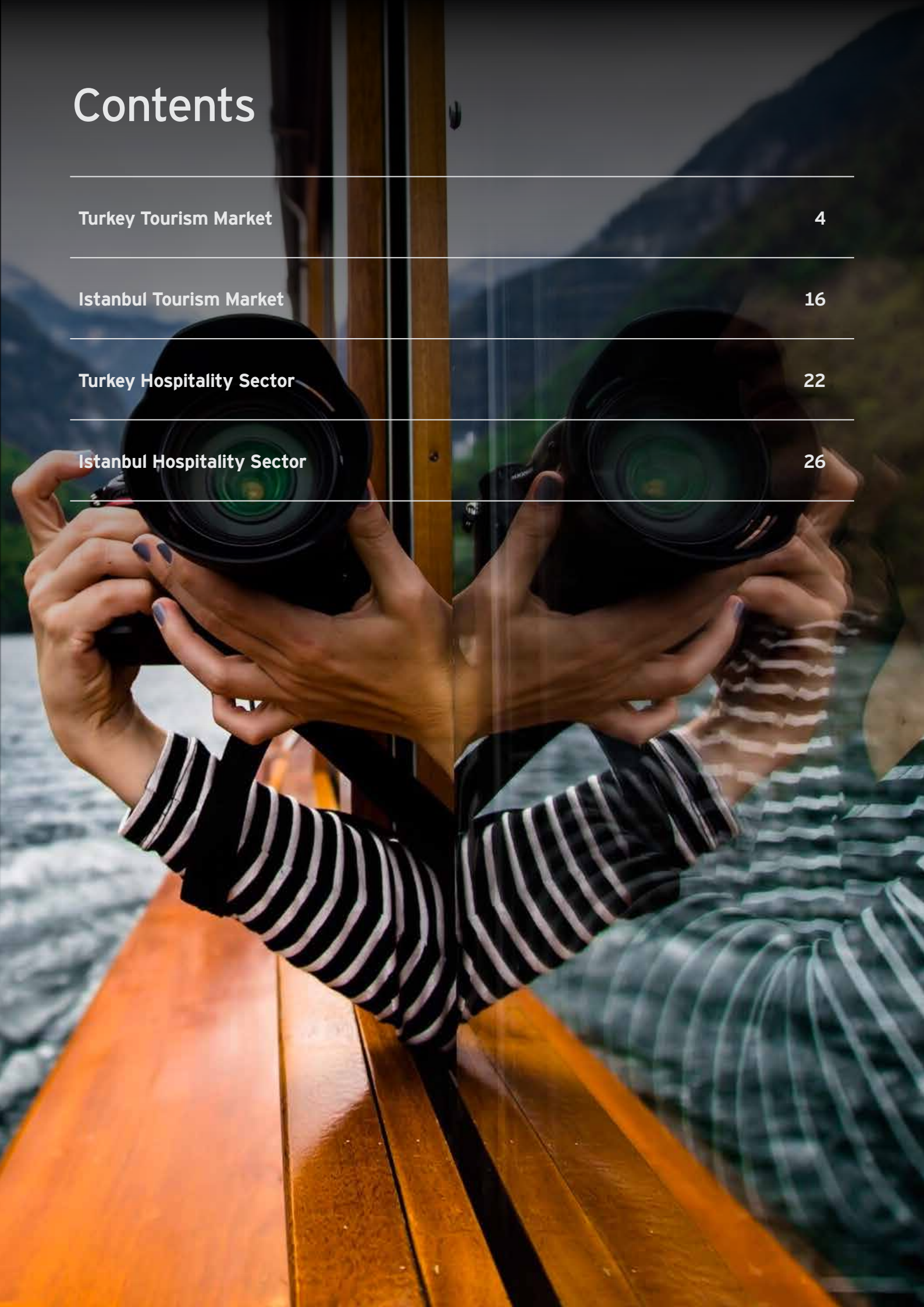
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Turkey Hospitality Sector 22

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Istanbul Hospitality Sector 26

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# Turkey Tourism Market





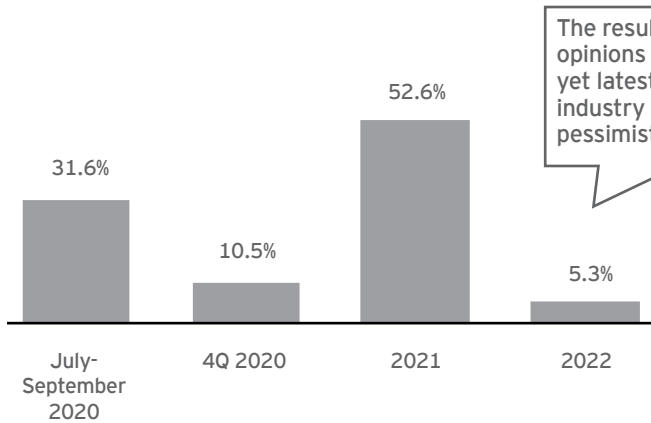
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## Turkey Tourism Market: Tourism Survey Findings

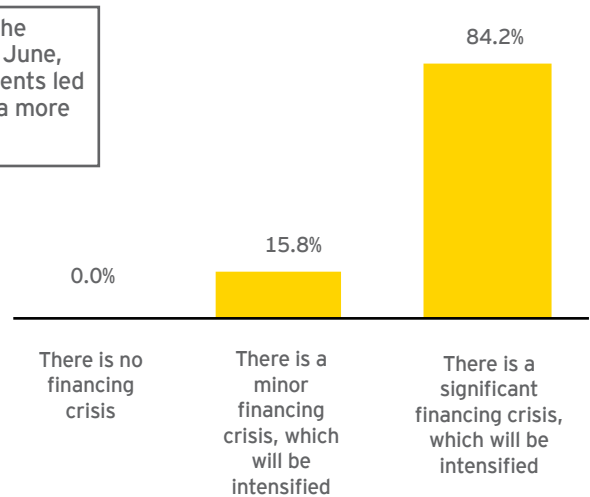
### Turkish Tourism Investors Association & EY COVID-19 Tourism Survey Findings, June 2020

#### Inception of foreign tourist arrivals in Turkey<sup>1</sup>

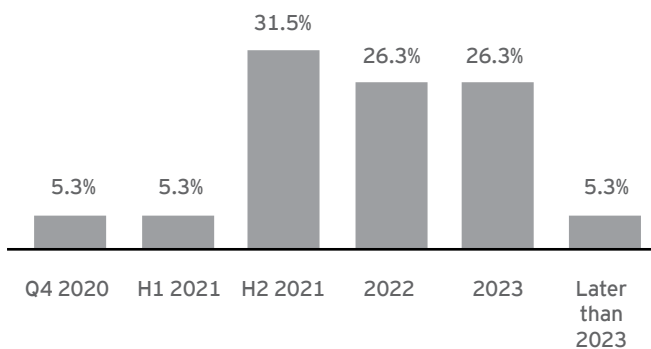


The results reflect the opinions as of early June, yet latest developments led industry players to a more pessimistic view.

#### The magnitude of financing crisis due to COVID-19<sup>3</sup>



#### Recovery of tourist inflow to 2019 levels<sup>2</sup>



- ▶ The impacts of pandemic and infected countries' policies on lockdown delay the foreign tourist inflow, which has significant share in revenues.
- ▶ Industry players claim that they are facing a significant financing crisis, and the problem is getting more severe.

1. In your opinion, when will foreigners feel secure about travelling to Turkey? (n=19)
2. When will the tourist inflow reach to 2019 levels in Turkey? (n=19)
3. What is the magnitude of financing crisis caused by COVID-19 pandemic? (n=19)

Source: Turkish Tourism Investors Association, EY





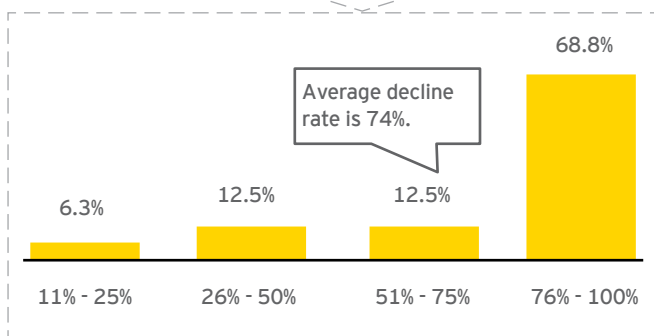
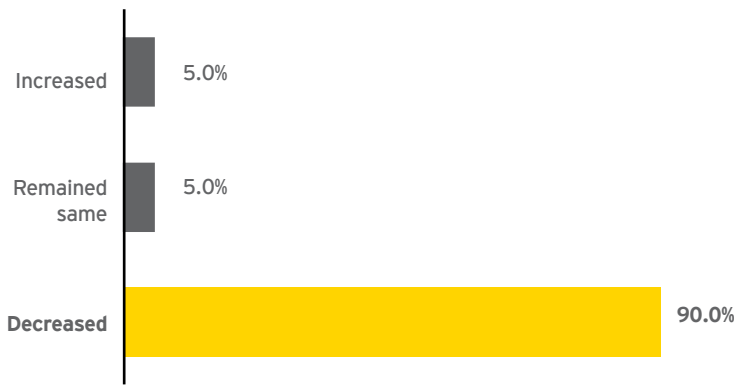
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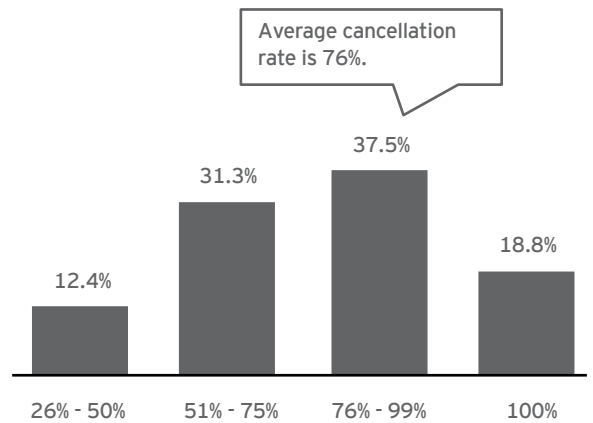
## Turkey Tourism Market: Tourism Survey Findings

Turkish Tourism Investors Association & EY COVID-19 Tourism Survey Findings, June 2020

Change in March-April 2020 revenues compared to 2019<sup>1</sup>



Booking cancellation rates between June-August 2020<sup>2</sup>



- ▶ Tourism industry has been facing hardship since the beginning of the pandemic, and cancellations for 2020 summer period caused sharp decline in revenues and cash generation.
- ▶ More than 90% of the participants believe it will take at least a year after the pandemic ends for them to show similar performance to 2019 levels.

