

Date: 16/04/08



Important Notice:

Temporary halt for Foreign National purchases in Turkey. New legislation is underway.

Background:

We would like to inform you about the current situation in Turkey regarding the Legislation on Foreign Property Purchases.

Recently the circular letter (No.1657) from the Ministry of Public Works and Settlement (a governmental authority) unexpectedly put a hold to all title transactions by foreign nationals regardless of whether or not they are real person or legal entity. This stoppage will be in effect immediately starting from 16.04.2008.

The ministry declared that the reason for this practice is the continuing works on adopting a new legislation after the cancellation of some clauses of article 35 of the Land Registry Law by the Turkish Supreme Court on 11 April 2007.

The said cancelled clause was related with (and aimed to limit) the authority of the cabinet which held the ability to increase the area permitted for foreign purchase from 2,5 hectares to 30 hectares. This cancellation did not have any legal affects on individual foreign purchases.

The decree cancelling the clause was published on 16.01.2008. The government had 3 months to prepare the draft legislation. However, this period passed on 16.04.2008 without the legislation. Since the legislation was not done on time, the government passed through the said circular putting a temporary stoppage to the title transactions.

Going forward, there will be a concentrated work on the ongoing legislation work. As of today (based on Haber Turk News Agency, 16th April 2008), the cabinet has declared that the draft legislation is ready and it will be submitted to the parliament within this week.

At present, Article 35 of the Land Registry Law is still in force (except the clause mentioned above) and there are no legal prohibitions on foreign purchases. As long as the related laws are in force this stoppage will not affect the foreign purchasers' rights but only delay the land registry procedures.

The circular of the Ministry which halted the title transfers contradicts with the current legislation and appears that the circular does not address the underlying reason for the Supreme Court cancellation. (In other words while The Supreme Court is trying to limit the government's ability; the government has come up - with a lower degree of legislation- a halt to all transactions).

How this circular will effect the current purchases?:

The laws which enable foreign purchases in Turkey are still in force and we believe that this is an interim period. Since the new draft legislation is ready (according to the statement by the government) we believe that the legislation work will be speeded up.

As long as the related laws are in force this will not affect foreign purchasers' rights but may delay the land registry procedures. The purchasers whose title transactions are not immediate may not even feel the delay.

We will keep you informed with the latest news as and when they are available.

With regards,

Ayşe Özcan, Advocate MBA

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