

THE PORTRAIT OF THE PRIVATE RENTAL SECTOR IN TÜRKİYE:
STRUCTURAL CHALLENGES & REGIONAL DISPARITIES

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STRUCTURAL CHALLENGES & REGIONAL DISPARITIES**

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ABSTRACT

THE PORTRAIT OF THE PRIVATE RENTAL SECTOR IN TÜRKİYE: STRUCTURAL CHALLENGES & REGIONAL DISPARITIES

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Türkiye has faced various challenges in the rental housing market over time. However, recent market fluctuations and rising rent crisis debates have made addressing structural issues in this field essential. Unlike many developed European countries, Türkiye lacks a comprehensive policy framework regulating the rental housing sector. As a result, the sector operates as a secondary market shaped largely by the initiative of individual property owners. The rental market functions mostly as a by-product of the homeownership market, limiting access to adequate options for tenants. Factors such as supply constraints, rising prices, and demographic changes have contributed to significant challenges, including insufficient housing stock and growing costs. These issues, driven by population growth, urbanization, and changes in household structures, have led to increased demand for rental housing that the private sector struggles to meet. This study aims to comprehensively analyze Türkiye's private rental housing sector using data from national housing surveys conducted between 2011-2021. Supply- and demand-side variables affecting the sector were identified and examined through univariate and bivariate analyses.

Provincial disparities were visualized using GIS-based thematic maps. Based on these analyses, insights at the provincial and regional levels are derived, and a set of policy recommendations is developed. The findings aim to shed light on the current conditions, contribute to future policy discussions, and emphasize the importance of state intervention in this field. This research also provides a foundation for further studies, including international comparisons and policy evaluations, to address the challenges faced by tenants in Türkiye.

Keywords: Private Rental Housing Sector, Tenant, Housing Market Challenges, Mode of Tenure, Türkiye

ÖZ

TÜRKİYE'DE ÖZEL KİRALIK SEKTÖRÜNÜN PORTRESİ: YAPISAL ZORLUKLAR VE BÖLGESEL EŞİTSİZLİKLER

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Türkiye, farklı dönemlerde kiralık konut piyasasında çeşitli zorluklarla karşı karşıya kalmıştır. Ancak özellikle son yıllarda konut piyasasında yaşanan dalgalanmalar ve artan kira krizi tartışmaları, bu alandaki yapısal sorunların ele alınmasını zorunlu hale getirmiştir. Türkiye, birçok gelişmiş Avrupa ülkesinin aksine, kiralık konut sektörünü düzenleyen bütüncül bir politika çerçevesinden yoksundur. Bu nedenle sektör, sistematik bir planlamadan ziyade bireysel mülk sahiplerinin inisiyatifiyle şekillenen ikincil bir piyasa olarak işlemektedir. Kiralık konut piyasası büyük ölçüde ev sahipliği piyasasının bir yan ürünü olarak şekillenmektedir ve bu durum, kiracıların yeterli seçeneklere erişimini sınırlamaktadır. Arz kısıtlamaları, artan fiyatlar ve demografik değişimler gibi faktörler, yetersiz konut stoku ve artan maliyetler gibi önemli sorunlara yol açmıştır. Nüfus artışı, kentleşme ve değişen hane yapıları gibi etkenlerle artan talep, özel sektörün bu ihtiyacı karşılamakta zorlandığı bir durum yaratmıştır. Bu çalışma, 2011–2021 yılları arasındaki ulusal konut araştırmalarından elde edilen veriler aracılığıyla Türkiye’deki özel kiralık

konut sektörünün kapsamlı bir şekilde analiz edilmesini amaçlamaktadır. Bu doğrultuda, Türkiye'nin kiralık konut sektörüne etkisi olan arz ve talep yönlü değişkenler belirlenip tek ve çift değişkenli analizlerle incelenmiş; iller düzeyindeki farklılıklar CBS temelli tematik haritalar oluşturularak görselleştirilmiştir. Bu analizler sonucunda, iller ve bölgeler düzeyinde çıkarımlarda bulunulmuştur ve bir takım politika önerileri geliştirilmiştir. Elde edilen bulgular, mevcut durumu ortaya koymayı, gelecekteki politika tartışmalarına katkı sağlamayı ve bu alanda devlet düzenlemelerinin önemini vurgulamayı amaçlamaktadır. Ayrıca bu araştırma, uluslararası karşılaştırmalar ve politika değerlendirmeleri gibi konulara yönelik ileride yapılacak çalışmalara bir temel oluşturmayı hedeflemektedir.

Anahtar Kelimeler: Özel Kiralık Konut Sektörü, Kiracı, Konut Piyasası Zorlukları, Mülkiyet Tipi, Türkiye

To my loving and supportive family...

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LIST OF ABBREVIATIONS

CBRT: The Central Bank of the Republic of Türkiye

CEE: Central and Eastern Europe

COVID-19: Coronavirus Disease 2019

EU: European Union

GIS: Geographical Information Systems

HDA: Housing Development Administration

NUTS: The Nomenclature of Territorial Units for Statistics

OCHA: The United Nations Office for the Coordination of Humanitarian Affairs

OECD: Organization for Economic Co-operation and Development

OHCHR: Office of the High Commissioner for Human Rights

PRS: Private Rented Sector

SPSS: Statistical Package for the Social Sciences

UK: United Kingdom

UN: United Nations

USA: United States of America

CHAPTER 1

INTRODUCTION

Housing, serving as the basic living unit in the formation of cities, is fundamental for each and every society and economy. It plays a crucial role in individuals' lives, as it represents a significant portion of household income and has a direct impact on personal health and well-being (OECD, n.d.). Beyond its personal implications, housing also has far-reaching effects on society, economy, and environment. Given these features, housing is constantly on the agenda as one of the main issues of country policies all over the world (OECD, 2024b). Housing, beyond being a physical structure, plays a crucial role in shaping urban economies, determining living conditions, and influencing social mobility (Ramakrishnan, 2021). The change in the structure of cities from past to present has caused this phenomenon, to change its function and to be defined in different ways by different people. Thus, the evolving concept of housing has been reshaped over time, and its function has gone beyond shelter to include security, identity and social integration by adapting to changing urban and economic conditions over time.

The primary causes of housing problems are directly linked to urbanization processes. Accelerated urbanization, population growth, and economic inequalities have led to a rapid increase in housing demand, making housing crises more complex on a global scale (Acar et al., 2023). Rising housing costs and rent expenses have broadened the scope of the housing crisis, impacting not only low-income households but also middle-income groups (Aksoy Khurami & Özdemir Sarı, 2022). Furthermore, factors such as higher construction costs, increased interest rates on housing loans, decline in new housing production, and rise in investment property purchases contribute to price increases, exacerbating affordability challenges (European Parliament, 2024a). These trends highlight the necessity of policy interventions to ensure adequate and affordable housing supply.

In addition to providing shelter, which is an essential human necessity, housing has a social and communal character as it is an area where individuals' socialization processes and family relations are experienced. In this sense, housing is not only a physical structure, but also fulfills important functions such as protecting privacy and providing a sense of belonging and settlement. In this respect, housing is one of the fundamental units that directly affects the quality of life of individuals and families (UN-Habitat, 2024). As a reflection of the social and cultural structure to which an individual belongs, housing also organizes patterns of communication and interaction, shaping perceptions of space and time. It serves both as a medium through which individuals express their identity and as a spatial structure that reflects the cultural images, lifestyle, and values of a community (Öymen Gür, 2000). These social functions of housing also make it a space that carries historical and cultural meanings.

Despite the fundamental role of housing, access to it and tenure choices remain key issues in housing markets. One of the critical aspects of housing markets is the demand for rental housing. Rental housing is not a temporary phenomenon; it remains a necessary component of the housing system due to various socio-economic and demographic factors. Rental tenure is essential for individuals and households who cannot afford homeownership, those who prefer mobility due to work or education, and individuals who seek flexibility in their housing arrangements. Furthermore, rental housing accommodates those who are financially excluded from mortgage markets or those who deliberately choose to avoid the risks associated with homeownership.

However, in Türkiye, the production and sustainability of rental housing stock have not been adequately addressed by housing policies. Unlike many developed economies, where rental housing is supported through financial incentives or regulatory frameworks to ensure affordability and stability, Türkiye lacks a comprehensive strategy to sustain an adequate rental supply. This gap leads to fluctuations in the balance between supply and demand, contributing to periodic shortages and price volatility in the rental market. Particularly in certain submarkets

or during economic downturns, rental housing scarcity becomes more pronounced, creating affordability challenges and exacerbating housing inequalities. The absence of long-term policy interventions aimed at sustaining a stable rental sector not only affects urban housing affordability but also impacts broader socio-economic structures by limiting housing access for low- and middle-income groups.

Given the significance of rental housing in addressing housing needs, understanding the factors shaping Türkiye's private rented sector (PRS) is crucial. This study aims to provide a portrait of Türkiye's rental housing sector and analyze the key factors influencing its structure. In this context, the topics of need for rental housing and PRS in Türkiye were investigated. Then, in order to present a portrait of Türkiye, the factors affecting the PRS and the situation in Türkiye were analyzed over the 2011-2021 period.

1.1 Research Topic and Objective

Housing is a multifunctional and multi-meaning phenomenon which is considered among the basic human rights. Yet, access to an adequate housing has been a challenge throughout different periods for different segments of the societies. The increasing and deepening supply - demand driven issues such as production, prices, tenure composition, and population vary across countries and periods, highlighting the importance of housing and frequently bringing the fundamental causes of the housing problem into question. There is an ongoing housing affordability crisis worldwide, which has been persistent since the 2008 financial crisis and has yet to dissolve (Wetzstein, 2017). The first decade of the 2000s was particularly marked by severe housing-related challenges. Since the early 2020s, housing problems have become even more pronounced (OECD, 2023). Türkiye is no exception to these global challenges. In this context, this study examines how Türkiye's unique rental housing sector has responded to these challenges.

In many countries, particularly in European nations, the rental housing sector has evolved as an independent and regulated industry. These countries often have

specific rules and regulations governing the sector, enforced by supervisory authorities. However, Türkiye's rental housing market exhibits a different structure. The sector in Türkiye lacks clear legal frameworks, regulatory mechanisms, and supervisory authorities. Instead, it typically develops as a byproduct of the homeownership market, which restricts tenants' access to adequate housing options (Balamir, 1999). This has led to a production oriented market structure, which goes hand in hand with ownership and a rental sector that relies on the initiative of individuals in Türkiye. This brief assessment provides a crucial foundation for understanding the unique structure of Türkiye's rental housing market.

1.2 Study Context and Data Coverage

The fluctuations observed in the housing market in recent years and the debates surrounding the rental housing crisis form the starting point of this thesis. This study aims to provide a comprehensive analysis of Türkiye's private rental housing sector. Utilizing available data sources covering the period from 2011 to 2021, it examines the supply and demand dynamics of the sector (such as prices, production, supply – demand relation) and determines how and to what extent these factors contribute to the housing crisis. By assessing Türkiye's private rental housing stock and tenure composition, the research seeks to identify the sector's fundamental challenges.

Due to the scope of the available data, the study focuses on the period between 2011 and 2021. This research is based on two primary sample surveys: the 2011 Population and Housing Census and the 2021 Survey on Building and Dwelling Characteristics. The earliest reliable data available for this research dates back to 2011.

1.3 Problem Statement

Housing, as a fundamental human need and a critical component of urban development, extends beyond its role as a basic shelter to encompass social,

economic, and cultural dimensions. In Türkiye, the housing sector plays a vital role in supporting economic growth, and enabling social mobility. While homeownership has traditionally been the dominant tenure form, rental housing continues to serve as a crucial alternative, accommodating diverse socio-economic groups and responding to changing urban dynamics. However, the increasing demand for rental housing in the world, driven by rapid urbanization, population growth, and evolving socio-economic dynamics, has posed significant challenges (UN-Habitat, 2024). Especially in the last 15 years, these problems combined with economic fluctuations have become more apparent in the rental housing market and have led to the deepening of structural problems —related to both supply and demand-side factors—that restrict accessible housing options. In this process, the lack of regulatory frameworks and the largely uncontrolled operation of the market have further complicated the problems faced by tenants.

In Türkiye, the private rental housing market, which operates largely without a comprehensive regulatory framework, has faced mounting pressure to address the diverse needs of tenants across varying income groups. Rising rental prices, insufficient rental stock, and disparities between housing supply and demand have deepened accessibility issues, particularly for low- and middle-income households. Furthermore, regional imbalances in rental housing availability and quality exacerbate these challenges, reflecting the need for targeted interventions and policy frameworks that account for Türkiye’s socio-economic and geographical diversity.

Addressing these multifaceted issues necessitates a comprehensive analysis of the dynamics within Türkiye’s rental housing sector, encompassing its fundamental challenges, the elements influencing supply and demand, and the efficiency of existing policies. This study reveals the portrait of Türkiye's PRS and investigates the question of which supply and demand factors have the most significant impact on the current problems. It provides a portrait of Türkiye’s rental housing sector, identifying the main problems in the sector. It aims to determine how the problems differ across provinces and to provide brief information on Türkiye's situation.

1.4 Methods and Structure of the Thesis

To address the multifaceted issues identified in Türkiye's private rental sector (PRS), this study adopts a descriptive research design based primarily on secondary data analysis. The aim is to explore the key supply- and demand-side factors shaping the current dynamics of the rental housing market. The analysis utilizes univariate and bivariate statistical techniques—such as frequency distributions, cross-tabulations, and correlation analyses—to identify patterns and relationships among critical variables. These findings are further visualized through thematic mapping at the provincial level using QGIS, enabling a spatial understanding of disparities across regions.

On the supply side, the study evaluates variables such as housing production levels and rental price trends. On the demand side, indicators including population dynamics and housing tenure patterns are examined to assess pressure points within the sector. This dual-perspective approach allows for a comprehensive evaluation of the structural imbalances affecting rental housing sector.

The thesis is structured as follows: Chapter 1 introduces the research problem, its significance, and objectives. Chapter 2 presents a literature review that outlines global and national debates on rental housing needs and identifies commonly used supply and demand variables in the analysis of rental markets. Chapter 3 focuses on the context of Türkiye's PRS, highlighting its evolution, current challenges, and regional characteristics. Chapter 4 describes the methodology and data sources in detail and presents the results of the statistical and spatial analyses. Finally, Chapter 5 concludes the study by summarizing key findings, discussing policy implications, and proposing directions for future research.

CHAPTER 2

THE NEED FOR RENTAL HOUSING

2.1 Introductory Issues: Functions and Specific Features of Housing & Housing Tenure

Housing is a fundamental human right, as established by the Universal Declaration of Human Rights in 1948. This principle asserts that access to safe, adequate, and affordable housing must be ensured by governments for all members of society. International treaties and declarations reinforce this obligation, emphasizing that housing policies should prioritize inclusivity, affordability, and sustainability (OHCHR, 2009; OECD, 2021). Moreover, the availability and quality of housing are crucial for social stability and economic development, influencing multiple dimensions of life, from health to economic productivity. Governments play a key role in assessing housing needs and implementing policies to meet them, particularly for disadvantaged groups (UN-Habitat, 2016; Council of Europe, 2019).

Housing is not merely a physical structure; it embodies economic, social, and cultural dimensions that shape individual and societal well-being. It functions both as a consumption good and an investment asset, influencing financial stability, economic efficiency, and social welfare (King et al., 2017). Unlike other commodities, housing is immovable and location-bound, making its value highly dependent on its surroundings and access to essential services such as education, healthcare, and employment opportunities (Gaitan, 2018). Housing also serves as a medium for identity formation, social cohesion, and community development (Rolfe et al., 2020). In this sense, the organization of housing tenure systems plays a decisive role in shaping access to housing and determining its socio-economic impacts.

Economically, housing is a critical asset that affects market stability and wealth distribution. Its production involves high costs and long lead times, creating supply-side rigidities that can lead to market imbalances (Ryan-Collins, 2024). The dual nature of housing - as both a necessity and an investment - necessitates policy interventions to ensure accessibility and prevent speculative distortions (Piazzesi et al., 2007). The 2008 Global Financial Crisis and the COVID-19 pandemic have highlighted the vulnerabilities in housing systems worldwide, exposing affordability challenges and the risks associated with excessive market speculation (UN, 2021; Igan-IMF, 2024). Without adequate regulation, market-driven housing systems often exacerbate inequalities and fail to provide stable, affordable housing solutions.

Housing tenure, which refers to the various ways individuals occupy, own, or lease housing, plays a crucial role in housing accessibility and market dynamics (Özdemir Sarı et al., 2022). It includes ownership, cooperative housing, social rental housing, and private rental housing. Kemeny's (1995) classification of housing systems highlights that while some countries prioritize homeownership, others maintain a balanced tenure structure incorporating rental housing (Boelhouwer & Hoekstra, 2012). Recent trends indicate a growing recognition of rental housing as a long-term solution rather than merely a transitional stage, particularly in urban areas where housing affordability is a persistent issue (OECD, 2024a).

