DTZ Research

DTZ Insight

South East Asia investment opportunities

Socio-economic factors drive investments

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- Investor interest in South East Asia (SEA) has grown as the debt problems in Europe and the USA shift investor interest towards Asia Pacific. This report analyses the investment climate, real estate drivers and opportunities in the five SEA countries where DTZ operates – Indonesia, Malaysia, Singapore, Thailand and Vietnam.

- In the medium- to long-term, SEA's economies will be underpinned by six socio-economic trends which in turn will drive their property markets: demographics, rising income levels, infrastructural developments, urbanisation, tourism and economic restructuring.

- Most of SEA's property investments come from within the region. In Malaysia, Singapore and Thailand where property investments are tracked by DTZ Research, intra-ASEAN investments made up 92.6% of all foreign investments in 2010. Nevertheless, a shift in investment strategies towards developing nations and regions arising from the increasing debt problems in Europe and the USA could see more investments coming from outside the SEA region.

- The growth of real estate investment trusts (REITs) in SEA, which is already a major force driving real estate investments in Singapore and Malaysia, will also lead to more property investments across SEA.

- Among the SEA economies, Singapore's property market is the most developed but also the most volatile due to the open nature of its economy which is highly dependent on external trade and financial activities. On the other hand, the large domestic base in other SEA economies and less linkages to global financial markets, particularly Indonesia, offers a more stable and insulated property market environment.

- There are, however, inherent risks in investing in emerging economies which can range from political risk to bureaucracy and navigating through the local way of doing business. Local knowledge is critical when investing in the emerging markets. Trade-offs have to be made, such as greater economic growth potential against lower transparency and political instability.

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Introduction

While the volume of property investment in Asia Pacific (APAC) declined in the aftermath of the financial crisis, falling 45% year-on-year (YOY) in 2008, it has since recovered to surpass its previous peak value in 2007, overshadowing Europe and the Americas[1] (Figure 1).

Although emerging China and the mature, developed property markets of Australia and Japan take the biggest share of the investment pie in APAC, there are also opportunities in South East Asia (SEA).

With stronger banking reforms in place after the 1998 Asian financial crisis, countries in SEA weathered the economic storm of 2009 well, cushioned by domestic demand and government stimulus spending.

While Singapore, Malaysia and Thailand went into recession at the beginning of 2009, pulled down by contracting exports as global demand weakened, all three had recovered by Q4 2009, posting better-than-expected economic performances.

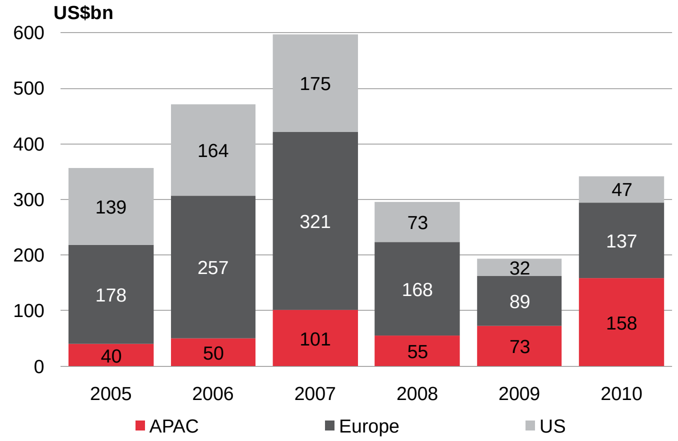
Bucking the global downturn, Vietnam and Indonesia came through 2009 with positive economic growth of 5.3% and 4.6% respectively (Figure 2).

According to Oxford Economics, these SEA countries are expected to achieve a CAGR growth ranging from 4.8% (Singapore) to 6.8% (Vietnam) between 2011 to 2015 (Figure 2).

In light of more investor interest in SEA as the growing debt problems in Europe and the USA shift investor interest to Asia Pacific, this report analyses the investment climate and real estate drivers and opportunities in the five SEA countries where DTZ operates, namely Indonesia, Malaysia, Singapore, Thailand and Vietnam (Figure 3). These countries are henceforth referred to as SEA5 in the report.

