

HSBC City Report: Istanbul

The essence of past, present, and future

Together we are
Istanbul's
multicultural connectors



Together we thrive





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The Next Chapter of Istanbul

1. Istanbul's rapid growth trajectory

The city gateway between Europe and Asia, Istanbul has been one of the most successful emerging megacities since the global financial crisis of 2008-9. Turkey's business, financial, and creative capital has been among the fastest growing urban economies, driven by rising consumption from a growing middle class, a strong demographic profile, and rapid expansion in knowledge industries.

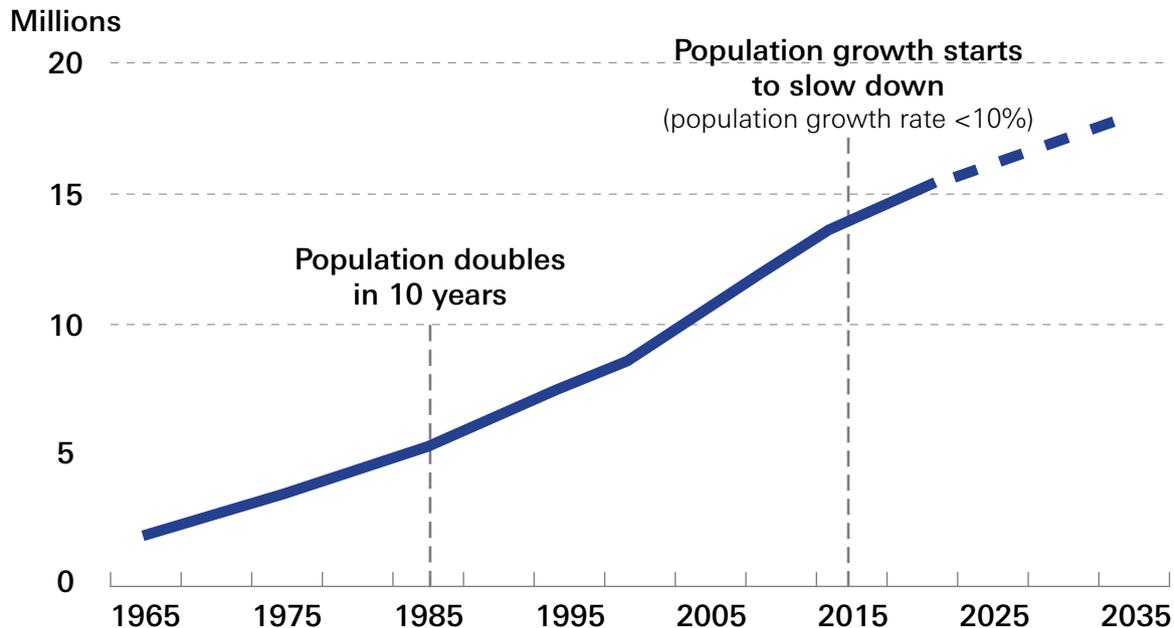


Figure 1: Istanbul's population over time; Source: UN World Urbanization Prospects 2018

Now the metropolitan area with the 15th largest population globally, ¹ Istanbul's strategic position along the Silk Road, sea routes, and international railway connections, has been fundamental to its resurgent transnational influence and economic pull.

Istanbul's global corridors and gateway functions

At the crossroads of Europe and Asia, Istanbul has been a corridor of trade and tourism for centuries. This role is now resurgent as Istanbul is a major destination for flows of tourists, goods, information and capital across Eurasia.

Istanbul's number of visitor arrivals has grown by 40% since 2017 and with now nearly 15 million visitors, it ranks 2nd in MENAT as a tourist destination, and 3rd in Europe, just behind London and Paris. ² The city also ranks 6th globally for international freight flows and recent infrastructure investment will grow Istanbul's capacity as a corridor, as its airport and port expand. ³

As the Belt & Road Initiative unfolds, Istanbul benefits from a strategic location in linking China to Europe along the "Trans-Caspian Middle Corridor" and the recent construction of a railway linking Genk in Belgium to Istanbul in less than 6 days reveals the economic opportunities of cross-border trade that railway development can offer in the region.

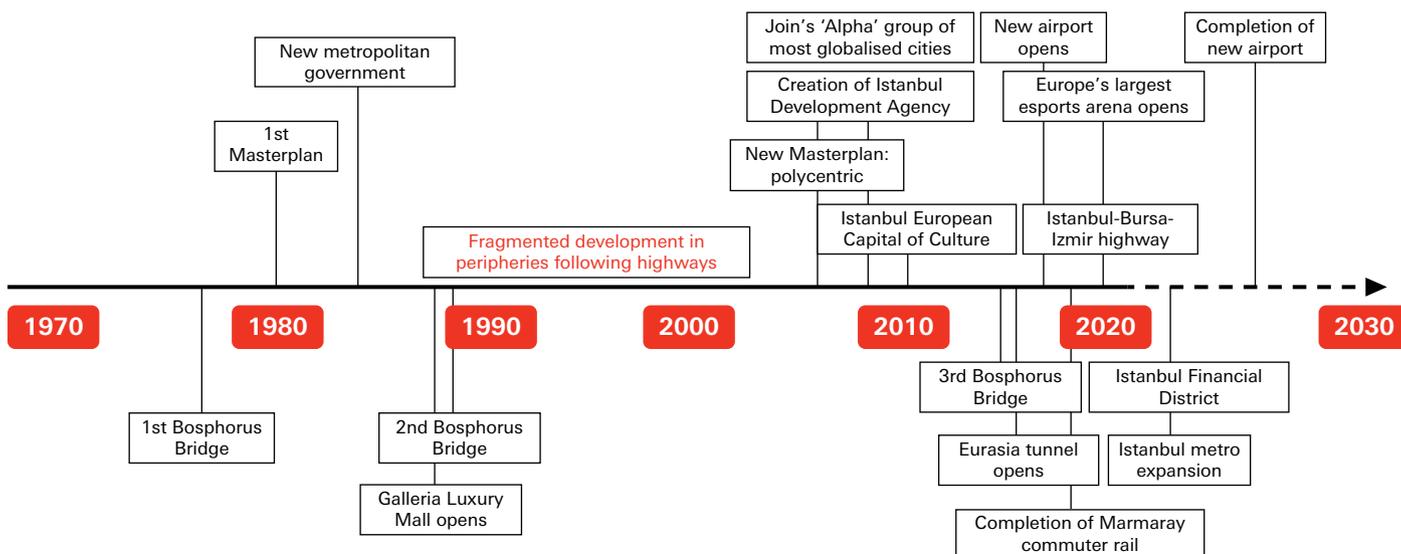


Figure 2: Contemporary timeline of Istanbul

A young and internationalising population

In 1965, only 6.5% of Turkey's population lived in Istanbul. Since then this share has grown to 18.1% and is projected to exceed 20% by 2035. Although it is forecast that Istanbul will reach nearly 20 million in population by 2035, its projected rate of growth is now slower than the majority of the 35 megacities worldwide, with South Asian and African cities growing more rapidly.⁴

