



**4th COMCEC CAPITAL MARKET REGULATORS  
FORUM MEETING**

**SECRETARIAT's BRIEFING on  
REAL ESTATE EXCHANGE REPORT**

**19 November 2015**

**Istanbul**



## MANDATE

**2015 COMCEC Follow-Up Committee** mandated the *COMCEC Capital Market Regulators Forum Secretariat* to prepare a real estate exchange feasibility report, referencing the COMCEC Chairman H.E. ERDOGAN's remark at the 2014 COMCEC meeting on the value of real estate sector for COMCEC member state economies and possible benefits of establishing a joint real estate exchange in the context of the COMCEC.



**COMCEC Capital Market Regulators Forum Secretariat's Report  
titled**

**«Real Estate Securities Exchange Initiative For COMCEC Member  
States»**

- an exploratory report on the economic, legal and financial aspects of real estate sector, trading platforms and capital markets.
- aims to set out on feasibility and the ways and means of realizing a real estate or real estate securities trading platform



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-The Forum Secretariat has requested cooperation with the Forum Task Force Chairs. **Securities Commission Malaysia** and **Securities & Exchanges Organization, Iran** have generously contributed the work as with their respective markets, approaches.

-The Report will be submitted to the 31. COMCEC Ministerial Meeting in 24 November 2015.



## **What is Real Estate Investment**

**The approach is twofold**

**“Funding” & “investing”**

In a collaborative COMCEC level work, the report explores the opportunities equity finance could offer for the fund raising and investment for a more effective functioning real estate market.



## **What constitutes Real Estate Securities ?**

- Real estate investment trusts, share or bonds,
- Real estate mutual funds,
- Sukuk,
- Sukuk participation funds,
- Real estate certificates and
- Waqf assets



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Real estate sector, as part of the real economy, expands financial activities and has a key role international capital movements, increasing investment, diversifying investment portfolios and also affects innovation in finance.

In the last decade, for the COMCEC member states growing, emerging economies, for conventional and Islamic finance, real estate has been an increasingly important asset due to need for major infrastructure projects and young population, demography ,

Real estate as a tangible asset class constitutes a favourable investment domain for Shariah sensitive investors,



**Globally real estate sector is traditionally debt funded, dominated by the banking sector**

**Following 2008 financial crisis, taking into account the “tightening of liquidity and financial conditions”, “systemic risk concerns”, capital markets role is being discussed by policy makers as an alternative, complementary method.**

**(Yesterday’s Conference on mobilizing islamic finance for long term investment, the speakers have underlined the shift to equity finance from debt finance, greater role for capital markets and connectivity.)**





**From a capital market perspective, an organised trading platform has the potential to;**

- provide liquidity by integrating national markets,
- maximize the benefits of economies of scale,
- determination of fair value of properties.
- setting a more transparent medium via regulation,
- diminish issues such as standardisation.
- minimize the agency cost and the information asymmetry

**Currently, an organized physical or securities based real estate trading platform is not common in COMCEC or other financial markets.**



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In accordance with the mandate for investigating to establish a real estate exchange, the Report scrutinizes two possible exchange models.

- Electronic trading platform for physical real estate or
- Market/Trading platform/Exchange for real estate securities



## **Electronic Trading Platform Model for Physical Real Estate**

- Standardized information on price, main characteristics such as legal owner, location, legal status etc., the restrictions on it (if any),
- National regulation on sale of properties to foreigners, the taxes and extra fees to be charged and other related information.
- Appraisal report (if any),



## **Electronic Trading Platform Model for Physical Real Estate**

-Administration of this web site can be carried out by a joint committee, the members of which would be the representatives of each COMCEC member state's relevant authority

-Services such as appraisal of the real estates, legal and financial consultancy and professional brokerage services would be offered by this prospective trading platform's member intermediaries and service providers which would bring standardization and transparency to the services



## **Market/Trading Platform /Exchange for Real Estate Securities Model**

Real estate investment trusts, real estate mutual funds, sukuk, sukuk participation funds, real estate certificates and waqf assets;

when traded on an exchange may ensure, ease of entry, diversification and affordability to investors at a sector such as real estate otherwise investing in is costly, burdensome and illiquid.



## **Market/Trading Platform /Exchange for Real Estate Securities Model**

The advantages and disadvantages of Market/electronic trading platform/exchange options should be evaluated by the COMCEC member states.

With respect to the findings of the Report, for setting up a secondary market for real estate securities establishing an electronic trading platform represents a convenient model with its practicalities for essential requirements of securities trading on direct access, disclosure, listing, clearing and settlement rules.



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**-THANK YOU-**

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