The rental housing sector plays a vital role in urban economies by providing flexibility and enabling social mobility. It facilitates access to employment, education, and other opportunities while minimizing locational dependency (UN-Habitat, 2011). Historically, rental housing has been instrumental in addressing housing needs. For example in Türkiye, while initiatives such as the Saraçoğlu District during the early Republican period provided rental housing for public officials, demonstrating the necessity of non-profit rental models, contemporary urban planning often overlooks the significance of rental housing, particularly in major cities like İstanbul, Ankara, and İzmir, where affordability issues persist (Osmanoğlu & Mengi, 2022).

Rental housing demand is shaped by economic and social factors, including income levels, employment conditions, and demographic shifts. Financial constraints, job market uncertainties, and education or career opportunities contribute to the growing need for rental housing (Uğurlar, 2013). The efficiency of the housing market depends on the balance between owner-occupied and rental sectors, necessitating policies that support both tenure types (Türel, 1997; Oxley & Smith, 1996). Nevertheless, many country-based housing policies continue to prioritize homeownership while neglecting rental housing development, despite the increasing demand for rental options (Kumar, 2011; UN-Habitat, 2011). Such an imbalance often leads to affordability crises, particularly among low-income households.

The COVID-19 pandemic and inflationary pressures have exacerbated global housing affordability crises, prolonging rental tenures and reducing homeownership accessibility (Igan-IMF, 2024). In response, some governments have introduced regulatory measures to stabilize rental markets, yet challenges persist. In Türkiye, rental housing operates largely within the private market, lacking integration with social housing systems (Grander & Stephens, 2024). This results in a spontaneous supply mechanism driven by free-market dynamics, making affordability and security inconsistent across different income groups. Considering these dynamics, a more structured and sustainable approach to rental housing policy is necessary to ensure equitable access to housing in Türkiye.

In conclusion, housing is a unique and indispensable commodity that serves both economic and social functions. A well-functioning rental housing sector is essential for ensuring market stability and meeting diverse housing needs. Recognizing the interdependence of housing tenure types and implementing policies that support sustainable rental housing development are critical for addressing contemporary housing challenges. Governments must adopt holistic approaches to housing policies that integrate rental housing as a fundamental component of the housing system, ensuring equitable access for all societal groups.

2.2 Understanding the Private Rented Sector

2.2.1 Definition & Key Characteristics

The PRS does not have a universally accepted definition, as its characteristics and functions vary across countries and regulatory frameworks. However, a common understanding, as suggested by Haffner et al. (2007), is that the PRS consists of rental housing allocated by market mechanisms rather than administrative processes. Broadly, PRS refers to rental housing provided through market mechanisms, where properties are owned and managed by private individuals, companies, or institutions (Haffner et al., 2007). The defining feature of PRS is its profit-oriented nature, typically operating without direct government subsidies (Whitehead et al., 2012).

In most cases, PRS properties are owned and managed by individuals, private companies, or institutional investors (Haffner et al., 2007). However, in certain contexts, such as the Netherlands, social housing providers may also be classified as part of the private sector. This blurs the boundary between social housing and private rentals, particularly in cases where social housing is provided by non-governmental entities but operates under state regulation (Haffner et al., 2007). The boundaries between private and social housing can be fluid in some countries, with non-governmental housing providers participating in both sectors (Haffner et al., 2007). Such overlaps illustrate the fluid nature of PRS definitions, which can change depending on country-based policy frameworks and economic conditions.

While PRS is often viewed through a financial lens, its appeal extends beyond economic considerations. It offers flexibility, making it particularly attractive to mobile workforces, young professionals, and creative industries (OECD, 2024a). Despite its varying forms, the PRS remains a significant component of urban housing systems by accommodating the needs of students and other transient populations (OECD, 2024a). This sector plays diverse roles across housing markets in Western Europe, with its reputation and function shaped by historical, economic, and policy

contexts. For instance, in the United Kingdom and parts of Southern Europe, PRS is often associated with insecure and low-quality housing, whereas in Germany, Austria, and Switzerland, it provides a stable and widely accepted tenure option (Peppercorn and Taffin, 2013; Ball, 2010; Gilbert, 2003; Scanlon et al., 2011). This contrast highlights how regulatory frameworks and tenant protections influence the sector's reputation and function within countries' housing markets.

Despite its variability, PRS remains a stable, albeit limited, component of European housing markets. In most European countries, homeownership is the dominant tenure form; however, Germany and Switzerland have fostered long-standing PRS markets with secure tenancy rights and a significant share in overall housing stock (Haffner et al., 2009). In countries with high levels of homeownership, such as those in Central and Eastern Europe, the PRS also serves as a potential solution to housing shortages, especially following post-transition privatization waves (Hegedüs et al., 2014). Expanding the PRS through policy incentives and temporary state support is seen as a way to diversify housing options and improve accessibility for different social groups.

Country-based Definitions and Private Rental Housing Market

Country-based definitions of PRS often hinge on tenure structures, profit motives, and the nature of tenancy agreements. The definition of the PRS can differ within and across countries based on multiple criteria. According to Scanlon & Kochan (2011), PRS typically falls into one or more of the following categories:

- **By landlord type:** Properties owned to let by private individuals, institutional investors, or non-municipal entities.
- **By contrast with owner-occupation:** Housing that is not owner-occupied, regardless of whether it is rented for profit.
- **By tenancy type:** Housing rented under contractual arrangements that define tenant and landlord obligations.
- **By allocation method:** Properties rented at market rates, without administrative intervention.

These categories illustrate the complexity of the PRS and its context-dependent nature. In some cases, PRS definitions are broad, encompassing all non-public rental housing, while in others, distinctions are made based on tenancy regulations, subsidy structures, or profit motives.

The table below (Table 2.1) illustrates that definitions of the PRS vary significantly across countries, shaped by factors such as tenure structures, tenancy regulations, usage purposes, and allocation methods. While some countries (e.g., Australia) define the PRS as a primarily profit-driven sector, others (e.g., Spain, France) focus on legal and regulatory frameworks. Meanwhile, Germany and Switzerland incorporate a broader range of institutions, reflecting their distinct housing policies. This diversity underscores the absence of a homogeneous PRS structure globally, with country-based definitions shaped by specific market dynamics and policy environments.

Table 2.1: PRS Descriptions According to Countries

PRS described by type of landlord or mode of tenure	
Australia	Profit-making
Austria	For-profit: Owned by private individuals or companies; not owned by municipalities or limited profit companies dedicated to ‘the common good’. Not-for-profit: Owned by municipalities and Limited-Profit Housing Associations (LPHAs).
Denmark	Not owned by municipality or housing association; not owner-occupied. ‘Real’ PRS in Denmark considered to comprise blocks of three or more units in single ownership.
Germany	Renting from: non-public landlords (small private; private housing corporations; non-profit oriented landlords like housing cooperatives and residential housing corporations owned by churches); non-profit institutions serving private households; and small/amateur private landlords.

Table 2.1: PRS Descriptions According to Countries (cont'd)

PRS described by type of landlord or mode of tenure	
Switzerland	Profit-making landlords and state-regulated institutional investors (pension funds).
UK	All rented dwellings not owned by local authorities or housing associations. Owned by private individuals, private companies, and institutional landlords.
USA	Private for-profit or non-profit entities, whether or not tenants receive housing vouchers or dwelling was subsidized.
Netherlands	Organizations, private people or families.
Norway	Not owned or controlled by municipalities.
Private rented sector described by tenancy type	
Spain	Tenancy meets certain legal conditions.
France	Dwellings whose rents are not subsidized or regulated (i.e., not subject to legislation governing HLMs ¹).
Private rented sector described by use of dwelling	
Finland	Dwellings leased for residential purposes.

Source: Scanlon & Kochan, 2011

The variability in PRS definitions demonstrates that it is not a homogeneous sector globally. Instead, its characteristics and role in the housing market are shaped by country-based policy frameworks, economic dynamics, and historical housing

¹ HLMs (*habitations à loyer modéré*): Subsidized housing for those with incomes below a certain level.

trends. Understanding these distinctions is crucial for comparative housing research and for evaluating the potential lessons different PRS models may offer.

2.2.2 The Structure of the Rented Sector

The private rental housing sector is shaped by a variety of economic and social factors that differ across countries. While homeownership is the predominant form of housing tenure globally, the proportion of owner-occupied and rental households varies significantly across different regions. In most OECD and EU countries, owner-occupied housing remains the majority tenure type, whether outright or with a mortgage (OECD, 2024b). However, in certain countries, rental housing plays a substantial role and serves as a well-established housing alternative, particularly in Western Europe and some transition economies (Hegedüs et al., 2018; Whitehead et al., 2012). Although these variations exist, the private rental sector continues to function as a dynamic and indispensable element in various country-based housing systems.

In terms of housing providers, individual landlords play a dominant role in the private rental housing sector in many countries. However, rental housing provision is done by a diverse range of actors, including institutions, employers, cooperatives, non-profit organizations, faith-based groups, and publicly supported entities (Haffner et al., 2009). For example, Germany and Switzerland have robust rental markets where private individuals own a significant share of rental properties, yet institutional investors also play an essential role, particularly in urban areas where rental demand is high (Hegedüs et al., 2018). Meanwhile, in Sweden and the Netherlands, large municipal or non-profit housing associations dominate parts of the rental sector, influencing rental price stability and accessibility (Whitehead et al., 2012).

The extent of rental housing provision differs significantly across nations, reflecting the diverse approaches to rental housing markets. In countries with strong and

balanced rental markets, such as Germany and Switzerland, tenant households outnumber owner-occupier households, with 52% of households in Germany and 57% in Switzerland renting their homes (Haffner et al., 2009). These markets are characterized by well-regulated legal frameworks, long-term tenancy agreements, and a culture where renting is viewed as a stable and viable alternative to homeownership (Hegedüs et al., 2018). Austria also features a well-established rental market, benefiting from a combination of social and market rental properties, where institutional investors play a central role in maintaining the supply and stability of rental housing (Haffner et al., 2009).

In contrast, countries with liberalized and market-oriented rental sectors, such as the United Kingdom and Sweden, have undergone significant transformations. In the United Kingdom, the Housing Act of 1988 deregulated the rental sector and reduced the role of public housing (Whitehead et al., 2012). This shift led to the predominance of small-scale, individual landlords, despite policy efforts to promote institutional investment in the sector (Scanlon & Kochan, 2011). Sweden also transitioned from a heavily subsidized system to a more market-driven model in the 1990s, with municipal housing companies still regulating some rental prices, but the sector largely adapting to market-based mechanisms (Whitehead et al., 2012).

Meanwhile, countries that are transitioning to new rental models or rely heavily on subsidies, such as the Netherlands, France, and Denmark, have incorporated state interventions into their rental markets. In the Netherlands, 36% of households rent at subsidized rates, primarily from housing associations operating in a semi-public capacity (Haffner et al., 2009). France and Denmark also maintain substantial shares of social rental housing, supported by government measures such as tax incentives and rental caps aimed at stabilizing housing costs for low-income and vulnerable groups (Hegedüs et al., 2018).

These varying models of rental housing provision highlight how different countries balance private and public interests in housing markets. In countries like Germany and Switzerland, rental housing markets are well-developed and offer long-term

stability, while others like the United Kingdom and Sweden have undergone shifts toward market-driven models. The Netherlands, France, and Denmark, on the other hand, maintain a strong role for public intervention to ensure affordable rental housing is available to those in need.

Unlike these models, Central and Eastern European (CEE) countries, such as Romania (94%), Bulgaria, Croatia, Hungary, and Lithuania, have significantly higher proportions of outright homeowners due to post-communist privatization policies that sharply reduced rental housing stock (Hegedüs et al., 2018). This shift left many of these nations without a structured rental sector, leading to challenges in affordability and access.

From the 1980s onward, the contraction of the social rental sector has forced private rental housing to accommodate a broader spectrum of households. As social rental housing contracts, governments have increasingly relied on subsidies to maintain affordability within the private rental sector. In the United Kingdom, approximately 35% of private rental households receive housing benefits, making the sector a crucial component of the welfare system (Haffner et al., 2009). Similar subsidies are provided in Finland (17%), France (19%), Ireland (17%), and the Netherlands (36%), where rental allowances help keep housing affordable for low-income groups (Whitehead et al., 2012).

Additionally, in several countries, a substantial portion of private rental housing is subsidized to help support vulnerable groups. In Denmark, private rental tenants typically have incomes significantly below the national average, emphasizing the sector's role in housing low-income individuals (Whitehead et al., 2012). Likewise, in Belgium, private rental housing is predominantly occupied by low-income families, single-person households, and unemployed individuals, reflecting broader affordability issues in the sector (Scanlon & Kochan, 2011).

The structure of the private rental sector is shaped by various economic, social, and policy factors that vary across countries. While rental housing is predominant in nations such as Germany and Switzerland, homeownership remains the dominant

tenure in many others, particularly in CEE (Hegedüs et al., 2018). The experiences of different countries provide valuable insights into the development of a sustainable and resilient private rental sector. Understanding the interactions between supply and demand dynamics, institutional involvement, and policy interventions is crucial in shaping future housing strategies.

2.2.3 The Features of Rented Stock

2.2.3.1 What is the Role of Private Rental within Housing Tenure?

The private rental system is a significant element of the housing market, particularly in terms of flexibility and accessibility. This system stands out from other options, such as homeownership, due to its capacity to address various economic and social needs. In situations where entry to homeownership is prohibitively expensive, the private rental system plays a critical role in meeting housing needs by providing access to housing for a broad population. Hegedüs et al. (2018) also defines the private rental system as a flexible form of housing tenure. Their research emphasizes that in countries like Germany and Switzerland, the private rental sector not only provides alternative housing options for low-income groups but also caters to the dynamic lifestyles of high-income groups. Recalling that in regions such as Southern Europe and the United Kingdom, private rental housing is often associated with low-quality and insecure housing, their findings about the high-income groups worth mentioning. On the other side, in Eastern Europe, the private rental sector tends to be informal and, despite economic and social needs, has not developed sufficiently.

According to the OECD (2024), private rental housing is an important housing option for households, especially in countries like Germany (52%) and Switzerland (57%). However, the market-based nature of this sector often creates accessibility challenges for low-income households. This suggests that low-income groups' housing demands are not fully met by the private renting sector. Moreover, the lack

of subsidized rental housing in some countries has made low-income households dependent on the private rental market (OECD, 2024a).

While the private rental system stands out for supporting flexibility and social mobility, its market-driven structure can lead to access issues for low-income households. Additionally, the functioning of the private rental sector differs from one country to another, influenced by their unique economic and social environments. This underscores the significance of taking into account regional variations when evaluating the impact of the private rental system in the housing market.

2.2.3.2 How is Rental Stock Produced?

The production of rental housing stock is typically supported by government incentives and private sector investments (Haffner et al., 2018). This process usually involves collaboration between different actors, including the private sector, public sector, and cooperatives. In this context, government incentives and private sector investments play a prominent role in the production of rental housing stock. The private sector, including contractors and construction companies, produces housing in accordance with market conditions for obtaining profit, while the public sector constructs subsidized rental housing for low-income groups as part of social housing projects (Bratt & Lew, 2016). Housing cooperatives are another important actor, producing housing through the joint financing of individuals. These production methods are shaped by the country's economic conditions, regulations, and social policies. For instance, a housing need assessment, which is an analysis conducted in various countries to determine the balance between demand and supply, guides the planning of rental housing stock (Whitehead et al., 2012). While this analysis is regularly conducted in some Western European countries, it is often inadequate or absent in former socialist countries. This situation stands out as a factor limiting the effectiveness of housing policies (Hegedüs et al., 2018). In such cases, supportive policies such as public-private partnerships, financial incentives, or tax advantages

provide critical mechanisms to accelerate rental housing production (Hegedüs et al., 2018).

The OECD's 2024 study on rental housing stock production emphasizes that this process depends on the different dynamics of the private and public sectors. According to the study, the private sector develops housing based on market dynamics, whereas the public sector serves as the primary supplier of social housing. For example, in countries such as the Netherlands and Finland, social housing is produced through government or municipal support programs. Whereas, in Germany and Switzerland, where the private rental market constitutes a significant portion of the total housing stock, the government incentivizes the private sector through depreciation deductions and tax benefits (Hegedüs et al., 2018). The "right of occupancy" model applied in some countries like Finland offers a hybrid system between owner-occupation and rental housing (OECD, 2024a). Furthermore, in countries like France, private investors are encouraged to produce rental housing below market prices through contracts with the government. These types of practices offer diverse solutions to address the housing requirements of different income brackets.

