

AN OVERVIEW OF CIDB MISSION REPORT

As a result of the official working visits of the Prime Minister of Turkey, His Excellency Recep Tayyip Erdogan, to Malaysia in January 2014 and of the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Tun Abdul Razak to Turkey in April 2014, both Prime Ministers have expressed their interest in fostering further cooperation between the two nations. Malaysia and Turkey later signed the Malaysia-Turkey Free Trade Agreement that would be a catalyst to boost bilateral trade to US\$5 billion by 2018. Subsequently, CIDB has been mandated to embark on a mission to Turkey last June 2014 to explore construction-related opportunities of such cooperation, which includes:

- exploring MoU opportunities to further empower Malaysia-Turkey cooperation in developing the Turkish and Malaysian construction industry
- discussing Malaysia's intention of getting involved as a Master Developer in the development of the GTC @ Canal Istanbul Master Plan for Turkey's Vision 2023
- exploring experience synergies between the two governments in corridor development as well as cooperation between governments and the private sector in implementing development projects

CIDB was also working on collaborations with Turkey in the Canal Istanbul corridor project by offering Malaysia's vast experience in developing the Multimedia Super Corridor (MSC) and in providing assistance for the preparation of a feasibility study of a green technology corridor (GTC) for the said project. The GTC ideas and suggestions brought forth by the CIDB delegates have been well received by Turkey.

Malaysia has also been requested to prepare and submit the Master Plan for the first phase development of the GTC @ Canal Istanbul project (i.e. the Istanbul Riviera – Ecocity) along with the infrastructure planning for areas covering the Kucukcekmece Lake towards the Black Sea. Such close cooperation with the Turkish government will definitely provide opportunities for Malaysia and Malaysian companies to gain access to development projects along the corridor in the coming years.

TURKEY AT A GLANCE

Turkey is located at a close proximity to Europe, the Middle East and the Caucasus. Turkey benefits from its location that serves as a bridge between Europe and Asia. Turkey's strategic geographic location between Europe and Asia has also contributed to substantial investments in infrastructure, as the need to improve rail and road systems remains a priority to facilitate better connectivity with neighboring countries and to promote trade and business. Turkey offers an accessible, skilled and cost-effective workforce, providing the fourth largest labor force amongst EU member countries. The Turkish government also provides various tax and non-tax incentives to foreign investors and has also introduced flexible exchange rate policies and liberal import regulations in order to promote and sustain foreign investment.

The Turkish construction industry recorded a compound annual growth rate (CAGR) of 10.17% during 2008-2012 and valued US\$75 billion (RM270 billion) in 2012. This growth was driven by the government's continued encouragement of foreign direct investment (FDI) and public-private partnerships (PPPs) in the country. The outlook for the Turkish construction industry is favorable as a result of the government's focus on developing physical and social infrastructure in the country in line with its anticipation to be the fastest-growing economy among member countries over the forecast period of 2013-2017 and also the 10th-fastest-growing economy in the world by the year 2023.

The construction industry recorded a slowdown in 2012 due to the financial crisis. Infrastructure construction was severely affected as a result of shortage of public funds. But the market is gradually recovering, particularly the infrastructure construction market which recorded a robust growth of 33% during the first half of 2013. In terms of market size and growth, the Turkish construction industry's value was lower than those of Germany, Italy and the UK in 2012, but higher than other European construction industries. The Turkish construction industry is expected to value US\$117.1 billion (RM403.6 billion) in 2017.

Turkey has a favorable demographic profile, with 67.3% of the population in the 15–64 years age group (based on 2012 data). Turkey also does not restrict foreign ownership of housing which is an important factor to support strong demand for residential property. Turkey has a national legislation regulating the minimum wage. The average monthly minimum wage in Turkey was among the lowest in Europe, at EUR415 (RM1,780) during the first half of 2013. Turkey is also a net importer of construction equipment and imports them mainly from Germany, China, Russia, Italy and the US. Their prices are expected to remain flexible over the forecast period.

