THE OUTCOME OF RENT PERCEPTION IN URBANITES DURING URBAN TRANSFORMATION IN ISTANBUL

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ABSTRACT

The housing market has been speculatively developing in Turkey since the 2000s while the finance sector and urban transformation policies have developed in parallel. This study discusses urban transformation policies regarding housing investments in Istanbul, the changing rent perception of urbanites, and its effects on capital accumulation.

In recent years housing production has become a direct tool for a multilayered political organization in Istanbul. Within this multilayered neoliberal political organization, owning a housing property has come to the fore as the main issue shaping the demand decisions of housing consumers. The two primary reasons behind this are i) housing being one of the most significant investment tools in Turkey, and ii) flaws in state policies which support urbanization based on rent.

Twenty years ago the insufficient and low-quality housing stock in Istanbul was a major problem. Today, distinct issues are discussed as problematic. For example, housing that is unaffordable for the population, the generation of housing demand, and conspicuous consumption.

In the housing market mechanism (which develops independently from housing need and planning) there are two major facts that generate housing demand. Both involve seeing various socio-demographic groups as housing consumers. Firstly, it is perceived that added value (unearned income) can be created over time by acquiring a house – which is thus seen as an investment tool. Secondly, the social status to be gained through the purchase of a house – which brings us to the issue of conspicuous consumption.

Only interpreting these two issues within the parameters of free market conditions is of course inadequate. There is no doubt that it is also important to interpret these issues alongside the policies shaping the market - in which the government has been directly or indirectly involved since the 2000s. The main argument of this study is that the housing production mechanism that creates housing demand in Istanbul - by increasing the rent expectations of housing consumers through “urban transformation” policies – I skewing the market by shaping consumer expectations of housing.

In this study, “Urban Transformation” policies in Istanbul are discussed both in terms of their extravagantly increasing the expectation of urban rent and the factors that affect the demand of the market for housing being shaped by unrealistic needs. It is not feasible to make this discussion from a broad perspective, and by considering all its aspects within this article. Discussion is based on facts which trigger urban transformation and their affects on consumers’ housing demand, and these are of
importance to see the big picture. In this article, mainframe was created in a way that urban transformation is associated with consumers shaping their housing demand with the aspiration for a lifestyle referred to as modernisation=westernisation.

Urban transformation movement in Istanbul is a phenomenon associated with (legitimized by) production of houses and properties. Even though urban transformation is the movement that expresses important changes in the housing production mechanism, the city witnessed the transformation by housing production since the second half of 19th century. Westernization=Modernization movement in 1850's which we take as the beginning of the process, property ownership law established approximately 100 years later in 1956, Housing Development Fund and Mass Housing Administration established in 1980 and “Urban Transformation – Disaster Law” adopted in 2012 are all examples to show that all urban transformation activities shaped by property and housing production are triggered by public policies and direct/indirect state interventions. This is why it is useful to use this frame to analyze the housing demand caused by these factors and the market mechanism.

WESTERNIZATION = MODERNIZATION STARTING “URBAN TRANSFORMATION”

Westernization process started to take place in Istanbul around mid 19th century and brought about radical changes in all levels of communal living including housing culture in particular. Westernization=modernization movement which radically changed the inner space of the house also changed the entirety of the house after a short time. Traditional and detached, two-three story houses where extended families live, transformed into five-six story buildings with apartments. This situation also meant the emergence of the new space setup (bedrooms, living room, kitchen and bathroom) where atomic families can live in independent housing units of the building.