1. How did your revenues changed in March-April 2020 compared to the same period of 2019? (n=19)

2. Have you experienced booking cancellations for June-August 2020? (n=16)



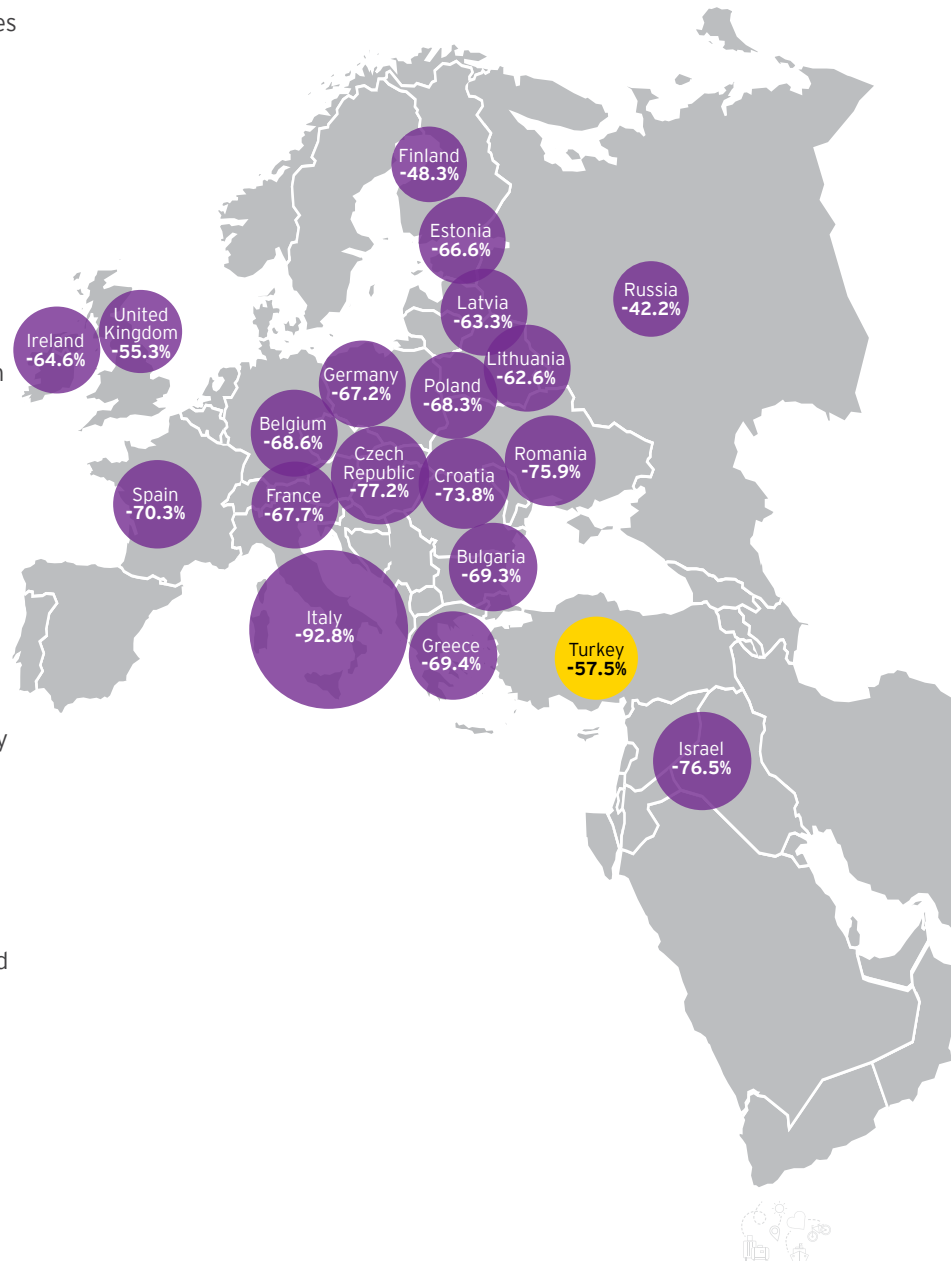
Source: Turkish Tourism Investors Association, EY

1.2

## Turkey Tourism Market: Impact of COVID-19

### Impact of COVID-19 on Hotel Performances in the World, Europe and Turkey (Monthly comparison of March 2019 - March 2020)

- ▶ The spread of COVID-19 is affecting all industries from various directions and the hotel industry is relatively taking the high portion because of travel restrictions and rapid contamination.
- ▶ According to STR Worldwide Newsletter Q1, 2020, RevPAR has decreased by 52,3% in Americas, 59,7% in Middle East & Africa, 68,4% in Asia Pacific and 66,1% in Europe.
- ▶ Reflecting the impact of the COVID-19 pandemic, Europe's hotel industry reported unprecedented performance lows starting from March 2020.
- ▶ The average RevPAR change was reported as -66,1% in Europe according to STR.
- ▶ Among Europe, Italy's ADR and RevPAR have the lowest levels of any month in March 2020. Rome and Milan's reported occupancies were 6,6% and 4,0% respectively.
- ▶ According to STR report, the occupancy and RevPAR of U.K. are also reported as the lowest level in March 2020. London's occupancy fell by 60,0% and reached 32,7%.
- ▶ In March 2020, the decrease of the RevPAR in Turkey was above the average of Europe and reported as -57,5% according to STR data.
- ▶ In Turkey, the government has approved loans specific to the tourism sector to be restructured with a period of up to 12 months, in order to support the vital industry during COVID-19.
- ▶ Hotels are opened on June 1, 2020 in Turkey with some restrictions.
- ▶ International flight ban has been removed on June 11, 2020 starting with Germany, UK and the Netherlands and then followed by several other countries.



Source: STR Worldwide Newsletter Q1, 2020

\*RevPAR% change comparison of March 2020 to March 2019 in local currencies

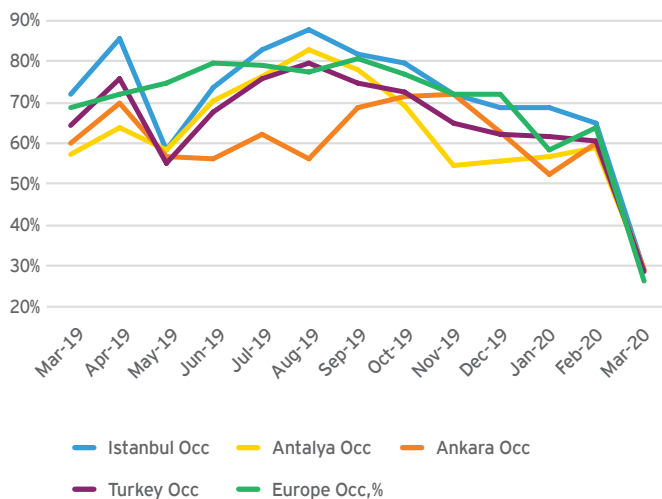


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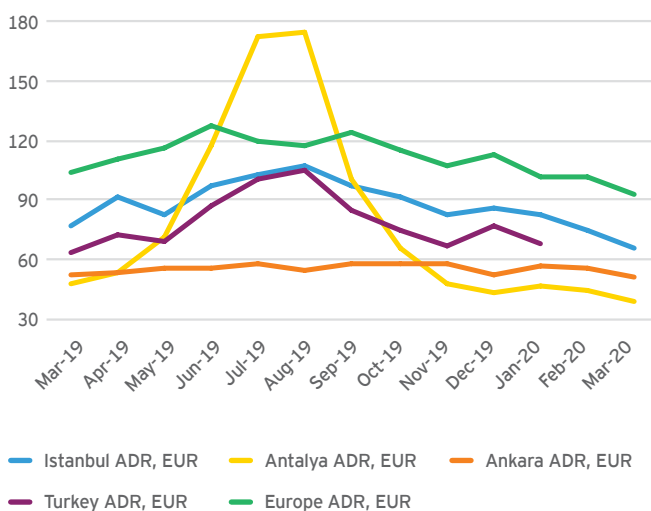
## Turkey Tourism Market: Impact of COVID-19

**Occupancy Rates (March 2019-2020)**



- ▶ Before COVID-19 period, occupancy rates in Istanbul, Turkey and Europe have showed fluctuations due to seasonality between March 2019 and December 2019.
- ▶ However, with the appearance of COVID-19 in China in December 2019 and fast worldwide spread, the occupancy rates showed a dramatic decrease in March 2020.
- ▶ The occupancy rate has dropped from 68,6% to 26,3% in March 2020 compared to the same period in previous year in Europe.
- ▶ While Turkey is also affected by this spread, the occupancy rates in Istanbul and Turkey have dropped to a level of approx. 29%.

**Average Daily Room Rate (March 2019-2020)**



- ▶ The ADR has dropped to 92,91 EUR in March 2020, while it was realized as 104,37 EUR in Europe.
- ▶ The ADR data of Istanbul, Antalya and Ankara was released monthly in Turkey. A fall in ADR's was observed especially in Istanbul and Antalya.
- ▶ Prior to the COVID-19's catastrophic impact on all kinds of economic activities, Turkey had set the goal of reaching the target of hosting 75 million guests by 2023, while Turkey has hosted 51,9 mn guests in 2019.



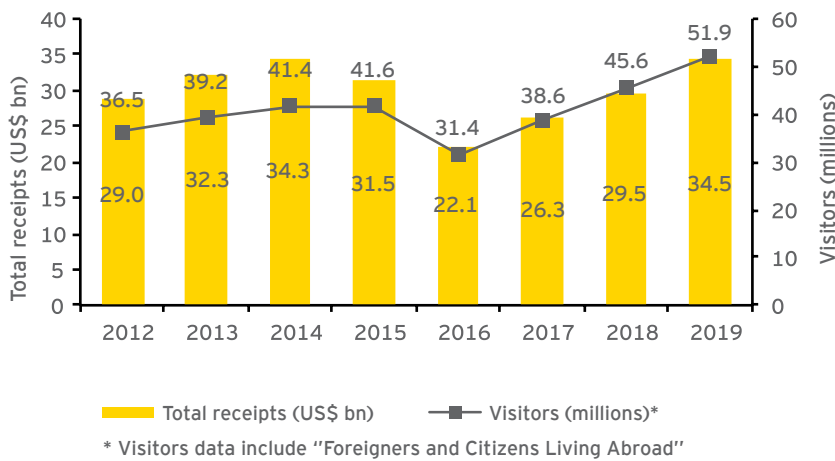
Source: STR Worldwide Newsletter Q1, 2020



# 1.3

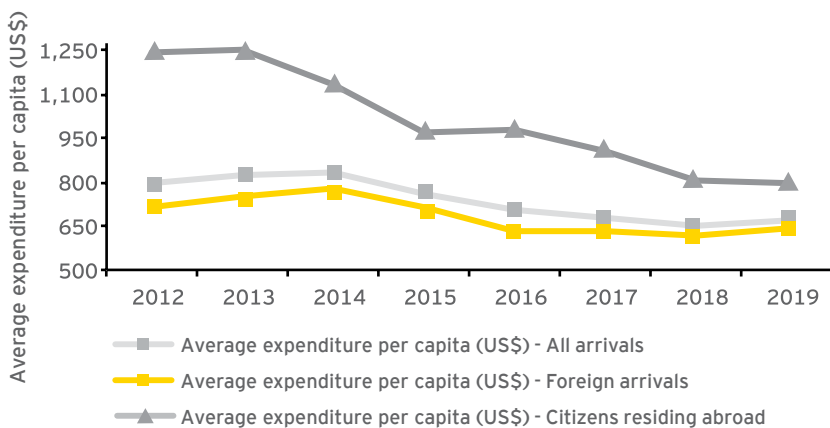
## Turkey Tourism Market: Overview

Turkey tourism - Total receipts (8 years trend)



- ▶ Prior to COVID-19 pandemic, tourism industry in Turkey continued to experience a positive trend, marking a historic milestone over the last 8 years, with 51,9 mn visitors and US\$34,5 bn total receipts in 2019.
- ▶ In year 2019, Turkey continued its place among the World's top 10 tourism destinations in terms of arrivals according to World Tourism Organization ("UNWTO").
- ▶ After the crucial decline in 2016 with a number of 31,4 mn, tourism arrivals showed an increasing trend by 23,0% in 2017, 18,0% in 2018 and 14% in 2019 reaching to 51,9 mn.
- ▶ Turkey's total tourism income for 2019 reached US\$34,5 bn, reflecting an increase of 17,0% compared to the sector's revenue of US\$29,5 bn in 2018 as a new record high according to TurkStat.
- ▶ Average tourism expenditure per capita of all visitors have increased from US\$647 to US\$666 in 2019 as compared to 2018.
- ▶ Average tourism expenditure per capita for foreigners occurred as US\$642 in 2019, with an increase rate of 4,1% in comparison to 2018 (US\$617).
- ▶ Average tourism expenditure per capita for citizens residing abroad was US\$796 in 2019, which has almost remained the same with 2018 (US\$801).

