

REAL ESTATE CERTIFICATE

Investment Instrument for Real Estate Projects

What it is

Real estate certificates are capital market instruments which enables companies with a real estate project that is about to start or is in progress to sell independent units (residential and commercial units) by dividing them into smaller units, i.e., certificates, and also enables those buying adequate certificates to become owner of the independent unit by way of transfer of title deed and those failing to have adequate certificates to benefit from probable appreciation.


The certificates to be issued are required to be listed in the Exchange.


Real estate certificates are an asset-backed investment instrument. Each certificate represents a certain area unit (m^2 , dm^2 , cm^2 , etc.) or a monetary unit (1 TRY, 10 TRY, 100 TRY, 1,000 TRY, etc.).


Real estates that are part of housing projects are divided into lower-priced certificates with a value ranging from TRY 0 to TRY 1,000, thereby, enabling individuals from all walks of life to invest. An investor wishing to buy an independent unit that is part of the project may purchase any independent unit by collecting adequate certificates.


Independent units that are subject of real estate issuance and funds derived from issuance may not be utilized for purposes other than their intended use, may not be pledged or provided as collateral, may not be attached including for the purpose of collecting public receivables, may not be included in the bankruptcy estate and may not be subject to cautionary injunction.


What it isn't

 A real estate certificate is not a debt or equity based instrument. It is a security whose underlying asset is a real estate.

 They may not be used for the sale of completed projects, they may only be issued for projects to be built or being built.


 It is an investment instrument with a maturity date, upon completion of the project, it is either turned into a title deed or converted into cash over its calculated value according to the method declared in advance.

 Owning a certificate does not directly mean owning the title deed of a property. Title deed acquisition is only possible after accumulating sufficient number of certificates and completing the processes of primary obligation fulfillment and request period.

 It is not a fixed-income instrument, the value of the certificate to be traded at Borsa İstanbul may go up or down depending on market conditions as is the case with real estate prices.

What is its Purpose

 Providing the real estate industry with an alternative financing and investment instrument in organized markets.

 Enabling investors to acquire real estates and helping those investors wishing to invest in real estate despite of lacking adequate savings.

Advantages



✔ Provides an alternative sales channel to the project developer.

👥 More than one investor may request fulfillment of primary obligation according to joint ownership principles.

🏠 It is a product with no revenues derived from interest. Funds collected from public offering and secondary performance may be invested in line with Islamic finance principles within the framework of the issuers' choice.

🏢 The issuer may provide the possibility to withdraw loans, make cash or installment payments for investors who wish to request primary obligations despite not holding the required amount of real estate certificates, provided that it is specified in the prospectus or issue document.

Real Estate Certificate Holders Have Three Options

1. Primary Obligation (Receiving of the Title Deed in return for the Certificate)



- Number of certificates for independent units in proportion to their goodwill is declared prior to issuance of certificates.
- Investors who have bought adequate certificates may purchase independent unit of the real estate.
 - During either the primary obligation request period or the secondary obligation fulfilment period, the certificates of investors, who submit a request for a change of obligation and meet the necessary conditions, are blocked, in return a contract on promise is signed for the independent unit.
 - Following the project completion date, the issuer delivers the relevant independent unit to the investor who has signed the contract on promise.
- Independent units sold by the issuer as a result of the primary obligation request and those that have not been sold yet are declared at the Public Disclosure Platform (PDP).

2. Secondary Obligation (Payment of Cash in Return for the Certificate)



- Investors not demanding primary obligation are deemed to demand secondary obligation upon completion of the project. Independent units that are not subject to primary obligation are sold by the issuer and proceeds thereof are distributed to certificate holders demanding secondary obligation.
- In the event that there are independent units remaining unsold by the end of the secondary obligation fulfilment period; the average of weighted average prices in the exchange during the three months preceding the maturity of the real estate certificates, or if such price is not sound, the price set forth in the real estate value assessment report shall be taken as basis for payments that will be made by the issuer for the redemption of real estate certificates corresponding to the unsold individual sections.