After 1930's, interest in apartment buildings increased along with the wide-spread perception that westernization/modernization is an indicator of wealth. Severance of neighborhoods with apartment buildings and poor neighborhoods perceived as “unwestern” took speed in this process. These places called back-neighbors differed from the “westernized” neighborhoods with their destitution and idiosyncratic neighborhood lives. This differentiation and segregation reflected on the rituals of everyday life and also differentiated home spaces. The use of radios, telephones, televisions and private automobiles first spreading in “westernized” households and the tram lines first covering “westernized” neighborhoods were the indicators of this differentiation. As life in apartments in building complexes became the most important indicator of “westernization”, it also became the expression of the shared space which brings closer the poor back-neighbors and the rich central neighborhoods. And so the city with apartments came closer to the west. Istanbul's housing market was shaped by the singular production of the residence until 1956 when Property Ownership law was passed.
The Property Ownership Law passed in 1956 started and accelerated a new urbanization period in housing property production previously developed as singular production and family apartment buildings because it facilitated the buying and selling of apartments as independent units. This post-war law and the economic distress of the period caused demand for alternative financing and housing production as capital accumulation and financial tools were lacking. Therefore it is not surprising that in this period, the production form of build-sell emerged where small entrepreneurs with low capital were included in the housing production process in exchange for a percentage of the lot. “BUILD-SELL” production form signifying the popularization of apartments-type housing production played an important role in the formation of the city's texture today. Authentic benefit of build-sell production form is that in a process where there is no capital accumulation, it facilitated production by bringing together those with only their land as capital and those with no capital but the means to organize production. Many people previously not involved in the housing production process became contractors (developers) in this period. They even accumulated capital to become the new capitalists of the society. Builder-Seller groups prefer labor intensive technologies due to their low capital. From this perspective, governments realized that there is a solution to the unemployment problem even though it is a seasonal one. It is possible for local administrations to keep these groups under control by strategies not only regarding employment details but also fair division of urban rent. On the other hand, when the land prices rapidly rose with the increased housing production, everyone who has lived in Istanbul for a few generations and has managed to acquire some land, suddenly became the new rich of the city. Therefore housing production accelerated owing to this partnership between
entrepreneurs with no capital in need of cheap labor, populist governments seeking votes and power and urbanites seeking cheap housing or unearned income from land.

Another feature of this form of housing production is that it produced houses are housing properties, meaning that it feeds on people’s idea of living in the a house they own or acquiring another house to rent for extra income. Because banking and social security systems in Turkey were underdeveloped in that period, and because of high inflation, the safest investment method was real estate. This perception of investment still exists today.

Shortly after property ownership law and the process that facilitated the massive production of housing properties in market dynamics, in 1980’s a new period began with the establishment of mass housing administration where state is actively involved in housing production. It can be said that this is the period when mass production of houses started to transform the urban environment. It should be noted that behind this active role taken by the state, there lies the understanding to make the construction sector a locomotive to tackle the macro-economic problems. Employment of the unqualified by the construction sector, efforts to fight high inflation, migration to the cities from the countryside and populist urbanization policies form the foundation of the direct interventions of governments on the urbanization and housing production. In this period, as in the past, demand for housing properties is made up by the understanding of one's both living in a house of their own and if possible buying a second house to rent for extra income.

When we come to 2000’s, “Westernization=modernization” movement gives its place to “globalization” and “liberalization” movements. 1990’s and 2000’s mark the process of integration with the world for Istanbul defined as globalization¹. From this point of view, global powers affect the city via local administrations. As a result, Istanbul enters a multiple actor process of transformation by local, regional, national and international powers. But this process cannot evolve into a capitalist system until 2000’s because of the lack of existing legal framework and populist policies. Reconstitution of the banking system after the economic crisis of 2001, single party coming to power in the post-crisis elections, and global mobility of capital accelerates the inflow of direct foreign investment and the capitalization of the system with neo-liberal policies.
These are also periods where the effort is not on the massive production but on the massive consumption of housing as capital accumulation and banking is improved. In these years, massive production causes certain saturation of home ownership but in order to maintain the stability which is the pillar to market economy, production had to continue without interruption. This situation introduced two factors to the real estate market which has the single fundamental condition that the property and its consumer need to be in a continuous relationship. The first factor is to ensure the continuous role of the investor who is one of the most important actors, and the second factor is to ensure continuity of the other important actors', consumers', the demand for housing. This situation is not different at all from the situations in all other goods and service markets.