Figure 1

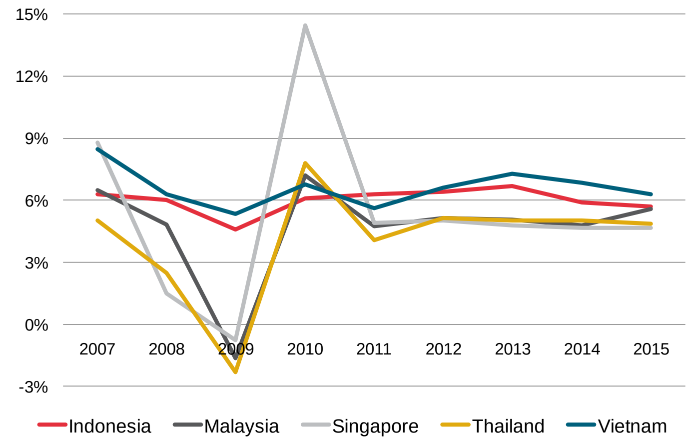
Global investment transaction values (commercial)



Source: DTZ Research

Figure 2

SEA GDP growth



Source: Oxford Economics, DTZ Research

Figure 3

DTZ offices in SEA

Source: DTZ Research

[1] Money into Property 2011

SEA investment opportunities

Key socio-economic drivers

The growth of the SEA5 property markets are underpinned by six broad socio-economic trends.

Demographics

Generally, investments in real estate are driven by population expansion and consequently, higher levels of labour force participation. The abundance of a young labour pool has also proved to be a magnet for foreign direct investments (FDI).

With the exception of Singapore and Thailand, the rest of the SEA5 countries will enjoy the advantage of having a major portion of their populace at the working age over the next 10 to 20 years. Indonesia and Malaysia can expect to see the proportion of their population between the ages of 15-59 peak after 2015 (Figure 4).

Provided economic bottlenecks such as unemployment, productivity and education are surmounted, this demographic transition brings with it the potential of higher disposable incomes and consumption. Knock-on effects will then drive demand for real estate developments particularly in the residential and retail sectors catering to local demand.

Urbanisation

Since 1990, the urban populace in SEA5 ex Singapore has increased from 29.3% of total population to 41.5% in 2010[2], while per capita income has near tripled over the same period. This proportion is expected to grow as economies industrialize and more of the rural population migrate to the cities.

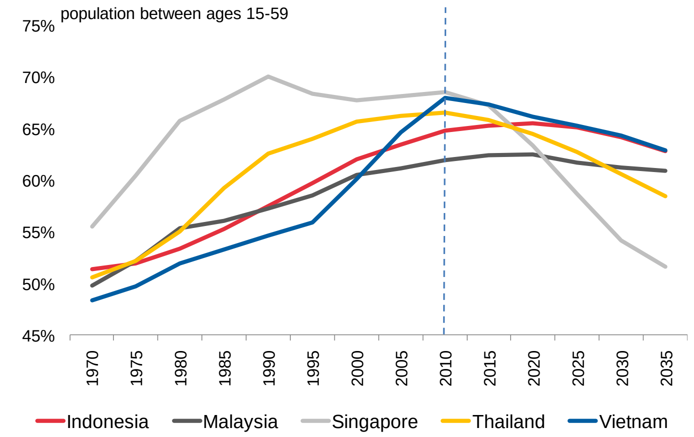
Malaysia's Economic Transformation Plan (ETP), unveiled in 2010 to propel the country into a high-income nation by 2020, aims to make Malaysia a more urbanised country with the share of population living in the urban areas growing from 64% to 70%. Much of this growth will be concentrated in Greater Kuala Lumpur as a primary engine of economic growth, with the population envisaged to increase from 6 million in 2010 to 10 million by 2020.

An increase in urbanisation rate leads to more demand for all types of real estate, thus giving rise to real estate opportunities for developers especially those who arrive on the scene earlier when prices are lower and there is more land supply and less competition.

[2] United Nations Department of Economic and Social Affairs (UNDESA)

Figure 4

SEA's demographic dividend



Source: UNDESA, DTZ Research

Rising incomes

Sustained economic development in APAC has resulted in the rise of an Asian middle class. The Asian Development Bank (ADB)[3] estimated that the middle class[4] in developing Asia, which includes Malaysia, Indonesia, Thailand and Vietnam, had risen from 21% of their total population in 1990 to 56% in 2008.

Besides a growing middle class, the population of high net worth individuals (HNWIs) in Asia is also growing. According to the 2011 World Wealth Report[5], the population of high net worth individuals (HNWIs) in APAC grew 9.7% in 2010 to overtake Europe into second spot.