Similarly, Hegedüs et al. (2018) highlight that there are differences between countries in the production of rental housing stock. In Western Europe, institutional investors and private entrepreneurs undertake a large portion of new rental housing projects, while in former socialist countries, stocks have largely been acquired through privatization processes. In countries like Germany, institutional actors play an important role thanks to investment incentives and tax advantages, while individual small-scale property owners also participate in the market. In contrast, in countries like Ireland and Belgium (Flanders), the rental sector is relatively small, and homeownership remains the dominant tenure model. However, these countries show differences in the distribution of rental stock between social and market renting; in England, for instance, the social sector is larger than the market sector, whereas in Belgium, the social sector is significantly smaller (Haffner et al., 2018).

Additionally, the Netherlands represents a unique case where institutional investors play a more dominant role in the private rental sector than individual landlords, making it distinct from other European markets where small-scale private landlords are more prevalent (Haffner et al., 2018). In contrast, Germany maintains a high share of rental housing through a mix of private and cooperative tenure, while France has seen a shift towards an 'intermediate rental sector' to bridge the gap between social and market renting (Haffner et al., 2018).

This clearly demonstrates the impact of regional differences on rental housing stock production. For example, while housing production in countries like France and Germany is guided by both social and market mechanisms, Ireland's housing stock growth has been heavily driven by owner-occupation, with the rental market often serving as a secondary option rather than a primary housing model (Haffner et al., 2018). Meanwhile, in Flanders, government interventions such as Social Rental Agencies allow private rental dwellings to be let under social conditions, creating an alternative rental model that blends state support with market mechanisms (Haffner et al., 2018). These variations illustrate how different historical, economic, and policy contexts influence the supply and structure of rental housing across regions.

The production of rental housing stock, therefore, reflects a complex interplay of economic, social, and political factors unique to each country. The different roles played by the private and public sectors, the development of hybrid models, and the implementation of supportive policies are critical to the effectiveness of this process. These mechanisms not only meet housing needs but also serve as effective tools in maintaining balance in the housing market.

2.2.3.3 Are There Incentive Systems to Maintain Rental Housing Stock?

Various incentive mechanisms are implemented in many countries to ensure the sustainability of rental housing stock. These incentives aim not only to maintain the stability of the rental market but also to reduce inequalities in the housing market

and extend the right to housing to a wider population. Both supply and demand sides are supported through methods such as tax advantages, financial assistance, social welfare programs, and regulations. For example, reducing taxes on rental income or providing exemptions for specific income brackets acts as an incentive for investors, while increasing rental subsidies or the availability of subsidized housing strengthens the demand side, especially for low-income individuals. Additionally, laws and regulations that encourage long-term lease contracts help secure tenants' rights and increase confidence in the rental market.

The incentive systems applied to ensure the sustainability of rental housing stock vary according to the economic and social needs of each country. For instance, in Western Europe, Germany seeks to maintain market stability by supporting both property owners and tenants through depreciation benefits and rent controls, while France has tax regulations that incentivize private investors through long-term low-rent programs (Hegedüs et al., 2018). In Sweden and Denmark, municipality-supported financing mechanisms are key tools in supporting the production of new rental stock. As reported by the OECD (2024), in the Netherlands, 65% of tenants benefit from rent subsidies, while in Germany, legal limits on rent increases have been effective in ensuring market stability. On the other hand, in former socialist countries, the lack of incentive mechanisms and the informal nature of the private rental sector are major factors negatively impacting the sustainability of rental housing stock in these regions.

The successful implementation of these incentive policies not only ensures market stability but also plays a critical role in balancing both supply and demand by increasing investor participation in the market. However, the differences in the application of incentive systems among countries, as well as various challenges, lead to different outcomes depending on the economic and social dynamics.

2.2.4 Dynamics of the Rental Housing Market: Supply and Demand Factors

The housing market is an economic system in which the processes of buying, selling, and renting homes occur to meet the housing needs of individuals and households. This market is characterized by a constantly changing structure, influenced by economic, social, and demographic factors. Housing, viewed both as an investment asset and a basic necessity, is shaped by the balance of supply and demand within the market. In this context, understanding the housing market is crucial for developing housing policies and meeting societal housing needs. In other words, the housing market can be defined, in a narrow sense, as an environment where buyers and sellers mutually determine the prices and quantities of goods and services. In a broader sense, it is an unlimited platform where supply and demand converge (Arslan, 2007; Uğurlar, 2013). The balance of this platform is maintained through the supply of homes for sale or rent and the demand for these homes, which sustains the system. To make a more specific definition, the housing market is based on a process in which consumers or households demand housing and producers meet this demand through production (Arslan, 2007; Uğurlar, 2013).

The factors determining supply and demand in the housing market are shaped by housing policy interventions in each country (Uğurlar, 2013; Türel, 2002). Housing demand is connected to the intention of individuals or households to obtain housing at a specific price level and their purchasing power. Supply refers to the existing or future housing stock available in the market. These two fundamental components play a crucial role in determining market equilibrium and price levels. However, the factors influencing supply and demand are diverse, and the dynamic relationship between these factors forms the core dynamics of the housing market.

According to Uğurlar (2013) and Türel (2002), the balanced functioning of the housing market depends on the equilibrium between supply, which ensures production efficiency, and demand, which ensures distribution efficiency. Housing policy interventions specific to each country shape the factors that influence supply,

while demand is primarily driven by economic and demographic conditions. In this context, Uğurlar and Türel have outlined the factors affecting supply and demand as follows:

- Capital accumulation in the construction sector, employment conditions, and technological innovations affect supply.
- Population growth, demographic structure, and changes in income levels are the main factors influencing demand.
- Land and construction materials affect supply, while housing finance is a determining factor for demand. These three are strongly interconnected.
- For the housing market to function efficiently, there must be a balance between supply and demand.

On the other hand, Öztürk and Fitöz (2009) examined housing demand and supply from a macroeconomic perspective. They identify the main determinants of demand as population, population growth, average income, and the demographic structure of households, while the determining factors for supply are noted as new housing production and renovation works on the existing housing stock. A closer look at the determining factors of supply reveals sub-factors like interest rates, housing prices, urbanization rate, government policies, building materials, and technological developments.

Based on the data obtained from the sources examined up to this point in the study, the following table has been created to categorize factors affecting supply, demand and price for housing (Table 2.2).

Table 2.2: Housing Supply, Demand & Prices in Rental Housing Market

Factors Determining Housing Supply	Factors Determining Housing Demand	Factors Determining Housing Price
Land access and costs	Income level and income distribution	Land and construction costs
Construction costs	Population and demographic structure	Supply and demand balance
Regulations and zoning policies	Migration movements	Laws and regulations
Investor behavior	Interest rates and credit accessibility	Housing stock and demand
Political and economic factors	Consumer expectations	Household preferences

To conclude, the housing market is a factor that impacts a wide range of situations, from the overall condition of society to individuals' quality of life. The equilibrium between supply and demand within the market is shaped by economic, social, and political factors, which determine its dynamics.

2.3 Conclusion

This chapter has examined the fundamental dynamics shaping the private rental housing sector globally, highlighting its role, structural variations, and policy-related challenges. It has explored how housing policies, market mechanisms, and socio-economic factors influence rental housing availability, affordability, and accessibility. While housing is recognized as a fundamental human right, country-based policies often prioritize homeownership, leading to structural imbalances and limited attention to the rental sector.

The PRS plays a crucial role in providing housing for a diverse range of households, including mobile workers, students, and lower-income groups. However, its structure and regulatory frameworks vary significantly across countries. In many European nations, PRS operates under a mix of free-market principles and regulatory interventions, ensuring tenant protection and market stability. In contrast, some countries rely primarily on market-driven mechanisms, which can lead to affordability issues and precarious housing conditions.

A key finding of this chapter is that rental housing markets are not universally structured to provide secure, high-quality, and affordable living conditions. In some cases, they function as precarious poverty traps, exacerbating social inequalities. Additionally, households are experiencing prolonged rental tenures with reduced prospects of entry to homeownership due to rising house prices, increased rents, and higher utility costs. These trends impose a significant financial burden, particularly on low- and middle-income groups.

Private rental markets, particularly in European countries, are shaped by free-market dynamics, where investment decisions are often driven by profitability rather than social needs. This results in an undersupply of affordable rental housing and a market that struggles to adapt quickly to shifting demand patterns. While some governments implement regulations to ensure housing stability, others lack a comprehensive framework, leading to significant variations in rental market structures worldwide.

A well-regulated rental housing market is crucial for ensuring social equity and economic mobility, particularly in urban areas where homeownership is unattainable for many. Addressing these challenges through targeted regulations and balanced policy approaches is essential to fostering a more stable and inclusive rental market.

Based on these findings, this chapter has demonstrated the structural and policy-related challenges inherent in private rental housing markets globally, with a particular emphasis on European countries. The key question that arises is whether similar patterns are observed in Türkiye or if, due to the lack of a distinct policy framework for the private rental sector, the Turkish market exhibits unique

characteristics. Given these variations, understanding PRS requires a context-specific approach that considers its dynamic and evolving role in housing markets. The next chapter examines the case of Türkiye in detail, assessing how the private rental sector operates within the country's specific economic, regulatory, and social context.

CHAPTER 3

THE TURKISH PRIVATE RENTED SECTOR

The rental housing market in Türkiye has undergone significant transformations in recent years due to economic fluctuations, demographic shifts, and increasing housing demand. These changes have reshaped housing production, tenure preferences, and rental processes, introducing structural challenges to the sector. Housing issues in Türkiye extend beyond economic concerns, encompassing social and physical dimensions (Özdemir Sarı, 2019).

Türkiye's housing stock is primarily shaped by private investments, with the rental market largely controlled by individual landlords operating under market-driven conditions. As per the categorization by Scanlon & Kochan (2011) outlined in Chapter 2, the Turkish rental housing market primarily consists of privately owned properties, with the relationship between tenant and landlord defined by contractual agreements. This structure is shaped not by a centralized rental policy but rather by market forces, where the allocation of housing stock occurs based on market dynamics and pricing. The PRS is not an independent market but rather a byproduct of homeownership trends, which significantly influence its dynamics and complicate the monitoring of sectoral changes. The interdependence between homeownership and rental housing creates affordability and security vulnerabilities for tenants, particularly in an environment where housing is both a consumption necessity and an investment tool (Yayar & Bursal, 2019).

One of the key challenges in the housing sector is the imbalance between supply and demand, exacerbated by rapid population growth, urbanization, and migration waves. These factors not only restrict housing access, particularly for low-income groups, but also affect the quality and sustainability of the housing stock (Aksoy Khurami & Özdemir Sarı, 2022). While existing housing units may appear

financially accessible, many fail to meet safety and quality standards, posing significant risks to residents. Addressing this issue requires not only the production of new housing but also the improvement and maintenance of existing stock.

The rental market, predominantly shaped by private ownership, operates under unregulated market conditions, leading to economic and structural challenges, especially for lower-income households. Unlike countries with a dual rental structure that includes both market and social rentals, the absence of a social rental housing sector in Türkiye further intensifies these issues, as private rental supply remains insufficient to meet growing demand. Consequently, rising rental prices and deteriorating living conditions continue to strain vulnerable populations (Aksoy Khurami & Özdemir Sarı, 2022). Moreover, Türkiye's housing sector is highly sensitive to economic fluctuations, displaying complexities that extend beyond conventional supply-and-demand dynamics (Ulusoy, 2022).

The lack of regulatory oversight in the rental housing market exacerbates uncertainties for both landlords and tenants, making it difficult to ensure long-term housing stability. While homeowners benefit from property appreciation, tenants face increasing financial pressures due to escalating rental prices. The absence of clear rules and effective public regulation restricts the sector's ability to address these issues effectively.

Given these structural deficiencies, addressing Türkiye's housing challenges requires a multi-faceted approach. Housing policies should go beyond new construction efforts to include measures that enhance the quality of existing housing stock and regulate rental market conditions. Comprehensive reforms that balance production, accessibility, and affordability are essential to ensuring a more stable and equitable housing system.

This chapter will begin by analyzing the structure and functioning of Türkiye's housing system, followed by an exploration of the emergence of the PRS. It will then examine the current structure of the rental housing market, before discussing relevant

laws, regulations, policy gaps, and emerging trends. The chapter will conclude with a summary of the key findings and insights.

3.1 The Structure and Functioning of the Housing System in Türkiye

The Turkish housing system is predominantly oriented toward homeownership, with state policies historically favoring owner-occupied housing. Unlike many European countries, Türkiye lacks a well-developed organizational structure and dedicated financing mechanisms to support the production of rental housing. As a result, the private rental market has developed largely through individual investment decisions, with rental units typically forming a residual component of the housing stock—available only after homeownership demand has been met (Uğurlar, 2013).

Housing demand in Türkiye is shaped by a complex interplay of factors, including income levels, housing prices, urbanization trends, the availability of social amenities, housing supply, demographic changes, and government policy (Yayar & Bursal, 2019). However, in major metropolitan areas, persistent mismatches between supply and demand have exacerbated affordability issues. Rising construction costs and economic volatility have further restricted access to housing, particularly for low- and middle-income households (Uğurlar, 2013). Despite the system's homeownership-oriented structure, the private rental sector remains indispensable for meeting the housing needs of these vulnerable groups.

State policies specifically targeting the rental housing sector are extremely limited in both scope and effectiveness. Projects undertaken by the Housing Development Administration of Türkiye (HDA) have overwhelmingly focused on promoting homeownership, offering little to no support for social rental housing (Balamir, 1999). As the concept of social housing has gradually lost prominence, low- and middle-income groups have increasingly turned to the private rental market. This transition has not only diversified the profile of rental demand but also transformed the dynamics of the sector. Nonetheless, the absence of targeted public policy has

undermined the state's ability to monitor and respond to socio-economic shifts within the rental market, thereby fueling instability.

In contrast to the publicly supported rental models prevalent across Europe, Türkiye lacks a public rental housing sector altogether. This leaves the entire rental market in the hands of private actors, with insufficient regulation to ensure affordability, tenure security, or long-term stability (Sarioğlu Erdoğan, 2013). In major cities such as İstanbul, Ankara, and İzmir, surging rental prices and an inadequate supply of affordable units have resulted in deep structural imbalances. Addressing these challenges is vital to ensuring the long-term viability, inclusivity, and resilience of Türkiye's housing system.

3.2 The Emergence of the Private Rented Sector in Türkiye

In Türkiye, homeownership has historically been regarded not only as a means of meeting housing needs but also as an economic and social security asset. However, the rapid urbanization seen in Türkiye since the 1950s led to rising housing costs, especially in major cities, which gradually increased the demand for rental housing. Large-scale rural-to-urban migration between the 1960s and 1980s disrupted housing market balances, positioning rental housing as a necessary alternative where homeownership was not feasible. Over time, particularly in metropolitan areas such as İstanbul and Ankara, rental housing became a critical part of the housing system.

The private rental housing sector in Türkiye has largely evolved through market dynamics and the initiatives of individual landlords (Balamir, 1999). Since the 2000s, public housing programs have overwhelmingly prioritized expanding homeownership, particularly for low-income households, while the rental sector has remained outside the scope of comprehensive housing policy (Özdemir Sarı, 2019). As a result, unlike the widespread public or social rental systems in Europe, Türkiye's rental housing market has been shaped by small-scale private investors and fragmented ownership patterns (Sarioğlu Erdoğan, 2013). This market-driven structure has led to a mismatch between rental housing supply and demand, leaving

the private rental market highly dependent on market conditions (Özdemir Sarı, 2019). Moreover, despite the growing housing demand in major cities of Türkiye, the insufficiency of public intervention has reinforced the role of individual investors in the country's housing sector. Therefore, the fundamental dynamics of the private rental housing market in Türkiye have been closely linked to the extent of state intervention and the ways in which such interventions have influenced market structures.

Historical Background

The development of the rental housing sector in Türkiye is closely tied to the country's urbanization process and economic transformations. From the 1950s onward, rapid industrialization and large-scale rural-to-urban migration significantly increased housing demand in urban centers (Balamir, 1999). However, public resources and authorities remained insufficient to address this rising demand, leading low-income households to seek housing solutions through informal settlements like squatters.

A major turning point in the housing market came with the enactment of the Flat Ownership Law² in 1965, which played a key role in shaping the rental housing sector. This law enabled the subdivision of apartment buildings into individually owned dwelling units, making multi-unit housing construction more attractive to both landowners and developers (Özdemir Sarı, 2019). As a result, the increase in apartment-type housing production not only facilitated homeownership but also contributed to the emergence of a stock of rental housing units. Particularly in urban areas, property owners, including small-scale investors, began to retain and rent out units rather than solely relying on direct sales. This shift made the rental market an integral part of the housing economy, particularly influencing middle- and high-income groups' access to rental housing.