Average expenditure per capita (US\$) (2014 - 2019)



Source: Turkish Statistical Institute (Turkstat) Data; UNWTO

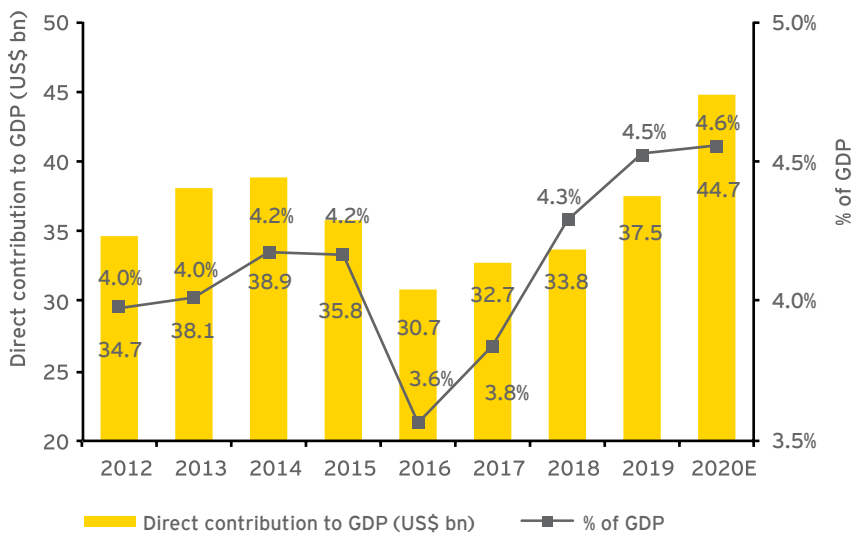


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## Turkey Tourism Market: Overview

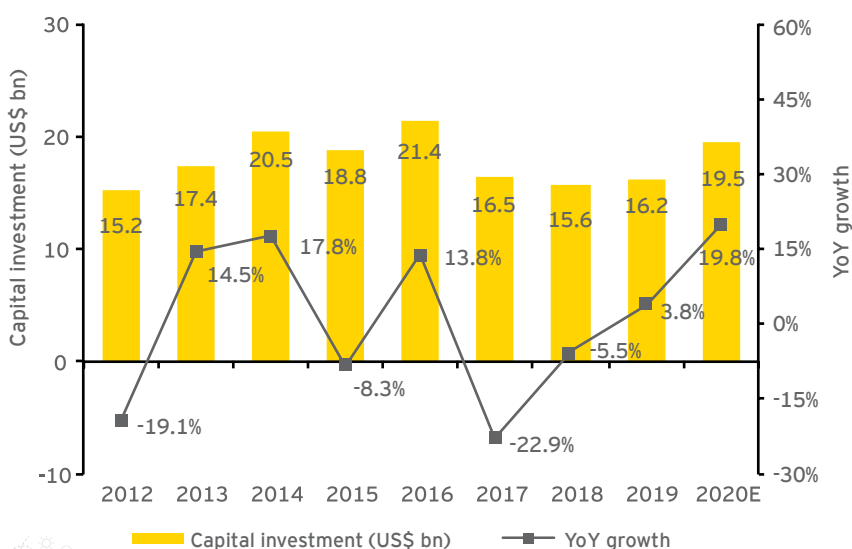
**Tourism industry - Direct contribution to GDP (constant US\$)**



According to the WTTC data published before COVID-19;

- ▶ Tourism industry's direct contribution to GDP is expected to be at a ratio of 4,6% with US\$44,7 bn in 2020 according to WTTC Data Gateway.
- ▶ In 2019, direct contribution of the industry to the GDP was 4,5%, with an amount of US\$37,5 bn.

**Capital investment in tourism industry**



- ▶ Capital investment is expected to be at a level of US\$19,5 bn in 2020, reflecting a significant increase of 19,8% compared to 2019 (US\$16,2 bn).
- ▶ Capital investment includes spending by all industries directly involved in tourism as well as investments by other industries on the specific tourism assets like accommodation, passenger transport equipment, development of restaurants and leisure facilities.



Source: World Tourism Travel Council (WTTC) Data Gateway 2019-2020



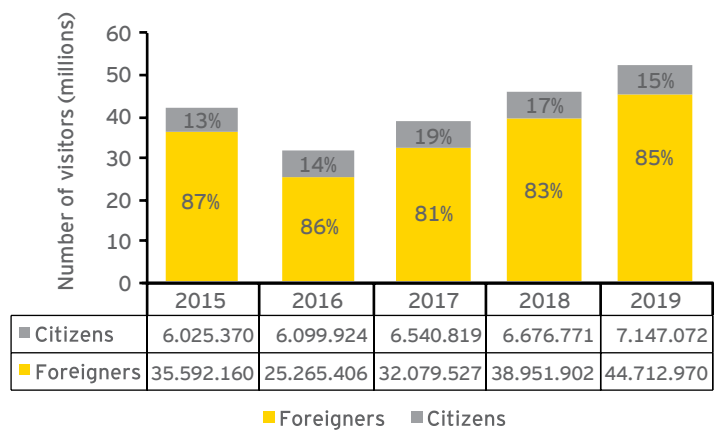
# 1.4



## Turkey Tourism Market: International Tourists

- ▶ According to TurkStat, number of total visiting foreigners was recorded as 44,7 mn in 2019 with an increase rate of 14,8% as compared to 38,9 mn in 2018.
- ▶ The number of total visiting citizens residing abroad was recorded as 7,1 mn in 2019 with an increase of 7,0% in comparison to 2018 which is 6,7 mn.
- ▶ Even though Fitch Solutions has estimated the total arrivals in 2019 full year as 44,1 mn, it was realized as 51,9 mn according to TurkStat data.
- ▶ Total visitor number has increased by 13,7% from 2018 to 2019 according to TurkStat data.
- ▶ Fitch Solutions has estimated the total arrivals to grow by 11.6% and reach to 44.1 mn in 2019 and forecasted to grow between 5,4% - 7,8% and reach 56.6 mn by 2023. Fitch Solutions expects to see an increase in tourism receipts by 7,4% Y-o-Y in 2020. However, these numbers were forecasted before COVID-19 pandemic.

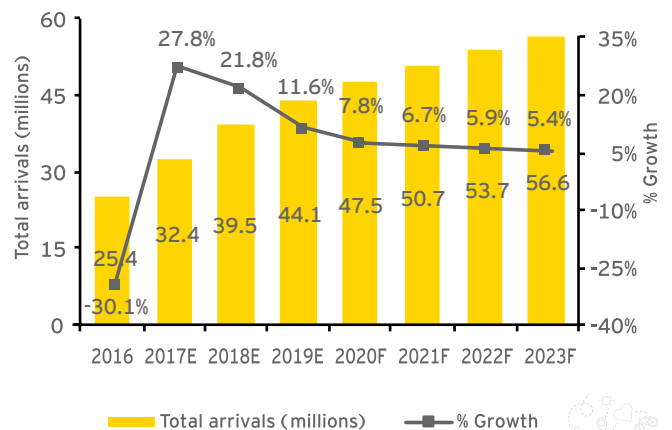
Turkey tourism - Total visitors (5 years trend)



International tourism receipts (Fitch Solutions estimations before COVID-19)



Total arrivals (in millions) (Fitch Solutions estimations before COVID-19)



Source: Turkish Statistical Institute (Turkstat); Fitch Solutions Turkey Tourism Report Q2 2020; UNWTO International Tourism Highlights 2019 Edition

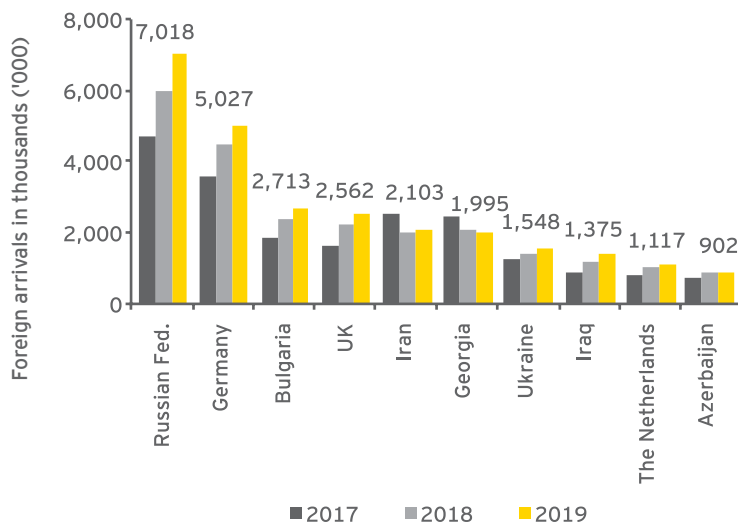


# 1.5

## Turkey Tourism Market: Current Scenario



**Top ten arrivals by country of origin (2017 - 2019)**



- ▶ Russia showed an increase of 17,7% with 7,0 mn visitors in 2019 and continues to be the leader in the list after the improvement of political relations between Turkey and Russian Federation.
- ▶ Germany was in the second place in the list with 5,0 mn tourists, showing 11,4% increase compared to the previous year.
- ▶ Georgia was the only country in the top 10 list which still shows a decreasing trend with 5,1% in 2019.
- ▶ Iran showed an increasing trend in visitor numbers by 5,1% in 2019 and reached to 2,1 mn, while it showed a decrease of 20% in 2018 compared to 2017.