In this period in which migration from the countryside to the city and capital accumulation is accelerating, in the production of housing spaces, now the needs of the consumer (requirements, pleasures, indulgences, gratifications) and their lifestyle became the fundamental determiner. Under these conditions, housing developer (investor) will struggle to continuously produce housing in order to exist in the market. It can be said that these two dynamics reproduce each other. More importantly, after 2000's we can clearly see the formation of liberal public policies inviting macro-economic advantages of this close relationship. Most important of these are the URBAN TRANSFORMATION movements started by ministry of environment and urban planning and implemented in Istanbul and other major cities. Housing production in urban transformation differs according to whether there is a structure on the land; if there is one, whether it is at the end of its life; if it is at the end of its life, if so whether a maintenance-restoration, an alteration of function or demolishing and rebuilding is necessary. Even though urban transformation implies all of mentioned above, when the conditions and urban transformation processes are considered, the result is that the most valid reaction is demolish-build. In other words urban transformation is conceptually seen as synonymous with destruction.

In the last five years, mass housing administration, local administrations and other actors prepare and implement a wide spectrum of urban transformation projects from rehabilitation of slums and decayed central areas to shopping malls and residences attracting international capital and real estate investment companies. It is useful to note that these projects which are presented to the public as part of urban transformation, regardless of whether they are residential or commercial spaces, are for the most part intended for middle to high income groups.

HOUSING DEMAND CREATED BY CHANGING LIFESTYLE

With consumer society becoming fetishist commodity fetishism has become even stronger. Status hierarchy which creates social differentiation/segregation particularly in consumption of goods and services with symbolic value, became more widespread as marketing militantly advertises conspicuous consumption. Certain goods/products including housing acquired certainly fashionable symbolic meanings (symbolic values). These symbolic meanings have become basic values/images that distinguish people with utterly different lifestyles or people with similar lifestyles but with different backgrounds. Primary distinguishing elements in social life such as social status, identity and habits started taking shape according to housing settlements. Conspicuous consumption of goods and services becoming prominent in social differentiation/segregation processes can also be observed in the consumption of housing, housing zones, and lifestyle. Consumption habits for new housing zones loaded with symbolic meanings (symbolic values) also enabled consumers to acquire desired statuses in social differentiation. Housing is a major indicator of socioeconomic status; in housing
consumption, defined and confined areas emerge as socioeconomic differences become apparent. Owning a car, traveling, fashionable clothes and spare time activities contribute to this defined and confined areas but more importantly where and how one lives became the major indicator of one's economic wealth. This particular function of housing as a status signifier, renders the search for new housing and housing zones necessary in order to display improved socioeconomic level.7

For the last ten years, trends and concepts simultaneously emerge, become widespread and fade away at the same speed all around the world and these determine lifestyles which are also the primary determinants of consumption patterns. Notion of lifestyle is based on modern class structures. These values lifestyles create, guide the consumer in housing and housing district selection in addition to defining their value. Consumer's expectations from housing have far exceeded the need for housing. The new lifestyles housing is assumed to offer, also dictate housing preferences of consumers. Housing defines the living in the settlement regarding consumption of lifestyle, time, space, and money. In other words, housing is all these lifestyle elements. This is why it is extensive and complex with all these effective factors with numerous structures and components.9

Housing is an immovable asset permanently attached to the ground, and as a result constitutes the major income source of the lot which is urban land. The relation between housing and urban land established in production and consumption, the city district that the house is located at, and its features (transport, geographical features, proximity to the city center, demographic features, etc.) are crucial. At the same time, these are the coordinates of the house in the city. Next to being a geography term, they also represent the house's social positioning in an urban area.10 This urban positioning also requires healthy development of the land which is an important asset for urban economy. Today, infrastructure, public services, environment, employment opportunities being insufficient in Turkey results in qualitative and quantitative issues with regard to housing. It is inadequate to meet the demand for land solely through building infrastructure and planning of agricultural lands. Activities aimed at urban texture regeneration are also required. Improving constructed regions and land development in urban areas is important in using urban land more efficiently and decreasing infrastructure costs.

