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LOCAL DEVELOPERS AND INVESTORS TURNING TO OVERSEAS MARKETS

Overseas investment in Thai property is a common feature of the Thai market – whether this is purely an investment-driven purchase for a condominium in Bangkok or a lifestyle purchase for a luxury villa in Phuket. While foreign purchasers have been a key driver of the Thai market, Thai demand for overseas property is just emerging.

Thai interest in overseas investment has emerged as local developers are looking to invest outside Thailand. Although this is limited to date, large-scale publicly listed and private developers such as TCC, CPN, Sansiri and Pruksa have diversified to other markets.

This emerging trend coupled with the US dollar, euro and pound's value depreciation has led individual investors to consider the move. There is a segment of top-end cash-rich Thai investors who are already heavily invested in the local property market and are now looking to diversify. Markets that are of particular interest to affluent Thai investors include metropolitan cities such as London, Sydney, New York, Hong Kong and Singapore. Thai buyers have in fact snapped up units in some of the world's most exclusive developments including a penthouse in Sydney and a premier property such as One Hyde Park in Knightsbridge, London which commands top prices in the global market.

There is a combination of factors prompting Thai investors to look overseas, capital appreciation being one of the drivers. Long-term capital appreciation is certain if one invests in prime locations in key cities like London and New York. Whilst both markets along with the rest of the world's property markets have had their ups and downs with the global financial crisis, prices of prime properties in central locations have rebounded and will continue to appreciate in the long-term. To maximise the potential for capital gain, it is important to gauge what the next "hot location" in these cities will be. Taking London as an example, properties in Kensington and the West End is a popular choice amongst Thai buyers. Those who are familiar with the cities may start looking at other emerging areas which offer more attractive prices.

Many Thais are also prompted to purchase in cities where they send their children for education. Instead of paying hefty rents for many years, it often makes more financial sense to invest in a property if one is cash rich whereby the property can be rented out in the future, as well as enjoy the capital appreciation overtime.

The tax structures in many markets also incentivise investors. For example, UK has no property tax. The only applicable tax upon purchase is a stamp duty land tax, where the percentage varies from zero to 5 per cent, depending on the property value. Non-residents are exempted from capital gains tax and where one of the investor's children is being educated in the UK, the property owner is also exempted from paying an annual council tax. The rental tax also allows for deductions of expenditure such as agents' commission and loan interest.

PROPERTY SCENE

ALIWASSA PATHNADABUTR
MANAGING DIRECTOR OF
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Investors who are yield-driven and purchasing for the purpose of rental will find that established markets offer a comprehensive tenancy management service – from securing tenants, rent collection, contract renewal through to full property management. These services are particularly useful for overseas investors who do not need to micro-manage their investments.

Ownership structure is another factor that attracts foreign investment in overseas markets. The maximum lease-term for UK properties is 999 years, which is more or less equivalent to a perpetual freehold title, while properties in the US and Australia can be purchased on freehold. The ease of ownership and the ownership structure is important and this is one area that Thailand lags behind in drawing foreign investment.

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