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OPPORTUNITIES AND DIFFICULTIES OF LONG-STAY ACCOMMODATION IN THAILAND

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MASTER OF SCIENCE THESIS

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ABSTRACT

Tourism industry plays an important role in developing countries like Thailand. An accommodation is a key expense of almost every trip, therefore accommodation development need to be taken into account in order to attract target tourists from other countries. The long-stay tourism is important since the longer the tourists' stay means the more receipts spent. Subsequently, many studies have been focused both on the tourism and real estate sides about long-stay accommodation in various types.

Long-stay tourism in Thailand is an outstanding tourism alternative. Tourists from high cost of living, cold countries and aging population are the target market as we can see from the Americans, Europeans and Japanese tourists. Accordingly, future demographic structure is expected to increase so that cause emerging niche market called retirement home as a sub-set of the long-stay tourism.

This thesis analyzes the attributes of the long-stay tourism in Thailand. The Scandinavian tourists are selected case studies according to their qualification and potential to be prospective customers. The opinions from the demand side, Scandinavian tourist-investors, were collected. Currently many projects of the Scandinavian are in the markets and will continue more as a consequence of predictions following tourism trend. In contrast, the study shows that there are some obstacles, which decelerate the growth of this market. Government policy is key to drive tourism and real estate sector to get along together. Until now, there is no exact solution but some alternatives from relevant market in sample countries were exemplified in order to develop tourism accommodation with the long-stay tourism in Thailand later on.

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ABBREVIATION

ASEAN	Association of Southeast Asian Nations
Baht, THB	Thai baht (Average Exchange rate year 2010 is around 30.15 Baht per 1 US Dollar)
BOI	Board of Investment
CBRE	CB Richard Ellis
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
IMF	International Monetary Fund
JLL	Jones Lang LaSalle
OECD	Organization for Economic Co-operation and Development
OTD	Office of Tourism Development
TAT	Tourism Authority of Thailand
UNWTO	United Nations World Tourism Organization
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economics and Social Commission for Asia and the Pacific
WTO	World Trade Organization
WTTC	World Travel and Tourism Council

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1 INTRODUCTION

The introduction chapter initially provides a brief background of research purposes followed by the thesis justification. Along the research, the adopted methodology is described and lastly the disposition is orderly presented.

1.1 Background

Long-stay tourism is one of a tourism style, which has been popular for many years. Undeniably that Spain is the most popular destination but nowadays an emerging region like Southeast Asia shows an outstanding market share of long-stay tourism since the world became more globalization. Apart from recreation purpose, long-stay tourism has highly involved with the term 'Second-home' that is normal culture for tourists with purchasing power. Subsequently, the term 'Retirement home' is also highly related due to the global socio-demographic trend in the near future was predicted a critical change of the older age proportion in many countries such as Japan and Scandinavian countries (UN 2010).

In Thailand, the Japanese is an obvious foreign group who spend their long stay due to many reasons for instance working, travelling, studying, and spending retirement. The retirement group is important due to their concern about aging population. In addition, this group has high support from Japan government and an organization called '*Japan & Thailand International Relations Organization*' (JTIRO). Japanese tourists and elders have occupied various styles of accommodation such as guesthouse, rental apartment, and condominium. Unlike the Japanese, the Europeans spend their living without any supporting organization for their elder tourists. However, European tourists like the Scandinavian is an important group due to their potential and active activities in occupying long-stay accommodations in Thailand. Although there is no official record of long-stay accommodations are collected but the existing of their living are found along the beach in many coastal tourist destination.

As Thai government realized the importance of long-stay tourism, they have studied and launched some campaigns to arouse long-stay tourism especially the retirement segment. So far, the previous campaign in 2004 did not succeed due to many reasons and revision is in need in order to attract tourist and compete with neighbor countries. For convenience, the term 'Long-stay accommodation' and 'Long-stay tourism' will be used interchangeably in this study. Below is a figure 1, showing the map of Southeast Asian countries in order to understand sub-regional geography as well as Thailand map shows tourist destination which will be mentioned later in this research

SOUTHEAST ASIA

- 1. Brunei Darussalam
- 2. Cambodia
- 3. Indonesia
- 4. Lao PDR
- 5. Malaysia
- 6. Myanmar
- 7. Philippines
- 8. Singapore
- 9. Thailand
- 10. Viet Nam



Figure 1: Map of Thailand and Southeast Asia
 (<http://maps.google.com/> and <http://www.destination360.com/asia/thailand/map>)

1.2 Aims and Objectives

The initial and main purpose of this thesis is to study a current position of long-stay accommodation market in Thailand. To understand the market, the relationship between long-stay accommodation development and tourism trends will be conducted. In addition, all relevant tourism alternatives for supporting long-stay tourism in the market will be exemplified.

All matters involving with the government policies do not mean to critically evaluate government policies. Instead, the study tries to reveal how the state involves with the long-stay tourism relating property industry in fundamental policies and strategic issues. After considering market situation, the various roles and available strategies are exemplified along with examples of their use in Scandinavian long stayer group. The study concludes with suggestions on improving the effectiveness of public and private sector involvement.

Consequently, for better defining the objectives as well as scoping data collecting, the following research questions were adopted and subsequently reformulated as the research process developed to contribute the principal intention.

- How is the long-stay accommodation characterized in Thailand?
- How is the relation among socio-demographic changes, long-stay tourism and retirement home opportunity?
- How is the long-stay accommodation development in the Thailand adopted by the Scandinavian tourists?
- What is the current government policy to the long-stay development in Thailand?
- How to enhance a potential of long-stay projects in Thailand?

1.3 Justification of the thesis

As previously stated, several attempts have been tried especially for tourism plan but not much in linkage between newly constructed real estate sectors. Up until now, the ‘Long-Stay’ term was widespread used in the tourism accommodation with misconception of the service system and the building. Although the department of tourism has launched some supportive campaigns for the project owners or developers, just only some of the projects have registered with them while there is numerous amount of newly built private projects uncontrollably scattered around popular destinations. The reasons behind vary in each project and need to be improved in the near future.

Long-Stay accommodation is a crucial element of long-stay tourism because this type of real estate development could yield national revenue from tourist receipt. By this taking, it will result in an increase in national GDP especially for several developing countries.

Therefore, the thesis will sustain the idea of attracting long-stay tourist by raising considerable opportunities and outlined difficulties to discuss possibilities to solve these problems. Eventually, a critical analysis is supposed to raise some constructive suggestions for practitioner and hopefully for the policy makers later on.

1.4 Methodology

Overall, the study primarily applies qualitative method with theoretical framework based on literature review, relevant stakeholders interviews and is complemented by available quantitative data. The illustration in this study consists of plain texts, tables and graphics. In addition with research method, I divide my study into three parts that should reply research questions comprising economic analysis, tourism industry, demographic changes, and second-home analysis, ending with critical analysis.

- Firstly, country background and economic analysis information is based on electronic sources and literatures. This part illustrates economic attributes of the studied receiving country (Thailand).
- Secondly, the long-stay tourism and retirement home market analysis will base on national database, international organization database, public company research and research papers database. The case studies will be exemplified and compared for more clarifications in this field. The interviews will be conducted to sample stakeholders and relevant organizations.
- Lastly, critical analysis for both case studies and interviews will base on theoretical frameworks deriving from literature review and conceptual framework which purpose a combined data to reach the objectives.

1.5 Disposition

Chapter2 introduces relevant literatures and previous studies describing how tourism industry and demographic change relate with long-stay accommodation. Accordingly, the accommodation acquisition and property ownership is conceptually explained regarding law, regulation and government policy.