Istanbul's young population and rising disposable income have created a dynamic domestic consumer and labour market. Economic fundamentals appear stronger than many of its other emerging megacity peers. After rapid growth in the past 50 years, Istanbul is at the start of its third cycle of development, which will see priorities shift towards urban growth management, economic diversification and innovation ecosystem development and co-ordination.

Istanbul has a relatively young labour market. 45% of its residents are under 30 years old and almost 80% of its population is below 50 years old.⁵ Istanbul's young workforce is one of its most competitive resources as firms are able to access skilled labour at internationally competitive prices.

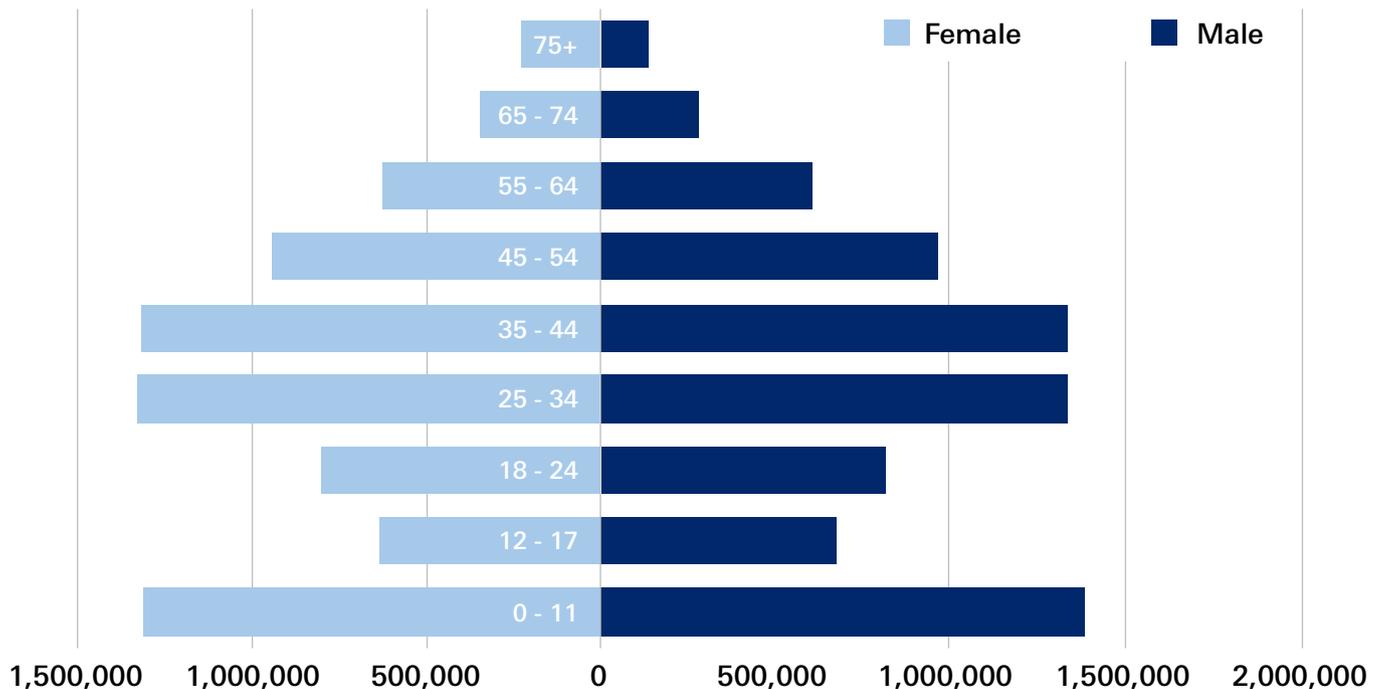


Figure 3: Istanbul's age pyramid; Source: UrbiStat

Istanbul's rapid population growth has been fuelled in large part by internal migration of workers from Eastern Turkey seeking employment, higher wages and improved quality of life. Only 28% of the city's population was born in Istanbul and the city is consistently attracting new waves of migrants and refugees. ⁶ Istanbul's foreign-born population remains small, now representing 3.7% of the population, but is growing again. ⁷

A diversifying economy

Since the mid-1990s, Istanbul's economy has been **one of the fastest-growing in the OECD**. ⁸ This reflects a structural transition towards a services economy, with finance, professional services, engineering, science and IT among the high growth sectors.

◆ Logistics & Trade

Istanbul has become a major inter-continental trade hub and plays very important retail and logistics roles. The latest metropolitan data show that transportation, logistics and storage account for over 15% of output, the highest among Europe's leading cities. ⁹ Its manufacturing base, including, electronics and automotive parts, remains resilient and is transitioning to higher value outputs such as aerospace.

Istanbul promises to become a global gateway as it optimises its logistics systems. Its important geo-strategic location and two large container ports, with a combined container capacity of over 3.6 million tons per year, mean the city is acquiring the capacity to compete with other major global trade hubs in the region and globally. ¹⁰ Major infrastructure projects planned for the next 5-10 years are set to create substantial additional capacity.

◆ Financial Sector

In the past 10 years, Istanbul has emerged as a

trusted financial centre. Istanbul is currently rated the 79th most highly regarded financial centre globally. ¹¹

The Turkish government has set a target of transforming Istanbul into a global financial hub by 2023 and has begun construction on the Istanbul International Financial Centre on the Asian side of the city. Expected to ultimately create 30,000 jobs, the centre will open in 2022 with approximately \$2.6 billion of public investment. As global competition increases, it will help the city to establish a global reputation for business and financial activity. ¹²

By fostering an attractive environment for foreign financial institutions to enter the MENAT region, Istanbul intends to establish a financial sector cluster with scale, knowledge and network efficiencies that are truly competitive on a global scale.