PORTER'S FIVE FORCES ANALYSIS

Bargaining power of suppliers – low to medium

The bargaining power of suppliers in the Turkish construction industry can be categorized as low to medium. The cement industry is competitive and consists of nearly 30 producers. Oil suppliers have greater bargaining power, with the country's main domestic crude oil producer, TPAO, covering around 75% of total domestic production.

Bargaining power of buyers – low

There is high demand for construction in the country due to the strong economic growth, rise in income levels, rising urbanization, stable employment prospects and interest among foreigners to invest in property. The growing income levels and high demand for housing, enable developers to charge premium prices for property.

Barriers to entry – low to medium

Turkey ranks at 71 out of 185 global economies in terms of ease of doing business. The country's growing economy, business-friendly government policies and cheap labor encourage new construction companies to enter the market.

Intensity of rivalry – medium to high

The intensity of rivalry in the Turkish construction industry can be categorized as medium to high. Turkey's construction industry comprise of a large number of domestic and foreign contractors, and high fixed costs. However, there has been an increase in opportunities as the Turkish government is planning for a large number of investments.

Threat of substitution – medium

From the perspective of inputs, there is a medium level of substitution. In terms of energy, in 2011, coal, natural gas and oil accounted for 32%, 30% and 28% respectively of Turkey's primary energy supply, while hydro and renewables provided 10%.

INDUSTRY FORECASTS

Residential construction was the largest market in the Turkish construction industry in 2012, taking up 52.9% and valuing at US\$39.7 billion (RM136.8 billion). The growth in the market is being driven by rising urbanization, stable employment prospects, an increase in economic growth, greater overseas demand and rising income levels. Turkish people prefer to own houses rather than rent, which has been a key demand driver for residential construction. These factors are likely to support the rapid expansion of the market over the period of 2013-2017.

Infrastructure construction was the second-largest market in the Turkish construction industry in 2012, valuing at US\$23.4 billion (RM80.6 billion). Turkey's strategic location in the region, the expanding population, robust economic growth and cross-border trade flow are expected to remain the key drivers of infrastructure development in the country. The market is anticipated to value at US\$36.5 billion (RM125.7 billion) by 2017.

The commercial construction market accounted for 9.8% of the total construction industry's output, valuing at US\$7.4 billion (RM25.5 billion) in 2012. Market expansion has been driven by the attractiveness of the country as an investment destination,

strong consumer demand and a rise in income levels. The market is anticipated to continue to expand to value at US\$10.5 billion (RM36 billion) by 2017.

The Turkish industrial construction market was valued at US\$2.7 billion (RM9.3 billion) in 2012. Turkey is among the world's top 10 producers of steel and has been attracting considerable inflows into the manufacturing sector. The industrial construction market is likely to expand at a steady pace with the revival of domestic and external demand, expansion of industrial promotion zones, and the country's likelihood of remaining the leading importer of scrap metal for recycling. The market is anticipated to value at US\$4 billion (RM13.7 billion) by 2017.

MAJOR PROJECTS

Project: TAO Gayrimenkul - Tahincioglu Office Tower			
Value:	US\$200 million (RM690 million)	Stage:	Planning
Location:	Istanbul	Scheduled Completion:	Q2 2016
Sector:	Commercial and Institutional Building Construction – Office Buildings		
The project involves the construction of a 40-floor office building on a 50,000m2 area in Turkey. It includes the construction of office blocks, meeting rooms, a food court area, coffee shops and parking spaces, installation of electrical and mechanical systems, fire safety and security systems and other related facilities.			

Project: KSE/CTEC – Kazan Soda Ash Production Complex – Ankara Province			
Value:	US\$1.4 billion (RM4.8 billion)	Stage:	Planning
Location:	Kazan	Scheduled Completion:	Q4 2017
Sector:	Manufacturing Plants – Other Manufacturing Plants		
The Kazan Soda Ash Production Complex project involves the construction of a new soda ash facility in Kazan district, Ankara province. It includes the construction of a soda ash production unit and 782MW power units, installation of relevant machinery and the construction of other related infrastructure			

Project: APC/Bayegan – Polypropylene Production Plant			
Value:	US\$1 billion (RM3.4 billion)	Stage:	Planning
Location:	-	Scheduled Completion:	Q4 2016
Sector:	Chemical and Pharmaceutical Plants – Other Chemical Plants		
The Polypropylene Production Plant involves the construction of a polypropylene production unit with a capacity of 500,000 tons. It includes the construction of a warehouse, storage tanks, an administrative facility and laboratories, installation of fire-fighting systems, operating machinery, safety systems and other related infrastructure facilities.			