These HNWIs, excluding the Japanese, are especially attracted to the residential market due to the strong fundamentals of the region. The proportion of their wealth devoted to real estate investments grew from 28% in 2009 to 31% in 2010.

Investment opportunities in real estate aimed at this segment of the population include mid-tier and luxury retail developments as well as affordable to luxury residential developments. Capitalising on the growing middle class, CapitaLand, one of Singapore's largest developers, has set up a new strategic business unit, CapitaValue Homes, in October 2010 to focus on building good value homes in Asia beginning with a few projects in China and Vietnam.

[3] Key Indicators for Asia and the Pacific, 2010
[4] Defined as those with consumption expenditures of between USD2-20 a day, at 2005 Purchasing Power Parity terms.
[5] By Capgemini and Merrill Lynch Wealth Management

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Infrastructural developments

With an impetus to rapidly modernize, countries in SEA are expected to ramp up public spending in infrastructure developments. ASEAN[6] has projected that between 2010 to 2020, developing countries in SEA, excluding Singapore and Brunei, will require about US$317.3bn to develop new transport infrastructure projects.

Indonesia, for example, inked a memorandum of cooperation with the Japanese government in 2010 to construct 17 transportation infrastructure projects in Greater Jakarta.

Malaysia aims to achieve a 50% public transport modal share by 2020 for Greater Kuala Lumpur by expanding the rail network under the ETP. Construction on the first mass rapid transit (MRT) line of approximately 51km began in July 2011 and is expected to be completed in 2017.

In Thailand, its 10-year electric railway master plan foresees greater Bangkok having a combined 236km of electric railway lines by 2015, up from the current 74.2km. The network will comprise seven lines. Construction on two lines has already begun.

Construction of Vietnam's first metro project connecting Ho Chi Minh City (HCMC)'s eastern and northern suburbs has commenced. Vietnam's metro network is envisioned to comprise six lines extending 167 km of rail, with the first line slated to commence operations in 2014. The expansion of the city outwards is expected to alleviate the shortage of space in HCMC, which has crimped the expansion plans of businesses in Vietnam.

Singapore is expected to double its rail network to 278km by 2020.

The impact of an efficient public transportation system on the economy is wide ranging. In most countries, the urban sector is a major contributor of GDP growth. Enhanced connectivity supports urban growth and leads to agglomeration of economies, as firms gain access to wider markets and a larger labour pool with significant productivity improvement due to lower commuting time and costs. By reducing congestion which some SEA5 cities are notorious for, better transport systems will also enhance liveability in the cities.

Well-designed transport infrastructure improvements usually have a positive effect on real estate values. It spurs development of previously inaccessible areas and creates opportunities for real estate developments of real estate.

For example, in Singapore where the MRT network is being expanded, decentralised commercial areas (Jurong Gateway, Buona Vista and Paya Lebar) are taking off and residential developments in the suburban areas next to MRT stations are setting benchmark prices.

In Thailand, the active extension of both the overhead Bangkok Mass Rapid Transit System (BTS) and underground Mass Rapid Transit (MRTA) routes have been the main factors contributing to new residential developments and neighbourhoods as well as higher prices along these lines. Popular neighbourhoods along these lines include outer Sukhumvit, Ratchtewi, Phayathai, Thonburi and Ratchadapisek.

Tourism

With a diverse range of natural and man-made attractions, SEA5's tourism industry is one of the key drivers of economic growth in the region, offering an eclectic diversity of culture and food.

More than a few world heritage sites can be found in SEA5 including the ancient Borobudur temple compounds in Indonesia, the ancient capital city of Ayuthaya in Thailand, the historic city of Malacca in Malaysia as well as the limestone features at Ha Long Bay, Vietnam.

Indonesia, Malaysia and Thailand are also renowned for their pristine beaches and diving spots. Kuala Lumpur, Bangkok and Singapore are popular shopping destinations with their mid-year mega sales.

Unlike its SEA neighbours, Singapore lacks natural attractions but makes up for it with manmade attractions such as the Night Safari, Formula 1 Grand Prix, Great Singapore Sale, Christmas light-up and more recently in 2010 two integrated resorts (IRs) offering casinos, convention centres and attractions like the Universal Studios theme park. Besides leisure travellers, it also targets business travellers, meetings, incentives, conventions & exhibitions (MICE) and medical tourists with the aim of increasing the number of tourist arrivals from 12 million in 2010 to 17 million in 2015.