### 2019 - the top performing year; 2020 - affected by COVID-2019 pandemic

- ▶ Prior to COVID-19 outbreak, Turkey tourism industry continued to record a healthy growth, recovering well from the decline over 2015 and 2016 as relations with Russia improve and visitors from a range of European markets regain confidence in the safety and security of Turkey as a holiday destination.
- ▶ Expanding medical tourism which is attracting visitors from Europe and the Middle East and investing on winter travel are expected to be considered in order to avoid seasonality after COVID-19.
- ▶ Surge in investment in transport infrastructure, additional domestic flight routes and major hotel investments were key initiatives for the boost in tourism sector.
- ▶ Turkey's new Istanbul Airport's first phase officially opened in April 2019. Phase 2 is expected to open in 2022 while phase 3 and phase 4 are expected to open in 2025 and 2027, respectively.
- ▶ The new airport plans to welcome 200 mn passengers by the end of 2027 with the completion of all four phases.
- ▶ In addition, government has been promoting cruise tourism through cash incentives to the ships visiting ports in Turkey starting from January 2018.
- ▶ Galataport Project, which is expected to opened in 2020 (but is delayed to Q1 2021) will include the new cruise terminal in Istanbul which will provide a modern port facility among other supporting facilities like the first ever Peninsula Hotel in Turkey, an upscale shopping center and a fine F&B destination.



Source: Fitch Solutions Turkey Tourism Report Q2 2020; Republic of Turkey Ministry of Culture and Tourism August 2019; New Istanbul Airport Economical Effect Report



1.6

# Turkey Tourism Market: Opportunities & Challenges



## Opportunities

- ▶ Turkey confronted with different crisis previously and has quick recovery potential to address COVID-19 pandemic.
- ▶ The Ministry of Health launched a coronavirus certificate program for the hotels to be able to operate according to the hygiene standards as of Summer 2020.
- ▶ New monetary policies by Central Bank and the broad of liquidity with lower interest rates as a consequence of COVID-19, may trigger new investments such as restricted assets.
- ▶ There is an opportunity for Turkey to establish itself as a suitable holiday destination for every season and regional focus can revive Turkish tourism after COVID-19.
- ▶ Turkey has been made a highly accessible location and will keep to support the growth of the tourism industry with opening of new İstanbul Airport.
- ▶ Development of health tourism, attracting visitors from both Europe and the Middle East.
- ▶ Government provides various incentives in order to support the industry against difficult headwinds.
- ▶ Despite uncertainty in previous years, most major international hotel groups have not made significant changes to their growth strategies in Turkey.
- ▶ Besides that many of the top global hotel chains already have a strong presence in the country and numerous popular brands are presented, there is an extensive real estate availability providing further development opportunity.
- ▶ Government built two pandemic hospitals in İstanbul (in old Atatürk airport and Sancaktepe), and these hospitals are expected to make a contribution to international medical tourism after COVID-19.

## Challenges

- ▶ The coronavirus affecting on global tourism industry with losses of US\$1 trillion; approx. 70% of the travel sector has stopped and the virus effects on the sector are growing according to the World Tourism Forum Institute.
- ▶ Implementation of broad travel restrictions, the massive cancellation of meetings, conferences & events and personal health concerns and sharply reduced future bookings.
- ▶ The ban of travel website, booking.com, to local users has had a severe impact on the hospitality sector.
- ▶ Flights suspended to high risk areas increasing number of hotel closures, short term closure of borders in place until outbreak stabilizes.
- ▶ The coronavirus cluster in Iran and Europe will have negative consequences for regional tourism.
- ▶ Hotel occupancy down across all regions by 78% in worst affected areas during the COVID-19 pandemic in the world. The situation also may impact Turkey negatively.
- ▶ Introduction of new taxes and fees. (i.e. tourism share contribution to tourism promotion and development agency of Turkey specific to tourism industry may increase the costs negatively impacting the competitiveness.)
- ▶ Foreign direct investment remains fragile due to uncertainty and potential risk of an economic recession and investors may show defensive position as of 2020 Q2.
- ▶ The spillover of violence in Syria may be affecting further dampening arrivals and increase possible risks stemming from both persistent domestic and regional instability of Turkey.





# 1.7

## Turkey Tourism Market: M&A Sectoral Breakdown



2019 Sectoral breakdown of target companies US\$

Sector distribution	Transaction volume	Number of public data	Average transaction volume, mn US\$	Max. transaction volume, mn US\$	Min. transaction volume, mn US\$	Sum of transaction value, mn US\$
Transportation	11	3	233.19	688.50	0.57	699.56
Retail	3	1	405.23	405.25	405.25	405.24
Financial Service	9	1	281.76	281.76	281.76	281.75
Chemistry	13	4	60.95	237.54	0.66	243.78
Manufacturing	23	7	81.63	234.77	0.33	571.39
IT	71	36	6.43	165.00	0.10	231.63
Tourism	10	3	49.74	104.20	9.44	254.20
Mining	5	2	27.75	55.00	0.50	55.50
Automotive	5	2	16.54	30.84	2.23	33.07
Health	9	3	5.93	15.26	1.13	17.77
Textile	2	1	11.92	11.92	11.92	11.92
Energy	24	6	3.82	6.40	0.38	22.93
Food and Beverage	13	5	2.23	4.73	0.20	11.13
Construction	1	1	1.92	1.92	1.92	1.92
Education	1	0	n/a	n/a	n/a	n/a
Real Estate	1	0	n/a	n/a	n/a	n/a
Services	7	0	n/a	n/a	n/a	n/a
Media	5	0	n/a	n/a	n/a	n/a
Telecommunication	1	0	n/a	n/a	n/a	n/a

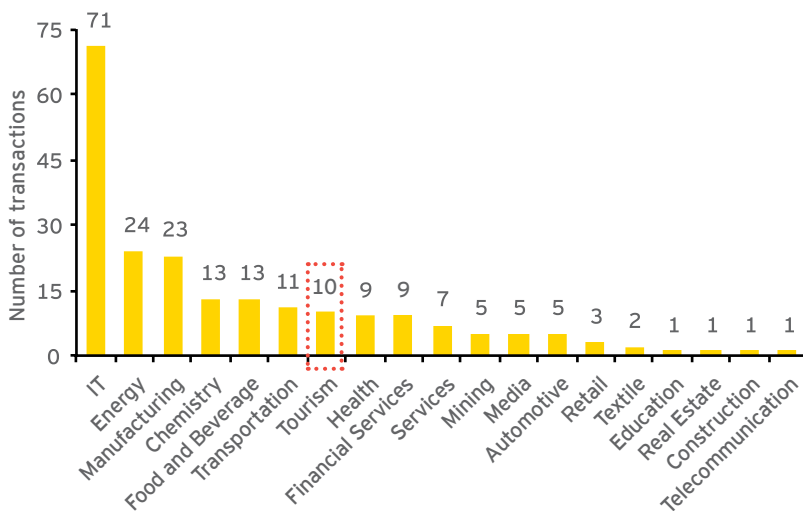


Source: EY Analysis, EY M&A Report and Merger Market

# 1.7

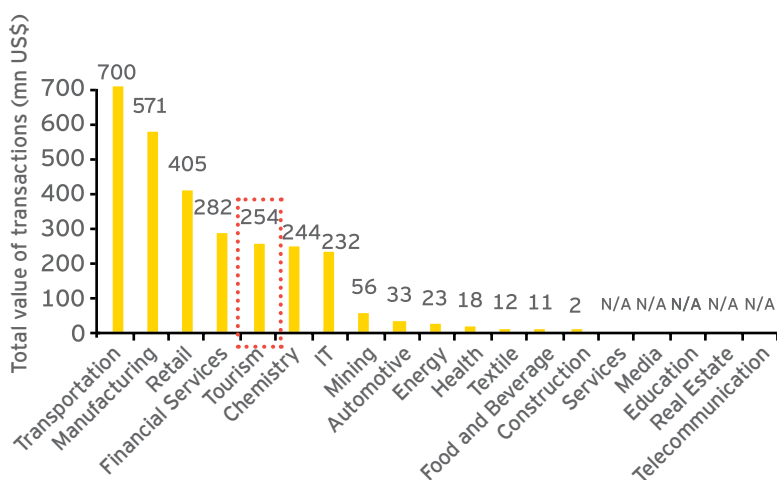
## Turkey Tourism Market: M&A Sectoral Breakdown

2019 Sectoral breakdown of target companies (in terms of transaction volume)



- ▶ The leading sectors in terms of transaction volume are 'IT, Energy and Manufacturing' with 71, 24 and 23 transactions in 2019, respectively.
- ▶ The transaction value data are not publicly available for sectors such as Services, Media, Education, Real Estate and Telecommunication.

2019 Sectoral breakdown of target companies (in terms of transaction volume)



- ▶ Although the value for all of the transactions are not publicly released for the "Tourism" sector, it is officially known that there have been 10 transactions in 2019 and 2020 (Details of this transactions can be found on Section 3.3 of this report.)
- ▶ The subject transactions were realized in Antalya (4), Istanbul (3), Marmaris (1), Muğla (1) and Nevşehir (1).
- ▶ Three of them were acquired by TUI Group ("a Germany-based Tourism Company") and the others by Nusret Turizm, Anex Tourism Group, ARTIC, Tarman Çimento and Kütahya Seramik.

2

# Istanbul Tourism Market





## 2.1

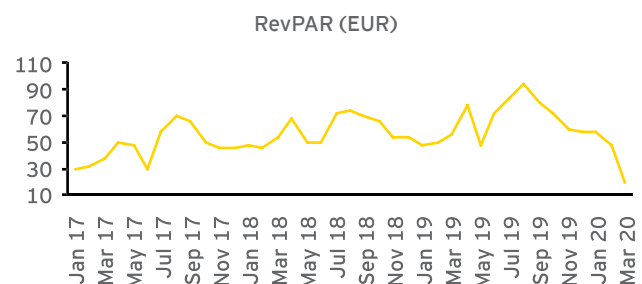
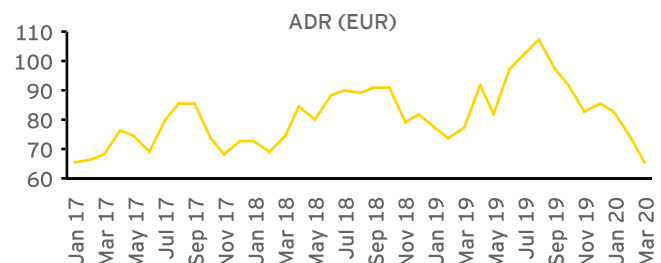
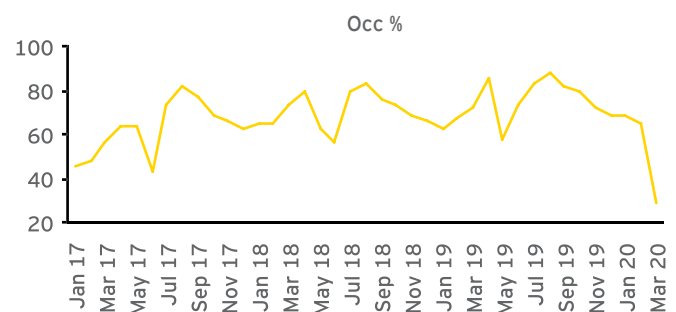
# Istanbul Tourism Market: Impact of COVID-19

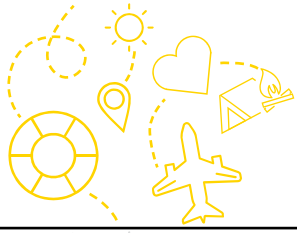
- ▶ In the scope of COVID-19 precautions, Ministry of Health and Directorate General of Civil Aviation has suspended flights to/from China on February 02, 2020 and the suspended destinations increased gradually including South Korea, Iraq, Iran, Italy, Germany, France etc. and additional 46 countries as of March 14, 2020 after the increase of COVID-19 cases.
- ▶ Due to the closure of borders between the cities in Turkey, Istanbul's and Turkey's tourism balance have changed considerably.