◆ Tourism

Prior to Covid-19, Istanbul had acquired international tourism and destination appeal. The city had improved to 8th globally for the number of visitors and 15th for international visitor overnight spending. ¹³ The city has also stood out for the diversity of its tourism base, from nearly all continents. Istanbul had become a clear leader in the MENAT region as a tourist and retail destination, with a third of top global retailers present, and ranks 2nd among leading global cities for the number of retail shops, only behind Paris. ¹⁴

◆ Digital gaming

Istanbul has been emerging as a regional hub for digital gaming. It has been one of the fastest-growing e-sports markets and has recently opened the largest e-sports arena in Europe and Middle East, bringing together players and content creators. In addition, Istanbul is home to mobile game company Peak Games, Turkey's first unicorn.

Attracting and retaining talent

Istanbul's global connectivity and position make it an attractive destination for visitors. The city now seeks to develop the living conditions to attract and retain international talent. ¹⁵ Improvements to liveability, and health and education services can help the city attract new residents from overseas.

Reforms are also underway to internationalise the city's workforce. The government announced in 2019 it would remove almost all barriers to foreign students wishing to study in Turkey. The government aims to increase foreign enrolment to 200,000 students by 2022. ¹⁶ To this end many universities in Istanbul now participate in the EU's Erasmus student exchange program.

Higher education assets

Istanbul's maturing university cluster means it is among the vanguard of emerging cities for higher education. In 2019, Istanbul was ranked as the 71st best student city globally, the second best in the MENAT region and one of only three to feature in the top 100. It boasts more than 850,000 students studying in 58 public and private universities, including 5 that are globally recognised. ¹⁷

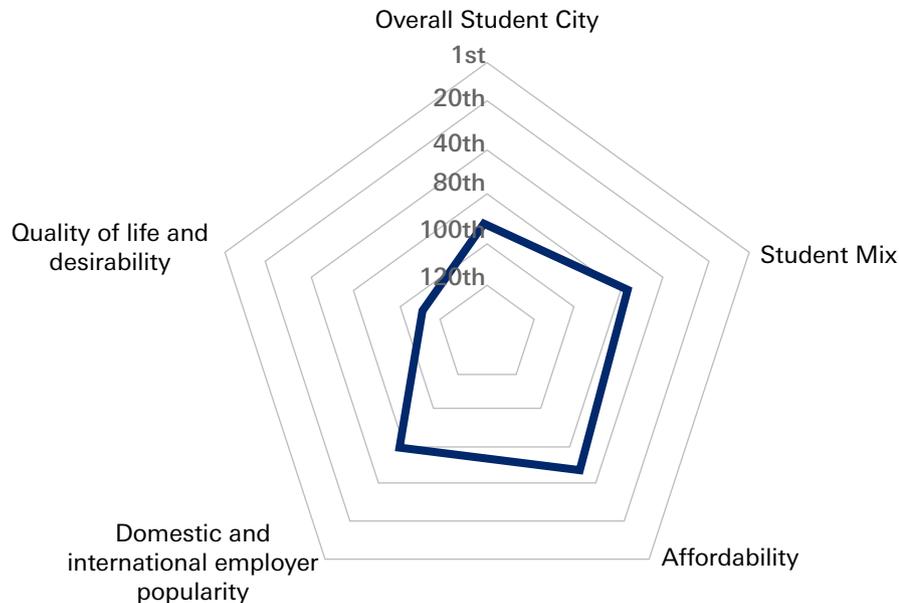


Figure 4: Istanbul's international ranking as a student city; Source: QS World University Rankings 2019

Istanbul's performance in the global and regional context

Istanbul is part of a strong performing group of megacities globally, and is a leader in MENAT in terms of aviation, freight and start-ups. It also possesses a competitive infrastructure platform and talent pool. The major competitive gaps are in terms of broad-based liveability, technology applications, and building truly global high value specialisations that can raise productivity.

	Economic competitiveness & global research		Innovation & smartness		Internal infrastructure and connectivity		Global corridor capability			Quality of life
	AT Kearney Global Cities Index	Z-Yen global Financial Centres	StartupBlink Stratup Cities	IMD Smart Cities Index	Mori Memorial Foundation Global Power City Index: Railway Station	IESE Cities in Motion: Technology	Mori Memorial Foundation Global Power City	JLL Global 650: Number of air passengers	INSEAD Global Talent Competitiveness Index	Mercer Quality of Live Survey
Date	Jul-19	Mar-20	Jun-20	Sep-20	Dec-19	Jun-20	Dec-19	Dec-19	Jan-20	Mar-19
	Overall Competitive ness and future growth prospect	Actual and perceived strength of financial industry	Size, scale and growth trajectory of start-up ecosystem	Residents' perception of tech infrastructure and smart services to improve quality of life	Density of railway stations per km ²	City wide digital technology adoption and quality of tech infrastructure	Port freight flows plus no. of cities from which direct cargo flights depart & arrive at city airport	No. of annual air passengers	Ingradients for attracting, retainig and growing a skilled talent base	Overall quality of life
Istanbul global rank	91 st / 130	79 th / 102	80 th / 1000	-	29 th / 48	90 th / 174	6 th / 48	10 th / 541	91 st / 155	130 th / 231
Istanbul regional rank	9 th / 18	8 th / 11	3 rd / 26	-	1 st / 4	9 th / 17	2 nd / 4	1 st / >25	5 th / 13	11 th / 26
Trend				-				-		

Source: AT Kearney (2020). 'Global Cities Outlook Index'; Z-Yen/Long Finance (2020) 'Global Financial Centres Index 27'; Startup Blink (2020), 'Startup Ecosystem Rankings Report'; IMD (2020) 'Smart Cities Index'; Mori Memorial Foundation (2020) 'Global Power Cities Index'; IESE (2020), 'Cities in Motion Index'; JLL Cities Research Centre; INSEAD (2020) Global Talent Competitiveness Index; Mercer (2019) Quality of Life Survey

2. Key development issues for Istanbul

As Istanbul enters the next cycle, it has opportunities to optimise:

- ◆ Productivity & diversification;
- ◆ Regional and Gateway Roles;
- ◆ Innovation & entrepreneurship;
- ◆ And its Urban development and land use

Productivity and diversification

Istanbul is now among the top 35 leading cities for its concentration of global firms and headquarters, capital markets, and flow of goods and services.¹⁸ The city has transformed itself from a large regional hub of industry to a regional command and control centre. However, while Istanbul contributes to the region's economy, it remains behind the Gulf commodities hubs in terms of its all-round economic productivity.