The number of tourists to SEA5 is expected to grow in tandem with the region's economic development and improved accessibility from infrastructural developments and low-cost airlines.

[6] "Infrastructure for ASEAN connectivity and integration", ASEAN Economic Bulletin, August 2010.

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The World Travel and Tourism Council (WTTC) projected that the contribution to GDP from tourism in SEA5 from 2011 to 2020 will grow at a CAGR of 6.3% and support over 24 million jobs. Increasing levels of capital outlay will have to be spent to develop and sustain the region as an attractive tourist destination (Figure 5).

The increase in tourist arrivals will require new real estate developments, in the form of hotels and serviced apartments. In Singapore, Thailand and Malaysia where medical tourism is promoted, there are opportunities for niche developments such as medical/hospitality facilities.

Economic restructuring

The extent of economic growth in SEA5 in the future will also depend on the economic strategies adopted to take the nations to the next level. If well executed, they can provide massive investment opportunities in the real estate sector.

Singapore, the most developed nation in SEA, adopted an economic restructuring plan in 2003 to be a globalised, entrepreneurial and diversified economy. Many of the strategies have been carried out including lower tax rates, friendly regulations, building up the services sector in the areas of banking and tourism, improving infrastructure and attracting companies to establish operational headquarters in Singapore.

Malaysia's ETP launched in 2010 has earmarked 12 key areas of development or National Key Economic Areas (NKEAs) (Figure 6). The plan envisions 6% national income growth per year from 2010 to 2020, which would see the country attain first world status by then.

The most prominent NKEA is the Greater Kuala Lumpur area. Besides the plan to build the MRT in the capital, the government has also roped in investors from the Middle East to build a new financial district over 28.3ha and expects to attract at least 100 new multi-national headquarters to be established there.

Indonesia has also put forth a master plan in 2011 to turn the country into one of the world's top 10 economies and achieve a 5-fold growth in per capita GDP by 2025.

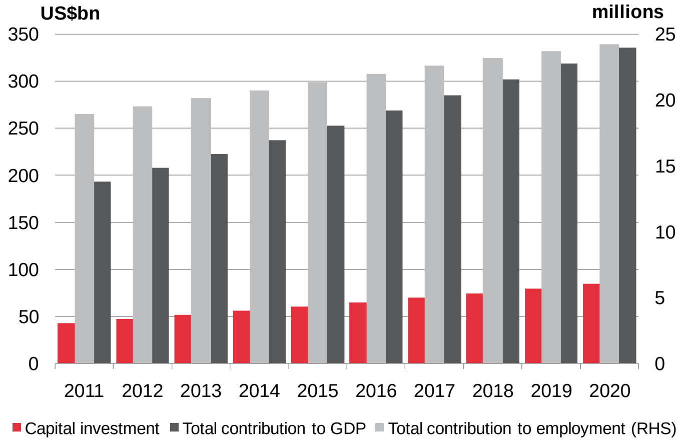
Under the plan, six regions – Sumatra, Kalimantan, Sulawesi-North Maluku, Bali-Nusa Tenggara, Papua-Maluku and Java – will be designated as main economic corridors with each prioritising certain economic sectors.

Vietnam's ascension to the World Trade Organisation (WTO) in 2007 has led to the opening up of its economy and relaxation in policies for foreign investment. Although now facing a trade deficit, currency depreciation and high inflation, its less developed real estate market relative to the rest of SEA5 offers opportunities for investors with deep pockets and a long-term horizon.

In Thailand, a new government was just elected in July 2011. During the election campaign, the ruling party had promised a 40% rise in the minimum wage, increased social security and a slew of major infrastructure projects. The economic plans by the new government are therefore awaited. Prudent policies will release pent-up demand, lead to new investments and put Thailand on the radar screens of foreign investors.

