

Tourism and travel (T & T) industry is expected to contribute directly USD 27 billion to GDP in 2009 and rising to USD 50 billion by 2019. However, since T & T industry may affect all sectors of economy, its real impact is even greater. The country's T & T industry is estimated to generate, directly and indirectly, USD 64 billion of economic activity in 2008, and it is expected to reach USD 123 by the year 2019.

Demand and Supply

Over the past ten years, number of rooms increased by approximately 100,000 units or about 67% and reached to 250,000 units in 2,500 establishments. By the year of 2015, it is expected that total number of establishments will reach approximately 3,500 with 365,000 rooms.

Hotel demand is increasing by not only tourism, but also by business and MICE activities (meetings, incentives, conferences and exhibitions). Number of annual arrivals increased from 17 million to 27 million with 57% growth in the previous ten years. Assuming hotels in the major metropolitan cities as city hotels, it can be said that half of the total arrivals accommodate in these city hotels.

As an attractive tourism destination, Antalya and Muğla lead the hotel supply. In terms of city hotels major metropolitan cities of Istanbul, Ankara and Izmir dominate hotel market. Besides, major Anatolian cities, like Bursa, Denizli, Gaziantep and Konya have relatively developed hotel market, as industrial and commercial centre. Considering supply and demand balance, these cities offer opportunity for new hotel developments.

International Hotel Chains

The entrance of international hotel chains started with the opening of Hilton Istanbul in 1955, following by Inter Continental and Sheraton. The interest of international chains has accelerated after the second half of the 1980s. Currently, nine of the world's top ten international hotel chain groups are operating hotels with their different brands.

New Supply

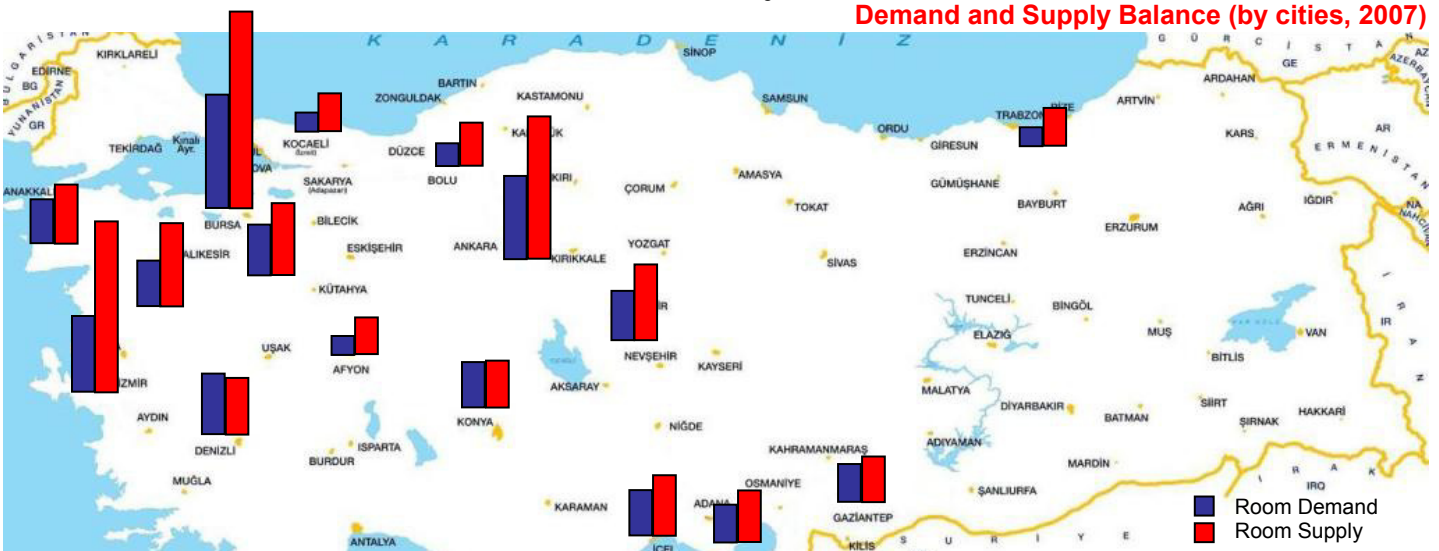
Turkish hotel market has become more attractive, especially over the past a couple of years. Especially mid - tier hotel market has attracted to developers due to lack in three and four -star hotels. Currently, such developments are focused largely on major metropolitan cities, but Anatolian cities look promising for new developments. Major international hotel chains introduced their brands to the market either management contract or franchise agreement. Local groups also announced their intentions to expand their presence.

Outlook

The investor's appetite accelerated in line with the improvement in economic condition in the last a couple of years. However, Turkish market has witnessed prevailing effects of the financial turbulence since the last quarter of 2008, in terms of decrease in number of arrivals and occupancy rates. Tightened credit markets may limit new supply expected to deliver in the market during the next years. But, based on the positive economic scenario, hotel market is expected to recover by the end of the year.

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Demand and Supply Balance (by cities, 2007)



Data is compiled from Ministry of Culture and Tourism. The markets are selected regarding room capacity (> 1,000). Room supply is based on the assumption of 75% annual occupancy. Room demand is calculated considering annual arrivals to accommodation establishment in each city.