Project: Volkswagen's Light Commercial Vehicle Manufacturing Plant			
Value:	US\$1 billion (RM3.4 billion)	Stage:	Study
Location:	-	Scheduled Completion:	Q4 2017
Sector:	Manufacturing Plants – Other Manufacturing Plants		
Volkswagen's Light Commercial Vehicle Manufacturing Plant project involves the construction of a new light commercial vehicle manufacturing facility with a capacity of 250,000 units per annum. It includes the construction of a production unit and warehouses, installation of machinery, security systems, administrative building and other related infrastructure.			

Project: UBAK/MoTA/MTCKg/MoTCK/MoTC – TAKKK Railway Corridor Development			
Value:	US\$50 billion (RM172 billion)	Stage:	Planning
Location:	-	Scheduled Completion:	Q4 2025
Sector:	Railway – Rail Projects		
The TAKKK Railway Corridor Development project involves the construction of a 4,192km rail corridor to link Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan and China. It includes the construction of tunnels, bridges, stations and other related infrastructure facilities, and the installation of safety systems.			

Project: TCDD/MoT China – Edirne–Kars High-Speed Rail Line			
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Value:	US\$35 billion (RM120 billion)	Stage:	Planning
Location:	Edirne	Scheduled Completion:	Q4 2023
Sector:	Railway – High-Speed Railways		
<p>The Edirne–Kars High-Speed Rail Line project involves the construction of 7,000km high speed railway line between Edirne and Kars. It includes the construction of 7,000km of conventional railroad track and infrastructure facilities and the installation of electrification systems, signaling and communication systems.</p>			

Project: GDH – Gebze–Orhangazi–İzmir Motorway			
Value:	US\$6.5 billion (RM22.4 billion)	Stage:	Design
Location:	İzmir	Scheduled Completion:	Q2 2020
Sector:	Roads – Streets and Highways		
<p>The project involves the construction of a 421km road to connect Gebze with İzmir in Turkey. It includes the construction of a 2.8km suspension bridge, 30 viaducts, four tunnels, 209 bridges, 18 booths, five highway maintenance-operation centers and other related infrastructure.</p>			

Project: BCDco/TOKI – Istanbul Biomedical Science Park			
Value:	US\$2 billion (RM6.8 billion)	Stage:	Planning
Location:	Istanbul	Scheduled Completion:	Q4 2016
Sector:	Healthcare Buildings – Other Healthcare Buildings		
<p>The Biomedical Science Park project involves the construction of healthcare facilities in Istanbul. It includes the construction of a tertiary care pediatric hospital, integrated research and development facilities, commercial spaces and residential units.</p>			

Project: MoH – Ankara Bilkent Integrated Health Campus			
Value:	US\$1.5 billion (RM5.1 billion)	Stage:	Execution
Location:	Ankara	Scheduled Completion:	Q4 2016
Sector:	Healthcare Buildings – Hospitals		
<p>The project involves the construction of an integrated health campus with 3,662 beds in Bilkent, Ankara. It includes the construction of a 562-bed general hospital, a 574-bed women’s hospital, a 514-bed children’s hospital, a 425-bed cardiovascular surgery hospital, a 557-bed oncology hospital, a 412-bed neurological science and orthopedic hospital, a 300-bed physical therapy and rehabilitation hospital, a 198-bed psychiatric hospital, a 100-bed high-security forensic psychiatric hospital, a 20-bed burns unit, and a diagnosis and treatment center.</p>			

Project: MoH – Ankara Etlik Hospital Complex			
Value:	US\$1.3 billion (RM4.4 billion)	Stage:	Execution
Location:	Ankara	Scheduled Completion:	Q4 2015
Sector:	Healthcare Buildings – Hospitals		
<p>The Etlik Hospital Complex project involves the construction of a hospital complex on a 1.08 million m2 area in Ankara. It includes the construction of a 3,200-bed hospital, eight healthcare facilities, a hotel, a new medical care center, outpatient and inpatient centers, a laboratory, a parking area and other related infrastructure.</p>			