² Its Turkish name is Kat Mülkiyeti Kanunu (Law No: 634, Adopted on: 23/06/1965)

By increasing the number of housing units that could be produced on a given plot of land, the expansion of apartment-type housing directly contributed to the formation of the rental housing sector. The expansion of multi-unit buildings provided landlords and developers with an asset that could be either sold or rented, ensuring a steady supply of rental properties. Especially in major cities, the dominance of privately owned apartment buildings made the rental housing supply highly sensitive to market dynamics (Şengül, 2020).

In this context, the Flat Ownership Law facilitated the legal and structural framework for apartment-based housing, which in turn laid the groundwork for the rental housing market in the 1960s. Between the 1960s and 1980s, this transformation not only reshaped the spatial structure of cities but also had significant social and economic implications (Şengül, 2020).

Economic Transformations and the Evolution of the Rental Housing Sector

Following the 1980s, Türkiye underwent a series of neoliberal economic reforms that reshaped the role of the state in housing provision. Instead of directly engaging in housing production, the state shifted toward policies that encouraged private sector investments in real estate development (Özdemir Sarı, 2019). Another significant development shaping Türkiye's housing policy was the establishment of the HDA in 1984. HDA was founded with the primary aim of addressing the country's housing deficit and providing affordable housing for low- and middle-income groups. Over the years, it has become a central actor in housing production, particularly through large-scale construction projects and mass housing initiatives. While HDA's mission has been framed around the provision of social housing, its projects have overwhelmingly focused on promoting homeownership rather than expanding rental options. This emphasis on ownership-based housing delivery has contributed to the neglect of rental housing needs and limited the availability of affordable rental units for low-income households. By not engaging in the direct production of rental housing, HDA has inadvertently reinforced the dominance of private landlords in the rental sector. Since its inception during the liberal economic transformations of the

1980s, HDA's approach has reflected broader state policies that shifted the responsibility of rental provision to the private market. As a result, the public sector's limited involvement in the rental market has contributed to the marginalization of rental housing in Türkiye's overall housing system. This shift significantly diminished the regulatory and operational role of public institutions in housing markets, giving rise to a market-oriented housing model (Şengül, 2020).

Throughout this period, housing policy remained heavily skewed toward promoting homeownership. In a macroeconomic environment characterized by high inflation and volatility, owning a home came to be seen not only as a source of shelter but also as a secure investment and a hedge against economic uncertainty (Balamir, 1999; Özdemir Sarı & Aksoy, 2016). Consequently, most newly constructed housing units were produced with the intent of being sold rather than rented, further marginalizing the rental market (Sarıoğlu Erdoğan et al., 2012).

The enactment of the regulations related to establishment of a mortgage system in 2007 represented a major regulatory change in Türkiye's housing finance system. While it introduced long-term housing loans and expanded access to credit, it primarily served the banking sector and did not include measures to support rental housing or tenant protections (Sarıoğlu Erdoğan, 2013). The law supported first-time homebuyers and expanded mortgage markets, but it did not include provisions to promote rental housing or improve tenant protections. As a result, housing investments became increasingly speculative, particularly in urban areas, reinforcing a supply structure oriented toward homeownership and limiting long-term rental options (Şengül, 2020).

Until 2017, Türkiye saw a surge in housing production, driven by large construction firms and public-private partnerships. Although this boom increased the overall housing stock, it did not significantly improve affordability or rental availability for lower-income households (Özdemir Sarı, 2019). The private rental sector thus continued to function as a residual market—dependent on leftover housing stock rather than being planned or purposefully developed.

Recent Trends and Structural Implications

In recent years, Türkiye's rental housing sector has come under growing pressure due to economic instability, rising inflation, and continued urban population growth. The 2018 economic crisis marked a significant turning point. Housing prices rose sharply, and affordability declined, particularly in metropolitan regions where the gap between household incomes and rental prices widened considerably (Özdemir Sarı, 2019).

During this period, the government reframed the housing crisis primarily as a 'housing shortage' and implemented campaigns aimed at stimulating home purchases to support the economy. These measures, however, further prioritized homeownership and sidelined rental housing concerns (Özdemir Sarı, 2019). Consequently, the private rental market continued to operate in the absence of public regulation or institutional support.

The COVID-19 pandemic exacerbated existing problems in the rental sector. Temporary stagnation in the housing market was followed by renewed rent increases, driven by construction delays, cost inflation, and supply shortages. With a lack of formal tenancy protection mechanisms, tenants faced increasing uncertainty and insecurity in accessing affordable, long-term rental options.

In response to the affordability crisis, the government introduced short-term regulatory measures such as rent increase caps and anti-eviction provisions. However, these interventions remained limited in scope and duration. The structural issues—such as the lack of a social rental housing system, informal landlord-tenant relationships, and speculative investment practices—were not addressed, leaving the rental housing market vulnerable to further volatility.

Ultimately, the absence of a dedicated social rental housing framework and the dominance of small-scale private landlords have entrenched inequalities in access to adequate and secure rental housing. Without long-term policy initiatives aimed at developing an inclusive and resilient rental sector, Türkiye's urban housing markets

will likely continue to suffer from affordability challenges, insecure tenancy conditions, and structural instability (Şengül, 2020).

3.3 The Structure of the Rental Housing Market in Türkiye Today

The structure of the rental housing market in Türkiye today reflects the outcomes of a fragmented policy environment and a predominantly market-driven housing system. The market is primarily composed of small-scale individual property owners, with large-scale actors such as real estate investment trusts or housing associations playing a negligible role (Balamir, 1999). Türkiye lacks a regulatory framework that ensures long-term affordability, tenant protection, or organized rental provision (Aksoy Khurami & Özdemir Sarı, 2022). This has led to a landlord-dominated market structure, which contributes to precarity, informal contracts, and pricing instability (Sarıoğlu Erdoğan, 2013).

One of the main drivers of this volatility is the high inflation rate in Türkiye, which encourages individuals to see housing as a hedge against economic uncertainty. Consequently, many acquire multiple properties as investment tools, removing significant portions of the housing stock from the rental market and reinforcing the dominance of homeownership (Sarıoğlu Erdoğan et al., 2012). As supply decreases and demand continues to rise—especially in urban centers—rental prices have escalated, making the market increasingly inaccessible for low- and middle-income groups.

State policy has played a limited role in shaping the private rental sector. Over the last two decades, governments have prioritized expanding homeownership—especially through programs aimed at first-time buyers and low-income groups—while neglecting the development of rental housing alternatives (Aksoy Khurami & Özdemir Sarı, 2022). Even landmark reforms such as the 2007 Mortgage Law were designed primarily to stimulate home purchases rather than support rental provision or tenant rights (Sarıoğlu, 2007). Consequently, the housing system has become

imbalanced, with housing supply driven by ownership-focused strategies and rental demand largely unmet.

This policy orientation has entrenched a supply-side housing model that does not adequately respond to growing demand for rental housing. Türkiye's large population—approximately 85 million—and accelerating urbanization necessitate the expansion of diverse and affordable housing options. Yet, the continued emphasis on homeownership and the absence of a structured rental policy framework prevent the development of a resilient rental sector (Özdemir Sarı, 2019). To close this gap, policy tools that support rental supply, affordability, and tenant protections must be prioritized.

In recent years, rising inflation and surging construction costs have further exacerbated the affordability crisis. Rental prices have increased steeply, particularly in metropolitan areas, disproportionately affecting vulnerable populations (Öztürk & Fitöz, 2009). At the same time, speculative investment practices and escalating land values have contributed to market volatility and housing insecurity (Ören & Yüksel, 2013). Without a coordinated public response, including the regulation of rent levels and the development of affordable rental stock, these pressures will likely intensify.

Overall, the structure of Türkiye's private rental sector today is shaped by three intersecting challenges: the dominance of small-scale landlords, the lack of comprehensive rental policies, and the increasing commodification of housing. Addressing these structural weaknesses will require a shift away from ownership-centric policies and the development of an inclusive housing strategy that supports both owners and renters.

3.4 Laws, Regulations, Policy Gaps and New Trends

Türkiye's private rental housing sector serves a significant portion of the population and holds a key position within the broader housing system. While the sector has been shaped by a series of regulations and legislative adjustments, it continues to be

marked by policy gaps and emerging trends that require urgent attention. The current legal framework, while regulating the landlord-tenant relationship, falls short of addressing broader structural problems in the rental housing system. Amid rising housing costs and rent inflation, the state has introduced ad hoc interventions, though these measures have often produced limited or adverse outcomes (Ulusoy, 2022).

Current Legal Framework

The existing framework consists of various legislative tools, including the 2007 Housing Finance Law³, the 2011 Code of Obligations⁴, and more recent caps on rent increases. The 2007 Housing Finance Law enabled broader access to mortgage systems by allowing non-bank institutions to issue loans. However, the development of long-term mortgage mechanisms remained shallow, limiting housing accessibility for many (Sarioğlu Erdoğan, 2013).

The 2011 Code of Obligations introduced reforms aimed at strengthening tenant rights, including provisions on lease duration, rent determination, and security deposits. Nevertheless, legal ambiguities and loopholes—particularly those that facilitate eviction—have created friction between landlords and tenants. Furthermore, delays in legal proceedings have contributed to dissatisfaction on both sides of the tenancy relationship (Sarioğlu Erdoğan, 2013).

One of the most significant interventions in recent years was the introduction of a rent cap in 2022, which limited rent increases to 25% for a one-year period and was subsequently extended. Intended as a response to sharp rental inflation, this measure unintentionally distorted the market. Small-scale landlords, unable to adjust rents in line with inflation, withdrew units from the rental stock or opted for informal lease agreements. Consequently, the policy increased uncertainty and insecurity in the

³ Its Turkish name is Konut Finansmanı Sistemine İlişkin Çeşitli Kanunlarda Değişiklik Yapılması Hakkında Kanun (Law No: 5582, Adopted on: 21/02/2007)

⁴ Its Turkish name is Türk Borçlar Kanunu (Law No: 6098, Adopted on: 11/01/2011)

rental market, particularly in large cities (Ulusoy, 2022; Uğurlar & Özelçi Eceral, 2017).

Policy Gaps in Light of General Discussions

A fundamental gap in Türkiye's rental housing system is the absence of a structured social rental housing policy for low- and middle-income households. While the HDA focuses predominantly on sales-based housing delivery, it lacks instruments for producing affordable rental options (Sarioğlu Erdoğan, 2013). Existing legal protections for tenants are inconsistently applied, leading to further erosion of tenant security (Uğurlar & Özelçi Eceral, 2017).

Moreover, limited access to long-term housing finance further impedes homeownership and increases pressure on the rental market. Mortgage loans are typically capped at 10 years, making property acquisition unaffordable for low-income households (Sarioğlu Erdoğan, 2013).

New Trends, Problems, and Solutions

Viewing housing as an investment tool has significantly influenced the dynamics of the rental market. In major urban centers, speculative investments have led to a proliferation of unoccupied units and widened the gap between supply and demand. This trend, coupled with the dominance of higher-income groups in property ownership, has drastically reduced the availability of affordable rental options for vulnerable populations (Uğurlar & Özelçi Eceral, 2017).

Real Estate Investment Trusts (REITs) have also emerged as a notable trend, enabling large-scale investors to play a more prominent role in the housing market. Although these entities could enhance professional property management and support more organized and standardized rental practices, they have also contributed to rising rental prices and narrowed access for individual tenants (Sarioğlu Erdoğan, 2013).

Urban transformation projects led by the HDA have likewise influenced the rental market. While these initiatives aim to increase urban land values and upgrade

housing stock, they often result in the displacement of low-income tenants rather than expanding rental opportunities for them (Uğurlar & Özelçi Ecerel, 2017).

In conclusion, Türkiye's rental housing sector remains shaped by market dynamics in the absence of a comprehensive and sustainable housing policy. Addressing policy gaps and managing new developments with a long-term and holistic vision are essential for making the rental market more accessible and secure, particularly for disadvantaged groups.

3.5 Conclusion

The PRS in Türkiye has long been shaped by policies that prioritize homeownership, leaving rental housing largely to the influence of market dynamics. Unlike in many European countries where rental markets are regulated and supported by comprehensive policies, Türkiye's rental sector has developed as a byproduct of homeownership trends. Housing production is not directly planned to meet rental demand; instead, the rental stock consists of surplus units from the owner-occupied sector. As a result, the availability and affordability of rental housing fluctuate based on economic cycles. In periods when access to homeownership becomes difficult, rental housing becomes more accessible. Conversely, when mortgage rates decline and investment in second or third properties increases, rental stock tightens, prices rise, and tenants face increasing difficulties in securing affordable housing.

Examining the housing policies and market structures of other countries provides valuable insights into Türkiye's challenges and potential solutions. In Germany, the rental market dominates, with strong tenant protections and rent regulations ensuring market stability. The Netherlands benefits from a well-balanced structure, where social and private rental housing coexist, enhancing affordability for low-income groups. The United Kingdom, while heavily dependent on the private sector, faces increasing concerns over affordability due to the declining supply of social housing. Türkiye, in contrast, has virtually no social rental sector and lacks effective

regulatory mechanisms, leaving rental prices largely dictated by landlords. Rent control policies remain weak and inconsistent, exacerbating market instability and making long-term rental security uncertain. The temporary 25% rent cap introduced following the COVID-19 pandemic exemplifies Türkiye's reactive rather than structural approach to housing market challenges.

These structural weaknesses highlight the need for a more sustainable and balanced rental housing policy. The absence of long-term regulatory frameworks places tenants in a vulnerable position, as rental prices and availability are subject to rapid fluctuations driven by broader economic conditions rather than housing needs. As seen in Germany and the Netherlands, well-regulated rental markets contribute to stability, whereas the lack of oversight, as in Türkiye, fosters unpredictability. Without direct policy interventions, the PRS is unlikely to develop into a stable and sustainable housing option.

In conclusion, Türkiye's rental housing market remains highly dependent on homeownership trends, with limited regulatory oversight and no structured approach to rental housing provision. Looking at other countries' experiences demonstrates how strong legal protections and social housing support contribute to a more stable rental market. Without policy interventions aimed at ensuring affordability, security, and long-term market stability, rental housing in Türkiye will continue to be an unstable and unreliable option for those who cannot access homeownership. Strengthening rent regulations, expanding social housing policies, and securing tenant rights are critical steps toward creating a more balanced and sustainable housing system.

CHAPTER 4

DATA AND METHODS

In the previous sections, the definition, functions, features, structure, demand, and challenges of the PRS were examined in both international and country-based contexts. Before proceeding with the empirical investigation of Türkiye's PRS, this chapter outlines the data and methodology employed in the analysis.

4.1 Data Constraints on Variables

The variables used in the empirical part of this study is determined basically through the literature survey provided in the 2nd Chapter of this study. Ideally, all the variables discussed in that chapter would have been examined; however, the availability of comprehensive and continuous data in Türkiye is highly limited. Housing-related datasets are often fragmented, inconsistent, and restricted in scope, making it challenging to conduct a more extensive analysis. As a result, the selection of variables in this study is constrained by data availability. Nevertheless, key variables on both the supply and demand sides have been incorporated to better understand the dynamics of the rental housing market in Türkiye. On the supply side, factors such as housing production, prices, and the number of housing units have been considered. These variables influence the size and quality of housing supply, indicating the number of new units entering the market, the adequacy of the existing stock, and how price fluctuations shape demand. While changes in housing production and stock reflect supply conditions, prices serve as a critical indicator of the balance between supply and demand.

For the demand side, population growth and housing tenure status have been determined. Population growth creates increased demand for housing, while housing

tenure is a significant factor influencing demand for rental housing. The housing tenure status reflects the types of housing individuals own or rent, thus demonstrating the structure of demand.

The selected variables will help to understand how the balance of supply and demand functions within the housing market and how this balance influences market prices, production levels, and demand. Analyzing the factors determining housing supply and demand is critical in understanding the current state of the sector. These variables are essential to gain a deeper understanding of the key dynamics of the rental housing sector in Türkiye and the sources of the challenges faced. Furthermore, analyzing these variables will provide a clearer view of the interactions between supply and demand and help identify the main problems within the sector.

4.2 Expected Relationships

The data collected in this study will enable an understanding of the relationships between supply and demand and the primary issues within the sector. For instance, the relationship between increases in housing prices and changes in production levels will be examined, thus revealing how supply affects demand. Additionally, the correlation between household growth and rental housing demand will be analyzed. This analysis will help better understand the points at which the balance between supply and demand in the rental housing market is disrupted and the underlying causes of these imbalances. In doing so, an in-depth understanding of the current dynamics of the housing market will be developed, and the primary problems within the sector will be systematically identified.