Chapter3 reviews Thailand's economy, tourism and real estate market. From national economy to tourism economy, we analyze their interaction more or less with each sector of real estate market base on economic theories, real estate development studies, and reports from international consultancy firms.

Chapter4 is divided into two main parts, which are tourism trend and market analysis of tourist accommodation studies. In Market analysis part, the demand characteristics of long-stay tourists are described with their accommodation preferences. In addition, supply characteristics in Thai long-stay market are exemplified from existing and proposed projects.

Chapter5 presents government policy relating to the long-stay accommodation and real estate acquisition. Their vision and practice in this market are given as well as several conflicts in policy. Additionally, the sample comparative studies for improving the market are exemplified.

Chapter6 presents case studies from Scandinavian tourists living and possessing accommodations in Thailand East coast. The information comes from selected stakeholders' experiences in order to get primary data and understand stakeholders' views to this market. The second-home or retirement home concepts are also described as well as the Scandinavian dwelling behaviors are analyzed from many studies. As consequent, all applicable information gives the ideas about their preferences and how could we reach long-stay tourists from Scandinavia.

Chapter7 is critically analyzed overall gathered information in order to answer research questions and provide some recommendations for Thailand long-stay accommodation.

Chapter8 summarizes the study and introduces suggestions for further studies.

2 THEORETICAL AND CONCEPTUAL FRAMEWORK

This chapter introduces previous studies related to thesis's aim and objectives. Four components are presented in this chapter. Firstly, the role of Tourism explains tourism characteristic and basic elements of tourism. Secondly, the role of Demographic change is drawn to show expected future tourism trend. Moreover, since accommodation is one key basic element of tourism so long-stay accommodation ownerships are exemplified. Lastly, as every country has its own law and regulation, this component describes why government policy has to control real estate market. In brief, the study conceptual framework is illustrated as shown below.

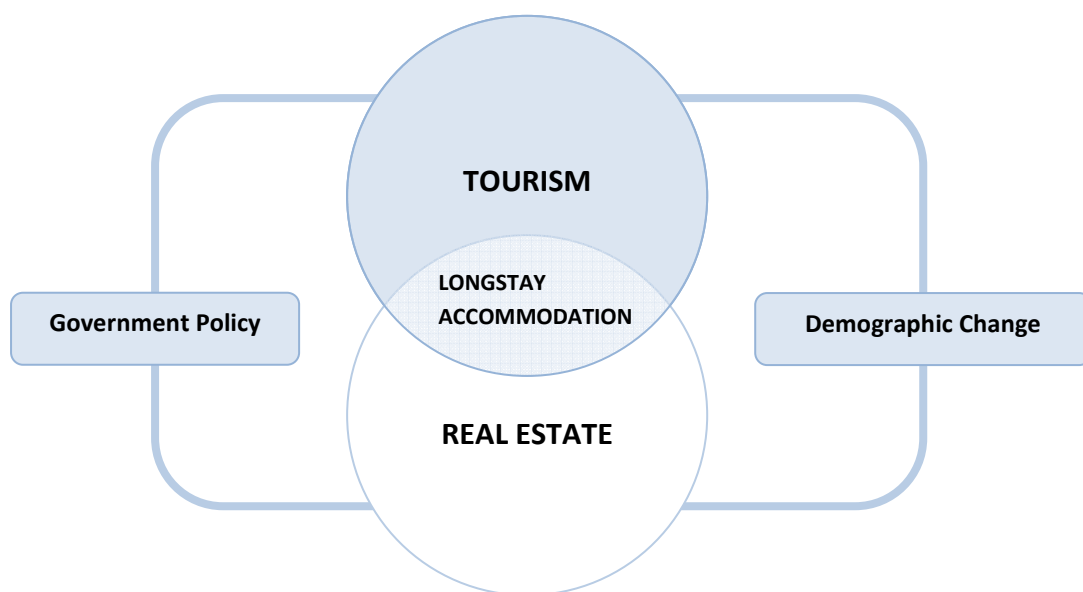


Figure 2: Conceptual Framework by Author

2.1 The role of Tourism and long-stay accommodation

The current focus of sustainable development on a global basis, derived from the 1992 Earth Summit in Brazil, has been a push factor for tourism development in three key aspects. First is the need to preserve the environment and natural resources, second is the need to continually study the tourism market, and last is the need for human resource development. All of these key aspects have pushed the development of alternative tourism not only to respond to the identified needs but also to replace current mass tourism (Hongsranagon, 2005) Long-stay Tourism is considered a type of alternative tourism since it focuses on the learning of language and cross-cultural exchanges between tourists, considered to be visiting guests, and local people, considered to be hosts.

Tourism industry relates to property acquisition since accommodation is one of the three basic elements of tourism; i.e. transportation, accommodation and service. Perhaps long-stay tourism is explained by the common characteristics of the second-home definition, which is based on two main aspects (Pedro, 2006). Firstly, it is the type of tourist dwelling where tourists' stay may be privately owned, rented or cost-free (visiting relatives or friends). Secondly, these tourists frequently return to the same holiday place. Their returns demonstrate great knowledge of, loyalty towards and appreciation of the destination (Hall and Muller; 1993; Dasse and Aubert, 2000). Hall (2003) has presented three groups of tourism as shown in figure 2. However, in every visit may contain more than one purpose and could be blended between categories such as a tourist who spend their winter break (forced temporary migration i.e. environmental reasons: Non-tourism related mobility) in their second home somewhere in warmer country (Travel to second home: Academic categories).

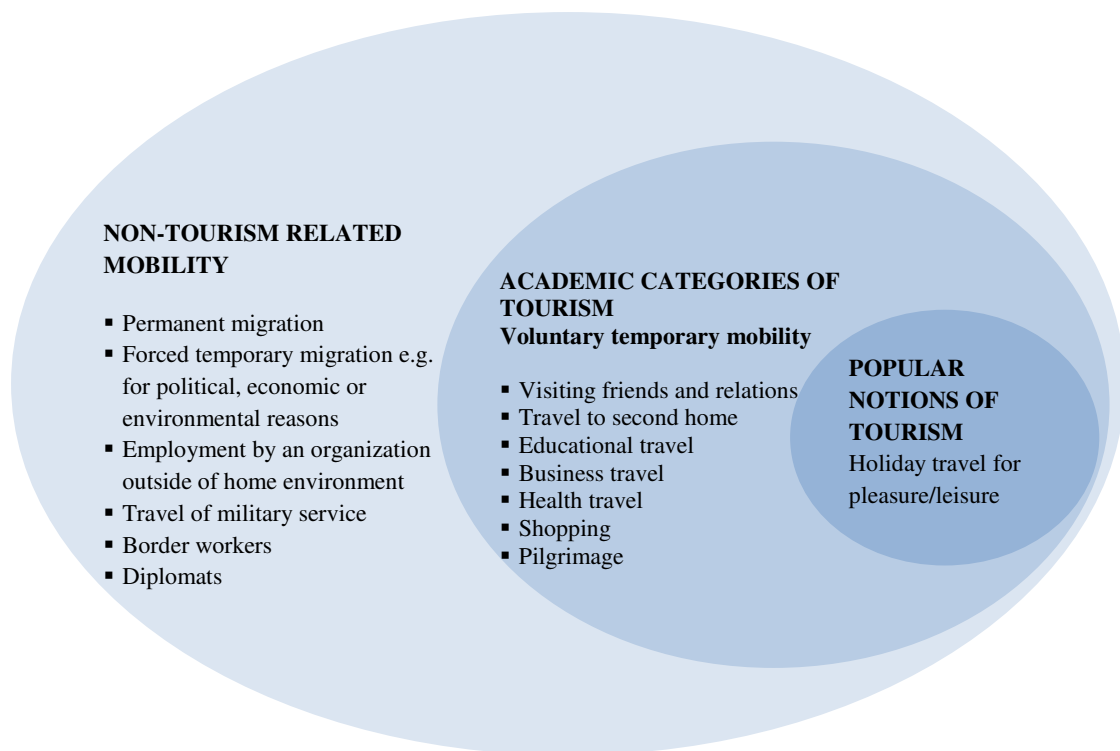


Figure 3: Popular and academic conceptions of tourism (Hall, 2003 and Author)