## In March 2020,

- ▶ According to STR;
  - ▶ After the first coronavirus case confirmed by Turkey on March 11, 2020 the occupancy rates decreased dramatically.
  - ▶ Most of the hotels are closed during the COVID-19.
  - ▶ According to data released by Istanbul Metropolitan Municipality, the occupancy rate in Istanbul decreased by 59,8% in comparison to March 2019 and observed as 29% in Istanbul.
  - ▶ The number of tourist arrivals decreased by 67,9% in Istanbul, while compared to March 2019.
  - ▶ ADR decreased from 55,34 EUR (March 2019) to 19,11 EUR (March 2020) with a decrease rate of 65,5%.
- ▶ The number of airline passengers in Istanbul decreased by 53% compared to the same period of the previous year and reached 3,88 mn.
- ▶ 1,80 mn of the passengers were domestic and 2,08 mn were international passengers.
- ▶ Airport passenger traffic decreased by 53% in comparison to previous year.

## Impact of COVID-19





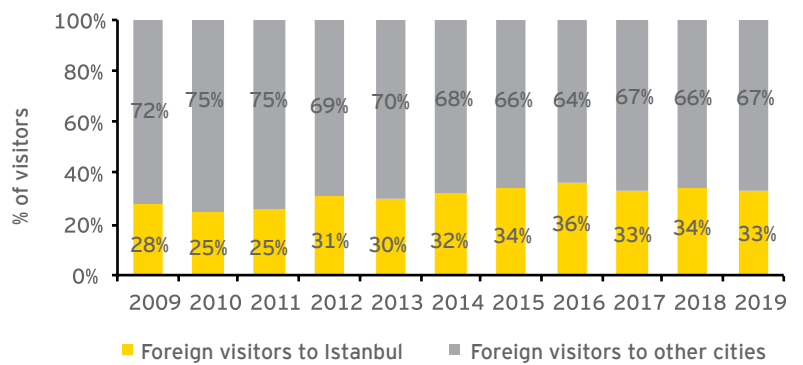
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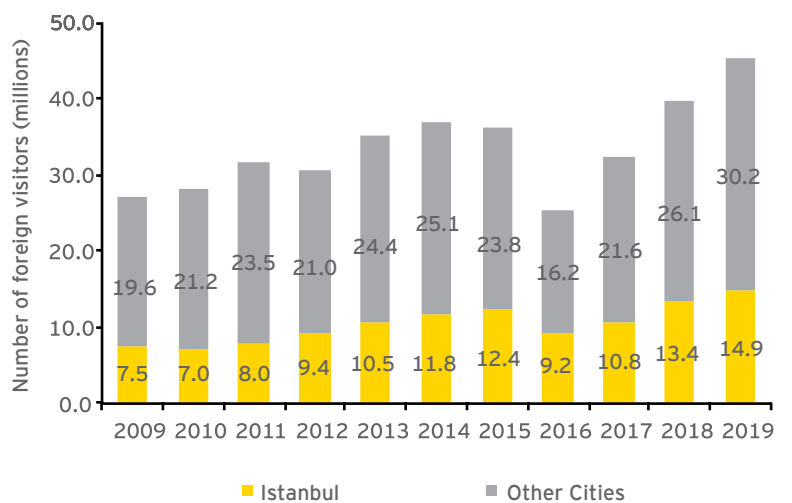
## Istanbul Tourism Market: Overview

- ▶ Apart from being the cultural, historical and commercial pulse of Turkey, Istanbul is one of the top shopping destinations for tourists from Middle East as well as other emerging market countries.
- ▶ Prior to COVID-19, as of 2019, 33% of the foreign tourists visiting Turkey chose Istanbul as their holiday destination, which demonstrates the importance of Istanbul in Turkey's tourism sector.
- ▶ The portion of foreign tourists visiting Istanbul among other cities of Turkey is fluctuating between 30% - 36% since 2013.
- ▶ Similarly, the number of foreign tourists visiting Turkey has also increased by 14,1% to 45,1 mn in 2019 according to the Ministry of Culture and Tourism.
- ▶ Other cities in Turkey welcomed 30,2 mn foreign visitors in 2019 in total.
- ▶ Antalya, located on the Mediterranean and well-known with its resorts, followed Istanbul with 14.65 mn of foreign visitors.
- ▶ The third top arriving city was the northwestern province of Edirne which has borders both with Bulgaria and Greece, with 4.3 mn foreign visitors.

**% of Int'l arrivals to Istanbul & other cities of Turkey (2009 - 2019)**



**Number of foreign visitors to Istanbul and other cities of Turkey (2009 - 2019)**



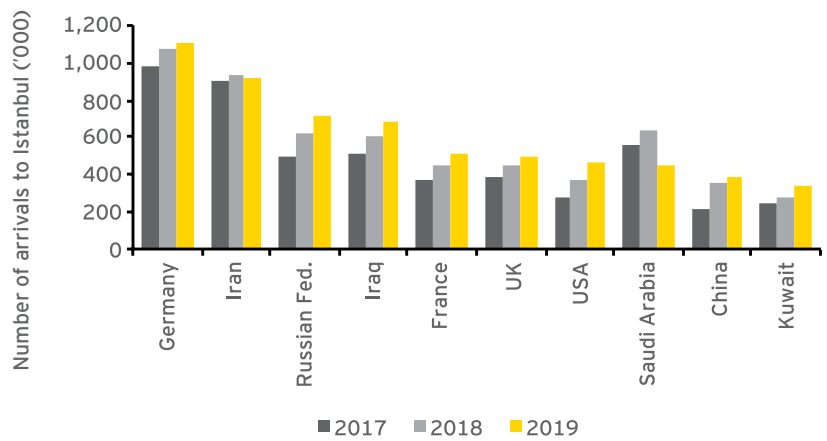
Source: Republic of Turkey Ministry of Culture and Tourism; Border Statistics December 2019, Istanbul Tourism Statistics, December 2019

# 2.3

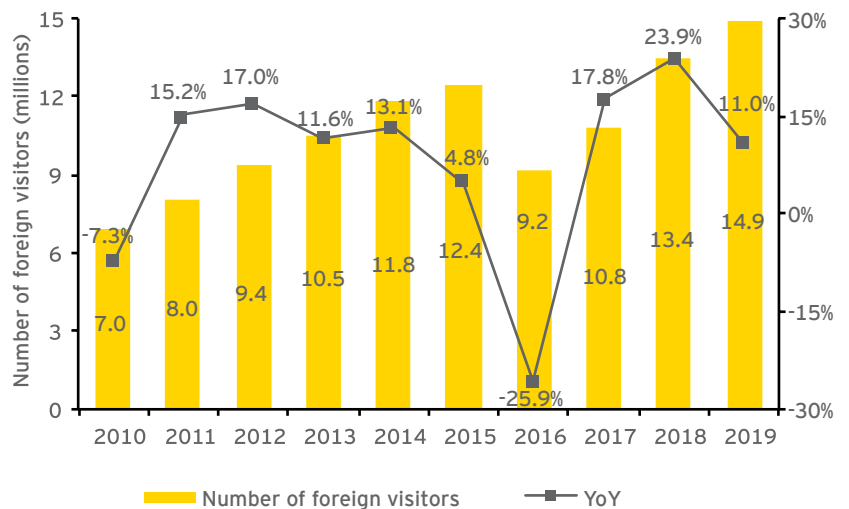
## Istanbul Tourism Market: International Tourists

- ▶ The highest number of foreign visitors to Istanbul came from Germany (7,5% of the total visitors) in 2019. It was followed by Iran (6,2%) and Russian Federation (4,8%).
- ▶ Highest increase in terms of visitor number is observed among American visitors at a rate of 24,3% Y-o-Y between 2018 and 2019.
- ▶ The number of American visitors increased from 370.112 in 2018 to 459.909 in 2019.
- ▶ Kuwait is in the second place after The United States in terms of highest rate in change of arrival, with an increase of 22,2% Y-o-Y for 2019.
- ▶ The number of visitors have decreased from Iran and Saudi Arabia by 1,3% and 29,2%, respectively.
- ▶ Istanbul Culture and Tourism Directorate announced that the city welcomed more than 14,9 mn foreign tourists in 2019 with an increase of 11,0% in comparison to previous year (13,4 mn).

**Top 10 arrivals by country of origin to Istanbul (2017 - 2019)**



**Number of foreign visitors to Istanbul (2010 - 2019)**



Source: Republic of Turkey Ministry of Culture and Tourism, Border Statistics Dec. 2019; Istanbul Provincial Directorate of Culture and Tourism, Istanbul Tourism Statistics, Dec 2019