Based on the information obtained from the literature review in the previous sections, certain variables have been identified for use in the analysis. These include the number of tenant households, the number of housing units per household, and the housing price index. According to the information gathered from the literature, an increase in housing prices leads to higher costs associated with purchasing a home.

As a result, it is expected that the homeownership rate among low- and middle-income households will decrease, while the demand for rental housing will rise.

An increase in the proportion of tenant households within the total number of households observed in a city or region indicates a decrease in the homeownership rate and suggests a growing dependence on rental housing stock. In the face of this increase, if adequate housing supply is not provided, the pressure on the existing stock is expected to rise, leading to an increase in rental prices. Finally, an increase in the number of housing units per household can be associated with an expansion in housing supply. With the increase in housing production/supply, the rental stock is expected to grow, and more housing options will be available for tenants. In areas where supply increases but demand remains low, a decrease in prices is anticipated. The variables mentioned and the expected relationships are summarized in the table below (Table 4.1).

Table 4.1: Variables and Expected Relations

Variable	Definition	Expected Change	Expected Outcome
Number of Tenant Households	The total number of households renting their homes in a city or region.	Increase (↑) ↓ Rental Prices (↑)	A rise in tenant households indicates a decline in homeownership and an increased reliance on rental housing. If supply is insufficient, rental prices are expected to rise.
Number of Housing Units per Household	The ratio of total housing units to the number of households in a given area.	Increase (↑) ↓ Rental Prices (↓)	If the number of housing units per household rises, it signals an expansion in housing supply. If demand remains constant, rental prices are expected to decrease.

Table 4.1: Variables and Expected Relations (cont'd)

Variable	Definition	Expected Change	Expected Outcome
Housing Price Index	An index showing the change in housing prices over time.	Increase (↑) ↓ Homeownership Rate (↓), Rental Housing Demand (↑)	As housing prices increase, homeownership becomes less affordable. This leads low- and middle-income households to shift toward rental housing.
Housing Production Levels	The number of newly constructed housing units in a specific region and period.	Increase (↑) ↓ Rental Housing Stock (↑), Rental Prices (↓)	As housing production increases, new units are added to the rental stock. If demand remains stable, rental prices may decline or stabilize.
Household Growth	The annual growth rate of the total number of households in a city or region.	Increase (↑) ↓ Rental Housing Demand (↑)	Household growth leads to an increased demand for housing. If new housing production does not match this growth, rental prices may rise.

Source: Created by author based on Chapter 2 and 3 of this study

4.3 Data Collection

This study had to compile various variables from a wide range of data sets to conduct an empirical analysis. The variables and the data employed in this study and associated data sources can be seen from Table 4.2.

Table 4.2: Data and Data Sources

<i>Variable</i>	<i>Year</i>	<i>Source</i>
Mode of Tenure by Provinces	2011 &2021	TURKSTAT: Population and Housing Census (2011) Survey on Building and Dwelling Characteristics (2021)
Population, Number of Households, and Average Household Size by Provinces	2011 &2021	TURKSTAT: Address Based Population Registration System (ABPRS)
Mode of Tenure by Years	2003-2023	TURKSTAT: Household Consumption Expenditure Statistics
Mode of Tenure by Income Quintiles	2022	TURKSTAT: Survey of Income and Living Conditions (SILC)
Number of Dwelling Units by Provinces	2011-2021	TURKSTAT: National Address Database
Number of Construction Permits	2011-2021	TURKSTAT: Building Permit Statistics
Annual Housing Price Index (NUTS Level 2)	2010-2024	The Central Bank of the Republic of Türkiye
Shape File of Türkiye Administrative Level Data	2024	Human Data

The analysis of the collected data, including tasks such as correlation calculations, mapping, and visualization enhancements, was carried out using tools such as SPSS, QGIS, and Photoshop.

In this study, while calculating the number of residential dwelling units, some estimates and assumptions had to be made. This calculation is done at the provincial level using a combination of the National Address Database (NAD) data and TURKSTAT's annual construction permit data for dwelling units. The 2010 data from the NAD, which includes the number of residential flats, public housing⁵, summer/seasonal housing, and janitor apartments in the provinces, served as the baseline. The total number of dwelling units in 2011 was calculated by summing up TURKSTAT's 2011 annual construction permit data with the total number of dwelling units in 2010.

Number of dwelling units for the years 2012, 2014, 2015, 2016, and 2017 were directly available from the NAD as published in the Special Housing Report of the Eleventh Development Plan of Türkiye. For years where data were unavailable from 2017 to 2021, the total number of permits was used for estimation and combined with the corresponding NAD data for those years, following the same methodology applied for 2011. Due to the lack of specific data for 2013, the number of permits for that year was determined by taking the average of the figures for 2012 and 2014.

Central Bank data, initially presented at the NUTS Level 2 (TR2), were converted to province-level data. This conversion assumed that the data for the TR2 region applied uniformly to all provinces within that region. For example, the TR61 region, which includes Antalya, Burdur, and Isparta, reported a housing price index of 51.9 for 2011 in the Central Bank data. Accordingly, the 2011 housing price index for

⁵ Public housing for Türkiye is defined as a type of housing provided for government officers by their institutions. Also known as government officers' house. It's specific to Türkiye.

each of these provinces was taken as 51.9. This approach was applied consistently for both the 2011 and 2021 data.

Endeksa's data on rental income per square meter were provided at the provincial level and correspond to the end of November 2024. The data obtained from OCHA's Human Data service are open-source and include the shapefile of Türkiye's administrative boundaries as polygon data. These data were utilized in the mapping processes to better visualize the analyses conducted. The analyses were performed using the QGIS software by matching the GIS data obtained from Human Data with the attribute table to create visual maps.

4.4 Data Analysis

Data analysis in this study involves three major steps. In the first step, the size of the PRS, its composition by income quintiles, and the cost burden of housing expenses for tenant households are examined through univariate and bivariate analyses. The results of this initial phase are presented in graphical and tabular formats. In the second step, thematic maps created in a GIS environment serve as the primary tool. Before mapping at the provincial level, some basic aggregations and calculations are necessary. For instance, the rate of change is typically calculated from the raw data of 2011 and 2021. Additionally, the number of dwellings per household is calculated at the provincial level using household and stock data. This step is crucial for examining the spatial distribution of variables related to the PRS.

In the third step, a correlation analysis is conducted among selected variables including changes in the number of tenant households, owner-occupier households, the house price index, the number of dwelling units, the number of households, and rental value per square meter (2024). Since the data are organized at the provincial level and all variables are metric (continuous), Pearson Correlation Coefficients are preferred and computed using SPSS. As Pallant (2011) notes, correlation coefficients provide a numerical summary of the direction and strength of the linear relationship

between two variables. The coefficients range from -1 to +1, with the sign indicating whether the correlation is positive or negative. The absolute value of the coefficient indicates the strength of the relationship. It is important to note that correlation indicates a relationship between two variables but does not imply causality. Only statistically significant correlation coefficients ($p < 0.05$) are considered. Coefficients are interpreted based on their values: a value of 0 indicates no relationship, values between 0.10 and 0.29 are considered small, values between 0.30 and 0.49 are medium, and values between 0.50 and 1 indicate a large coefficient. A correlation of 1 indicates a perfect correlation.

CHAPTER 5

EMPRICAL STUDY & ANALYSIS

5.1 Existing Situation of the PRS in Türkiye: Size and Composition of the Sector and the Tenants' Cost Burden

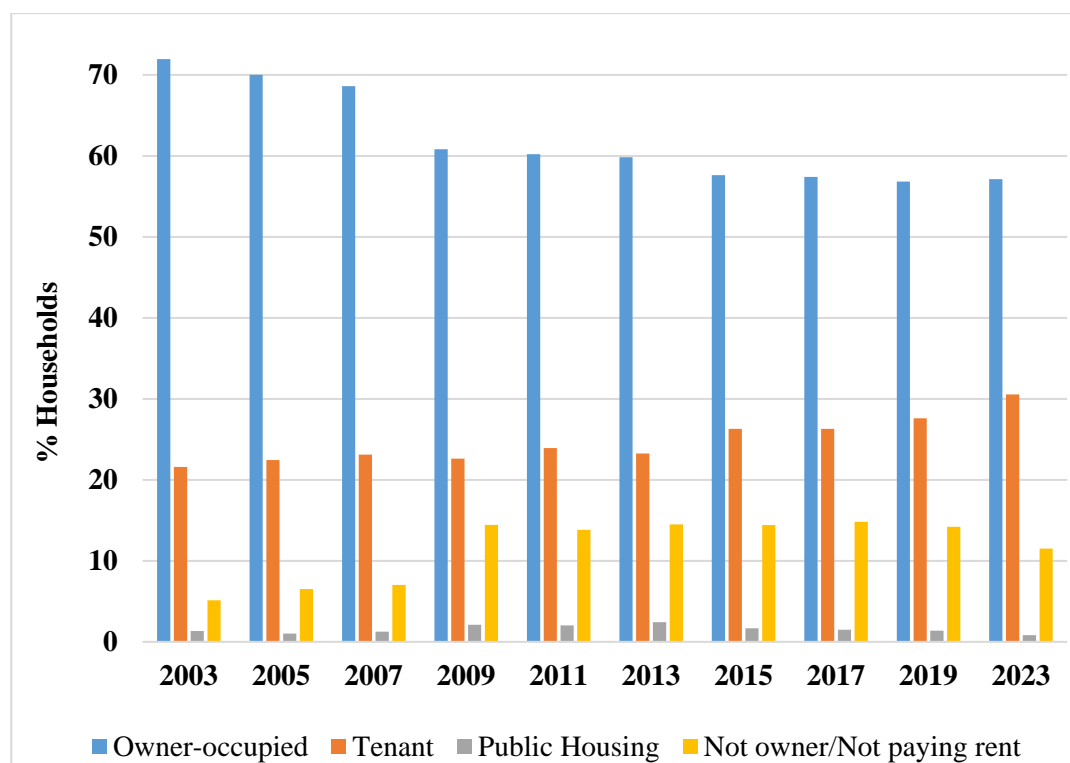
In Türkiye, the absence of a social rental housing sector has resulted in rental housing being predominantly supplied by the private sector, giving rise to what is known as the PRS (Özdemir Sarı, 2019). As a consequence, the PRS in Türkiye typically emerges as a by-product of investments made in housing production aimed at meeting the demand for homeownership (Balamir, 1999). This means that PRS in Türkiye is highly correlated with homeownership trends in the country, and the size of the rental market is determined in relation to the declining or increasing rates of homeownership. Even so, the size of the PRS in Türkiye has always been at significant levels.

According to Balamir (1999), tenancy rates in Türkiye varied depending on urbanization and housing production policies until the 2000s. While tenancy was common due to the low homeownership rates until the 1950s, the private rental housing market grew with rapid urbanization and squatting from the 1960s onwards. With economic liberalization in the 1980s, private sector's housing production increased and homeownership rates began to rise. Despite this, tenancy rates in large cities remained at significant levels. In the 1990s, despite the encouragement of homeownership, demand for rental housing remained strong, and relatively high rental housing rates were observed (Balamir, 1999).

Whitehead et al. (2012) provide a categorization about the size of the PRS based on its share of the total housing stock. According to this classification, countries with a PRS share of less than 15% are considered "small scale", those with a PRS share

between 25% and 29% are deemed “medium scale”, and countries with a PRS share of 30% or more are classified as “large scale”. According to this categorization, the size of Türkiye’s rental housing sector before 2000 can be considered as “large scale” with a rate of approximately 41% in urban areas (see for instance, Balamir, 1999). However, due to the lack of a policy aimed at sustaining the size of PRS, and the continuous promotion of homeownership, the sector regressed to a “medium scale” in the 2000s (Özdemir Sarı, 2019). Yet, it must be considered that the statistics available after 2000 includes rural areas which have lower tenancy rates compared to urban areas.

Chart 5.1: Distribution of tenure types (2003-2023)



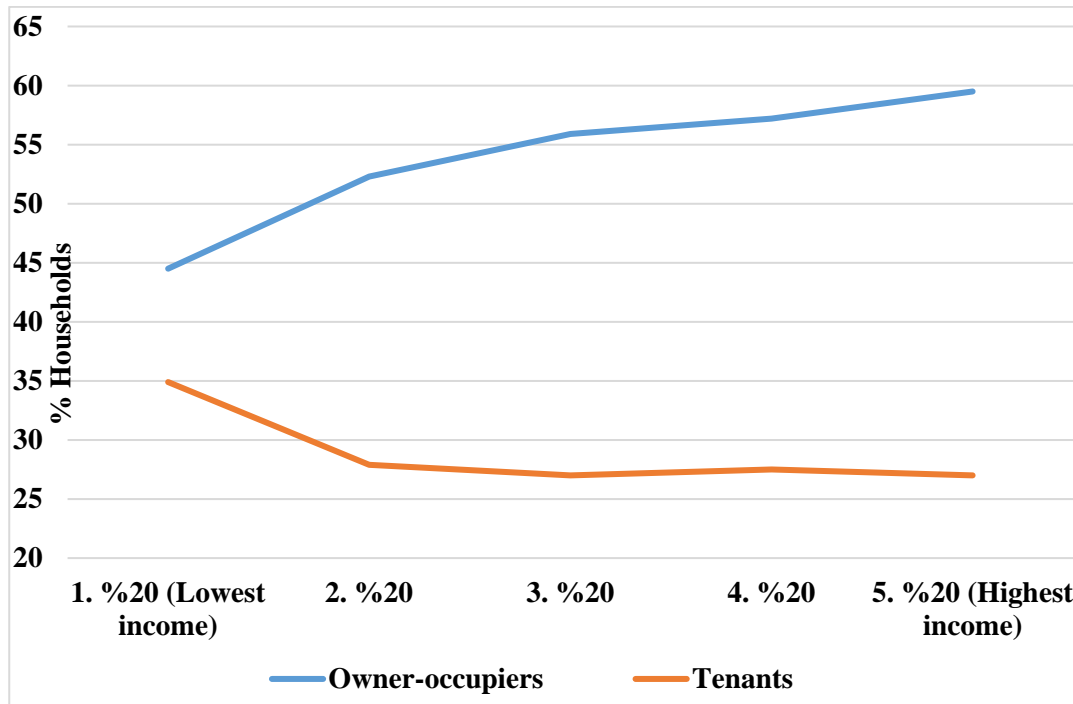
Source: TURKSTAT, Household Consumption Expenditure Statistics Database (2023)

As shown in Chart 5.1, the share of tenants compared to other tenure types remained between 22% and 31% from 2003 to 2023. beginning in 2015, tenancy appears to be on the rise, while owner-occupancy and other tenure types show a decline. It is

expected that tenancy will increase, especially in the contemporary period when homeownership is no longer accessible for wide sections of the society. The most up-to-date data on the distribution of tenure types in Türkiye is for 2023. Since the PRS sector size will increase above 30% again in 2023, the current status of the sector's size can be expressed as large scale.

Chart 5.2 presents owner-occupancy and tenancy rates by income quintiles based on 2022 data. As shown in the chart, tenants are present in every income group, from the lowest to the highest. Notably, even more than 25% of high-income households are tenants. As income level decrease, tenant rates increase, indicating that tenancy is a more prevalent among low-income groups. However, it remains essential for households across all income categories. This finding aligns with the conclusion of Hegedüs et al. (2018) discussed earlier in Chapter 2, regarding the PRS in Germany and Switzerland.

Chart 5.2: Distribution of Tenant Rates by Income Groups⁶



Source: TURKSTAT, Survey of Income and Living Conditions (SILC), 2022 Raw Data

As seen up to this point, Turkish PRS has a significant size and it accommodates to households from all income groups. Yet, as can be expected, the cost burden imposed on tenant households due to housing expenses (including rent) does not fall proportionately to all households. Table 5.1. presents the subjective assessment of the cost burden of housing expenses by tenant households as of 2022 (Table 5.1). Accordingly, almost one-fourth of all tenants highlight that housing expenditure imposes a significant cost to household budget, whereas more than half of the tenants evaluate the cost burden as moderate. This situation reveals the fragility of some tenant households (i.e. low income, retired, single earner) in the housing market.

⁶ This chart only includes the percentages of the owner-occupiers and tenants categories. Since the Others category is not included in it, the total does not add up to 100%.

Table 5.1: The burden of housing expenditures (rent, utility bills, repairs-maintenance expenses)

Housing Expenditure Level	Tenant Households (%)
High burden	23.5
Moderate burden	60.6
No burden	15.9

Source: TURKSTAT, Survey of Income and Living Conditions (SILC), 2022 Raw Data

5.2 Analysis of Rental Stock at Provincial Level

This part of the study focuses particularly to the period from 2011 to 2021, and examines the key factors influencing the supply and demand variables affecting the sector. The ongoing housing crisis in Türkiye is attributed to various factors, including insufficient rental stock, lack of regulations, changes in the number of tenants, price increases, and broader economic conditions. However, the extent to which the challenges in the rental housing sector can be explained by the demand for homeownership, production shortages, or the reflection of price increases remains unclear. This section presents an analysis of the sector’s dynamics based on collected data and calculations, highlighting key findings. Due to the scope and limitation of the data obtained, the study covers the period between 2011 and 2021. The analyses and visualizations provided serve as a guide to better understand the rental housing market and offer insights that may serve as references for future research.