Figure 5

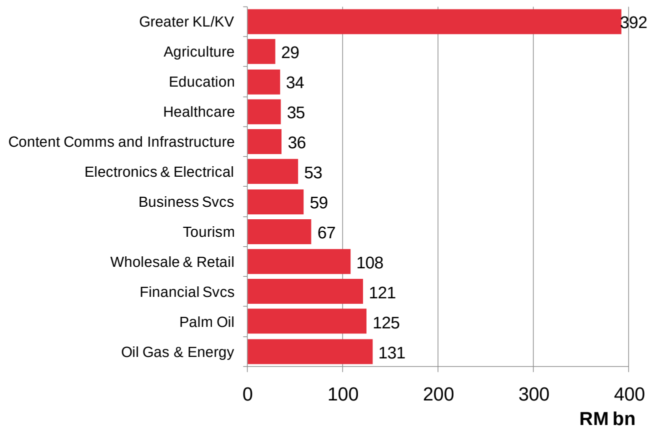
Growth of tourism (SEA5)



Source: WTTC, DTZ Research

Figure 6

Incremental GNI (2020) from Malaysia's ETP



Source: Pemandu, DTZ Research

SEA investment opportunities

Shift from intra-ASEAN investments

Transaction activity in SEA real estate in 2010 was driven mainly by intraregional investments. Within Malaysia, Singapore and Thailand where property investments are tracked by DTZ Research, intra-ASEAN investments made up 92.6% of all foreign investments in 2010 (Table 1).

Notable investments by major SEA investors include CapitaLand of Singapore which has increased its exposure to the residential sector in Vietnam and established a REIT in Malaysia. Keppel Land of Singapore is also involved in several joint ventures to develop residential properties in Vietnam.

Malaysia's YTL Corp has a stake in retail properties in Singapore, after acquiring a controlling stake in Macquarie Prime REIT in 2008, which was renamed as Starhill Global REIT.

The 2008 global financial crisis has caused a shift in investment strategies towards developing nations/regions as well as intraregional opportunities. As the debt problems in Europe and the USA increase with no determinable recovery plans, more money can be expected to flow into Asia Pacific and into SEA.

Table 1

Selected intra-ASEAN investments (2010-11)

Project country	Project	Investor	Investor country	Sector
Malaysia	Wisma Goldhill	Eagle Indo Private Ltd	Singapore	Office
Malaysia	Queensbay Penang	CapitaMalls Asia	Singapore	Retail
Singapore	112 Robinson Road	Grace Global	Indonesia	Office
Singapore	Cavenagh Mansion	Selangor Dredging	Malaysia	Residential
Singapore	Royal Oak @ Anderson	Arch Capital	Philippines	Residential
Vietnam	Ciputra Hanoi International City	Citra Westlake City Dev Co. Ltd (Ciputra Group)	Indonesia	Township
Vietnam	Somerset Hoa Binh, Hanoi	Ascott Residence Trust	Singapore	Hospitality
Vietnam	Investment in two residential development projects in Ho Chi Minh City involving acquisition of: • 65% stake in local company Quoc Cuong Sai Gon for 9,000 sq m of development land in Binh Chanh District . Intention is to develop 800 condominiums for middle income earners. • 70% stake in condominium development project in District 2. The site will hold 974 units which will target middle income earners.	CapitaLand	Singapore	Residential

Source: DTZ Research

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REITs a driving force

REITs have been a major force behind real estate investments in Singapore and Malaysia. Since 2005, the number of REITs listed on the Malaysian stock exchange has grown from 4 to 14 in 2010 and from 6 to 22 on the Singapore stock exchange over the same period. In 2010, REITs in Malaysia and Singapore generated 8.5% and 19.1% of the total value in transactional activity respectively in their own countries[7].

As economies in SEA develop, the REIT structure should become more firmly established in more countries. This will lead to more investment demand as the REITs buy up properties for their portfolios.

The Thai Security and Exchange Commission moved in 2010 to approve the regulatory framework for the creation of REITs. The current setting involving property funds in the country is deemed too restrictive in terms of gearing and asset types, and the introduction of REITs is expected to lift real estate investments in the kingdom. The kingdom's first REITs could debut on the Thai bourse by late 2012, according to press reports.

The Philippines is also in the process of working out taxation laws governing the REIT structure in the country. The country's biggest developer, Ayala Land Inc, is keen to list a REIT.

At the moment, Indonesia does not have any REIT listed despite having in place a regulatory framework. This is due mainly to taxation. However, PT Lippo Karawaci Tbk Group securitized its Indonesian healthcare and retail properties in 2006 and 2007 respectively for listing as REITs on the Singapore bourse.

Opportunities and challenges

With various socio-economic factors driving economic growth in SEA5, the region is increasingly appearing on foreign investors' radar screens as they look towards Asia as an alternative to the developed western countries which are facing sluggish uncertain growth.