Istanbul has emerged as a diversified visitor location. Istanbul manages to attract many international conventions and association meetings. It attracted more than 55 international meetings in 2019, up from 33 in 2018, putting it 1st in the MENAT region, and in the top 50 cities globally.¹⁹ However, other MENAT cities are fast catching up in terms of communicating their global openness and hosting increasing numbers of global events.

Regional and gateway roles

Istanbul operates as a major international connectivity hub for the region, which has recently been strengthened by the opening of Istanbul Airport. This project is split into 4 stages with the initial terminal being opened for use in 2018. When all 4 stages of construction are completed in 2028, the airport will have a capacity of over 200 million passengers annually which is nearly double the capacity of the

world's current largest airport. With a total cost to the government of \$12 billion, this inspiring project seeks to cement Istanbul as a global transport hub for the MENAT region.²⁰ Major infrastructure projects are also underway to boost connectivity within the city and also with other major Turkish cities.

Innovation & entrepreneurship

Istanbul is making rapid progress in terms of innovation and has the potential to become a mature innovation ecosystem. Recent cycles of investment have boosted infrastructure and tech capabilities and the construction of tech parks is facilitating knowledge spill-overs.

Istanbul ranks 16th in the top 100 emerging innovation ecosystems, performing well for access to funding and VC activity as well as market reach.²¹ With around 2,500 recognised tech-enabled firms, the city ranks in the top 50 globally for the number of firms, on par with secondary US and European cities. However, given its large population size, Istanbul scores less highly for the concentration of tech-enabled firms per capita, ranking 70th among 80 global cities.²²

Accelerated support to encourage and empower entrepreneurs is a key next step. Setting up a business takes longer than on average in Istanbul than in EU or other MENAT cities, and the regulatory framework is more difficult to navigate. As a result, Istanbul falls outside the top 150 cities globally for the concentration of seed and series A start-ups, revealing a need to boost entrepreneurship.²³

Scaling up also emerges as a key imperative: although Istanbul benefits from large numbers of recent STEM graduates, fewer entrepreneurs have full time job experience or possess the business acumen needed to

fully commercialise ideas and grow companies, relative to other cities. The city has less than 10 globally recognised tech-enabled firms, significantly less than other emerging cities such as Jakarta or Bangkok, and behind Dubai in the MENAT region. ²⁴

In the next phase, achieving globally recognised specialisations can help Istanbul attract talent and investment and boost entrepreneurship. Regulatory reforms that can streamline the process of setting up a business and further facilitate the recruitment of foreign-born employees can also benefit the city's innovation ecosystem.

Optimise urban form and land use

Istanbul's positive response to the opportunities of global investment in the 1980s has resulted in many new developments. As it has become an attractive destination for investment capital, new districts and residential areas have been developed, and many skyscrapers built in the Levant and Maslak districts. Istanbul's class A office stock now stands at more than 2,650,000m² and is expected to grow by 20% over the next three years. ²⁵ State agencies are also more active than ever with housing supply, mainly as a result of the new nationwide social housing project designed to build over 50,000 new social housing units. ²⁶



Figure 5: Istanbul's expansion in the past 3 decades

The changing economy and growing population are driving a new spatial approach focused on density and more even spatial distribution. The city government has recognised density as a strategic imperative for the first time, in response to growing pressure on the city's urban systems.

Istanbul's economic transition to a high value-added and knowledge-intensive economy has also boosted construction of high-end office centres, luxury hotels and transport infrastructure outside the CBD. This is enabling the city to shift its centre of gravity of economic growth away from a single CBD which is frequently congested towards a more polycentric urban form. Infrastructure projects and large real estate developments are flourishing across the city to manage movement more effectively and accommodate the growing population.

Population density per km²

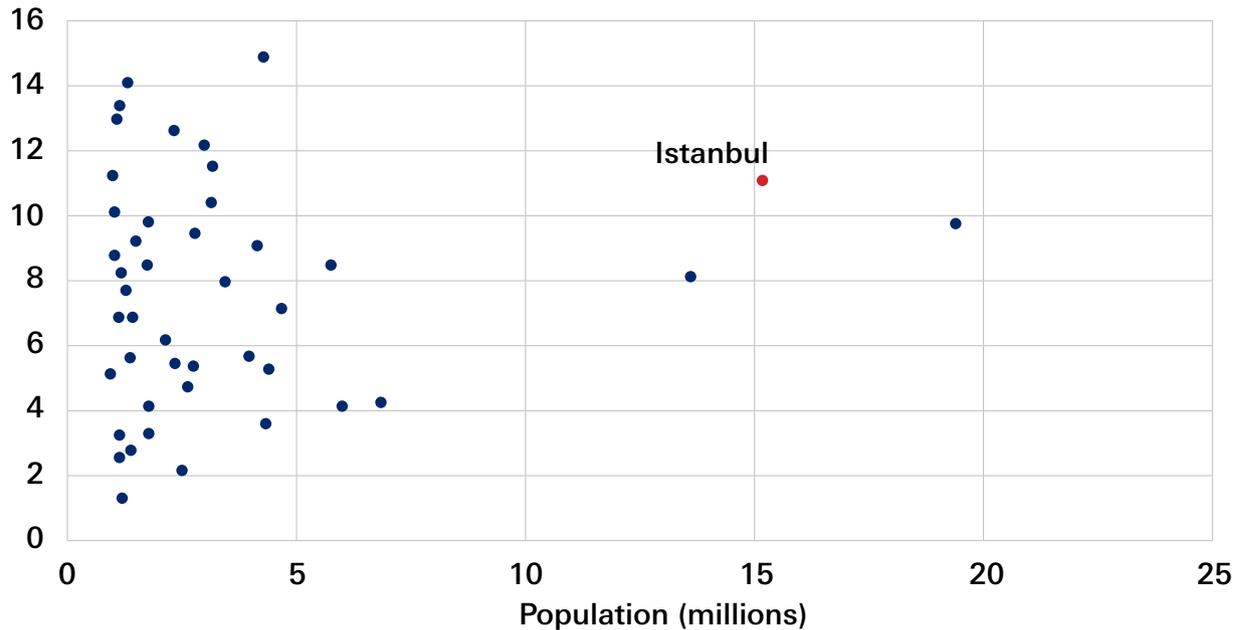


Figure 6: Population and population density in MENAT cities; Source: Demographia World Urban Areas, 16th edition

Istanbul's growth has triggered the development of other smaller cities in the wider region within 100-150 km of the city. Cities such as Tekirdağ, Yalova, Kocaeli and Çorlu have been seen a boom in housing development and investment in shopping centres, office and hotel investments which has contributed to the regional development. This regional dimension may prove to become an important part of Istanbul's ability to absorb growth and demand in the next cycle.