# 2.4

## Istanbul Tourism Market: Opportunities & Challenges



### Opportunities

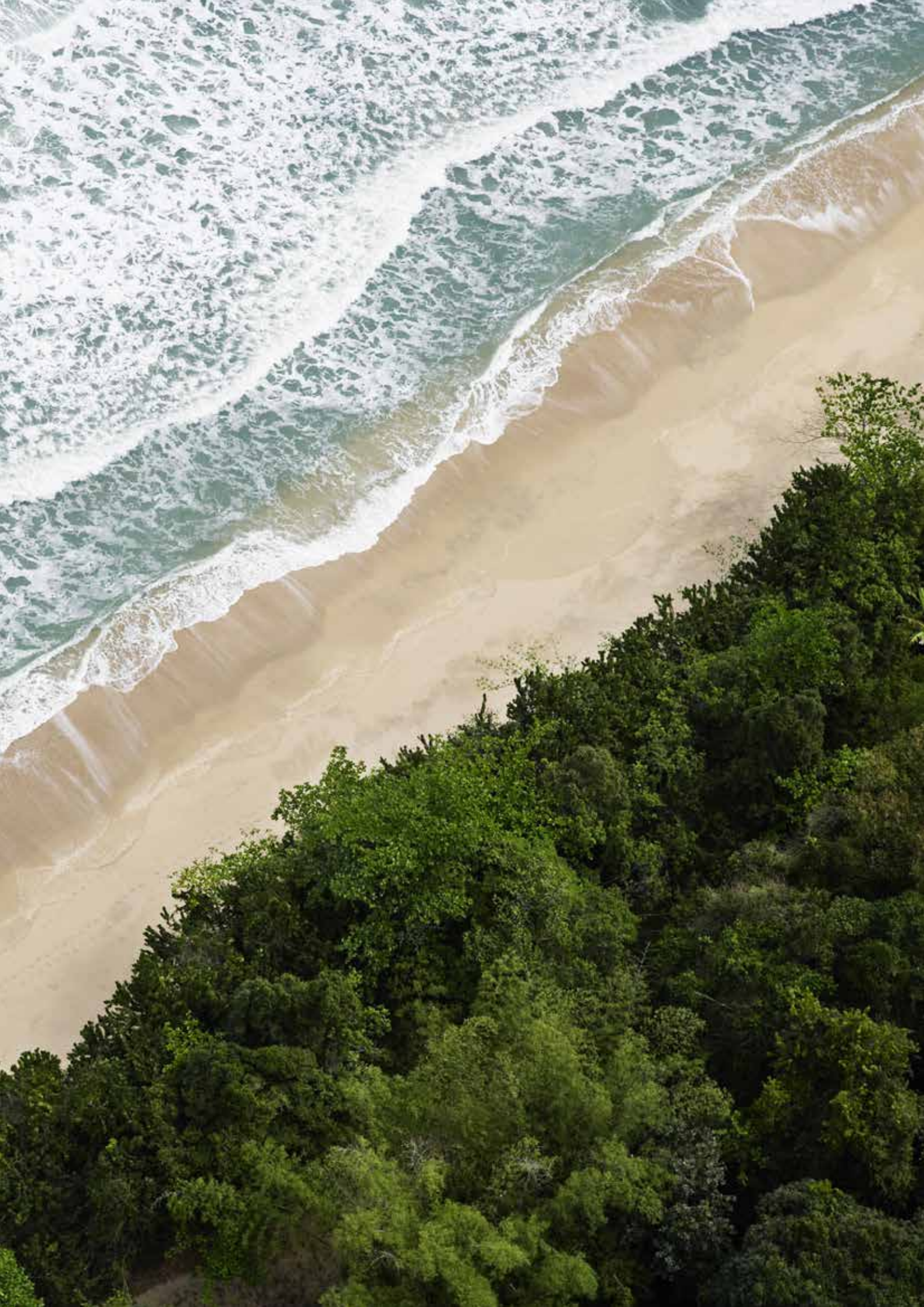
- ▶ Regulations of the Ministry of Health are helping the facilities to get through the summer season during COVID-19 pandemic.
- ▶ Development of health tourism, attracting visitors from both Europe and the Middle East.
- ▶ New attractions such as theme parks and extensive shopping opportunities make Istanbul a preferred destination for both domestic and international tourists.
- ▶ Istanbul's tourism office is placing a strong focus on cultural tourism with emphasis on historical sites, which is becoming one of the key attractions for visitors.
- ▶ The new Istanbul Airport is opened in April 2019 and is expected to have a 90 million people capacity with its first phase by 2020, allowing it to be a major destination for international travel.
- ▶ The new port ("Galataport") is expected to increase arrivals by cruise tourism.
- ▶ Increasing domestic travel habits and the number of integrated new subway lines, such as the new Kartal-Halkali line, are expected to boost tourism in Istanbul.

### Challenges

- ▶ 60% of the coronavirus cases are reported in Istanbul.
- ▶ The COVID-19 pandemic situation may last longer than expected considering the population of Istanbul.
- ▶ Uncertainty in the recovery timeline challenges the forward planning.
- ▶ Galataport has planned to be opened in Q2, 2020 but it is delayed to Q1, 2021 because of the COVID-19 pandemic.
- ▶ International, regional and local political and social issues that may affect the tourism industry.
- ▶ Possible risks stemming from both persistent domestic and regional instability might discourage people to consider Istanbul as a travel destination.
- ▶ The number of visitors decreased for Iran and Saudi Arabia by 1,3% and 29,2% in 2019 thus hospitality and commercial activities in some regions of Istanbul may be affected.
- ▶ Usual megapolis issues such as traffic jam, air pollution, dense urbanization and alike.
- ▶ Competition of new Istanbul Airport with international hubs such as Frankfurt Airport.
- ▶ Competition of MICE tourism with European cities.
- ▶ Implementation of broad travel restrictions, the massive cancellation of meetings, conferences & events and personal health concerns have sharply reduced future bookings especially in Istanbul hotels.



Source: Fitch Solutions Turkey Tourism Report Q2 2020; EY Analysis 2020



3

# Turkey Hospitality Sector

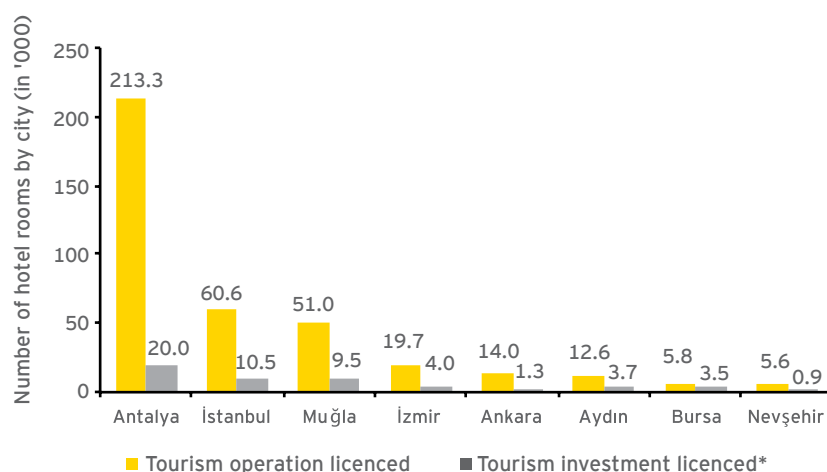


3.1

## Turkey Hospitality Sector: Overview

- ▶ According to data released by Republic of Turkey Ministry of Culture and Tourism, in terms of tourism operation licensed room numbers by city in Turkey, Antalya is the leader with 213.305 rooms, followed by Istanbul and Muğla with 60.568 and 50.988 rooms as of 2019, respectively. Total room number in Turkey was noted as 473.609 by Republic of Turkey Ministry of Culture and Tourism.
- ▶ According to Turkey Tourism Report, which was published in March 2020 by Fitch Solutions, during the COVID-19 outbreak, total hotel rooms in Turkey are stated as 175.710. The content of the room number was not given in the report. Fitch is expecting an increase in the number of hotels and accommodation establishments. Occupancy rate is expected to increase for the period of 2020 - 2024 as well as hotel room number and total overnight stays.
- ▶ Average length of stay by tourists were realized as 3,8 nights in 2018 and 3,9 nights in 2019. It's expected to be 4,0 in 2020 and decrease to 3,7 nights per visitor from 2020 to 2024. However, these numbers were forecasted before COVID-19 pandemic.

### Number of hotel rooms by city in Turkey (2019)



\* The numbers include "Pipeline Development and Under Construction Projects"

### Turkey's hotel data (2018 - 2024) (Fitch Solutions estimations before COVID-19)

	2018 E	2019 E	2020 F	2021 F	2022 F	2023 F	2024 F
Number of hotels and establishments, '000	5.66	5.88	5.97	6.13	6.31	6.45	6.63
Total overnight stays, '000	95.109	106.769	111.272	117.368	122.336	126.845	132.510
Average length of stay, nights	3.8	3.9	4.0	3.8	3.8	3.7	3.7
Hotel rooms, '000	166.34	175.71	183.16	189.81	196.24	201.60	208.90
Occupancy rate, %	53.0	53.7	54.4	55.2	55.6	55.9	56.2

Source: Republic of Turkey Ministry of Culture and Tourism;  
Fitch Solutions Turkey Tourism Report Q2 2020



# 3.2



## Turkey Hospitality Sector: Major Players

- ▶ Turkey's hotel industry is in the midst of a significant development boom, with many major management companies looking to expand their presence within the country.
- ▶ According to Fitch Solutions, while regional insecurity is a concern, international hotel groups have identified the long-term potential of Turkey, and have continued to push through investments in Turkey.
- ▶ The tourism sector is set to benefit from substantial investment in supporting transport infrastructure like Istanbul New Airport and Galataport Project, which will provide a modern port facility with extended capacity for cruise ships.
- ▶ Galataport will host first ever Peninsula Hotel in Turkey, which will enhance the collection of luxury hotel brands in Istanbul.

### Top global hotel groups operating in Turkey

Global hotel group	Presence in Turkey	Hotel brands present in Turkey
Accor Hotels	Operates 57 hotels across Turkey, including 24 hotels in Istanbul. 14 of them are under Ibis brand and 10 are under Mercure brand.	Ibis, Mercure, Novotel, Swissotel, Fairmont, Raffles, Rixos, Mgallery, Mövenpick, Pullman
Best Western	Operates 12 hotels in Turkey, 3 of which are located in Istanbul.	Best Western, Best Western Plus, Best Western Premier, ViB Best Western
Radisson Hotel Group	Operates 30 properties and 3 of pipeline project across Turkey, including 16 in Istanbul.	Radisson Blu, Park Inn by Radisson, Radisson
Hilton	Operates around 69 hotels in Turkey, including 23 in Istanbul and 5 in Izmir.	Conrad, Doubletree by Hilton, Hilton Hotels & Resorts, Garden Inn, Hampton
Hyatt	Operates 10 hotels in Turkey, catering to the luxury travel market. The brand have one more pipeline project (161 rooms) in İzmir with Orjin Group	Grand Hyatt, Park Hyatt, Hyatt Regency, Hyatt Centric, D-Resort Göcek, Ariana Sustainable Luxury Lodge, The Marmara Bodrum, Nish Palas, Hyatt House, Tomtom Suites
InterContinental Hotels Group	Operates 32 hotels across Turkey, including 17 in Istanbul. Six Senses Kocatas Mansions opened at the end of 2019.	Crowne Plaza, Holiday Inn, Holiday Inn Express, InterContinental, Six Senses Kocatas Mansions
Marriott & Starwood	Marriot group merged with Starwood in 2016, adding 20 hotels to its portfolio, operating a total of 34 hotels 20 of which in Istanbul, 3 in Ankara, 4 in Izmir and remaining hotels are located in various cities.	JW Marriott, Marriott, Renaissance Hotels, Ritz-Carlton, AC Hotel by Marriot, The Luxury Collection, Edition, Autograph Collection, Courtyard by Marriott, Design Hotels, Le Meridien, Aloft, Sheraton, St Regis, Four Points by Sheraton, W Hotels
Wyndham	Operates 80 hotels across Turkey across a range of brands including 28 in Istanbul. The group expanded by 17 hotels in 2014.	Ramada, Ramada Encore, Ramada Plaza, Wyndham, Wyndham Grand, Hawthorn Suites, TRYP, La Quinta by Wyndham