Among the SEA5 economies, Singapore's property market is the most mature and transparent. Being a key financial hub in Asia with well developed physical, legal and financial infrastructure, Singapore is therefore one of the key Asian cities that foreign investors would first look at.

The strong economic growth in 2010 has driven strong demand in Singapore's commercial sectors and they were categorised as being HOT markets in July 2011 based on the Q2 2011 DTZ Fair Value Index™ (Table 2 and Box 1). The rental yields are lower than in other SEA markets, particularly for offices, but investors expect to be compensated by higher capital growth (Figure 7).

However, due to the open nature of the Singapore economy which is highly dependent on trading and financial services activities, the markets can turn quickly if the economic climate and debt problems in Europe and the USA worsen.

The Jakarta office sector, with the highest income return of above 10% among the eight SEA markets covered by DTZ Research, is rated WARM. Confidence and foreign direct investment inflows to the country have grown given its robust economic growth during the global financial crisis. Its high domestic consumption base, and limited dependence on exports and financial activities also insulate the country from the global financial turmoil and economic slowdown.

Of the eight SEA markets covered by DTZ Research, the Kuala Lumpur office market is the only one rated COLD due to substantial potential supply which is forecast to bring down capital values over the next five years.

Due to the high domestic consumption base in most of the SEA5 countries, the retail markets in SEA5 are more resilient compared to the office and industrial markets during downturns. They also provide better income returns than the office sector.

[7] DTZ SEA Investment Market Update 2010

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The large populations in the SEA5 countries, with the exception of Singapore, translate to demand for affordable residential developments from the locals, while purchases from foreigners for high-end homes are more volatile as they are subject to the vagaries of the global economies. In Indonesia and Vietnam, there is limited foreign purchase due to restrictions.

Table 3 provides a quick guide to investors by ranking the political risk, economic growth potential, and degree of transparency in the property market in each of the SEA5 countries. There are trade-offs to be made, such as between cost and potential gain against transparency and political instability. With many rules and regulations to navigate through and local customs to understand, in-depth local knowledge is critical when investing in the emerging markets.

More details on the strengths, opportunities and challenges facing each of the SEA5 countries are available in the appendices.

Table 2

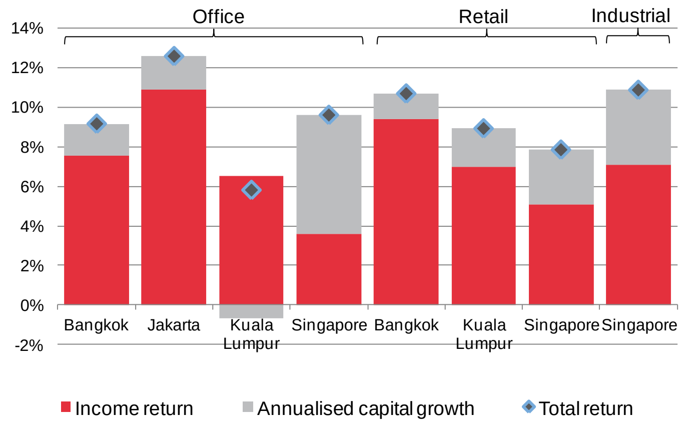
SEA market classifications (Q2 2011)

City	Office	Retail	Industrial
Singapore	Hot	Hot	Hot
Bangkok	Warm	Warm	NA
Jakarta	Warm	NA	NA
Kuala Lumpur	Cold	Warm	NA

Source: DTZ Research

Figure 7

SEA expected total returns 2011-2015 (Q2 2011)



Source: DTZ Research

Box 1: Guide to the DTZ Fair Value Index™

The DTZ Fair Value Index™ offers investors insight into the relative attractiveness of current pricing in 180 prime office, retail and industrial property markets across Europe, Asia Pacific and the US. The global all-property Fair Value Index is complemented by a suite of 16 sub-indices covering different sectors and regions. Index scores range from 0 to 100: scores close to 100 indicate that most of the markets covered by the index offer attractive returns and scores close to zero indicate that the markets covered generally offer inadequate returns.

Markets are categorised by comparing required and expected returns. Markets estimated to be more than 5% under-valued are classified as **HOT**. Markets estimated to be more than 5% over-valued are classified as **COLD**. Markets trading in between this range are classified as **WARM**.

Expected returns are estimated using DTZ Research's extensive market forecasts, which encompass rent and yield forecasts for all 180 global markets. These forecasts provide a solid foundation for the index; especially as they are in turn underpinned by rigorous econometric modelling complemented by DTZ's extensive local property market knowledge.