A period of long stay is considered to be one or in excess of one month. With this condition, elderly tourists or pensioner tourists have become one of the key target markets for long stay tourism. They have no further career responsibilities and have completed their family care-taking responsibilities. They also have steady incomes from pension funds provided by their government; i.e. pensioner tourists from the United States of America, the

European countries, as well as from Japan. In brief, various factors, which encourage this development, are as follows (Statistic Norway, 2010),

- General growth in households' income
- More leisure time and longer holidays
- Liberalization of capital flows
- Cheaper and more efficient transportation
- Relaxation of border controls, making it easier for people to move between countries

The US tourists are considered as a biggest share in second-home tourism while the European Union is the second large market. The demand increases obviously in southern European countries and such homes are very often purchased by northern Europeans (Pedro, 2006). In the region like Scandinavian countries, one of their common cultures is possessing second-home basically in domestic area. However it has become increasingly more popular to acquire second homes or holiday homes abroad due to repeated travel in some countries (Michael, Miller and Saarinen: 2008). A top-listed country for long-stay tourism is Spain since its advantages come from the Mediterranean Sea, being rich of cultures and remaining the European atmosphere. In the same time, the US tourists give priority to destinations in Central America and South America such as Costa Rica, Panama, and Brazil.

Nowadays, there are more markets outside western countries. Initial demand was driven predominantly by seeking for better climatic conditions. (Pedro, 2006) An important growth in this sector is transferring to Asian countries especially Southeast Asian countries such as Malaysia, Philippines, Singapore, and Thailand.

2.2 The role of Demographic Changes and long-stay accommodation

The term 'Baby Boomer' is originally referred to the American born between 1946-1964 after the returns of the American soldiers from World War II field. At that time, the birth rates increased dramatically in the U.S. and nowadays they became an age group between 42-65 years. Not only in the U.S. but after then the term has been used broadly mentioning those who were also born during that period. Europe and Japan have entered the stage of very slow demographic growth and will most likely be confronted with some population decline during the first half of the 21st century (Muenz, 2007).

United Nation reported projected world population up to 2300 which though not done by major area and for selected large countries (China and India), as was the previous practice, but for all countries of the world, providing greater detail. Almost of the regions have expected lower growth rate except slightly upward trend in Northern America. Life

expectancy is assumed to rise continuously, with no upper limit. Beyond the demographic window, population ageing becomes a predominant demographic feature. Thus, may lead to transnational migration. Influx foreign labor forces will solve declination of population and new generation while some elders seek retirement destination to sustain their pension.

From the study of the Population Division, DESA, United Nations (Population Division, 2010) The Japanese is an obvious case of increasing rate of the elders. The government has a policy to locate the number of old pensioner to elsewhere which is suitable for spending their life with the fixed amount of pension. They are willing consumers of goods and services that promote independent living. Their concerns about living and dying have fueled the development of innovative products and services. Silver markets involve the production of specialized goods and services in medical and health services and equipment, home care, real estate, construction, financial services, education and learning, food, cosmetics, travel, and entertainment (Usui, 2007). Most personal financial assets and real estate are owned by seniors, and the transfer of assets to the next generation through inheritance will increase demands for new financial management services that involve more investment than savings which utilize personal financial assets (Usui, 2007). Some popular destinations are Thailand, Malaysia and Philippines. It is understandable why some of them have chosen Thailand as a retirement home since Japan is a considerable trade partner as well as inbound tourists. Currently, bilateral corporation ran some Japanese retirement projects while some of Japanese families own their private residences for both temporal living and retirement living.

2.3 Long-stay accommodation ownership

The real estate industry is an integral part, and underlying infrastructural basis of the tourism sector, as it is of many other sectors in the economy. The distinctions between tourism and real estate are becoming increasingly blurred in terms of use patterns. For example, hotels serve as long-term residences and offices for an itinerant business workforce and leisure communities offer both residential and recreational services to an often-international population (Bardhan, Begley, Kroll and George 2008). Much of the empirical analysis of tourism globalization, especially the real estate aspects, focuses on the hotel industry (Bardhan, Begley, Kroll and George 2008). However, Upchurch and Gruber (2002) purpose tourism-related real estate into three categories of accommodation.

Duration of stay		
Short		Long
Nightly loading	Timeshare Product	Longstay

Figure 4: Timeline analogy of duration of stay (Upchurch & Gruber, 2002:p.212), and Author

From figure 4, Upchurch & Gruber (2002) divided type of accommodation into three categories depend on night of stay which is consistent with the studies of Warnken, Guilding and Cassidy in 2008, “A review of the Nature and Growth of multititled tourism accommodation complexes, and challenges arising”, and Warnken & Guilding in 2009 “Multiownership of tourism accommodation complexes: A critique of types, relative merits, and challenges arising”. By short terms, Warnken, Guilding and Cassidy perceive the tourist accommodation as hotel types (Which has many titles as shown in 2008 study), shared-ownership (which is timeshare products and has many options of ownership as shown in 2009 study), and “second home” (long-term ownership (leasehold) or permanent ownership (freehold) which eventually spend the rest of their retirement life under the “long-stay” concept.

Nonetheless, the word ‘Second-Home’ may cover both medium-stay and long-stay accommodation since it has been analyzed for over half a century according to demographic study. The definition is rather ambiguous but it is crucial because of the number needs to be counted for statistic survey. Hoogedoorn (2005) draws on Marsden’s (1977) typology or four part categorization of second homes, in which they are defined as immobile and unserviced supplementary accommodation, which (1) comprised a private home often visited at the weekend and on holidays by the family or nonpaying guests; (2) intermittently served as commercial holiday homes, which were used as private holiday homes but were let at high season to defray costs; (3) intermittently comprised private holiday homes, often purchased for retirement but meanwhile let out as commercial holiday homes, apart from occasional family use; and (4) served as commercial holiday homes, owned as an investment and usually let and managed by an agent. Sesena (2004) believed that when tourists own their own accommodation, some advantages are derived as follows;

- Avoid seasonal mass tourists.
- Improve tourism quality
- Ensure that the tourists will visit our destination year after year

- Create a complimentary tourism constituted of friend or family members of those who own the residences
- Make possible the economic development of all activities that depend either directly or indirectly on tourism. Thus, avoiding the depending on the level of occupancy of the hotel sector
- Increase tourism in the off season

Jaakson (1986) also defined the second-home owner in a form of ‘permanent tourist’, who is in a perpetual state of travel anticipation. The degree of anticipation reflects the frequency of travel by the owner since second-home owners are regularly and continuously aware of their imminent visit to the cottage. Figure 5 illustrates a relation between ‘Spatial dimension’ and ‘Temporal dimension’.