5.3 Change in Distribution of Households

This section outlines how the total number of households changed over the 11-year period between 2011 and 2021. For this purpose, the rate of change was calculated and visualized using household data from 2011 and 2021 on a provincial basis (Figure 5.1). Analyzing this change is important to identify where significant

increases in the number of households occurred and to understand the potential role of tenant households in this process.

According to Figure 5.1, there was a nation-wide increase in the number of households between 2011 and 2021. Moderate increases of 10–20% were observed in the interior parts of the Aegean Region and the eastern parts of the Central Anatolia Region. The three provinces with the lowest growth rates were Yozgat (12.3%), Kütahya (14.5%), and Zonguldak (15.5%). In contrast, the corridor extending from Ankara to İstanbul and the Central Black Sea Region experienced higher increases of approximately 30–40%.

However, the highest growth rates were predominantly recorded in the Eastern and Southeastern Anatolia Regions. Among the ten provinces with the highest increases—nearly 50% or more—nine are located in these two regions. These provinces and their respective rates of increase are as follows: Şırnak (69.2%), Batman (55.3%), Van (53.7%), Hakkari (53.1%), Yalova (53.1%), Diyarbakır (52.1%), Bingöl (51.7%), Mardin (51.5%), Şanlıurfa (50.5%) and Bitlis (49.8%). This pattern indicates a notable demographic shift, particularly in Eastern and Southeastern Anatolia.

Other major provinces that recorded high growth rates and stand out within their respective regions include Tekirdağ (45.6%), Kocaeli (43.3%), Antalya (42.9%), and Gümüşhane (42.1%).

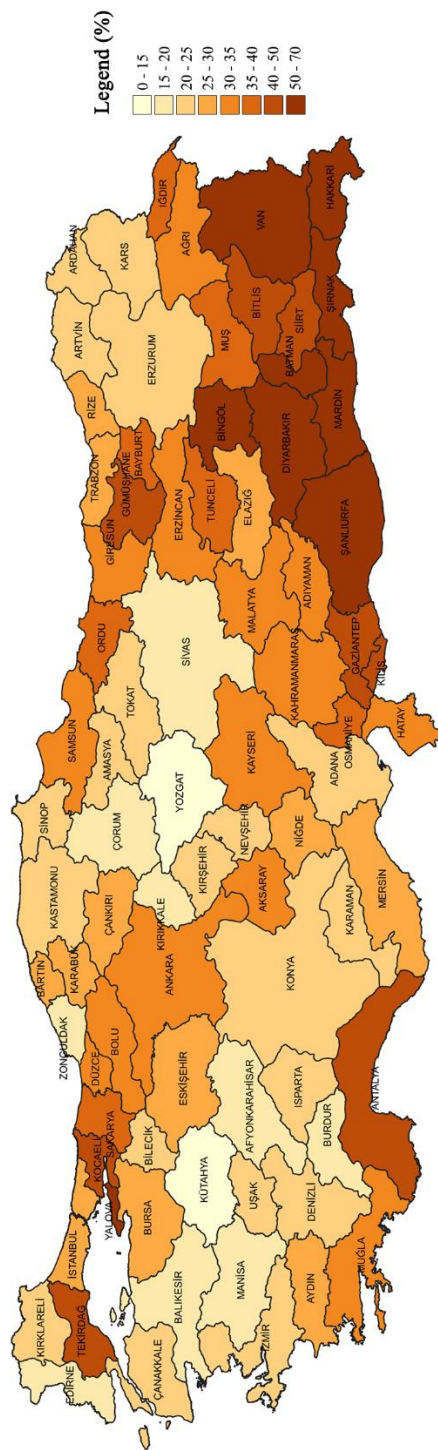


Figure 5.1: Rate of change of household numbers (2011-2021, %) (Created by the author based on TURKSTAT 2011 and 2021 data)

5.4 Change in Distribution of Tenant Households

In this section, firstly the distribution of the number of tenant household for 2011 and 2021 is given at the provincial level. Then, the rate of change (RoC) for the tenant households between 2011 and 2021 is calculated and mapped. This calculation allows for the assessment of the trends in the increase and decrease of tenant households.

Figure 5.2 illustrates the number of tenant households in the provinces as of 2011. Notably, the highest concentration of tenant households is observed in the western cities of the country. İstanbul leads with approximately 1.2 million tenant households, followed by Ankara, İzmir, Bursa, and Antalya. These provinces, recognized as major employment hubs, naturally exhibit higher numbers of tenant households due to labor mobility, as discussed in Chapter 2 of this study.

On the other hand, as shown in Figure 5.3, the number of tenant households in the country increased in 2021. İstanbul continues to hold the top position, while Antalya has surpassed Bursa in the rankings. The provinces following İstanbul are Ankara, İzmir, Antalya and Bursa. Beyond the absolute numbers, it is worth examining the rate of change in tenant households from 2011 to 2021 to identify which provinces saw an influx of tenants and which experience a decline in the number of tenant households.

The rate of change in tenant households, shown in Figure 5.4, is expressed as a percentage. The increase observed in the Eastern Anatolia and Southeastern Anatolia Regions exceeds 100%. The highest rate of change over the 11-year period is seen in Muş, with a dramatic increase of 220%. Muş is followed by Van, Şırnak, Kilis, Siirt, Hakkari and Ağrı, all of which experienced increases of over 150%. More moderate changes are observed in the Central Anatolia Region. Above-average increases are noted along the Mediterranean coasts and in the Marmara Region. In the provinces with high household numbers between 2011 and 2021, the increase rates are 51% for İstanbul, 30% for Ankara, 39% for İzmir, 54% for Antalya, and

41% for Bursa. These findings highlight the need to examine additional dynamics, such as production levels and price trends during the same period, in order to better understand the observed tenancy patterns.

According to the data obtained from Figure 5.1 and Figure 5.4, although there was a general increase in the total number of households across Türkiye between 2011 and 2021, the growth in the number of tenant households exceeded this overall trend in many provinces. For example, while the total number of households increased by approximately 50% in provinces such as Muş, Şırnak, Hakkari, and Van, the number of tenant households in the same provinces rose at significantly higher rates, ranging from 150% to 220%. This disparity suggests that the rise in tenant households cannot be attributed solely to the overall increase in household numbers. Rather, it indicates a growing share of tenant households and a more rapid increase in demand for rental housing relative to total housing demand. Conversely, in provinces such as Yozgat, Kütahya, and Zonguldak, both total household and tenant household growth remained limited, implying a relatively stagnant structure in local housing markets. The data thus underscore that the growth in tenant households is not merely a reflection of overall household growth but is also indicative of evolving patterns in housing tenure and access.

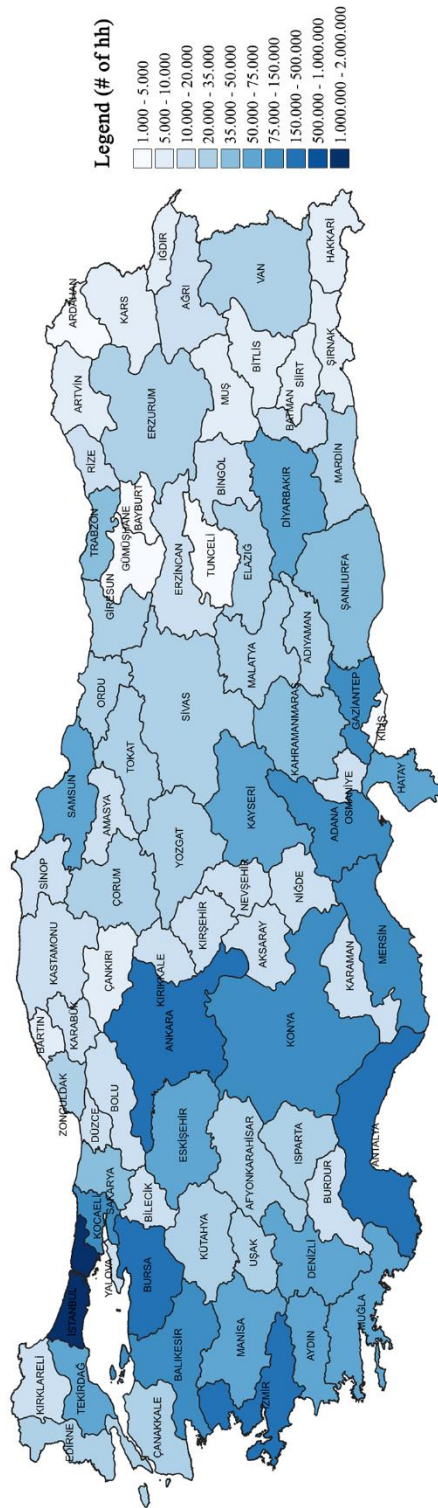


Figure 5.2: Number of tenant households (2011) (Created by the author based on TURKSTAT 2011 data)

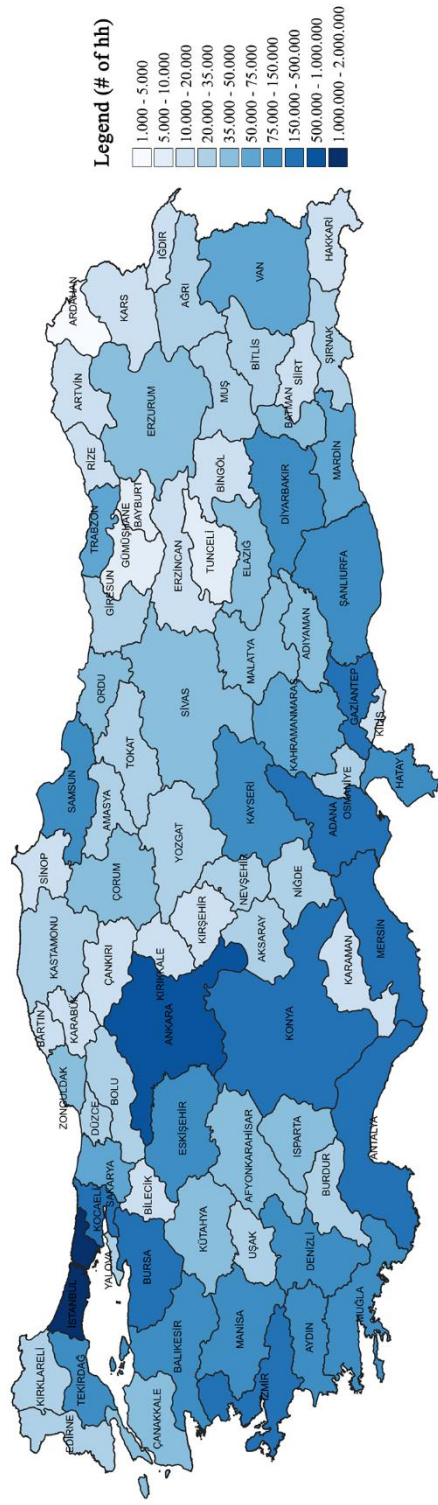


Figure 5.3: Number of tenant households (2021) (Created by the author based on TURKSTAT 2021 data)

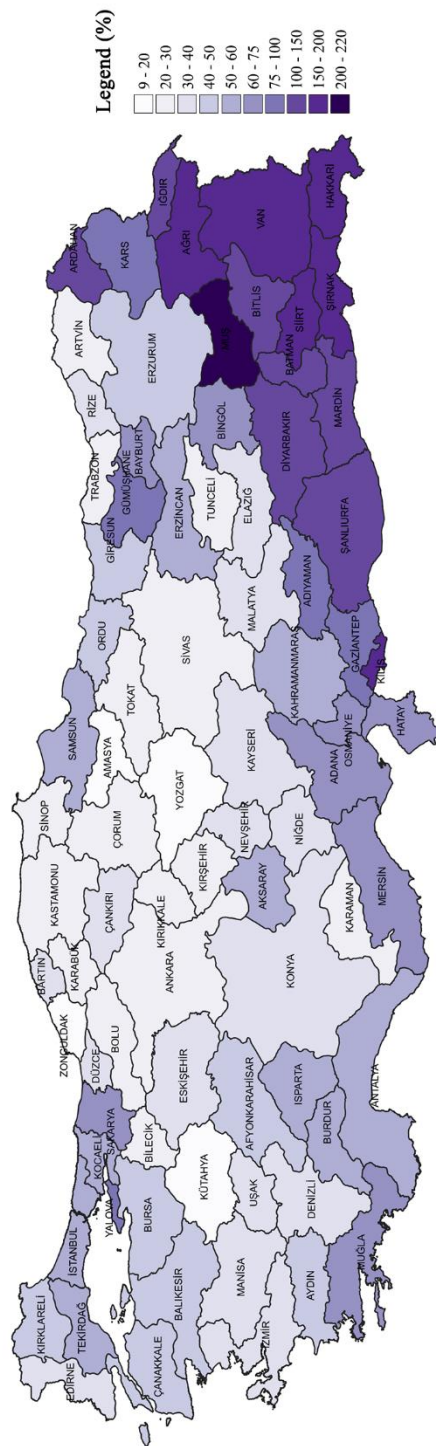


Figure 5.4: Rate of change of tenant household numbers (2011-2021, %) (Created by the author based on TURKSTAT 2011 and 2021 data)

5.5 Change in the Ratio of Tenant Households to Owner-occupier Households

This section analyzes the change over time in the ratio between tenant and owner-occupier households at the provincial level in Türkiye. For this purpose, the ratio of tenant households to owner-occupier households was calculated separately for each province for the years 2011 and 2021. Based on these values, the rate of change in the ratio over the ten-year period was calculated, and the results were visualized on a map of Türkiye (Figure 5.5). This method offers a comparative indicator to illustrate the extent to which tenancy has become more or less common relative to owner occupation.

The findings indicate a general increase in the tenant-to-owner-occupier ratio across the country, although the magnitude of the change varies significantly between regions. The most substantial increases are observed in several provinces in Eastern and Southeastern Anatolia. Provinces such as Muş (220.73%), Ağrı (156.97%), Van (143.67%), Ardahan (134.46%), Şırnak (130.18%), Kilis (129.29%), Hakkari (128.12%), Siirt (119.35%), and Batman (101.02%) recorded rate changes exceeding 100%.

In contrast, a decrease in the tenant-to-owner-occupier ratio is observed in Tunceli (-12.44%), Bolu (-7.21%), and Ankara (-0.84%). In many provinces in Central Anatolia, the Aegean, and the Western Mediterranean regions, the change remains relatively limited, suggesting a stable balance between the two tenure types.

In general, the results indicate an increasing trend towards tenancy across Türkiye, though this trend is not uniform across regions. The regional differences in the rate of change highlight the need to consider spatial disparities when developing and assessing housing policies.

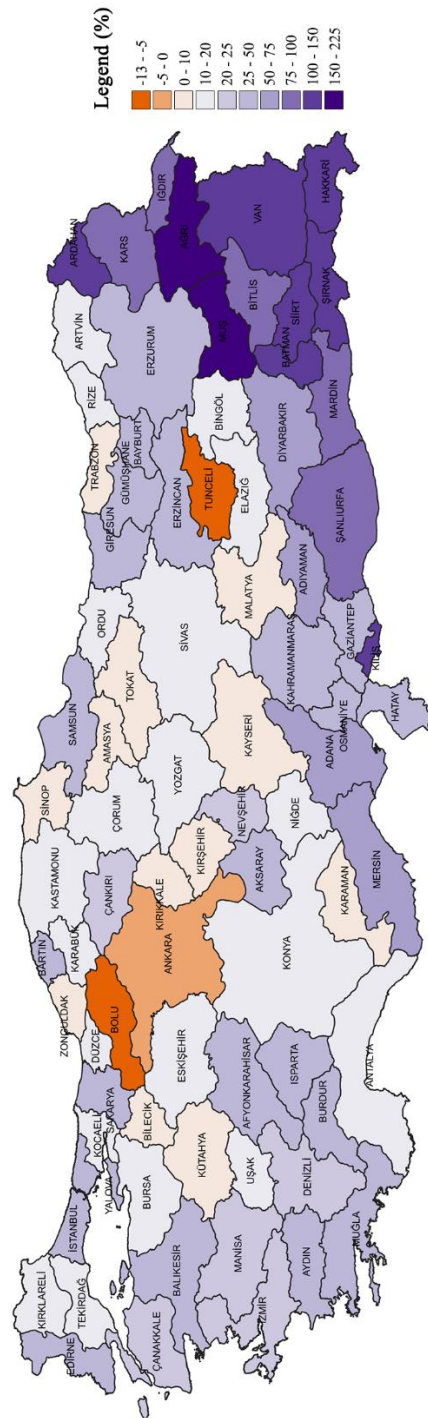


Figure 5.5: Rate of change in the ratio of tenant households to owner-occupier households (2011-2021, %) (Created by the author based on TURKSTAT 2011-2021 data)

5.6 Changes in Number of Dwelling Units per Household

To better understand the production dynamics and the availability of housing stock for tenants, this section calculates the rate of change in number of dwelling units and the number of dwelling units per household for the period between 2011 and 2021. Data from the National Address Database is used, as it encompasses the entire housing stock, including both authorized and unauthorized units (as in the case of household numbers), in contrast to Building Permit Statistics. While calculating the number of dwelling units per household, the ratio for each province is determined by dividing the total number of residential units by the total number of households for both 2011 and 2021. The rate of change for these ratios is then calculated.