3. Existing future plans

The Turkish Government and the Istanbul Metropolitan Municipality (one of the largest citywide governments in the world) share a broad vision for Istanbul which rests on two pillars: **becoming a major gateway, and a leading knowledge hub**. Its gateway status is to be built on its growing financial sector, vibrant tourism and cultural offer, and its role as a regional logistics hub. There is clearly an ambition to move to higher value production and knowledge, driven by innovation and technology.

The past 10 years have seen Istanbul undergoing a cycle of large-scale infrastructure development that will continue into the next decade. Business reforms, combined with rapid development of modern office stock and connectivity improvements have driven tourist and investment numbers up. Imperatives are now shifting towards urban regeneration and redevelopment, promoting innovation and higher-value specialisations, greater transparency and metropolitan governance.

Istanbul's strategic plan is to shift to a higher value added, more innovative and more creative economy. To transform Istanbul into a more dynamic and robust economy, the metropolitan government aims to:

- ◆ attract global talent by investing in innovation, technology and R&D;
- ◆ empower a new entrepreneurship ecosystem;
- ◆ and provide the workforce with the skills needed for the changing economic structure through greater opportunities of vocational training and lifelong learning.²⁷

Key to these aims are a commitment to balancing an inclusive and holistic planning approach that protects Istanbul's natural heritage with new planning mechanisms that can help to build the city's resilience to natural disasters. Istanbul is committed to ensuring its citizens can exist in a healthy and balanced environment. A focus on implementing environmentally protective policies and on supporting investment in green spaces can help to accelerate Istanbul's journey to becoming a more well-rounded, ecologically developed city which is attractive to live in on a global stage.²⁸

Istanbul will strengthen its competitive advantage as an international logistic centre by continuing large-scale infrastructural investment to ensure it can be globally competitive. This continued infrastructural development will attract foreign direct investment and strengthen Istanbul economically.

Key projects

Project Name	Description	Project Scale	Year of Completion
Istanbul Airport	Building of the world's largest airport with a passenger capacity of 200 million per year, nearly double the next biggest airport.	US\$ 12 Billion	2025
Istanbul-Bursa-Izmir Highway	Major motorway connecting Istanbul to Turkey's 3rd and 4th largest cities: Izmir and Bursa.	US\$ 10 Billion	2020
Grand Istanbul Tunnel	6.5 km underwater tunnel beneath the Bosphorus Straight combining both road and railway passages.	US\$ 3.5 Billion	2023
Marmaray Project	76.6km commuter railway system which modernized and linked the existing rail systems on the European and Asian sides of Istanbul through a tunnel.	US\$ 3 Billion	2019
Istanbul Financial Centre	Attracting foreign investment and establishing Istanbul as a global financial capital by creating a space for the financial industry to blossom.	US\$ 2.6 Billion	2022
Yavuz Sultan Selim Bridge	A suspension bridge across the Bosphorus Straight, easing congestion in Istanbul	US\$ 2.5 Billion	2016
Galataport	A new cruise ship port to establish Istanbul as a cruise ship tourism destination and expected to create 5,000 jobs.	US\$ 1.7 Billion	2020
Eurasia Tunnel	A 5.4km tunnel connecting the Asian and European sides of the city.	US\$ 1.3 Billion	2016

Note: project sizes in alternative currencies have been converted to USD based on October 2020 exchange rates - they should be viewed as indicative.

Sources:

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Istanbul's infrastructure projects represent both a big opportunity and also a risk. On one hand, the projects represent huge opportunities to improve the environmental quality and safety of the Bosphorus. On the other hand, Istanbul will face new imperatives to ensure that the projects gain the broad-based support necessary to achieve net positive sustainability effects, and that they are sequenced in such a way as to optimise jobs spillovers and spatial development patterns.