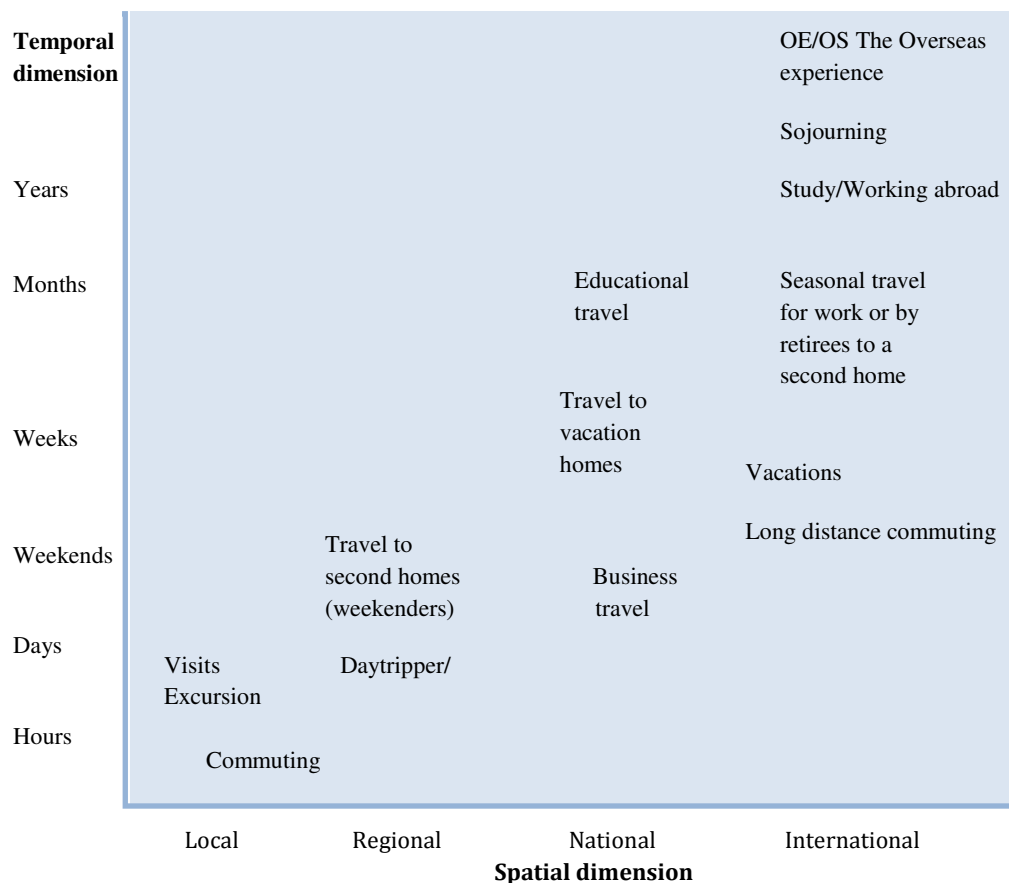


Figure 5: Temporal mobility in space and time (Hall, 2003), and Author

By law definition, for residential property, the two common types of ownership are leasehold and freehold. However there are miscellaneous details in specific contract, which

vary in each country. The considerable components are tax and holding period. In some countries, like the US and UK, freehold properties are simply allowed in all property types as well as freehold land while many countries like some Asian countries allow freehold and leasehold with different conditions. For example, in Thailand, the three most common forms of ownership are leasehold, freehold through a condominium title, and freehold through acquisition by a Thai company (CBRE research).

2.4 Government policy and real estate industry

Public policy involves with tourism and real estate industry in different roles. For real estate industry, Rivkin (Dunkerley 1978:89) pointed that: '*Government must set rules regarding the use of land to avoid economic, social and physical chaos.*' Traditional reasons for state intervention include the following (Newell 1977:5; Maritz 1983:146; CSIR 1992:171; OECD 1992:25-26; Mayo 1994:1; Deuschl 2006):

- **Public goods.** The classic example here is a lighthouse, which provides an essential service, yet no-one can be forced to pay for the service. With no profit motive, the property market will not provide this essential service
- **Externalities.** A high-rise building affects other properties, for example, by casting a shadow or by obscuring a view. Height zones in cities are created to deal with such problems. Externalities such as noise and increased traffic generated by a property must also be controlled.
- **Non-economic political ideology.** The classic example here is apartheid, which could not be enforced through the free market and legislation was required. Similarly, affirmative action will not be practiced voluntarily without economic benefits, unless the state enforces this policy.
- **Monopolies.** These are exemplified by large shopping centers that dominate a metropolitan area. Their location, size and composition need to be carefully controlled to allow smaller retail outlets to survive.
- **High-risk industries.** The provision of low-cost housing on a massive scale requires a significant investment, which may not be undertaken by a developer without incentives by the state.
- **Merit wants.** Schools are generally not built by the private sector, because these institutions may not be able to generate sufficient profit.
- **Income redistribution.** Labor-intensive industries may not locate where people most need jobs, unless the state intervenes by providing subsidies to industries that do so.

- **Market stabilization.** The property cycle has a severe impact on the construction industry, leading to cycles of growth and decline, and this in turn retards economic progress. The state could intervene to stabilize the industry.
- **Conservation.** Wilderness areas may not be economically viable, yet their preservation is in the public interest.
- **Equitable land distribution.** The property market will cater for the highest bidder and poorer people will not be served unless the state intervenes to enforce equity.
- **Effective land use.** The Gauteng provincial government is currently investigating the human, financial and fiscal cost of urban sprawl. The underlying question is whether urban areas should continue to grow at their peripheries, or whether increased densification and vertical development should be promoted (GPG 1997).

These are the traditional reasons why the state considers it necessary to intervene in the free market. As demonstrated, the reasons apply also to the property market. However, the property market has peculiarities that may also justify state intervention. Two unique characteristics are lack of information and the legal complexity of transactions. Because there is no central database of information, such as for shares traded on the stock exchange, the property market is notoriously inefficient. Information about product availability and price has to be provided by specialists such as estate agents and property valuers, who add to the cost of transactions and compound inefficiency. In an attempt to promote market efficiency, the state could enhance access to information, either directly or through its influence. Because property transactions involve large amounts of money and are legally complex, the state typically regulates the process and allows only specialist conveyancers to handle transfers (Deuschl, 2006)

3 REAL ESTATE MARKET IN THAILAND

3.1 Economic overview

3.1.1 Economic indicators

Southeast Asia is a sub-region of Asia, consisting of ten countries called the Association of Southeast Asian Nations (ASEAN), with diverse ethnic, political and economical basis. Among members, Singapore and Brunei Darussalam are categorized as developed countries while the rest are listed as developing countries (World Bank). During the starting decade year 2000 and the financial crisis in 2008, the ASEAN show an average slow down in GDP from 6.5% to 4.4% (ASEAN chartbook 2009) yet is an attractive market. After the bottom crisis in 2008, real GDP growth in 2009 dropped to 1.5% and is expected to increase to over 4% in year 2010 and 2011 (ASEAN , 2009)

Growth of the gross domestic product in ASEAN, year-on-year in percent; based on GDP in national currency at constant market prices