Firstly, when looking at the rate of change in the number of dwelling units (Figure 5.6), it can be said that the increase is highly parallel to the rate of change in the number of tenant households. While an increase of over 14% has been observed across Türkiye, the highest rates of change have mostly been recorded in the Eastern Anatolia and Southeastern Anatolia Regions. The province with the highest increase in the number of dwelling units is Şırnak (76.20%). It is followed by Van (60.91%), Kilis (59.81%), Batman (54.52%), Bitlis (54.39%), and Siirt (53.40%). The lowest rate belongs to Artvin (14.62%).

The findings reveal that while the number of dwelling units per household has decreased in most provinces across Türkiye, certain provinces have experienced significant increases. Figure 5.7 shows the increases and decreases observed in the rates of dwelling units per household by province. Kilis has the highest increase with a rate of 10.68%. The provinces that follow Kilis and have increases above 5% are Kütahya (7.42%), Kırıkkale (7.31%), Yozgat (7.14%), Ardahan (6.01%), Kars (5.95%), Edirne (5.62%), and Nevşehir (5.35%). On the other hand, serious decreases were also observed in some cities. The highest decrease rate belongs to Gümüşhane with 14.21%. It is followed by Diyarbakır (11.5%), Tekirdağ (11.24%), Kocaeli (11.15%), Yalova (10.38%), and Antalya (10.25%). Muş, which has seen a dramatic increase in the number of tenants as mentioned earlier, also shows an

increase of over 5% in the changes related to dwelling units per household. There are also provinces where the rate of dwelling units per household almost remained unchanged. These are; Ağrı, Çanakkale, Karaman, Batman, Sakarya, Zonguldak, Konya, Sivas, Osmaniye, Amasya, Niğde and Kahramanmaraş.

The number of dwelling units per household is not clustered according to the increase or decrease of the number of tenant households in the regions. It is a fact that housing supply has a time-delayed adaptability to demand changes and also provinces have shortages or excess stock which have been created previously. The Black Sea, Aegean and Mediterranean coasts, Central Anatolia, and the Marmara Region are the regions where high rates of negative changes are seen more. In the provinces where the change of dwelling units per household displays negative values, price levels are expected to be increased since there is a supply-demand imbalance. Clusters consisting of provinces with positive increases, on the other hand, are observed in the inner parts of the Aegean Region, the west and east of the Central Anatolia Region, Western Marmara and Eastern Anatolia Regions.

When Figures 5.6 and 5.7 are evaluated together, some important findings emerge. The five provinces with the lowest housing production are Artvin (14.62%), Zonguldak (15.16%), Rize (16.18%), Denizli (17.46%), and İstanbul (18%). Additionally, among the cities where the change in the number of dwelling units per household is lower than -5%, Artvin (-5.95%), Rize (-9.82%), and İstanbul (-8.18%) stand out. Based on these results, a supply-demand imbalance has emerged in these three provinces, and a price increase is expected, particularly in these areas.

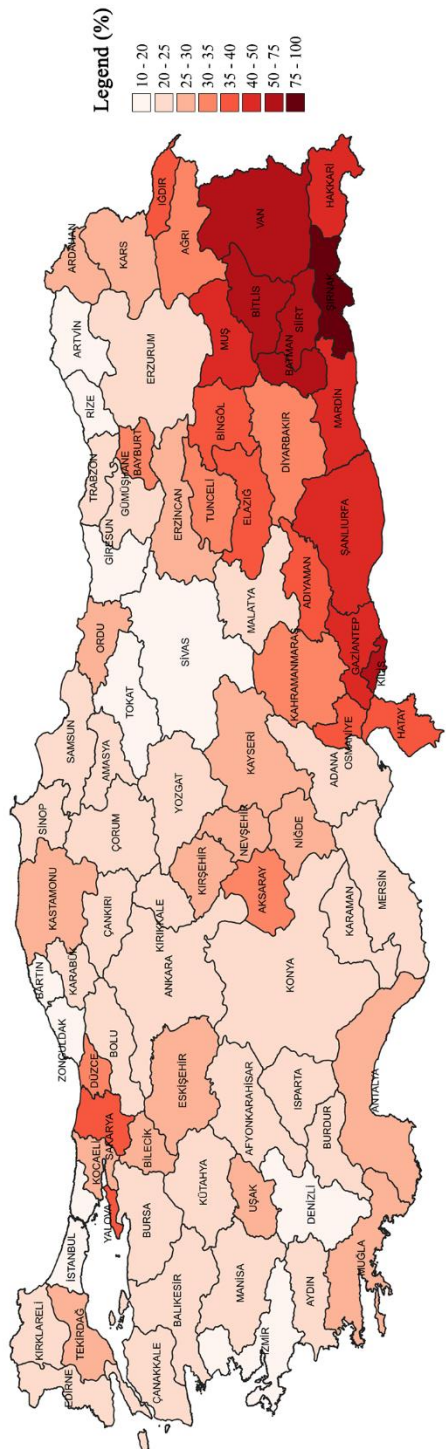


Figure 5.6: Rate of change in number of dwelling units (2011-2021, %) (Created by the author based on TURKSTAT 2011-2021 data)

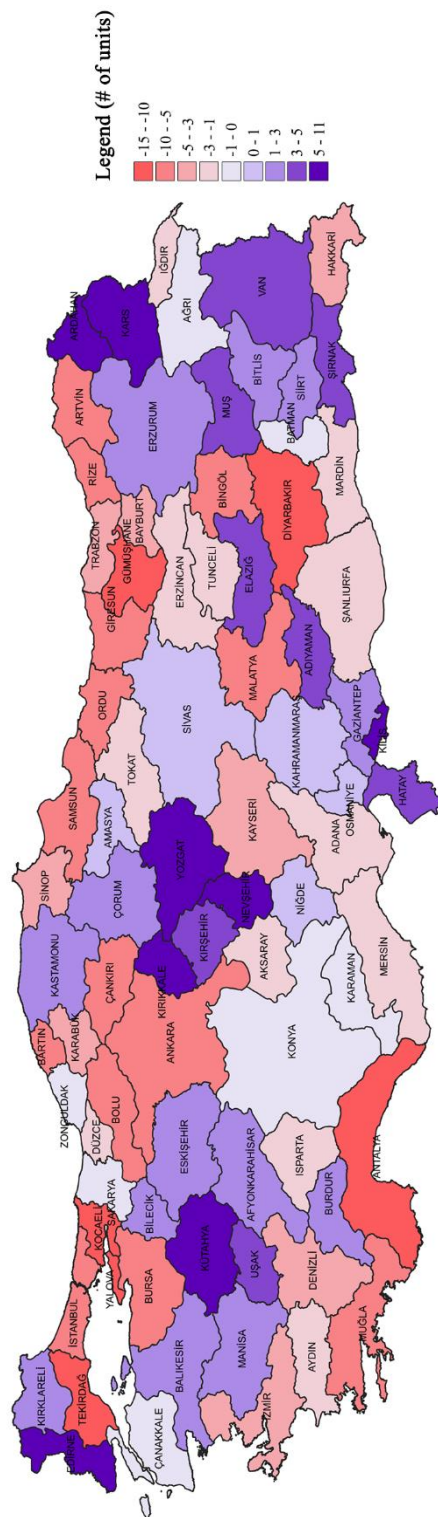


Figure 5.7: Change in Number of Dwelling Units per Household (2011-2021)
 (Created by the author based on TURKSTAT 2011-2021 data)

5.7 Changes in Housing Price Index

The changes in the Housing Price Index (HPI) are analyzed using data from the Housing Price Index published by the Central Bank of the Republic of Türkiye (CBRT). The HPI is a series of indices designed to track changes in housing prices in Türkiye (CBRT, 2024). According to the CBRT, this index is based on the housing sales values stated in the valuation expert reports submitted to commercial banks during individual housing loan applications. These valuation reports, which form the basis for housing loans, are prepared by real estate appraisal companies. Notably, the inclusion in the index does not require the sale to be finalized or the loan to be issued; all appraised properties are included. However, it is argued that, since this data is derived from mortgage loan applications, it may not accurately represent the housing stock available on the sales market in Türkiye, given the relatively low prevalence of mortgage usage (Özdemir Sarı, 2019). Consequently, the HPI may only capture 10-35% of the transactions within the sales market.

Based on this data, an increase in housing prices is observed across all cities in Türkiye between 2011 and 2021 (Figure 5.8). However, certain regions stand out due to significant price surges. The provinces with the lowest levels of change are Ağrı, Ardahan, Bayburt, Erzincan, Erzurum, Iğdır, and Kars. On the other hand, the rate of change exceeds 5% in Antalya, Aydın, Burdur, Denizli, Isparta, and Muğla. This increase can be attributed to an unmet demand as shown in the previous Figure (Figure 5.6). Unfortunately, the structure of the HPI does not allow for direct assessments at the provincial level, making it an inadequate proxy for evaluating price changes at this scale. In the following section, a correlation analysis is conducted, incorporating additional data on rental values to gain a more comprehensive understanding. This rental data, sourced from the Endeksa website, lacks retrospective information needed for comparing provinces over a defined period. Consequently, it is utilized solely as a cross-sectional data on rental values.

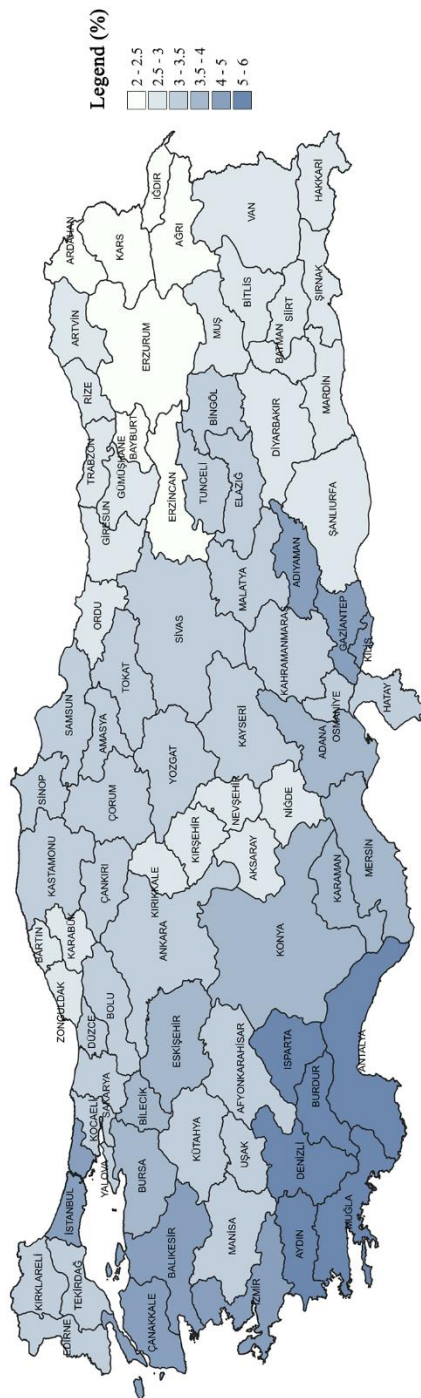


Figure 5.8: Change in housing price index (Created by the author based on Annual Housing Price Index data - NUTS Level 2, CBRT 2010-2024 data)

5.8 Correlation Analysis

This part of the study is conducted to examine the relationship between different supply and demand variables determined in this study up to this point. The analysis is carried out using SPSS software and the Pearson Correlation Coefficient, encompassing all 81 provinces. Various variables are employed in the correlation analysis, including changes in the number of tenants, changes in homeownership, changes in the housing price index, and square meter rental values (2024). The table below (Table 4.3) presents the variables used in the correlation analysis and their levels of interrelation. The subsequent section classifies the analyses conducted and the findings obtained in this context.

Table 5.2: Correlation Analysis of Turkish Rental Housing Sector

Correlations								
	<i>Change in the # of Rented Households</i>	<i>Change in the # of Owner-occupied Households</i>	<i>Change in the # of Other Households</i>	<i>Change of Housing Price Index (%) (2011-2021)</i>	<i>Change in the # of Housing Units</i>	<i>Change in # of Households</i>	<i>Rental Values per m2 (2024)</i>	
<i>Pearson Correlation</i>	<i>Change in the # of Rented Households</i>	1	-0.005	.455**	-0.176	.817**	.721**	-.328**
	<i>Change in the # of Owner-occupied Households</i>	-0.005	1	-.271*	0.024	.285**	.561**	0.019
	<i>Change in the # of Other Households</i>	.455**	-.271*	1	-.419**	.324**	.322**	-.326**
	<i>Change of Housing Price Index (%) (2011-2021)</i>	-0.176	0.024	-.419**	1	-.227*	-0.147	.570**
	<i>Change in the # of Housing Units</i>	.817**	.285**	.324**	-.227*	1	.816**	-.426**
	<i>Change in # of Households</i>	.721**	.561**	.322**	-0.147	.816**	1	-.237*
	<i>Rental Values per m2 (2024)</i>	-.328**	0.019	-.326**	.570**	-.426**	-.237*	1

Note: * $p < 0.05$ (Correlation is significant at the 0.05 level (2-tailed)),

** $p < 0.01$ (Correlation is significant at the 0.01 level (2-tailed)).

Correlation analysis shows a positive and very strong relationship ($r = 0.817$, $p < 0.01$) between changes in the number of tenants and changes in the number of housing units during the observed period. This strong correlation suggests that regions experiencing an increase in housing production also tend to see a rise in the number of tenants, indicating that an adequate housing stock may provide more opportunities for renters to find accommodation.

In the context of Türkiye, where rental housing is a by-product of residential development aimed at homeownership, the findings suggest that in the absence of targeted policies to increase rental stock, the overall availability of housing units – regardless of intended tenure – plays a critical role in shaping rental opportunities. Nonetheless, further investigation is needed to understand the underlying dynamics that link housing production and rental availability.

The analysis also reveals a strong and positive correlation ($r = 0.721$, $p < 0.01$) between changes in the number of tenants and changes in the number of households during the observed period. This indicates that as the number of households increases, the number of tenants also tends to rise, suggesting that not all new households become homeowners, leading to a growth in the renting population.

A positive relationship is also observed for other tenure modes. For owner-occupiers, the correlation coefficient is moderately strong ($r = 0.561$, $p < 0.01$), but it is notably lower than the correlation for tenants. This difference implies that while both owner-occupier and tenant numbers tend to increase with a rise in households, the association between household growth and tenancy is comparatively stronger.

The analysis reveals a negative and statistically significant relationship between rental values and changes in the number of tenants ($r = -0.328$, $p < 0.01$). This indicates that as rental values increase, the number of tenants decreases, suggesting that higher rents reduce the likelihood of tenants residing in a given area. Additionally, an increase in the number of housing units produced per household could result in lower rental values, indicating that housing production still affects market dynamics. However, this influence is not universal. In major metropolitan areas such as Ankara, İzmir, and İstanbul, the market has reached a level of saturation. In these cities, constructing new housing units does not necessarily lower rental prices, as the newly produced housing often does not match the demand for affordable housing. Consequently, even increased housing supply does not alleviate rental costs in these areas.

The analysis shows a weak positive relationship between changes in the housing price index and housing production ($r = 0.227$, $p < 0.05$). Although the correlation is weak, it is statistically significant, indicating that there is an inverse relationship between changes in the price index and the number of units produced. This means that as housing production increases, the rate of price growth tends to be constrained. In other words, higher housing production can help moderate price increases, but it remains uncertain whether it would be sufficient to fully curb price growth in a given region.

On the other hand, the relationship between changes in the housing price index and changes in the number of renters, households, or homeowners is not statistically significant, as indicated by a non-significant p-value. Therefore, no meaningful conclusion can be drawn about the association between price changes and these variables.