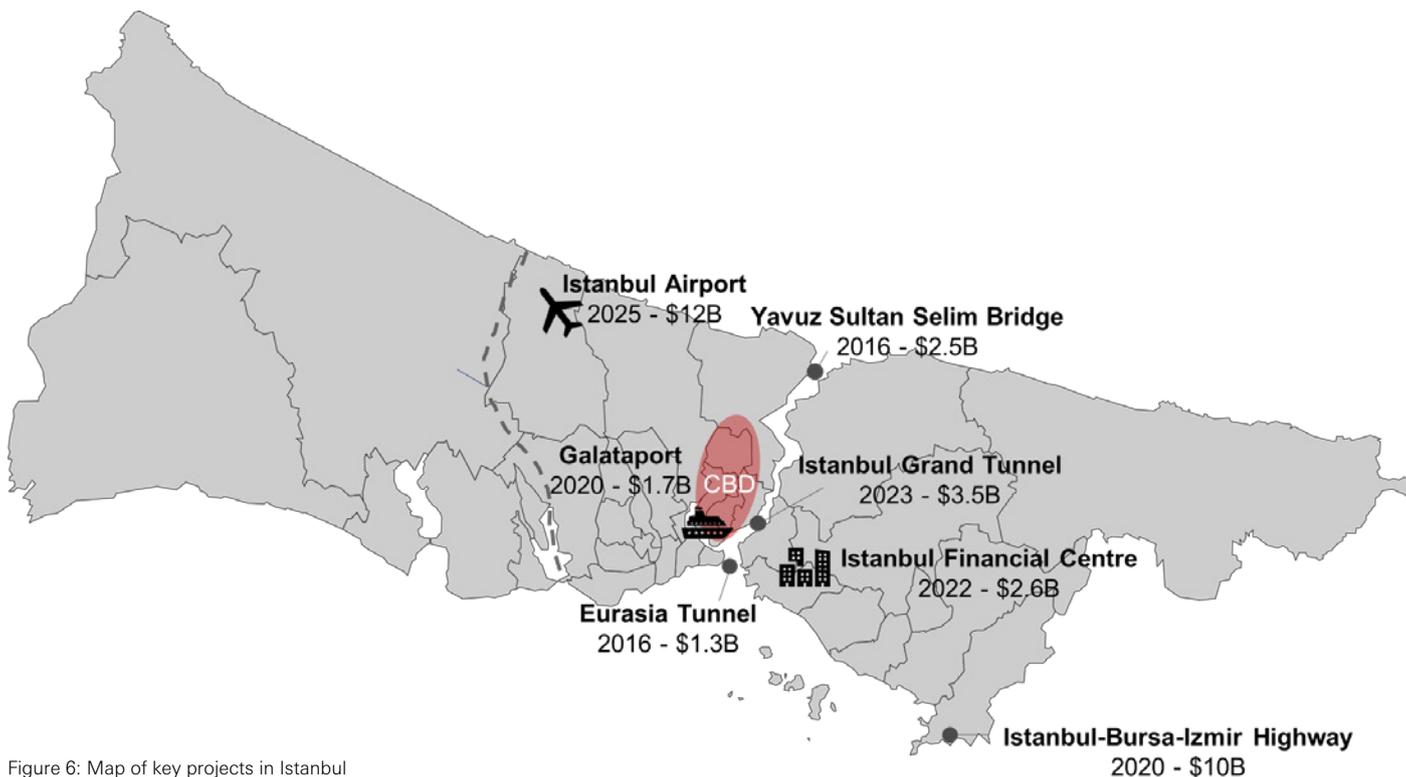


Figure 6: Map of key projects in Istanbul

Technology adoption

Istanbul Metropolitan Municipality created Istanbul IT and Smart City Technologies Inc. (ISBAK), a semi-public company in charge of bringing smart architecture and planning projects, in addition to the needed infrastructure upgrade to fit the smart city vision.

After the adoption of the Istanbul Card to facilitate public transit access, the company has been focusing on R&D with renowned researchers from the local universities, and technology deployment. Recent upgrades to services include the roll out of smart meters for the Istanbul Water and Sewerage Administration (ISKI), started in 2019 that would cover the entire system by 2030. To increase recycling uptake, the municipality launched a new recycling

system with smart containers that will enable residents to trade recyclable items in exchange for credit on their passenger cards (the Istanbul cards). While the system currently only allows for cans and plastic bottles, there are plans for new smart containers that will accept glass and batteries.

Smart initiatives focus on a range of new technologies from Cloud Computing and Hybrid Cloud Technologies, through the Internet of Things and Augmented and Virtual Reality Technologies, to Wearable Technologies and Deep Learning Systems. These new initiatives such as the initiative to make the transport network smart, can help both to improve residents' quality of life and improve environmental sustainability.

4. COVID19 and the next cycle of Istanbul

"Istanbul proud of its 8,500 years of history is the only city in the world which was the capital city of three great empires: Roman, Byzantine and Ottoman. The only city where the sea runs through it and also the only city which is located on two continents. Istanbul bridging two continents is a blend of cultures, a crossroads of civilizations, a melting pot of different faiths."

- **Saffet Emre Tonguç,**
Historian and travel writer

The world changed radically since early 2020, the global pandemic has resulted in millions of cases and hundreds of thousands of fatalities so far. Without a vaccine or efficient curative treatment, countries across the world implemented stringent lockdown and social distancing measures to contain the health crisis. These measures are having a major impact on the economy.

COVID-19 is expected to have a number of long term socio-economic implications that may re- shape the way companies and individuals consume, create value and interact:

Spatial: shared spaces & systems

Geo-spatial: changed behaviour impacts on public transport, mass-gathering activities, contact-free economy and global urbanisation trends

- New social attitudes of physical distancing and facemask wearing are bringing a new shared spaces management doctrine

New social contract

Increased awareness and demand for more managed globalisation and inclusion of social responsibility

- New global social contract with more inclusion and a focus on tackling inequalities

Geo-political long-term impacts

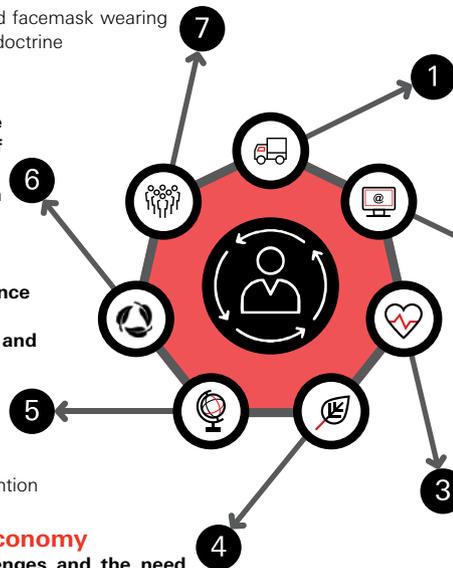
Geo-political implications on global governance and globalisation will depend on medical response and resulting recession and shape and speed of economic recovery

- Potential re-consideration of extensive international integration of trade and people flows towards a managed globalisation, more diversification and re-localisation of strategic activities with enduring influence of state intervention

Climate change and sustainable economy

Better awareness of climate change challenges and the need for a more sustainable economy and infrastructure with a better environmental footprint on ecosystems

- The COVID-19 crisis is accelerating the change in consumption behaviour and broadening the public support for a cleaner economy and for environmental responsibility



Supply chain and flows of trade

New imperative for resilient and diversified supply chains and trade relationships

- Diversification of the supply chain, potential re-localisation and leveraging digital supply networks to maximise supply chain resilience

Digital transformation and 'servicisation' trend

Acceleration of digital transformation, contact-free, and "as a service" trends

- Remote working, distance learning, online media content, telemedicine and ecommerce are among the key winners' industries post COVID-19

Health and wellness

Re-prioritisation of health, wellness and balanced lifestyle

- Increasing awareness and demand for healthy life and good nutrition as well as health safety and access to quality medical care

Reinvented flows of trade and resilient supply chains

As highly globalised and specialised supply chains have proven not to be the most resilient model, there is a new imperative for more diversified supply chains and trade relationships. The current debate suggests global cities could see near or re-localisation of production facilities for priority industries and increasing use of digital supply networks and AI to ensure maximum supply chain resilience. The wholesale re-shoring of supply chains is unlikely in all scenarios. There is also uncertainty about the full spectrum of industries that may return, but in the mid-term global cities are prioritising the return of:

- ♦ **Essential goods:** It is likely that pandemic essentials such as health supply chains for vaccines, medicines, pharmaceuticals and protective equipment production, and food and beverages, will re-localise, especially as the risk of future becoming part of the collective awareness and planning in global cities.
- ♦ **Industries with existing skills base:** More localised production may revolve around the industries in which city regions already have a specialist skills base and facilities that they can build up.