Source: Fitch Solutions Turkey Tourism Report Q2 2020;  
EY Market Research 2020



## 3.3

# Turkey Hospitality Sector: M&A Deals

## M&A Deals in Hospitality Sector between 2017 - 2020

Transaction name	Year	Closing Date	Location	Seller	Buyer	Sale Price (TRY)	Price (EUR)	Price (US\$)	Stake (%)
The Bodrum by Paramount	2020	February	Bodrum, Mugla	Ufuk Turizm	Unico Sigorta	n/a	n/a	n/a	100
Pruva Bakirkoy Hotel	2019	December	Bakirkoy, Istanbul	Doga Sehircilik	Private Investor	n/a	59.0	65.0	100
Lodge Otel	2019	December	Nevsehir	IS REIT	Tarman Cimento	55.7	n/a	9.4	100
Kybele Tourism (Club Asteria)	2019	December	Serik, Antalya	n/a	TUI Group	n/a	n/a	n/a	100
JW Marriott Karakoy, Titanic Downtown Beyoglu	2019	August	Istanbul	Seba infaat	Al Rayyan Tourism Investment (ARTIC)	n/a	n/a	104.2	100
Magic Life Masmavi	2019	May	Antalya	n/a	TUI Group	n/a	n/a	n/a	100
Utopia World Hotel	2019	April	Alanya, Antalya	Utopya Tourism	ATG Anex Tourism Group	n/a	36.0	40.3	100
Antalya Club Phaselis	2019	April	Kemer, Antalya	IS REIT	NG Kutahya Seramik Holding	n/a	30.8	45.6	100
Park Hyatt Macka	2019	March	Istanbul	Dogus Group	Nusret Turizm Yatirim	n/a	44.3	55.0	100
D-Resort Grand Azur	2019	February	Marmaris, Mugla	Dogus Group	TUI Group	n/a	n/a	n/a	100
Magic Life and other 9 hotels	2018	September	Various Cities in Turkey	n/a	TUI Group	n/a	n/a	n/a	n/a
Kervansaray Bodrum Resort	2018	August	Bodrum	Mega Varlik Yonetim	Saban Kayikci (Private Investor)	n/a	30.0	n/a	100
Imbat Hotel Kusadasi	2018	August	Izmir	n/a	Orjin Group	n/a	n/a	n/a	100
Foca Holiday Village	2018	July	Izmir	n/a	Arda Engineering	n/a	n/a	9.2	100
Antalya Airport	2018	February	Istanbul	n/a	TAV Havalimanlari Holding	n/a	n/a	443.6	49
The Bodrum by Paramount Hotel	2017	December	Mugla	n/a	Turan Avcı (Private Investor)	n/a	n/a	80.0	100
Gudem Otel	2017	November	Mugla	n/a	Deniz REIT	n/a	n/a	7.6	100
Kervansaray Bodrum Resort	2017	March	Mugla	Kervansaray Group	Mega Varlik Yonetim	n/a	n/a	13.0	100

Source: EY M&A Reports, 2017 - 2020; EY Analysis



4

# Istanbul Hospitality Sector

## 4.1

Istanbul Hospitality Sector:  
Overview

## Key characteristics of hotel industry in 4 major cities

	August 2019 (EUR)			August 2018 (EUR)			Change (%)		
	Occupancy	A.D.R	RevPAR	Occupancy	A.D.R	RevPAR	Occupancy	A.D.R	RevPAR
Europe	77.70%	117.77	91.53	77.40%	115.77	89.65	0.4%	1.7%	2.1%
Saint Petersburg	85.50%	87.26	77.21	84.20%	75.75	63.75	5.1%	15.2%	21.1%
Barcelona	87.00%	144.78	125.99	83.90%	135.96	114.11	3.7%	6.5%	10.4%
Istanbul	87.70%	107.36	94.12	84.00%	89.39	75.00	4.4%	20.1%	25.4%
Vienna	85.80%	105.57	88.82	84.60%	90.58	76.60	1.4%	14.3%	16.0%

	Year to Date August 2019 (EUR)			Year to Date August 2018 (EUR)			Change (%)		
	Occupancy	A.D.R	RevPAR	Occupancy	A.D.R	RevPAR	Occupancy	A.D.R	RevPAR
Europe	72.00%	112.93	81.26	71.70%	110.93	79.54	0.4%	1.8%	2.2%
Saint Petersburg	67.50%	98.72	66.60	59.90%	108.16	64.76	12.7%	-8.7%	2.8%
Barcelona	80.60%	146.47	118.03	77.00%	137.42	105.78	4.7%	6.6%	11.6%
Istanbul	73.70%	90.23	66.49	71.00%	81.15	57.61	3.8%	11.2%	15.4%
Vienna	76.50%	105.73	80.90	73.90%	94.63	69.97	3.5%	11.7%	15.6%

## Year to date comparison

- ▶ Based on YTD (Year to Date) August 2019 data, ADRs and RevPAR's increased in Total Europe in comparison with August 2018 and the same KPI's significantly increased in Istanbul with higher increase ratios.
- ▶ Occupancy rate of Istanbul for YTD ("Year to Date") August 2019 period is also above the European average.
- ▶ According to the YTD data, Istanbul's ADR increased to EUR 90,23 by August 2019, while it was EUR 81,15 in previous year and the occupancy rate increased to 73,70% by August 2019, while it was 71,0% in previous year.
- ▶ Three KPIs of Istanbul have showed significant increases, which are all above the European Average.



# 4.1 (Contd.)

## Istanbul Hospitality Sector: Overview



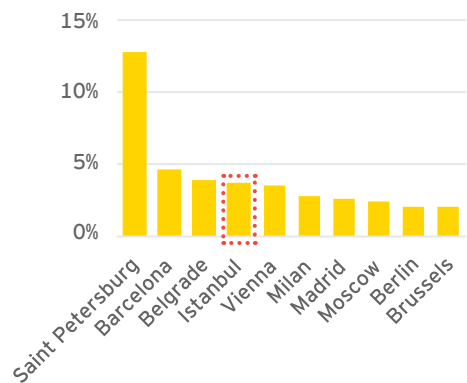
### Monthly Comparison (August 2018 - August 2019)

- ▶ RevPAR for Istanbul has increased by 10,4% in August 2019 and reached to EUR 94,12 as a result of increase in the occupancy rate to 87,7% for August 2019 compared to the previous year (84,0%).
- ▶ Also an increase was observed in Istanbul's ADR, which was EUR 107,36 in August 2019 compared to the same period of 2018 which was EUR 89,39.

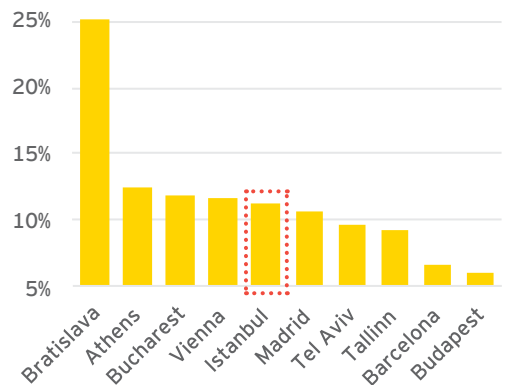
### Key characteristics of hotel industry in top 10 markets

- ▶ According to STR's data showing European Cities tourism KPIs for August 2019 YTD, Saint Petersburg was noted as the 1st city which has the highest occupancy rate upward trend of 12,7%, while Istanbul was recorded as the 4th city by having a 3,8% upward trend compared to previous year.
- ▶ Bratislava heads the ADR and RevPAR change, by 25,1% and 26,7% for August 2019 YTD, respectively.
- ▶ Istanbul is the 5th city in ADR and 3rd city in RevPAR change for August 2019 YTD, by 11,2% and 15,4%, respectively.

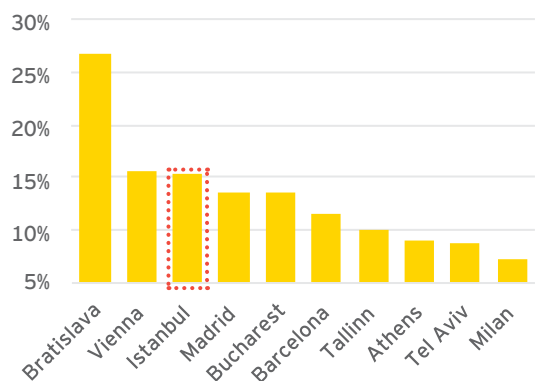
**Top 10 markets: Occupancy change YTD August 2019 vs YTD August 2018**



**Top 10 markets: ADR change YTD August 2019 vs YTD August 2018**



**Top 10 markets: RevPAR change YTD August 2019 vs YTD August 2018**



Source: STR European Hotel Review August 2019 Report

## 4.2

# Istanbul Hospitality Sector: Capacity

Number of tourism facilities on European and Asian side of Istanbul, 2019

Category	Number of facilities		Number of rooms		Number of beds	
	European side	Asian side	European side	Asian side	European side	Asian side
5 Star Hotels	91	19	23,796	4,981	48,046	9,960
4 Star Hotels	117	16	13,328	1,867	26,645	3,715
3 Star Hotels	115	17	6,647	1,044	13,048	2,043
2 Star Hotels	42	4	1,459	123	2,829	249
1 Star Hotels	8	-	208	-	399	-
Special Category Hotels	122	13	4,982	417	12,101	825
Boutique Hotels	20	2	909	42	1,824	84
Apart Hotel	3	2	233	68	700	198
Pensions	7	4	107	32	215	64
Hostel	1	-	123	-	166	-
Thermal Tourism C.	-	1	-	80	-	160
<b>Sub-total</b>	<b>526</b>	<b>78</b>	<b>51,792</b>	<b>8,654</b>	<b>105,973</b>	<b>17,298</b>

- ▶ In terms of room number, majority of the hotels in Istanbul are located in European side, which are 5-Star Hotels with 23.796 rooms, followed by 4-Star Hotels with 13.328 rooms.
- ▶ The number of accommodation facilities in European side is 526 with a total of 51.792 room capacity; whereas on Asian side is 78 facilities with 8.654 room capacity in 2019.





# 4.3



## Istanbul Hospitality Sector: Hotel Types

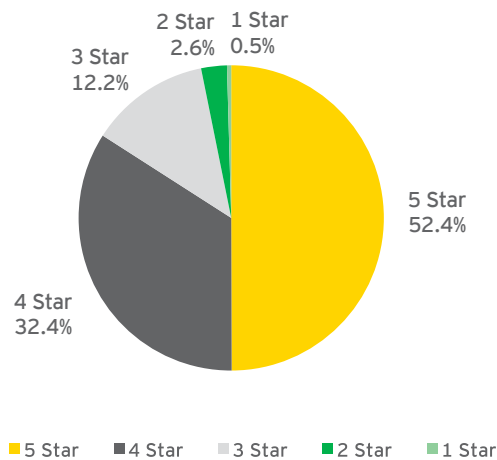
### Accommodation by hotel type (2018 vs 2019)

- ▶ In terms of accommodation, 5 star hotels have the major proportion in total nights spent both in 2018 and 2019.
- ▶ In 2019, 52,4% of the nights were spent in 5 star hotels, while 32,4% in 4 star hotels and 12,2% in 3 star hotels.
- ▶ The average length of stay are mostly the same in all types of hotels, between 2,2 and 2,5.
- ▶ The occupancy rates by hotel types were all increased in 2019, in comparison to 2018.
- ▶ The highest occupancy rates were observed in 1 star hotels with 73,6% in 2019 and 71,0% in 2018 followed by 4 star hotels with 68,9% in 2019 and 65,7% in 2018.

