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# Greening the Real Estate Sector

## Odeabank Green Mortgages

### AT A GLANCE

- With an expanded portfolio of green buildings and mortgage loans, by 2019 Odeabank is expected to reduce annual greenhouse-gas emissions by increasing the energy efficiency of the largest energy-consuming segment in the country: residential apartment buildings.
- Even though the green buildings and homes financed by Odeabank have higher upfront costs, lower future operational costs attract Turkish buyers, and the purchases have proven to be viable in the long term.
- IFC's engagement in the project is not only raising awareness of green buildings and mortgages in the banking sector, it is improving competition and increasing access to financing for Turkish individuals and businesses who wish to increase green investments in their portfolios.
- As the recipient of IFC's first green mortgage project in EMENA, Odeabank opened up the green buildings market in Turkey, demonstrating the potential for growth and economic viability inherent in green mortgages.
- Odeabank is still young, but its innovative business model is already making great strides in the environment of fast-paced growth in Turkey's increasingly competitive banking sector.

*The Turkish banking sector is thriving, and growth-oriented banks like Odeabank are investing in a sustainable and low-carbon future. Green buildings lower operational costs and improve quality of life for people by reducing pollution and creating healthier living conditions. As traction continues to grow for developing green buildings, the demand is increasing for financing provided by products such as Odeabank's green mortgages. In fact, demand for investment in green buildings for the next ten years is estimated to be in the range of \$430 million annually.<sup>1</sup> IFC made an \$81 million investment with Odeabank in the market for green mortgages and green buildings, a deal that was deliberate, visionary, and the first of its kind for IFC's work in the Europe, Middle East, and North Africa (EMENA) region. With financial help from the Clean Technology Fund (CTF), part of the Climate Investment Funds (CIF), the future of Turkey's buildings and real estate sector looks much greener.*

## GREEN MORTGAGES FOR A LOW-CARBON FUTURE

Turkey is among the top 20 emitters of carbon dioxide in the world.<sup>2</sup> The buildings sector is one of the most energy-intensive, accounting for 37 percent of total energy emissions in 2009, which in turn accounted for 75 percent of total greenhouse-gas emissions. In response, Turkey's 2011 National Climate Change Action Plan designated the buildings sector a priority area as the country worked to combat climate change and to transition its economy toward a low-carbon future.<sup>3</sup> By offering green mortgages, banks are increasing the purchasing power of qualified buyers by folding into the mortgages the costs of a home's improvements. These green mortgages offer a win-win situation, because buyers can pay for features that lower utility bills, while banks can offer new loans.

Odeabank's experienced retail banking division has championed an efficient internal service approach, laying the foundation for scalable growth, making green mortgages its main focus within its larger mortgage and retail banking strategy. Odeabank has already won several awards, and its 55 branches in 15 cities rank tenth in terms of asset and deposit size among all private deposit banks in Turkey.<sup>4,5</sup> This regional breadth has stimulated the manufacturing and supply of more green building products across the country, resulting in lower operational costs and improved quality of life for more people.

## IFC'S APPROACH

IFC's investment in Odeabank is not only the first of its kind in EMENA, but it also is one of IFC's first investments to support green buildings through a financial institution as opposed to a commercial developer. By financing green mortgages and construction loans, IFC encouraged an alternative growth approach — the growth of the green mortgages market. With IFC and CTF funds helping assume some of the potential macro-economic risks, banks like Odeabank are growing in a way that not only strengthens and improves their competitiveness in a highly-competitive financial sector, but also allows them to be at the vanguard of making a commitment to sustainability and energy efficiency.

While long-term funding in Turkey continues to be scarce, IFC and CTF are working to leverage promising financial institutions such as Odeabank to forge the way for a new generation of financial products that facilitate a greener building sector. Green buildings are more efficient and cost less than traditional buildings, and are better for the environment, all factors that contribute to alleviating the financial burden of ordinary Turkish citizens across the country.

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