QIMA's 2020 survey of 200+ businesses with international supply chains²⁹ analyses the transformation of global supply chains from a

geographical perspective in response to the ongoing COVID-19 pandemic, US-China trade tensions and other disruptions and reveals that:

1. Companies sourcing from China decreased to 75% from 96%.
2. Businesses that prefer Turkey as a supplier country increased from 4% to 9%. This increase driven mainly from EU based companies.
3. In 2019 c.14% of EU based businesses (in sample) confirmed Turkey as one of their supplier country among top 3 countries while this number increased to 30% in 2020.

Digital transformation and revised business models

This pandemic has fuelled the rapid acceleration of the digital transformation in cities. In the last couple of months, with most global cities under lockdown, cities have skipped a whole cycle of digitalisation. We have leapt into as-a-service economies, home delivery platforms, new online content, e-commerce, distance learning, distance fitness, telemedicine and widespread adjustment to working and digitally socialising from home. As we adjust to the new normal, the longevity of these trends could have huge implications for real estate, mobility and spatial flows between city centres and city fringes.

The re-prioritisation of health, wellbeing, and happiness

The COVID19 crisis has re-articulated the supreme importance of human health and planetary health. There is renewed focus on truly universal access to healthy and balanced lifestyles, nutritious produce, public space for exercise and quality medical care. In particular, there is growing appetite for combined policies and approaches towards health, climate and biodiversity. The sum effect is an inevitable demand for more public-health related spending, including better basic insurance coverage, improved medical infrastructure and the

flexibility of hospital capacity to be ramped up if needed. We are likely also to observe the rapid development of remote healthcare, including the increasing use of telemedicine and adoption of digital and remote healthcare technologies incl. tele-health, tracking devices, monitoring apps, connected and wearable consumer healthcare devices.

Sustainability as the driver of innovation

As more people stay inside to protect public health and shift to using more sustainable forms of transport, the world has observed a significant short-term improvement in air quality and small contractions in the collective environmental footprint. There is amplified awareness of the severity of the climate change challenge and the urgent need for more sustainable economies and infrastructure. There is refusal to compromise on the sustainability of the food system, wildfires, flooding, rising sea levels and the plasticisation of the ocean. COVID-19 is accelerating changes in consumption and broadening the public support for an environmentally responsible future. As we look towards the new normal, city and business leaders are unanimous in their ambition not to return to the pre-COVID-19 economy but to use the crisis as a catalyst for a more diversified, more equitable, cleaner and greener reinvention. There is more pressure than ever before for governments to produce de-carbonising low-emission tech pathways, by investing in green energy, power efficiency and optimised storage. There is optimism that cities around the world could adopt and adjust to some of these 'better' behaviours for the long-term.

New spatial patterns

The COVID-19 crisis has had dramatic impacts on the way people move around and share cities. Due to travel restrictions, lockdown measures and working from home, there have been steep declines in the movement

within and between cities. In many cities, new social attitudes of physical distancing and facemask wearing are making way for a new shared spaces management doctrine.

Many cities are considering how to manage and organise urban spaces with new public health requirements in mind. Concerns have been echoed about the collective reputation and narrative of cities in the next cycle. The risks associated with density, proximity, public transport and global exchange are currently more widely asserted than the benefits (economic, social, environmental). This places a collective challenge for cities and their civic and business advocates to emphatically communicate:

- ◆ The essential role of cities in the next cycle
- ◆ The link between national economic success and success of urban economies
- ◆ The role that urban innovation eco-systems play in producing and financing the next cycle of discoveries
- ◆ The need for reinvestment in city systems such as mobility, real estate, health, energy and leisure

Managed globalisation

Multiple geopolitical shifts are emerging as critical issues in the response to COVID-19. There is a new relationship between citizens and government because of more national level intervention. COVID-19 crisis has largely demonstrated the importance of having a stable government which could lead to more confidence government. These dimensions may play into the shift to more managed globalisation, which will see stricter guidelines on who and what enters countries and moves across borders, and may reinforce the trend towards re-localisation. Much of this disruption may be temporary but the crisis is likely to have a lasting impact on political governance, global dynamics around relationships between developed and emerging countries, and new forms of globalisation and flows of trade and people.

A new social contract?

Many global city regions are preparing for a whole cycle of behaviour change and of perception change about the virtues of cities to national economies and population that may outlast the public health impacts of the virus. One of the positives of the shared experience of this pandemic is the increased sense of social responsibility and evidence of more and more people helping each other, and a desire to move forward together. However, it is impossible to ignore the social, economic and racial inequalities that have been magnified and must be addressed as a priority.

In the coming months and years, we may observe the inclusion of social responsibility, as well as climatic and planetary considerations. For instance, lockdown and restrictive anti-stockpiling measures in supermarkets push customers to be more considerate paving the way to a more local and sustainable economy and lower waste attitudes. It will also likely result in the prioritisation of universal access to healthcare, with renewed focus on inclusion and tackling inequality. These social imperatives will shape many dimensions of the new normal.

Crises are harbingers of evolution and great times for reprioritisation, innovation, and thinking out of the box. As the scientific research is progressing and the medical response is improving, a number of sectors are 're-opening', bringing new ideas, business models, and opportunities for the mid- and long-term. This 'new normal' produces a new set of business and investment opportunities across numerous sectors and geographies.

5. HSBC a key partner in the sustainable evolution of Istanbul's next chapter

HSBC Turkey is recognised as a leading international bank with a strong value proposition for corporates, financial institutions, public sector and premium retail clients.

At HSBC, we are acting as a facilitator to draw investment to Turkey and offering access to various financing instruments to help and support customers and create sustainable values for the Turkish economy.

Sustainable economic growth

We aim to contribute to Istanbul's and Turkey's sustainable economic growth. We will continue to play our role in achieving Sustainable Development Goals through financing, investments, and the way we do business. Our priorities focus on: sustainable finance, sustainable supply chains as well as employability and financial capability.