Country	2004	2005	2006	2007	2008	2009	2009				2010		
							Q1	Q2	Q3	Q4	Q1	Q2	Q3
Brunei Darussalam	0,5	0,4	4,4	0,2	-1,9	-0,5	-	-	-	-	-	-	-
Cambodia	10,0	13,6	10,8	10,2	6,0	0,1	-	-	-	-	-	-	-
Indonesia	5,0	5,7	5,5	6,3	6,0	4,5	4,5	4,1	4,2	5,4	5,7	6,2	5,8
Lao PDR	6,9	7,3	8,3	6,0	8,4	7,6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Malaysia	7,2	5,3	5,8	6,6	4,7	-1,7	(6,2)	(3,9)	(1,2)	4,4	10,1	8,9	5,3
Myanmar	5,0	4,5	6,9	5,6	4,5	4,8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Philippines	6,4	4,9	5,3	7,4	3,4	1,1	0,5	1,2	0,2	2,1	7,8	8,2	6,5
Singapore	9,2	7,4	8,6	8,5	1,8	-1,3	(8,9)	(1,7)	1,8	3,8	16,9	19,5	10,6
Thailand	6,3	4,7	5,1	4,9	2,5	-2,2	(7,1)	(4,9)	(2,7)	5,9	12,0	9,0	7,0
Viet Nam	7,8	8,4	8,2	8,5	6,3	5,2	3,2	4,4	5,2	7,4	5,9	6,3	7,4
ASEAN	6,3	5,7	6,0	6,6	4,4	1,5							

Table 1: Growth of the gross domestic product in ASEAN, year-on-year (ASEAN statistic, as of 15 Feb 2011; and Author)

Inflation rate, year-on-year change of the consumer price index, end of period (in percent)

Country	2004	2005	2006	2007	2008	2009	2009				2010			
							Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Brunei Darussalam	1,7	0,7	-0,7	1,3	2,6	1,9	2,4	1,9	-	-	-	-	-	-
Cambodia	5,6	6,7	2,8	10,8	12,5	5,3	-	-	-	-	-	-	-	-
Indonesia	6,4	17,1	6,6	6,6	11,9	2,8	8,6	3,7	2,8	2,8	3,4	5,0	5,8	7,0
Lao PDR	6,2	8,8	-3,7	5,5	8,5	-	0,7	-	-	-	-	-	-	-
Malaysia	2,1	3,5	n.a.	n.a.	4,4	1,1	3,5	(1,4)	(2,0)	1,1	1,3	1,7	1,8	2,2
Myanmar	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Philippines	8,6	6,7	4,3	3,9	8,0	4,4	6,4	1,5	0,7	4,4	4,4	3,9	3,5	2,9
Singapore	1,3	1,3	0,8	4,4	-5,6	-0,6	2,6	0,0	(0,4)	(0,6)	1,6	2,7	3,6	4,6
Thailand	3,0	5,8	3,5	3,2	0,4	3,5	(0,2)	(4,0)	(1,0)	3,5	3,4	3,3	3,0	3,0
Viet Nam	9,7	8,9	6,6	12,6	19,9	6,9	(2,5)	(2,2)	(0,5)	6,9	7,9	8,9	9,9	10,9

Table 2: Inflation rate, year-on-year change of the consumer price index, end of period (ASEAN statistic, as of Feb 2011; and Author)

The ASEAN has been promoted economic integration through, for instance; ASEAN Free Trade Area, regional financial security through the Chiang Mai initiative (CMI), developing transportation and infrastructure by United Nations Economics and Social Commission for Asia and the Pacific (UNESCAP). However, monetary factor is still far from being common currency although the central bank discount rate or exchange rate fluctuations move in the same way. The considerable difference is inflation.

Singapore is the most notable for its strong economy and, in the same time, plays an important role as a magnet of the sub-region. In 2007-2008, Singapore ranked the easiest of doing business in the world while Thailand and Malaysia ranked quite highly but the rest are poorly ranked (UNESCAP, 2009). Top trade partner outside the region are Japan, EU25, China and USA respectively. Due to lack of bilateral data, it is not possible to analyze trends in intra-ASEAN services trade. However, some indication of liberalization may be gauged from commitments to the General Agreement on Trade in Services (GATS) at the World Trade Organization. On the basis of the World Bank's 'GATS commitments index', ASEAN commitments to liberalize at the multilateral level appear to be low, though the higher income countries seem to be slightly more open than the others (UNESCAP, 2009).

3.1.2 Foreign Direct Investment (FDI)

Foreign Direct Investments net inflow ASEAN

Country	2004	2005	2006	2007	2008	2009
Brunei Darussalam	212	289	434	260	239	7 297
Cambodia	131	381	483	867	815	4 429
Indonesia	1 895	6 107	4 914	6 928	9 318	5 308
Lao PDR	17	28	187	324	228	3 358
Malaysia	4 624	3 965	6 072	8 538	7 318	3 015
Myanmar	251	72	428	715	976	1 422
Philippines	688	1 132	2 921	2 916	1 544	1 510
Singapore	14 819	20 081	27 681	35 778	10 912	1 582
Thailand	1 414	4 008	9 460	11 330	8 570	1 164
Viet Nam	1 610	2 021	2 400	6 739	9 579	688

(currency: US million)

Table 3: ASEAN Foreign Direct Investment Statistics Database (compiled/computed from data submission, publications and/or websites of ASEAN Member States' central banks, national statistics offices; and Author)

Theoretically, an open economy links with investment, export and import. FDI inflows into emerging East Asia have contributed to regional economic integration (Dean & Wignaraj, 2007) as the Association of Southeast Asia Nations (ASEAN). The association has

embarked on several economic integration initiatives, including the ASEAN Free Trade Agreement (AFTA), the ASEAN Framework Agreement on Services (AFAS), and the ASEAN Investment Area (AIA) (Dean & Wignaraj, 2007). In December 1997, the ASEAN leaders adopted the ASEAN Vision 2020, which envisioned ASEAN as outward looking, living in peace, stability, and prosperity, bonded together in partnership in dynamic development and in a community of caring societies. The majority of general investors come from outer Southeast Asia sub-region and the second importance is inner sub-regional investors. More specifically, the largest investors in the Asian Newly Industrializing Economies (NIEs), particularly in Singapore and Taipei, China, come from the US. In contrast, the EU is the largest developed country investor in ASEAN9¹ (excluding Singapore) particularly in Indonesia and Viet Nam with a share of 18.3%, followed by Japan with 13.4% which another roles play as the largest developed country investor in Thailand, and the US with 8.5%. Intra-ASEAN investments are also significant, accounting for 11.2%. Among ASEAN nations, ASEAN5² shares 85.9% of total ASEAN FDI. Unfortunately, FDI in all major sectors of all countries fell during 2008- 2009 unequally. ASEAN's share of total global foreign direct investment (FDI) inflow increased from 2.8% in 2008 to 3.6% in 2009. Nonetheless, the situation was recovered in the second half of 2009 and has shown a good sign in the first quarter of 2010 by United Nations Conference on Trade and Development (UNCTAD).

In particular, the services sector continued to account for the highest levels of FDI inflows, amounting to USD26.8 billion or 68% of total ASEAN FDI inflows in 2009. The main sub-sectors in services include trade, real estate, and financial intermediation that accounted for 15%, 32% and 27% respectively of the total FDI flows into the services sector (ASEAN , 2009).

Overall, the Global Competitiveness Report 2010-2011 ranks Thailand at 38th position, which fell 2 positions from 2009 and 10 positions from 2006 assessment. The drop is likely affected from recent political turmoil and the perception of the nation instability. However, the country still possesses some advantages from its relatively large domestic and export markets (23rd), its excellent transport infrastructure (23rd), the efficiency of its labor market (24th), and a relatively well functioning goods market (ranked 41st). In addition, the country's

¹ ASEAN9: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, and VietNam

² ASEAN5: Indonesia, Malaysia, Philippines, Singapore and Thailand

business environment is relatively sophisticated (30th) with developed clusters (34th) and companies operating across the value chain (Schwab, The Global Competitiveness report 2010-2011, 2010) To step forward, Thailand needs to improve its health and educational systems, adopt new technologies with productivity enhancement. These improvements will support innovation potential, which will become important base when it moves to the next stage of economic development.