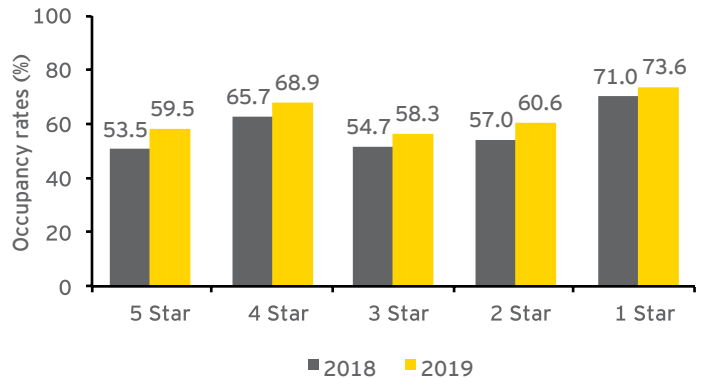
### Accommodation by hotel type (2018 vs 2019)

Hotel Type	Nights spent		Average length of stay		Occupancy rate %	
	2018	2019	2018	2019	2018	2019
5 Star	9.4 mn	10.9 mn	2.2	2.2	53.5	59.5
4 Star	6.1 mn	6.8 mn	2.5	2.5	65.7	68.9
3 Star	2.4 mn	2.6 mn	2.3	2.3	54.7	58.3
2 Star	0.4 mn	0.5 mn	2.2	2.2	57.0	60.6
1 Star	0.08 mn	0.1 mn	2.5	2.4	71.0	73.6

### Number of nights spent, by hotel type (2019)



### Occupancy rates by hotel types (2018-2019)



Source: Republic of Turkey Ministry of Culture and Tourism, General Directorate of Investment and Enterprise, 2018 & 2019



# 4.3 (Contd.)



## Istanbul Hospitality Sector: Hotel Types

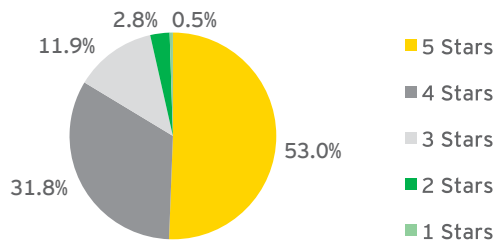
### Distribution of foreigners vs. citizens by hotel type (2019)

- ▶ According to the data released by Republic of Turkey Ministry of Culture and Tourism, foreign visitors mostly prefer 5 star hotels with a ratio of 53,0%, followed by 4 star hotels with 31,8% and 3 stars with 11,9%, respectively.
- ▶ Locals also prefer 5 stars hotels with a 56,5% proportion, followed by 4 stars with 27,4% and 3 stars with 13,4%, respectively.

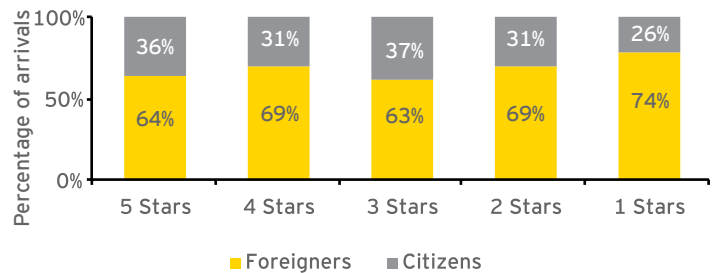
### % of arrivals and nights spent by foreigners vs. citizens (2019)

- ▶ In terms of number of arrivals to these five types of hotels, foreign visitors have the major proportion in comparison to the citizens by more than 63%.
- ▶ Similarly, nights spent by foreigners has higher proportion by more than 70% as compared to the locals.

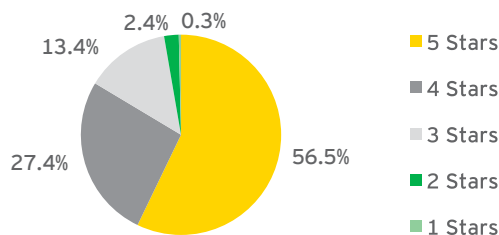
### Number of arrivals by hotel category, foreigners



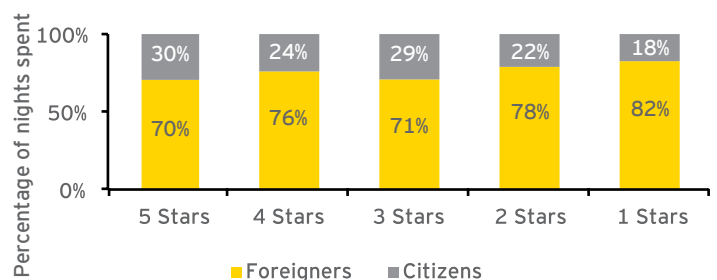
### % of arrivals by foreigners vs. citizens



### Number of arrivals by hotel category, locals



### % of nights spent by foreigners vs. citizens



Source: Republic of Turkey Ministry of Culture and Tourism

# 4.4

## Istanbul Hospitality Sector: Investments

### Major international and local hotels opened in Istanbul in 2019-2020 and the pipeline hotel openings

Year	Company name	Hotel	Neighborhood/District	Number of rooms
Pipeline Projects	Hilton Worldwide	Hilton Mall of Istanbul	Basaksehir	180
	Marriott	Orientbank Hotel Istanbul, Autograph Collection	Eminonu, Fatih	n/a
	Swiss International Hotels & Resorts	Swiss International Boutique Tej Sultan	Fatih	200
	Marriott	Sheraton Istanbul Levent	Levent, Besiktas	248
	Jumeirah Group	Jumeirah SeaPearl Atakoy	Atakoy, Bakirkoy	202
	Radisson Hotel Group	Radisson Hotel Apartments Delta Istanbul Esenyurt	Esenyurt	240
	Emaar	The Address Hotel	Libadiye, Uskudar	182
	Mandarin Oriental	Mandarin Oriental Bosphorus	Kurucesme, Besiktas	120
	Mandarin Oriental	Mandarin Oriental Etiler Istanbul	Etiler, Besiktas	158
	Peninsula Hotel	The Peninsula Istanbul	Karakoy, Beyoglu	180
	Marriott	Four Points by Sheraton Kartal	Kartal	240
	Marriott	Four Points by Sheraton Atasehir	Atasehir	110
	Marriott	Four Points by Sheraton Kagithane	Kagithane	173
	As of Sep, 2020	Marriott	JW Marriott Istanbul Bosphorus	Karakoy, Beyoglu
Wyndham		La Quinta by Wyndham Istanbul Gunesli	Günesli, Bagcilar	404
Radisson Hotel Group		Radisson Hotel President Beyazit Istanbul *	Eminonu, Fatih	201
Radisson Hotel Group		Radisson Hotel Istanbul Sultanahmet *	Eminonu, Fatih	28
2019	Marriott	Marriott	Dolapdere, Beyoglu	254
	Radisson Hotel Group	Radisson Residences Avrupa Tem	Gaziosmanpasa	141
	Radisson Hotel Group	Radisson Residences Vadistanbul	Ayazaga, Sariyer	169
	Radisson Hotel Group	Radisson Blu Vadistanbul	Ayazaga, Sariyer	193
	Hilton Worldwide	DoubleTree by Hilton Esentepe	Esentepe, Sisli	104
	Accor Hotels	Mercure Istanbul Bakirkoy	Yenimahalle, Bakirkoy	93
	Accor Hotels	Sofitel Istanbul Taksim	Taksim, Beyoglu	203
	Hilton Worldwide	Hagia Sofia Mansions, Curio Collection by Hilton	Sultanahmet, Fatih	78
	Six Senses	Six Senses Kocatas Mansions	Sariyer	45
	Yotel	Yotel Istanbul Airport	Arnavutkoy	451
	Marriott	Delta Hotels Istanbul Halic	Kagithane	126

Source: EY Analysis



# 4.4

## Istanbul Hospitality Sector: Investments

Major international and local hotels opened in Istanbul between 2015 and 2018

Year	Company name	Hotel	Neighborhood/District	Number of rooms
2018	Hilton Worldwide	Hilton Istanbul Maslak	Maslak, Sariyer	284
	Radisson Hotel Group	Park Inn by Radisson Istanbul, Odayeri	Odayeri, Eyup	97
	The Barceló Hotel Group	Barceló Istanbul	Taksim, Beyoglu	270
	Rotana Hotels & Resorts	Centro Westside Istanbul	Mahmutbey, Bagcilar	152
	Hyatt Hotels Corporation	Nish Palas Istanbul	Nisantasi, Sisli	45
2017	Fairmont Hotels	Fairmont Quasar Istanbul	Mecidiyekoy, Sisli	209
	Accor Hotels	Ibis Istanbul Tuzla Hotel	Tuzla	200
	Golden Tulip Hotels	Golden Tulip Bayrampasa	Bayrampasa	169
	Radisson Hotel Group	Park Inn by Radisson Istanbul, Atasehir	Atasehir	127
	Accor Hotels	Mgallery Istanbul Galata	Galata, Beyoglu	83
	Hilton Worldwide	DoubleTree by Hilton Topkapi	Topkapi, Fatih	216
2016	Radisson Hotel Group	Radisson Blu Residence Istanbul Batisehir	Bagcilar	171
	Accor Hotels	Pullman Istanbul Airport and Convention Center	Yenibosna, Bahcelievler	403
	Accor Hotels	Novotel Istanbul Bosphorus	Karakoy, Beyoglu	200
	Dedeman Hotels	Dedeman Park Bostanci	İcerenkoy, Atasehir	110
	Accor Hotels	Mercure Istanbul West Hotel & Convention Center	Yenibosna, Bahcelievler	377
	Accor Hotels	Ibis Istanbul West	Yenibosna, Bahcelievler	96
	Hilton Worldwide	Hilton Istanbul Bakirkoy	Atakoy, Bakirkoy	306
	Hilton Worldwide	Hampton by Hilton Istanbul Kurtkoy	Kurtkoy, Pendik	145
2015	Radisson Hotel Group	Radisson Blu Hotel Istanbul Ottomare	Zeytinburnu	133
	Morgans Hotel Group	10 Morgan Karaköy	Karakoy, Beyoglu	71
	InterContinental Hotels Group	Holiday Inn Express Istanbul Airport	Halkali, Kucukcekmece	110
	Hilton Worldwide	Hilton Garden Inn Istanbul Airport	Yenibosna, Bahcelievler	217
	Hyatt Hotel Group	Hyatt Regency Ataköy	Atakoy, Bakirkoy	284
	Regis	The St. Regis Istanbul	Nisantasi, Sisli	118
	Soho House	Soho House Istanbul	Pera, Beyoglu	87
	Mercure	Mercure Istanbul Topkapi	Zeytinburnu	204



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