Project: BPP – Belek Olivion Golf Resort Development			
Value:	US\$680 million (RM2.3 billion)	Stage:	Planning
Location:	Antalya	Scheduled Completion:	Q4 2017
Sector:	Single-Family Housing – Detached Housing		
<p>The project involves the construction of an 18-hole golf course with a nine-hole pitching course in Antalya. It also includes the construction of 800 residential units, a Missoni hotel and spa, a retail plaza and waterside village community, villas, a boutique hotel, a sports academy and other related facilities.</p>			

Project: SH – Gaziantep Apartments Complex			
Value:	US\$450 million (RM1.5 billion)	Stage:	Planning
Location:	Gaziantep	Scheduled Completion:	Q4 2017
Sector:	New Multi-Family Housing – High-Rise Apartments		

The Gaziantep Apartments Complex project involves the construction of apartments on a 25 hectare area in Gaziantep. It includes the construction of 15,000–20,000 apartments, as well as retail units and shopping centers, and the installation of safety systems and related infrastructure.

Project: Taşyapı Seyrantepe Tower			
Value:	US\$350 million (RM1.2 billion)	Stage:	Execution
Location:	Istanbul	Scheduled Completion:	Q4 2015
Sector:	New Multi-Family Housing – High-Rise Apartments		
The Taşyapı Seyrantepe Tower project involves the construction of three residential buildings, retail space, a shopping mall, supermarket, boutiques, multiplex cinema, food courts and multi-level car parking.			

INFRASTRUCTURE AND CONSTRUCTION PLAYERS

Enka İnşaatve Sanayi AS (Enka) is a provider of heavy construction contracting services, based in Turkey. The company is involved in the construction of industrial complexes, power facilities, transport systems, maintenance-management facilities, viaducts, bridges, tunnels and other minor structures. Enka has operations in Turkey, North Africa, Europe, the Middle East and Central Asia, and is headquartered in Istanbul.

Tekfen Holding AS (Tekfen) provides construction contracting and real estate development services in Turkey. It also has operations in the agriculture and banking sectors. Its portfolio of services includes facilities management, project management, design development, conceptual design, market research, technical and economic feasibility studies, and engineering, procurement and construction. Tekfen is headquartered in Istanbul.

Alarko Holding AŞ (Alarko) is a diversified holding company that focuses on the construction, contracting, land development, commerce, industry, tourism and energy sectors. It also manufactures and trades fishery products, and develops and constructs commercial buildings, industrial plants, power plants, and cement and lime plants. It also produces and distributes electricity across Turkey. Alarko operates through subsidiaries and affiliated companies across Turkey, Russia, Yemen, Qatar, Algeria, Sakhalin Island, Kazakhstan and other Gulf countries. Alarko is headquartered in Istanbul.

Gama Holding Inc. (Gama) is a construction contracting company based in Turkey. The company offers a wide range of services including turnkey construction, and the manufacturing and erection of industrial plants, power plants and pipelines. It also undertakes the construction of infrastructure facilities, high-rise buildings, housing complexes and commercial centers. The company has operations in the Middle East, Europe, South East Asia and North Africa. Gama is headquartered in Ankara.

Nurol Holding Inc. (Nurol) is a diversified holding company, with key business interests in the construction and contracting, machinery manufacturing, defense, energy, technology, finance, real estate, and tourism industries. It undertakes infrastructure and transportation projects in Turkey and some international markets. Nurol develops and constructs bridges dams, tunnels, luxury housing units, shopping malls and office buildings. Nurol is headquartered in Ankara.

For further details, please contact:

International Division
 CIDB Malaysia
 Level 33, Menara Dato' Onn
 Putra World Trade Centre (PWTC)
 No. 45, Jalan Tun Ismail
 50480 Kuala Lumpur

Email: international@cidb.gov.my
 Tel: +603 4047 7028 Fax: +603 4047 7030