3. Sale of Certificates at the Exchange (in Exchange for Certificates)



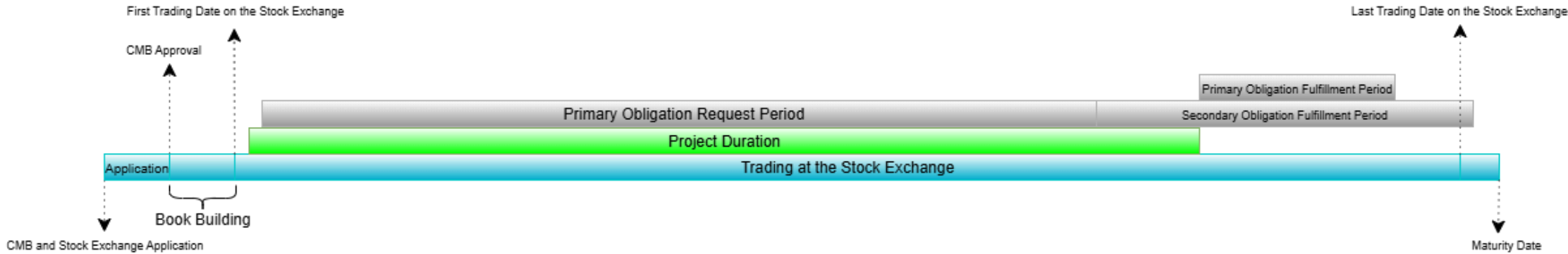
- Investors not demanding primary obligation and wishing to convert their certificates into cash prior to completion of the project may sell their certificates to other investors on the stock exchange. In this meaning, the real estate certificate is a financial product predicted to have enough liquidity, like stocks traded at the exchange, depending on the demand of investors wishing to benefit from price changes in the real estate market.

Borsa İstanbul Trading Rules

Market to be Traded	Structured Products and Fund Market (Venture Capital Market if issued to qualified investors)
Trading Method	Continuous Trading
Trading Unit	Lot
Price Tick	Same as applied to stocks
Price Margin	%5
Settlement	T+2
Market Making	Optional
Liquidity Providing	Optional
Trade Report	Allowed
Maximum Order Size	5,000,000 TRY
Margin Trading	Allowed
Short Selling	Not Allowed
Margin Ratio	%100
Exchange Fee	Same as applied to stocks
Last Trading Date	2 days (as long as the settlement period) before the end date of the secondary completion

Real Estate Certificate Time Schedule Template

The following table has been prepared as an example. Project start/end dates, primary obligation, secondary obligation, and change of obligation periods (request and/or fulfillment) are determined by the issuer in accordance with the Communiqué on Real Estate Certificates and stated in the prospectus/issuance document. Therefore, the periods stated below may vary depending on each project.



The Method for Certificate Number and Price for a Project That is Subject of The Real Estate Certificate

The number of independent units and certificates, goodwill values and prices in the tables and calculations in this section will differ for each issuance. The information contained in this brochure is not an actual application but is provided as an example for informational purposes only.

Independent Unit No	Independent Unit Size (m ²)	Independent Unit Total Value (TRY)	Goodwill (TRY)	Independent Unit Value without Goodwill (TRY)	Average Price Per m ²	Real Estate Certificate Price (dm ²)	Number of Real Estate Certificates
1	100	11,000,000	1,000,000	10,000,000	110,000	1,177	9,346
2	110	12,500,000	1,500,000	11,000,000	113,636	1,177	10,620
3	110	13,000,000	2,000,000	11,000,000	118,182	1,177	11,045
4	120	14,500,000	2,500,000	12,000,000	120,833	1,177	12,320
5	125	15,500,000	3,000,000	12,500,000	124,000	1,177	13,169
Total	565	66,500,000	10,000,000	56,500,000	117,699	1,177	56,500

Note: The price of 1 certificate represents 1 square decimeter of area.

Average Price Per m²: Independent Unit Total Value / Independent Unit Size

Price of 1 Real Estate Certificate (dm²) = Independent Unit Value of Total Project / Independent Unit Size of Total Project (m²)/100

- Average Price Per m² = 66,500,000 / 565 = 117,669 (m²)
- Price of 1 Real Estate Certificate (dm²) = 117,669 / 100 ≈ 1.177 ₺

Total Number of Real Estate Certificates to be Issued = Independent Unit Total Value / Real Estate Certificate Price

$$= 66,500,000 / (1,177) \approx 56,500$$

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