3.2 Real estate market

As one of the main drivers of the Thai economy, real estate sector is composed of various sub-markets such as residential real estate (housing projects, condominium projects, hotel & apartment projects as well as resort development), commercial real estate (offices and parking spaces, retail spaces, department stores, shopping complexes entertainment complex, golf courses and land development), and industrial real estate both in Bangkok, other big cities and upcountry. This study will focus only on residential and commercial real estate as followings;

3.2.1 Residential market overview

After the crisis in 1997, Bangkok residential market was improved continuously and the statistic showed significant volume during 2003-2008 (Figure 6). Developers brought back confidences for launching new projects whilst buyer’s purchasing power increased after passive transaction for many years. The take up rate also increased and kept stable in 2007 because of projects completion. An internal concern came from political unrest and increasing household consumption prices, which were influent from external effect i.e. increasing oil price and subprime crisis in the US After 2008, current stocks remain high while occupancy has been gradually improving.

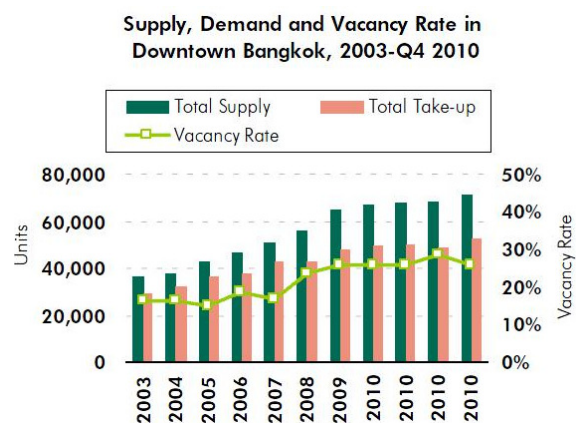


Figure 6: Supply, Demand and Vacancy Rate in Downtown Bangkok, 2003-Q4 2010 (CBRE research)

In Q4 2010, 2,608 units were added to Bangkok downtown stock and the existing supply reached 71,000 units. Moreover, 14 projects were launched 2,277 units and an average asking price for an off-plan condominium unit (high-end and above) in downtown Bangkok rise noticeably 19.1% Y-o-Y at 156,270 THB/m² (≈USD 5,183/m²) Vacancy rate rose to 26% and available units are either being offered for rent or resale. An average re-sale price is 124,319 THB/m² (≈USD5,183/m²), which increase 8% from previous year. In midtown area, a substantial number of units were launched at 7,328 units which equal to 30% from Q3 2010.

Bangkok offers a full range residential accommodations meeting an expatriates workers' size, lifestyle, and aesthetic requirements all at relatively low costs. (JLL, 2010) Long-term rent contracts are commonly found in condominiums, apartments, townhouses, and single houses. For shorter term, they can also find serviced apartments or hotel which provided more functions. During the past decade, Bangkok and its peripheral residential development has been transformed by taking advantages of the mass transit and road infrastructure. Available attributes are complimented the urban growth such as dining, shopping ranging from international retailer (Tesco Lotus, Carrefour, Max Value) to high-end shopping, recreational, healthcare with growing medical reputation at affordability, and educational (82 international schools) facilities.

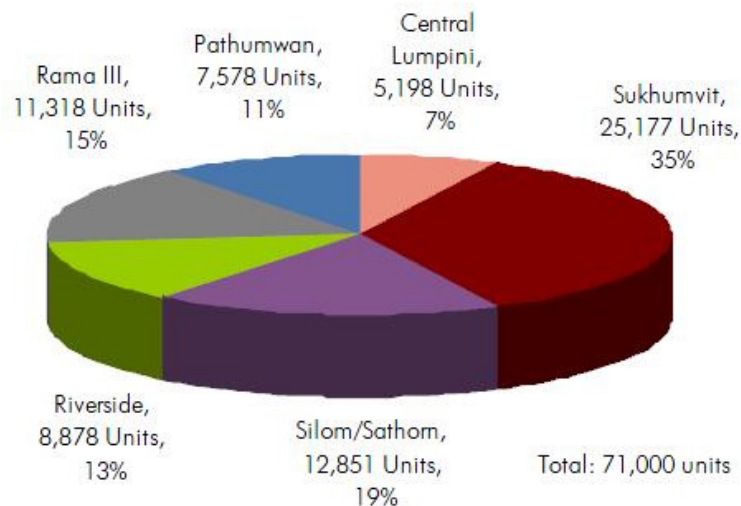


Figure 7: Existing (Units) Supply by area (CBRE research, 2010)

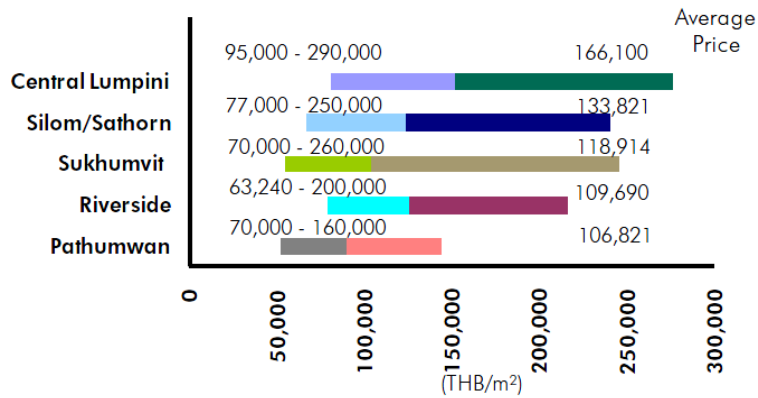


Figure 8: Average Asking Price Future Projects (All grades and types) by area (CBRE research, 2010)

In 2009, CBRE reported the slow increasing number of new Hotels in big cities like Bangkok, Phuket and ChiangMai, freehold property like condominium seems to be more interesting both in Bangkok and other provinces. In Bangkok, developers continued to acquire sites for residential projects both in the Central Business District and along the new mass transit routes. Thus, there has been no evidence of falling prices for land in the downtown areas. Yields for property investment did not changed notably although the interest rate has been increased. Those who consider real estate as an income-producing building still sought for the product according to its better yield (3.5%-8.6%) compare to bank deposits (1.6%-1.85%) and bonds (2.0%-2.4%). (Figure 9)