Istanbul's population dramatically increased in a short time as a result of migration from countryside as is the case in all metropolises. In thirty years, population was multiplied by ten (from 1 to 10 million between 1950-1980). Housing is the main issue among numerous problems regarding urbanization brought about by population growth. With this rapid population increase in Istanbul, addressing housing and public needs of both migrated and existing populations with market dynamics which vary from time to time, has resulted in various layers emerging also in growth and development of the city. Throughout the whole process, a rapid development occurred everywhere geographically as East-West, North-South, Coastline-Bosphorus, forest lands, water basins, stream beds, valleys, hills etc. were left without any space. On the other hand, public improvement infrastructure and superstructure activities were carried out, and required to regulate-establish social life of the population spreading towards these directions. As urban areas emerged for existing and migrated population, actions were taken in line with infrastructure and superstructure means presented by aforementioned geographical features and development activities.11 Multiple studies show that as the distance between housing zones and commercial/industrial zones, health, education and cultural facilities increase, the area becomes less attractive and its economic value decreases. However, as means of public transportation improve and higher-quality services are provided, housing zones become more attractive and their economic value increases.12 Housing consumers in Istanbul select...
housing zones mainly due to the share of income allocated for housing and time spent to commute to central industrial/commercial zones and to health, education facilities and commercial areas. Housing consumers desire health, education, trade facilities, central commercial zones and sport structures defined as superstructure to be located at an acceptable and affordable distance.13

Table 1. Demographical development in Istanbul14

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
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<tbody>
<tr>
<td>1950</td>
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<tr>
<td>1960</td>
<td>3,000,000</td>
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<tr>
<td>2000</td>
<td>7,000,000</td>
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<tr>
<td>2010</td>
<td>8,000,000</td>
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</tbody>
</table>

Figure 3. Demographical development in Istanbul15

From housing zone location preference perspective, we see that lifestyle and settlement location selection issues and criteria are closely related. How lifestyle groups and preferences affect housing location preference has been discussed in every aspect in numerous studies.16 This subject is intensely discussed in the cross-section of social sciences and architecture next to new concepts in the literature.
such as urban fissure, social segregation, asset isles, and gated communities. In short, housing consumers do not evaluate new housing zones of mass-produced houses in urban areas merely due to aforementioned physical texture; there are also significant social values that shape housing preferences such as the current or desired status of housing consumer in social differentiation, social status, consumption habits, and lifestyle. Moreover these have set consumption dynamics increasingly more in Istanbul's housing market in the last ten years. In addition, these factors that determine consumer's housing preference enable variability of house's value within market conditions. People with similar lifestyle and consumption habits have similar housing preferences.

In Istanbul, upper and upper-middle income classes prefer areas with sufficient urban infrastructure and superstructure required for social life and with geographic location advantages mentioned above. Low and lower-middle class prefer city regions where geographic advantages are less to none, and infrastructure and superstructure mentioned are qualitatively weaker. The apparent reason behind this is the uncertainty of urban land value as presented in numerous academic studies. Urban lands where geographical and infrastructure and superstructure conditions stated above are optimum, are the most valuable lands in the city, and the value decreases as they lose these qualities.

Figure 4. Example of upper-middle income housing complex

For a housing consumer, living in a housing area in or close to the city center in Istanbul means both being in the bustle of the city and being isolated in a privileged manner and at the same time being able to benefit from all opportunities the city has to offer, such as urban view, public transportation, easier commute to urban public spaces etc. For those who live in the periphery of the city, abandoning city's chaos, meeting with or being in the nature become more meaningful. Housing consumers residing in housing districts in both locations have the same expectations from housing and settlement: having all kinds of infrastructure (leisurely activity areas) in a safe area for the time they allocate to themselves and their families. Residents here are also collective owners of shared areas such as swimming pools, gyms, parks, sports and recreation facilities. Neighborhood, education and club activities (social life) which are social life requirements can be held within housing areas to a preferred
extent and variety. The leisure time of a housing user is invariably programmed in a way to spend with family members or neighbors; housing conditions are in accordance with personal requirements of housing user (equipped rooms, kitchens, bathrooms, terraces, gardens in adequate size)-(housing type), internet connection, cable TV broadcast and all kinds of services (dining, childcare, dry cleaning, housekeeping, repair)-(management and services). Requirements planned due to open space and social means, and air quality and noise level controlled through environmental planning are also major determinants as personal needs. Indicators of outside living space, cleanliness of settlement, accessibility to open areas and social means or activities, air quality, noise level and even safety measures are also the indicators of life quality. These factors do not only increase life quality but also the consumer's status along with the house's economic value.