For further information on the methodology used for classifying different markets and calculating Fair Value Index scores, see the DTZ Research report: DTZ Fair Value Index™ Methodology: Solid Foundations for Future Returns.

SEA investment opportunities

Table 3

Comparison of SEA5

	Singapore	Malaysia	Thailand	Indonesia	Vietnam
Land area (sq km)	712.4	330,252	513,115	1,920,000	331,688
Population 2010 (million)	5.1	27.6	63.9	237.0	86.9
GDP per capita 2010 – ranking * (USD, PPP)	1 (54,475)	2 (13,438)	3 (7,781)	4 (4,001)	5 (2,807)
Transparency in market – ranking * (Corruption Perceptions Index 2010) **	1 (9.3)	2 (4.4)	3 (3.5)	4 (2.8)	5 (2.7)
Political stability – ranking * (EIU Political Instability Index 2009/2010) *	2 (4.7)	3 (6.5)	5 (7.0)	4 (6.8)	1 (4.3)
Economic growth potential – ranking * (2011-2015 CAGR)	5 (4.8%)	4 (4.9%)	3 (5.0%)	2 (6.2%)	1 (6.8%)

* A lower number denotes higher ranking.

** A lower number denotes lower transparency.

Source: EIU, Oxford Economics, Singstat, The General Statistics Office of Vietnam, Transparency International, DTZ Research

Strengths

- Its high domestic consumption base and limited dependence on exports insulate the economy from external economic downturns. Indonesia is the world's fourth most populous nation.
- Strong economic performance and outlook - currency is strengthening and inflation is under control. Local businesses are in expansion mode and foreign corporates are entering the market.
- Improving government debt ratios and growing foreign currency reserves are strengthening Indonesia's credit fundamentals.
- Since December last year, its credit ratings were upped to BB+, just one short of investment grade.
- Touted as the next "I" in BRIC (the group comprising the world's foremost emerging economies of Brazil, Russia, India and China).
- Re-elected for a second term last year, President Yudhoyono the government has made efforts to combat corruption; prospects for continued reforms remain strong.
- Low labour and land cost.

Real estate opportunities

- Industrial/logistics properties – the low wages are an attraction for manufacturing companies looking to cut labour cost.
- Mid-market retail centres – rising incomes and urbanisation give rise to increased local demand for retail developments.
- Residential – landed township developments for the locals. The market for strata developments is restricted due to the short tenure unlike freehold title for locals who buy landed homes. The authorities are considering allowing a longer tenure which will boost demand for the strata market, if approved.

Challenges

- Lingering terror threats.
- Inflation – while under control, a spike would affect growth.
- Bureaucracy – getting the pre-requisite business licences to operate in the country can be a bureaucratic minefield due to foreign investment restrictions. The decentralisation of power away from Jakarta since 2001 has also led to dual regulatory environments at the provincial level.
- Taxation – the criteria for assessing property tax based on the taxable sales value, which is calculated as a percentage of the sales value can be confusing. Other taxes include a luxury goods tax which is levied on sales of luxury properties.

Strengths

- High domestic consumption base.
- Business friendly – ranked 26th by WEF 2011 for competitive economy and ranked 21st by World Bank in 2011 for ease of doing business.
- Political stability.
- Relatively transparent legal system.
- Low labour and land cost.
- Widespread use of English.

Real estate opportunities

- Office – although suffering from oversupply, there are long-term opportunities in the sector as key projects under the ETP include developing Kuala Lumpur into a global centre for Islamic finance and attracting 100 top MNCs to the capital. Boosting the oil, gas and energy sector under the ETP will also generate more office demand from occupiers in this industry.
- Residential/retail – the ETP for Greater KL area targets to increase its population from the current 6.4 million to 10 million in 2020.
- Hospitality
  - Ecotourism at Sabah, Kota Kinabalu.
  - Beach resort destinations at Terengganu.
  - Hotels and medical tourism in Johor, Malacca and Penang.

Challenges

- Bureaucracy – a bane for foreign investors, steps have been taken to address this as the government has implemented one-stop solutions and aims to revamp itself under its own transformation programme.
- Overbuilding – the office sector could be impacted in the short to medium term.
- Execution of the ETP – successful implementation of the ETP is key to driving demand in the property market.
- Its manufacturing and export led economy is sensitive to external shocks.