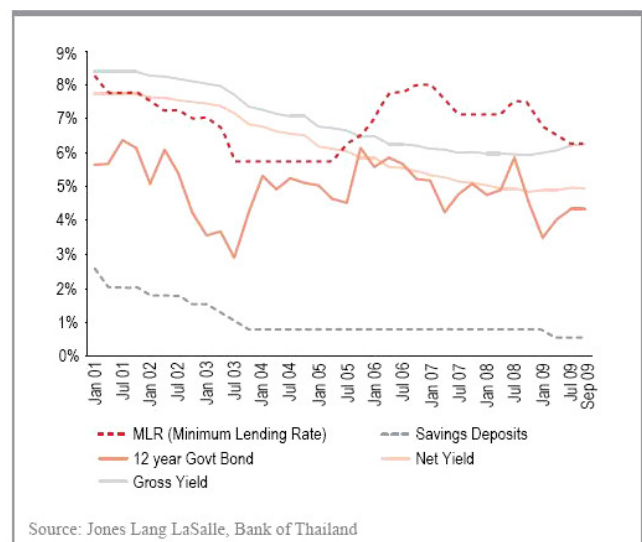
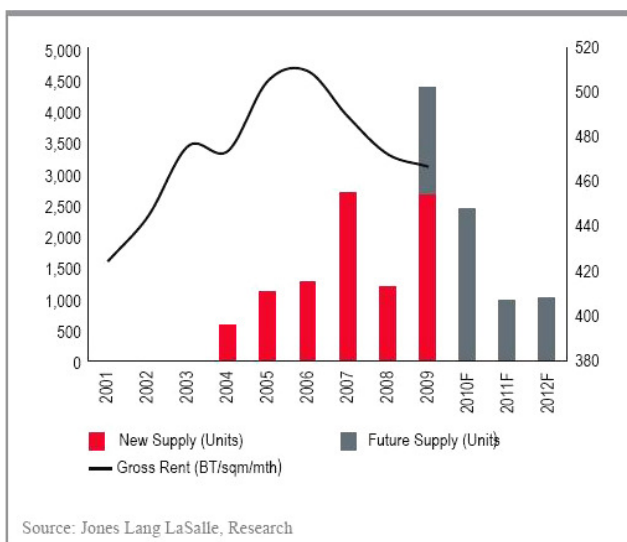


Figure 9: (left) High-end Condo Yield completion and Rents (Right) High-end Condo Yield and Benchmark Interest Rates

There are 108 companies registered as ‘regional operating headquarters’ (ROH) that receive relevant incentives (JLL,2010). Also 271,918 multinational and domestic companies are registered in Bangkok and nearly 90,000 professionals and investors are holding work permits. They majorly rent their accommodation ranging from the most basic to the luxurious one. The common lease term of these accommodations is one to two years. Some well-known residences are Marriott, Fraser, Oakwood and Centerpoint. Bangkok apartment rent is relatively low in Asia. From figure 10, high-end residential rents are averagely at USD 3,234 per month, which is much lower comparing to Singapore (USD 11,038 per month) but a little higher than Kuala Lumpur (USD 2,190 per month) and Jakarta (USD 1,360 per month).

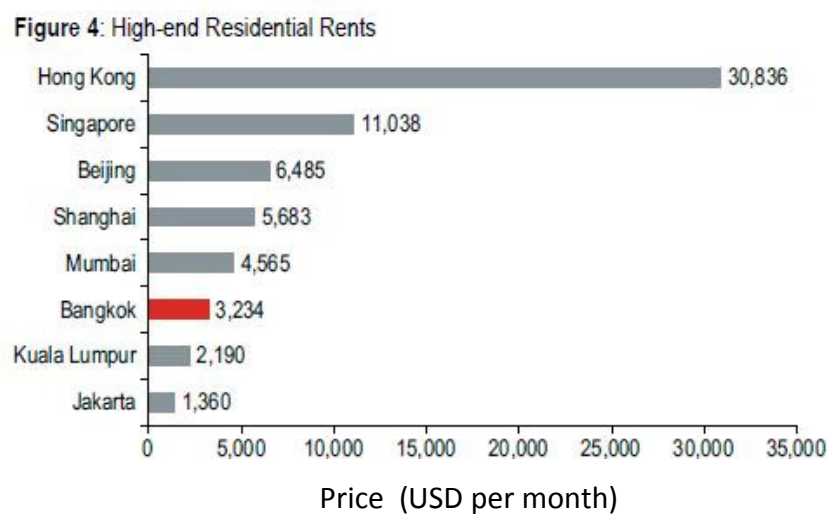


Figure 10: High-end Residential Rents (JLL, 2010)

One more residential option is found in condominium type since Thai law allows foreigners to purchase condominium units (either for personal use or investment) up to 49% of the total area of all units within the building. Price for the new high-end builds currently start from USD 4,000 per month while the middle-high level prices range from USD 2,000-3,500 per month depend on the location and quality. At present, there are a number of products in the market according to continuous developments from past several years both resale and new launched offers. High-end condominium purchasing price in Bangkok is the cheapest in JLL survey. (See figure 11)

Figure 5: High-end Residential Prices

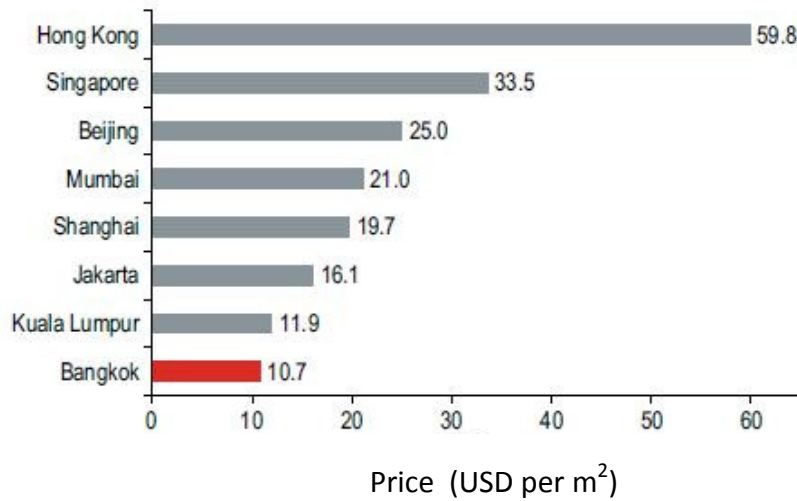


Figure 11: High-end Residential Prices (JLL, 2010)

3.2.2 Office market overview

The obvious and collectible cases of commercial real estate are mainly in Bangkok and its peripherals. After the previous crisis in 1997 new supply decreased substantially while the net take-up rate increases from remaining stock absorption. Historically in 2000-2005, Bangkok occupied an averagely 300,000 m² of net office take-up and approximately one third of all was net take-up in CBD grade A buildings. The economic recovery leads to an increasing new supply in 2003. In contrast, the net take-up rate annually slow down from 2004-2009 especially during Bangkok turmoil in 2008-2009. In 2010, Bangkok situation has improved affecting to business improvement in overall. There are some notices from an increase in the Business Sentiment Index (BSI)¹ from 46 in April to 49.9 in May. The index was improved by all BSI components, especially production which resumed its normal level after the protests ended. The net take-up at the end of the year was 70,373 m² and the vacancy rate fell slightly to 13.7% in Q4 from 13.9% previous quarter (See figure 12)

¹ The Bank of Thailand (BOT) developed the BSI. The BSI diffusion index composes of six components, namely production, total order books, investment, production cost, performance, and employment. Each component is applied with equal weight then calculated into a single monthly index figure.

