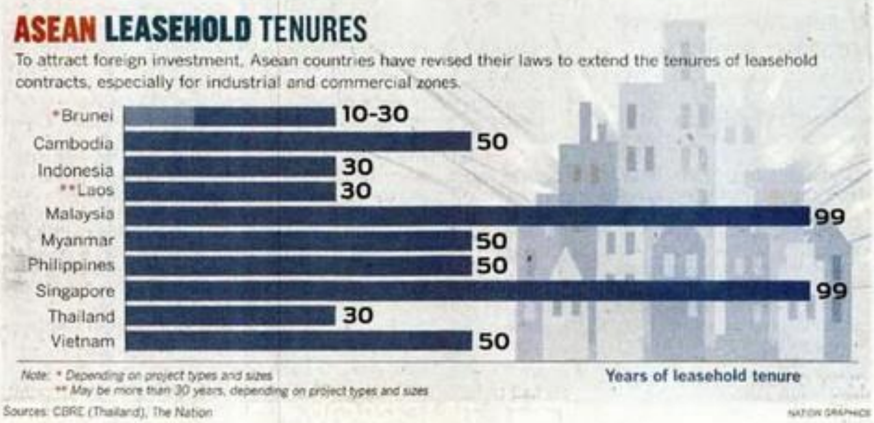
Foreign investment boost as leasehold periods increased

GOVT TO ALLOW UP TO 99 YEARS IN SEZS, BUT DEVELOPERS URGE SIMILAR PERIOD FOR RESIDENTIAL PROPERTY



SOMLUCK SRIMALEE
THE NATION

TO BOOST foreign investment in the region, Asean countries are revising their laws, especially those concerning investment in property by extending the length of leasehold contracts for industrial and commercial use, according to a survey by The Nation.

The Thai government on April 2 approved 99-year leases for state land to speed up the development of six special economic zones (SEZs), covering a total of 24,871 (3,979 hectares) rai in five provinces: Tak, Sa Kaeo, Trat, Mukdahan and Nong Khai.

The decision is based on the law on land leases for commercial and industrial purposes enacted in 2009, which allows 50-year leases. Plus a 49-year renewal term, the lease period will now be 99 years.

Under normal circumstances, Thailand's leasehold law allows a 30-year maximum period, with the possibility of renewing a lease for additional 30-year periods.

While leading property developers agree with the government's extension of leaseholds to 99 years for SEZ land, they also want the government to revise the leasehold rules for residential and other commercial buildings from the current extendable 30-year period to a full 99-year term, as in Singapore and Malaysia.

"If the government opened up the opportunity for foreign buyers to hold residential leases for up to 99 years, like Singapore and Malaysia, it would boost residential demand when the country is the gateway to the [upcoming] Asean Economic Community [AEC]," said Thai Condominium Association president Prasert Taedullayasatit, who is also managing director for condominiums at Pruksa Real Estate.

Meanwhile, Vietnam is revising its law so that foreigners can extend their property ownership after their 50-year ownership period expires under the Housing Law, up to an additional 50 years, according to Viet Nam News.

The newspaper said the government decree is expected to be issued this month, becoming effective on July 1, in accordance with the amended Housing Law, which was approved by the National Assembly in November with a separate clause on regulations for foreign ownership of properties in Vietnam.

The report said the ruling was part of a draft decree being proposed by the Construction Ministry, which specifies and guides a number of articles of the Housing Law.

According to Item 1, Article 77 of the draft, the provincial People's Committee is authorised to extend house ownership, at the request of an owner.

Under the amended Housing Law, foreigners are in total allowed to own a maximum of 30 per cent of the units in any apartment building.

Singapore and Malaysia lead the way in Asean in terms of opening up opportunities for foreign investors, with their maximum 99-year leases being far longer than those currently allowed in other member states.

Meanwhile, Cambodia, Myanmar and the Philippines make 50-year leasehold periods available to foreign investors, while Laos and Indonesia have 30-year leaseholds for land for foreigners, according to a report by property agency CB Richard Ellis (Thailand).

Emerging powerhouse

The latest report, "The Emerging Powerhouse of Southeast Asia: What does it mean for Real Estate Investors?" by Jones Lang LaSalle (JLL), says this year marks the creation of the AEC, a single market of over 600 million people.

This large economic and population bloc has already translated into significant opportunities through increased inter- and intra-regional trade, tourism, expanded financial and insurance services and higher demand for logistics, JLL said in the report.

Southeast Asia, notably Vietnam, Myanmar and Thailand, has served as a low-cost alternative to China. An additional 8 million people per year will be making the rural to urban migration across Southeast Asia by 2020, helping to push the urbanisation rate for the region to above 50 per cent, from 47 per cent today.

The region's middle class is expected to grow by another 70 million by 2020, as highlighted in the report.

These trends are expected to lift demand for real estate, especially for retail space in Bangkok, offices in Manila and residential and logistics assets in Jakarta.

Myanmar's real estate is benefiting from booming visitor numbers. While there is interest from institutional investors with higher risk appetite, mainstream investors still find the political landscape and land ownership structure too challenging, according to the report.

Chua Yang Liang, head of research for JLL in Southeast Asia and author of the report, commented that while limited real-estate assets across the region made direct investments challenging, investors had benefited from the growth of the retail market through joint ventures with local partners or direct participation in the equity market.

Chris Fossick, managing director of JLL, Southeast Asia, added that in the short term, there were many enabling factors that would help shape the property markets across Southeast Asia.

Amidst this potential, some Asean countries still face challenges of transparency, legal and political risks.

Nonetheless, selected areas have seen improvement in recent years and some risks can be mitigated, he said.