The analysis identifies a strong, positive, and parallel relationship between rent values and housing prices ($r > 0.5$, $p < 0.01$). This indicates that in areas where housing prices increase, rent values also tend to rise, indicating that changes in housing prices are closely aligned with changes in rent values.

5.9 Conclusion

Despite Türkiye's low levels of capital accumulation and per capita income, and limited public resources available for housing development, the country demonstrates high housing production performance. In fact, Türkiye's production rates surpass those of many countries globally with high housing production (Türel, 2018). This production process generates new property relations and promote homeownership.

In Türkiye, the rental sector, as a byproduct of homeownership, sees an increase in the number of tenants in areas with high housing production. As housing production increases, multiple-ownership becomes more common. This, in turn, increases the

housing supply, leading to a decrease in rental prices and a rise in the number of tenant households. The increase in the supply of new housing, along with the proliferation of secondary and tertiary homeownership, causes rental prices to decrease and the proportion of tenants to increase, particularly in areas with a housing surplus. This process contributes to the creation of new housing stock and expands the base of tenant household. Despite high inflation conditions, the continuous growth in housing production and output volume has also contributed to an increase in the tenant ratio (Mense, 2025).

In this context, it can be said that there is a direct relationship between housing stock and the number of tenants. The regional distribution of property groups and housing prices is also directly related to these dynamics. According to Balamir (1999), while a decrease in rental prices and an increase in the proportion of tenants were expected in areas with housing surpluses in the early 2000s, price increases became inevitable in places with limited supply. Similarly, today, housing production and property relations vary by province, leading to regional imbalances in Türkiye's rental housing market.

This study examined the effects of rental dynamics on the Türkiye's housing market and addressed the structural issues currently affecting it. The findings reveal that rental housing stock is not treated as a distinct production category in Türkiye's housing market, leading to imbalances between supply and demand.

The change in the number of renters is strongly and positively correlated with the increase in the number of housing units. This suggests that renters in regions with high housing production have greater access to housing options. However, rental prices have closely aligned with the price index of for-sale housing units. This alignment is due to the lack of dedicated rental housing production in Türkiye and the emergence of existing rental stock as a byproduct of housing units acquired for investment purposes.

A negative and moderately statistically significant relationship exists between changes in the number of renters and current rental values. Specifically, regions with lower rental values exhibit higher changes in the number of renters.

A negative but weak relationship has been identified between changes in housing prices and housing production. This finding indicates that increasing production alone is insufficient to reduce housing prices. On the other hand, regions with high changes in housing prices also exhibit high rental levels, with a strong positive correlation between these two variables.

Overall, based on the maps, graphs, and correlation analysis, it can be observed that Türkiye has a well-developed rental housing stock despite the absence of a specific policy regarding rental housing production (Chart 5.2 & Chart 5.2). This stock is a byproduct of the housing stock produced for owner-occupation, and therefore, the ratios of owner-occupier households to rental housing stocks change in parallel. However, the financial burden on tenants, calculated based on the share of housing expenditures in the budget, is clearly evident (Table 5.1). When examining this at the provincial level, it is observed that the number of tenants has notably increased, particularly in the Eastern Anatolia and Southeastern Anatolia regions during the considered period. The primary reason for this increase is understood from both the maps of production volumes and the high correlation between the number of tenants and housing production.

CHAPTER 6

CONCLUSION

Fluctuations observed in Türkiye's housing market and the increasing debates surrounding the rental housing crisis constitute the starting point of this study. While existing literature on the housing market predominantly focuses on homeownership, there is a lack of comprehensive evaluations of the PRS in Türkiye. In this context, it is evident that rental housing markets have not been examined in depth, as homeownership have remained at the forefront of scholarly discussions. This study aims to examine the rental housing market by analyzing both supply and demand dynamics, identifying key issues within the sector, and exploring their spatial and socio-economic dimensions.

Within this framework, the factors shaping Türkiye's private rental housing sector were examined using data from the 2011–2021 period, and changes within the sector were assessed. The study utilizes data from the 2011 Population and Housing Census and the 2021 Survey on Building and Dwelling Characteristics to analyze variables such as supply-demand balance, price dynamics, and rental housing production. Additionally, spatial visualization techniques have been employed to identify regional disparities in the housing market, shedding light on geographic imbalances in rental housing availability.

This research systematically examines the relationship between housing supply and rental demand to better understand the dynamics of the PRS. The analysis indicates that rental housing availability is largely dependent on the total housing stock. Due to the absence of direct regulatory policies for the PRS in Türkiye, the rental market is predominantly shaped by property owners' decisions and overall housing production levels. The findings offer a significant foundation for policy

recommendations aimed at ensuring the sustainability of rental housing supply and the stability of the rental market.

The methodology employed in this study involves an in-depth analysis of data covering the period between 2011 and 2021. The data were examined using various univariate and bivariate analysis methods, and the results were transformed into thematic maps at the provincial level using QGIS software. These visualizations have highlighted disparities in rental housing supply across provinces and contributed to identifying local-level challenges. By incorporating both supply- and demand-side factors, the study provides a clearer understanding of the market dynamics. On the supply side, variables such as housing production and prices were analyzed, while on the demand side, factors such as housing tenure and population were examined to offer a comprehensive insight into the sector.

The findings reveal that imbalances in rental housing supply and demand pose a significant barrier to housing accessibility. Generally, low- and middle-income groups are expected to be influenced by this problem. Regional analyses highlight notable differences in rental markets across provinces, emphasizing the need to incorporate these variations into local policy development. The study underscores the necessity of long-term strategic interventions to ensure the stability and sustainability of the rental housing sector.

6.1 The Impact of Housing Production on PRS in Türkiye: Challenges and Policy Implications

This study analyzes the dynamics of the private rental sector (PRS) in Türkiye, with a particular focus on the relationship between housing production and tenant households. The findings show a significant correlation between the level of housing stock production and the number of tenant households, highlighting that in the absence of regulatory policies targeting the PRS, housing availability is the primary

driver of rental supply. This indicates that increased housing production can lead to greater rental opportunities.

The study also emphasizes the absence of a regulatory framework that guarantees the sustainable production of rental housing in Türkiye. With no defined targets or standards for rental housing production, the market is largely shaped by property owners. Consequently, the rental housing stock and rent levels are influenced by surplus housing units, rather than a structured policy. This lack of regulation leads to market volatility, without safeguards against fluctuations in rental housing need. Economic changes affecting homeownership accessibility may reduce rental stock, limiting household mobility across income groups.

The empirical results align with existing literature on the PRS in Türkiye (discussed in Chapter 3), reinforcing the notion that the PRS functions as a byproduct of the homeownership market. When homeownership demand decreases due to economic conditions, a portion of the housing stock is converted to rental use. In regions with abundant housing stock and favorable conditions, tenancy rates tend to increase.

Regional patterns in rental housing distribution further reveal that tenant households tend to concentrate in areas with higher housing production. Correlation analysis confirms that housing stock is the primary determinant of tenancy rates in Türkiye. In the absence of policies targeting the PRS, rental housing availability is mainly driven by new housing production. Regions with greater housing supply tend to offer more rental options, while those with limited stock face scarcity in rental accommodation.

In conclusion, the findings underscore the pivotal role of housing production in shaping the rental housing market in Türkiye. The absence of a dedicated regulatory framework means that rental housing availability is highly contingent on broader housing market dynamics. These findings highlight the urgent need for targeted policy interventions to stabilize and sustain the rental housing sector, particularly in response to fluctuating homeownership demand and shifting economic conditions.

6.2 Regional Disparities

The Turkish rental housing market exhibits significant regional disparities shaped by socio-economic dynamics, urbanization trends, and demographic shifts. By analyzing region-specific indicators, including household growth, tenure status, housing production, and price changes, it becomes evident that housing demand and supply manifest unevenly across the country. This section evaluates the spatial characteristics of rental housing through a comparative regional lens.

Eastern and Southeastern Anatolia: Demographic Pressure and Tenure Shift

These regions stand out as the epicenters of rapid transformation in Turkey's rental housing landscape. Between 2011 and 2021, provinces such as Şırnak, Van, Hakkari, and Muş recorded extraordinary household growth rates exceeding 50%, driven by population dynamics and urban expansion. However, the most striking change has been observed in rental tenure: the number of renter households in some provinces increased by 150% to 220%, far outpacing overall household growth.

Furthermore, the ratio of renters to homeowners has more than doubled in several provinces, indicating that a significant portion of newly formed households have entered the housing market as tenants rather than owners. This points to a structural shift in tenure patterns, where ownership is declining and rental dependency is rising—especially in lower-income, high-growth regions.

Despite a substantial increase in the housing stock (e.g., a 76.2% rise in Şırnak), the pace of supply has not kept up with the spike in rental demand. Meanwhile, house price index growth in these provinces remains relatively modest. This could be attributed to the limited purchasing power of new households and the dominance of the rental sector in housing demand. In short, these regions are witnessing a transformation where the growth in households is increasingly being absorbed by the rental market.

Coastal Regions (Mediterranean, Aegean, and Marmara): High Demand, Rising Prices, and Tight Supply

Marmara and Aegean Regions

The Marmara Region, particularly İstanbul, Kocaeli, and Tekirdağ, continues to attract significant internal migration, resulting in household growth well above the national average. Although rental tenure has increased, the ratio of renters to homeowners has remained relatively stable, suggesting a more balanced housing market.

In the Aegean Region, coastal provinces such as Aydın, Muğla, and İzmir exhibit notable increases in the house price index (exceeding 5%), reflecting strong demand pressures likely fueled by migration, tourism, and investment. These price surges highlight potential mismatches between supply and demand in high-amenity coastal zones.

Mediterranean Region

Antalya leads the Mediterranean Region with a 42.9% increase in the number of households and a 54% rise in renter households. However, housing stock growth has not kept pace, and in some areas has even declined. This imbalance suggests that rental demand is increasingly pressuring limited housing supply, likely contributing to rising rents and affordability concerns. Other coastal cities in the region display similar trends.

Central Anatolia and Inner Aegean: Stability and Selective Growth

Central Anatolia shows relatively stable housing dynamics. In Ankara, while the renter population is substantial, there is no significant change in the renter-to-homeowner ratio, implying a steady tenure structure. However, some inner provinces such as Yozgat and Kırıkkale show a noticeable increase in the number of households per dwelling unit, possibly indicating crowding or limited new supply.

Black Sea Region: Relative Stagnation with Isolated Stress Points

Some provinces in the Black Sea Region (e.g., Gümüşhane) show a marked decline in the dwelling-per-household ratio, which may point to growing demand exceeding the current housing stock. Central areas within the region are also connected to broader migratory trends extending from İstanbul.

Regional Contrasts in Housing Availability and Price Change: North–South Divide

A broader contrast can be observed between the northern and southern regions of Türkiye. While the north (e.g., Black Sea, Thrace) displays more stable and saturated markets, the south (e.g., Southeastern Anatolia, Mediterranean coast) is characterized by volatility, supply-demand mismatches, and rising tenure instability.

The rise of tenancy in Southeastern Anatolia is particularly significant, as it reflects a shift in the socio-economic structure and signals a future increase in housing precarity. Rental housing is no longer a marginal or transitional status in these regions but is becoming the dominant mode of access to shelter for new households.

This analysis underscores the need for regionally differentiated housing policies that account for local market dynamics and emerging tenure structures. Particularly in the eastern and southeastern provinces, the accelerating reliance on rental housing demands urgent policy attention to ensure adequate, affordable, and secure accommodation for vulnerable populations.

6.3 Policy Recommendations for Enhancing the Rental Housing Sector

It has previously been stated that Türkiye’s private rental housing sector has largely developed as a byproduct of the ownership market and is not considered an independent sector. The findings from the conducted analyses indicate a direct relationship between housing production and the rate of tenancy. However, this relationship does not signify the existence of a system that ensures the sustainability of rental housing supply. Since housing production in Türkiye is predominantly investment- and ownership-oriented, a significant portion of newly produced

housing units either remain vacant or are introduced to the market with high rental return expectations. This situation particularly exacerbates the shortage of affordable rental housing for low- and middle-income groups. Moreover, in major cities, new housing production does not appear to have the potential to reduce rental prices, as newly developed housing projects predominantly cater to high-income groups and fail to generate affordable options for low-income tenants.

These findings illustrate that the investment-driven nature of Türkiye's housing market creates significant vulnerabilities within the rental housing sector. The strong correlation between housing prices and rents causes speculative movements in the housing market to directly impact the rental market, further deepening the housing crisis. In particular, economic fluctuations and changes in interest rates lead to instability in the homeownership market, preventing the establishment of predictable and stable market conditions for tenants. Additionally, the legal framework governing the rental process in Türkiye contains uncertainties and fails to provide sufficient protection for tenant rights, further contributing to the fragility of the rental market.

To address these issues and ensure the sustainability and accessibility of the rental housing sector, a set of policy recommendations can be developed.

1. **Targeted Rental Housing Production Programs:** Given that housing production in Türkiye is largely investment-driven, there is a need for programs that directly promote the production of rental housing. Public-private partnerships should be utilized to encourage the development of affordable rental housing, and regulations should be introduced to ensure that a certain proportion of these units remain in the rental market as long-term stock. In Germany, for instance, similar partnerships have been implemented to expand affordable rental housing, ensuring long-term tenancy through regulated stock allocations.
2. **Rental Housing Fund and Incentives:** Financial incentives should be provided to direct housing developers and property owners toward long-term

rental models. Tax reductions, subsidies, or credit facilities could be offered, particularly to investors developing affordable rental housing for low- and middle-income groups. France's "Loi Pinel" scheme provides a relevant example, where tax incentives are offered to encourage the construction and rental of housing units at affordable prices for fixed periods.

3. **Regional Balancing Policies:** Analyses reveal significant disparities in rental housing markets across different provinces. Therefore, targeted rent regulations should be implemented in areas where housing supply is excessively concentrated or where prices have become unaffordable. Publicly supported housing projects should be utilized to balance the market. A comparable approach can be seen in the United Kingdom, where regional housing strategies and area-specific rent controls have been used to reduce geographic inequalities in access to affordable housing.
4. **Strengthening Tenant Rights:** The legal framework governing rental agreements in Türkiye does not provide sufficient protection for tenants. Legislative reforms are needed to enhance tenant rights, limit sudden rent increases, and promote long-term rental agreements. Sweden offers a robust model in this regard, where tenant protections are deeply embedded in housing law, and rent increases are subject to collective bargaining mechanisms and strict regulation.
5. **Bringing Vacant Housing Units into the Market:** Despite high housing production levels, a significant number of housing units remain vacant in Türkiye. Incentive mechanisms should be developed to integrate these units into the rental market, and additional taxation measures should be introduced for properties left unoccupied for extended periods to encourage their active use. Barcelona has taken pioneering steps in this area by imposing additional taxes on long-term vacant homes and granting local authorities the power to compel their use for social housing purposes.

6. **Accessible Rental Housing Policies in Metropolitan Areas:** Despite ongoing housing production, cities such as İstanbul, Ankara, and İzmir face a shortage of affordable rental housing. Housing policies should be developed to promote rental housing projects, prioritizing low-income groups. Public lands should be allocated for this purpose. In the Netherlands, public land allocation and the active role of housing associations have played a key role in maintaining an inclusive and affordable rental housing system in metropolitan areas.
7. **Monitoring and Regulating the Rental Market:** To prevent excessive price fluctuations in the housing and rental markets, systematic data collection and market analysis should be conducted regularly. Public institutions should establish intervention mechanisms to curb excessive rent increases and speculative activities. Additionally, stock monitoring should be ensured. New Zealand's rental regulation system provides a notable example, with its centralized tenancy database and regular market monitoring mechanisms allowing timely policy interventions.
8. **Development of the Buy-to-Let Model:** The buy-to-let model should be promoted to ensure the sustainability of the rental housing sector. Although the social housing model produced in Türkiye in the form of subsidized ownership cannot directly transform into a social rented sector, this model could enable rent levels to be determined by public authorities in 5–10 year periods. The United Kingdom's experience with buy-to-let illustrates how this model can diversify rental supply, though it also highlights the need for regulatory oversight to prevent market distortion.

The current dynamics of Türkiye's rental housing sector create accessibility challenges for tenant households and pose a threat to market stability. As the existing system has evolved as a byproduct of investment-driven housing production, it remains insufficient in addressing the housing crisis. The policy recommendations outlined above aim to restructure the rental housing sector as an independent market,

fostering a more sustainable, equitable, and accessible framework. In particular, to prevent the deepening of the housing crisis in metropolitan areas and to minimize fluctuations in the rental market, housing policies must be reconsidered through a holistic approach.

It should also be noted that the major earthquake that occurred on February 6, 2023, may have altered the existing dynamics and outcomes of housing production and policy implementation, necessitating a comprehensive reassessment of current strategies.

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