HOUSING DEMAND SHAPED BY URBAN TRANSFORMATION IN ISTANBUL
As stated above, consumption habits had dominant influence on shaping housing demand in Istanbul in the last 10 years. It would certainly be wrong to set consumer's changing living habits as the sole indicator in the creation of demand. Today's marketing strategies set off from the perception that lifestyle can be altered with consumed goods and services. This is why consumer is greatly affected by this perception created by marketing in creating demand for this good. This perception prompts people living in cities with high population and which receive a large number of immigrants to select housing in accordance with the desired social layer. Housing being an important asset as an investment tool in the market, housing demand factors are more variable compared to other goods. When we look at the priority of these factors, investment value and social status value (location, quality, social means) follow housing price-consumer income.

The “Urban transformation” law implemented by Ministry of Environment and Urbanization in 2012, defined primarily the demolition and reconstruction of houses and housing groups under disaster risk in adequate standards. The 1999 Marmara Earthquake had a major effect on the law's implementation. Because almost 60% of existing housing stock in Istanbul would not survive an earthquake with a magnitude of 7, these had to be demolished before an earthquake and rebuilt in a way to enable earthquake safety. However instead of serving its original purpose, this law accelerated the production of housing demand created over investment and status value as stated above. Not only the housing investors but also housing consumers were responsible for this change during the implementation phase of the law. With this law which particularly enables demolition and reconstruction, investor strongly adopted renewing of current housing stock to open new housing production areas. The housing consumer sees as opportunities both the economic and status values that will be acquired when the house is demolished and reconstructed, as well as the increased chance of creating demand to housing offered more in the market as opportunities. As a result, both consumers and producers support this excessive and conspicuous housing offer arising in the implementation of this law. Different approaches of the investor and consumer in regions requiring urban transformation are the most significant indicators of this. These approaches can be categorized under three topics:

1. Large construction companies speedily transforming areas with highest rent/ income,

2. Small-scale companies or property developers transforming areas with less income, peripheries of major transport axes or prestigious housing zones,
3. Transformation cannot take place in city districts without income/rent, city periphery or slum areas situated next to industrial zones, slum residents reject solutions with the rent expectation created by improvement construction plans.

RESULT
As a city, Istanbul has gone through a fast transformation after entering global economic forces' field of interest. With international companies purchasing numerous public and private establishments in Turkey, the cultural, social, demographic and economic locomotive of Turkey, Istanbul is unavoidably forced to change/to be transformed due to further integration into the global economy. The 1999 Marmara Earthquake also triggered this process. As a new construction activity, “Urban Transformation” movement implemented in Istanbul fails to dynamize and improve the city in line with the necessities of modern living and ignores the preservation of existent building stock and urban memory-identity. While it is important for proper urban planning and preservation of urban identity in addition to providing a correct legal base and fair distribution of economic income, it remains ignored.

Urban transformation in Istanbul occurs on the axis of various parameters. Using economic income created by increased density with alterations in development plans for financing urban transformation, urban transformation became another new development activity. This construction activity pushed topics such as density, transportation, equipment needs, urban identity, memory and urban culture, public space, and ecology to the background and resulted in unplanned housing/building increase in the city, and at the same time validated the needs mainly based on conspicuous consumption in creation of housing user’s housing demand.

Property values rise in city center with increasing hotels, office and shopping mall projects, and urbanites in Istanbul are forced to live outside city center where population is mainly comprised of middle and low income groups.

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