Strengths

- Business friendly – ranked most competitive country by IMD in 2010; ranked 1st by World Bank in 2011 for ease of doing business.
- Well-developed legal system and strong intellectual property (IP) protection.
- Low tax rates.
- Transparent and well-regulated property market.
- Little restriction governing foreign ownership of properties.
- Gateway to Asia – strategic location for global companies with pan-Asia strategy; springboard for Asian growth companies to go regional or global.
- Central planning authority – government development plans are more easily implemented and better co-ordinated.
- Developed property market.
- Many investment-grade assets.

Real estate opportunities

- Office/Industrial – rents and capital values on the up-cycle, in line with economic growth. Investor focus has shifted away from the peakish residential sector which is subject to government intervention.
- Hotels – government’s target is to increase visitor arrivals to 17 million by 2015. More hotels required with more attractions in the pipeline such as the River Safari, Marine Life Park at Resorts World and Gardens by the Bay which will draw more visitors.

Challenges

- Limited land – land supply controlled by government.
- Lower yields relative to other SEA markets.
- Many prime assets in the hands of developers and REITs who hold them for long-term investment.
- Higher costs relative to the rest of SEA.
- Small open economy renders it vulnerable to any global economic downturn. Property market is more volatile as well.

Strengths

- Resilient despite political turmoil – economy expanded by 7.8% in 2010; property prices in Bangkok were stable in 2010 and 1H 2011.
- Strong manufacturing sector – contributed to 41% of GDP in 2010; record export growth of 27.3% in 2010.
- Important gateway to increasingly important major Indochina cities such as Myanmar, Cambodia, Vietnam and Laos.
- Low labour and land cost.
- Pro-business – many investor friendly policies such as regional operating headquarter (ROH) incentives (corporate tax waived 15 years), tax holidays for businesses which set-up manufacturing/industrial facilities within the many industrial estates/parks throughout Thailand.

Real estate opportunities

- Retail – the retail sector in Bangkok has always been attractive due to its reputation as a cheap and vibrant shopping destination. Due to lack of appropriate sites for development in the city centre, the trend is to build community malls near popular residential neighbourhoods in the suburban areas.
- Office – rentals for offices in Bangkok have bottomed and while increases have been noted in most cases, they have been slight. Supply in the future is also not significant. As such, prospects for higher yields in the future have revived interest from investors, including funds, who are interested in direct investments in real estate.
- Hospitality – with the 5-star hotels in Bangkok badly affected by the chain of political events, more investors are looking at the affordable or budget hotel sector through the acquisition of old hotels or poorly managed assets.
- Properties in Thailand's famed holiday destinations remain popular.

Challenges

- Political instability – uncertain investment climate due to political instability.
- Foreign investment restrictions – foreign investments in land trading are not allowed. Foreigners are restricted to 49% of units in condominiums.

Strengths

- Its high domestic consumption base insulates the economy from external economic downturns.
- Educated and young population.
- Its ascension to the WTO in 2007 has led to a more open market economy with relaxation in foreign participation and ownership.
- Increasing spending power among locals; younger generation is seen to be spending a higher proportion of their income.
- Property market in early stage of development.
- Low labour cost.
- Politically stable.

Real estate opportunities

- Retail – emergence of modern consumer culture, increasing disposable income and entry of foreign retailers after WTO ascension has generated growth in the retail sector.
- Hospitality – foreign arrivals to Vietnam grew 34.8% YOY to over five million visitors in 2010[8] while hotel rooms are in short supply.
- Residential – once interest rates decline, there will be pent-up demand from local Vietnamese. Condominium accommodation is growing as a viable alternative to landed property.

Challenges

- Bureaucracy.
- Weak legal framework; lack of transparency in regulations.
- Current account deficit – faced with a need to fund its widening trade gap, the central bank has been weakening the dong.
- High inflation – the weak currency and continued economic expansion is compounding the problem, prompting a downgrade of its credit ratings in late 2010.
- The government faces a huge challenge as it has to curb inflationary pressures, while maintaining the nation's economic growth rate at a targeted 7-7.5% p.a. between 2011 and 2015. The government has responded to inflationary pressures by attempting to limit monetary supply. Limits on lending to non-manufacturing industries have created a shortage of credit. Lending rates are therefore high which has had a cooling effect on the property market.

[8] Vietnam National Administration of Tourism

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