HSBC is focusing on to provide support to its client base with extended products and services in relation with their ESG targets. The Bank is also taking a leading role in sustainable financing area in Financial Institutions & Public sector front.

HSBC Turkey, so far, has being at the forefront in Green/Sustainability linked DCM activity in Turkey which is a key step towards helping the Turkish economy transition to a low-carbon future.

Selected HSBC key transactions include:

Client	Description	Value
ENERJISA ÜRETİM September 2020	Largest "Sustainability Linked Loan Agreement" in Turkey, signed with 7 banks including HSBC. The company made a commitment to significantly increase the share of renewable energy within its power investment portfolio and work towards reaching the best international standards in gender equality.	€ 650m
AKBANK August 2020	The first Green Bond issuance in the Turkish banking sector post COVID-19. The bond is intended to adhere to ICMA's Green Bond Principles and as such, proceeds will be used to fund the bank's future renewable energy projects alongside supporting Turkey's transition to a low carbon economy. HSBC acted as Sole Lead Manager and Bookrunner.	US\$ 50m

YAPI KREDİ January 2020	<p>In a move to expand its sustainable and innovative product portfolio, Yapı Kredi issued its first green bond, which will be used to finance renewable energy projects. The green bond issuance contributes both to Turkey’s transition to low-carbon economy, and to Affordable and Clean Energy (Goal 7) and Climate Action (Goal 13) of United Nations Sustainable Development Goals. HSBC acted as Sole Lead Manager and Bookrunner.</p>	US\$ 50m
TSKB March 2017	<p>TSKB breaks a new ground in the world by becoming the first bank to issue world’s first sustainable and Basel III-compliant ‘Sustainable Tier-II Bond’ in international markets. The funds received from the bond issuance will be used to support renewable energy and resource productivity investments addressing climate change as well as healthcare and education projects for social good. HSBC acted as Joint Lead Manager and Bookrunner.</p>	US\$ 300m
TSKB May 2016	<p>TSKB as a pioneering bank in sustainability, issues the first ever public benchmark Green / Sustainable Bond out of Turkey and CEEMEA region. The proceeds will be used for private sector investments in renewable energy, energy efficiency, and other areas that reduce greenhouse gas emissions, as well as socially responsible investments such as healthcare, education, electricity transmission lines and ports. HSBC acted as Joint Lead Manager and Bookrunner.</p>	US\$ 300m
ELZ SAĞLIK YATIRIM A.Ş. November-2016	<p>ELZ Finance, a JV between the leading global infrastructure firm, Meridiam, and Rönesans Holding, one of Turkey’s largest construction and infrastructure companies, issued a Turkey’s First Green/Social Project Bond, to finance the Elazığ Integrated Health Campus project. The project will increase the access to quality health services for 1.6 million people in Eastern Anatolia. The project, which forms part of the Government of Turkey’s Health Transformation Programme is designed to deliver up to 29 new hospital facilities totalling 42,000 high-quality hospital beds over the next several years, and by doing so, increase the access and quality of secondary and tertiary levels health services in the country. EBRD, World Bank’s IFC and MIGA along with other development finance institutions are jointly providing financial support to this project. HSBC acted as Sole Arranger, Global Coordinator and Financial Advisor.</p>	€ 288m

Sources:

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HSBC corporate sustainability initiatives

As HSBC Turkey, we support sustainability initiatives with a focus on education, environment and entrepreneurship. While we provide funds for these sustainability initiatives we also provide our support with the voluntary participation of our employees.

Key initiatives include:

◆ Sustainable growth program

Sustainable Growth Program is an acceleration program on social entrepreneurship powered by HSBC, implemented by Hackquarters and in partnership with Türkönfed. Bringing the social innovators together, the Sustainable Growth Program aims to support the 17 Sustainable Development Goals by UNDP for a better and sustainable future. For a total of 5 start-ups, we provided initial grants and supported them to grow their product with a team powered by HSBC and Hackquarters for 6 months period.

Key objectives:

1. Build a strong global ecosystem of social entrepreneurs, partners and corporate executives for creating awareness on social impact and entrepreneurship.
2. Support social enterprises in Turkey to grow their business on a global dimension and to make it sustainable and profitable.
3. Create a social innovators community that aims to have a public presence and empower each other with the aspect of #Envision2030.

◆ Scholarships for female fine art students with community volunteers foundation

Since 2018, “fine art scholarship for female students” supported successful 15 female students who study fine arts in Turkey’s universities. We aim to

provide the art students to enhance their educational experience and employability.

◆ Anatolian scholarship programme

Scholarships for successful students, who are in need of financial support, as part of the programme implemented by Koç University with the aim of providing equal opportunities in education.

◆ TOÇEV’s Covid-19 emergency support project

Support for children and their families who are in need of financial and infrastructure support during COVID-19. The support package for families and their children living at the less developed areas of Turkey contains:

1. Providing TV and internet for their online education
2. Supporting them on the activities they can plan and do at home during this period
3. Financial support as per job losses

◆ Environmental awareness online seminars/ workshops – WWF Turkey

WWF Turkey will host seminar and workshop series for HSBC Turkey employees to increase their awareness for environmental issues to help tackle the global water crisis through protecting water sources.

Endnotes

- ¹ <https://population.un.org/wup/Publications/Files/WUP2018-Report.pdf>
- ² Euromonitor (2019) Top 100 City Destinations
- ³ Mori Memorial Global Power Cities Index 2019
- ⁴ UN World Urbanisation Prospects: 2018 Revision. Data available at: <https://population.un.org/wup/DataQuery/>
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- ⁶ <https://populationstat.com/turkey/istanbul>
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- ²² Crunchbase. Accessed September 2020
- ²³ Dealroom. Accessed June 2020.
- ²⁴ Crunchbase. Accessed September 2020
- ²⁵ <https://www2.colliers.com/download-research?itemId=47ca80f2-00f0-4763-9486-6b6fd053345d>
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- ²⁷ <https://www.istka.org.tr/media/24723/istanbul-regional-plan-2014-2023.pdf>
- ²⁸ http://www.ibb.gov.tr/en-US/Organization/Birimler/StratejikPlanlamaMd/Documents/stratejik_plan_2015-2019.pdf
- ²⁹ QIMA <https://www.qima.com/whitepaper/h2-2020-survey> Evolution of Global Sourcing in 2020

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