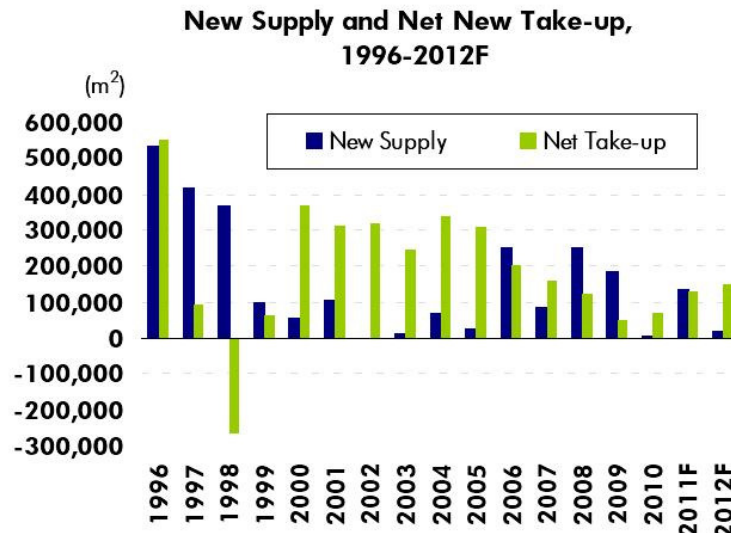


Figure 12: New Supply and Net New Take-up 1996-2012 F (CBRE research, 2010)

In addition, the vacancy rates of Grade A CBD offices slightly decrease from 17.4% in the first quarter of 2010 to 16.45% in the second quarter with a net absorption of 10,160 m². The take-up growth was partly affected from the relocation of an international from a Grade B office building to a Grade A office building. Subsequently, prime office rent dropped from THB 683/m² (≈USD 22.65/m²) in the 1st quarter to THB 680/m² (≈USD 22.55/m²) in the 2nd quarter of 2010. By the end of Q4 2010, the total office supply in Bangkok rose to 7.98 million m² which account for 0.1% increase Q-o-Q and 0.01% Y-o-Y. In 2011, the new office spaces will be completed approximately 135,000 m² (from 152,490 m² under construction) and around 75% will be grade A CBD office buildings.

Recently, Thai government has proposed new criteria and incentives for companies to settle regional offices in Thailand known as ‘regional operating headquarters’ (ROH). Jones Lang LaSalle in collaboration with DLA Piper (www.dlapiper.com) have defined and provided guidelines of this term. The survey found that, among eleven cities¹ (Colliers Thailand)surveyed, Bangkok offers the second-lowest office rents. Grade A office space dropped to averagely THB 635 (≈ USD 20.6/m²) per month in the CBD. Comparing to other cities, Bangkok’s advantage is price competitive with its location and amenities. However, Kuala Lumpur is an important competitor since its average gross rent is close to Bangkok’s at USD 21.2 per m² per month. Singapore is the most popular destination in ASEAN as a regional office and financial hub.

¹ Bangkok, Beijing, Hong Kong, Jakarta, Kuala Lumpur, Mumbai, Seoul, Shanghai, Singapore, Taipei

3.2.3 Retail market overview

According to Colliers Thailand report, the retail market in Thailand comprise into main seven categories¹ based on size, characteristics, goods sold, and pricing. However in 2010, CBRE report more than half of the retail centers were in the shopping mall format (55.1%). Finding in every province but the big ones mainly locate in Bangkok and big cities due to purchasing power of residents and tourists.

The retail market in Bangkok fell after Q4 of 2004 until the rise in 2007 before dropping significantly according to the latest financial crisis and the protest during 2008-2010. Household concerned of spending and kept saving despite lower interest rates. The new future supplies are expected to be more intensely competitive due to designed improvement. The old-fashioned malls are under refurbishment or renovation in order to keep customer base that probably result in occupancy drop during these developments.

The total retail supply in Bangkok rose to 5.46 million m², up 0.6% quarter on quarter(Q-o-Q) and 1.5% year over year(Y-o-Y). However, an improvement of consumer confidence² lead to increasing occupancy rate 91% (4.96 million m²) accounting for 0.3% Q-o-Q but was still a drop 1.5 % Y-o-Y (CBRE research, 2010). The following figures illustrate as above-mentioned.

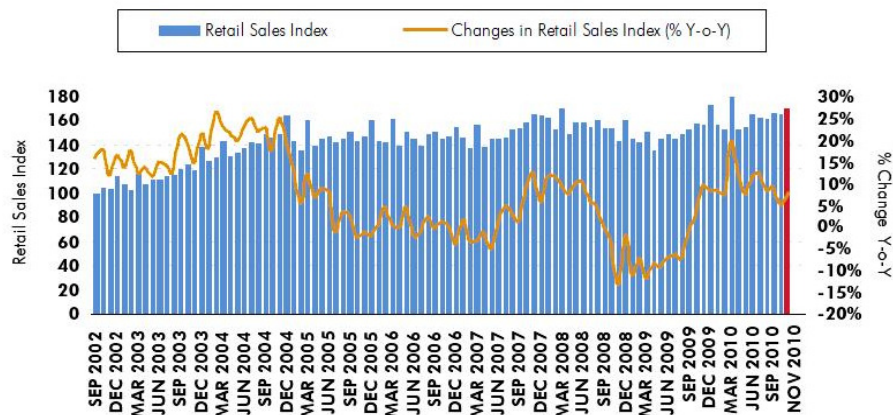


Figure 13: Thailand Retail's Sale Index, September 2002-November 2010 (CBRE research, 2010)

¹ Shopping Mall / Shopping Centre, Department Store, Hypermarket, Community Mall, Specialty Stores, entertainment Complex, and Supporting Retail

² Consumer Confidence Index (CCI) rose to 80.8 in December from an average of 80.5 in Q3 (CBRE research 2010)

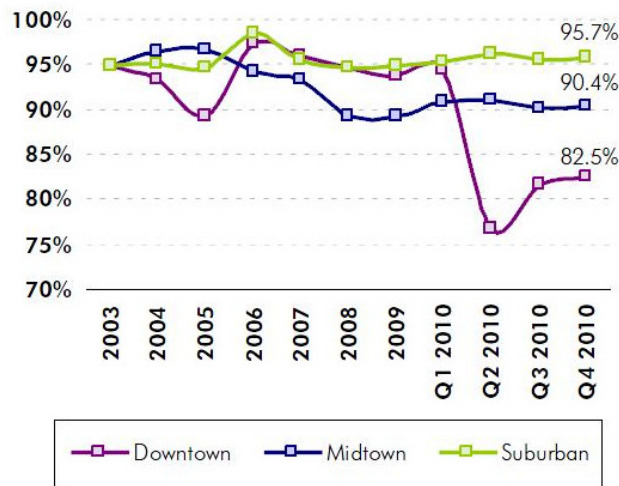


Figure 14: Demand of Occupancy Levels by Area (CBRE research, 2010)

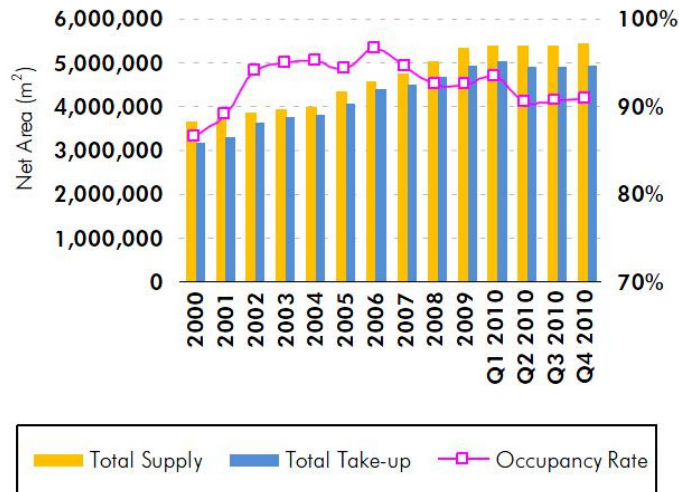


Figure 15: Retail's space supply (CBRE research, 2010)

Besides the shopping mall, in Q4 2010, five community malls were added into the market with approximately 38,000 m². Despite relatively small size, these community malls represent an alternative of residential consumption since they fit with the pattern of condominium development around the city. This category is also beneficial to the environment as they reduce the need to drive long distances to shop (Collier, 2010).

Overall rents remained the same as the previous quarter and have changed slightly small since 2007. Optimistically, the developers are expected increasing rent in the coming year after refurbishing and renovation.

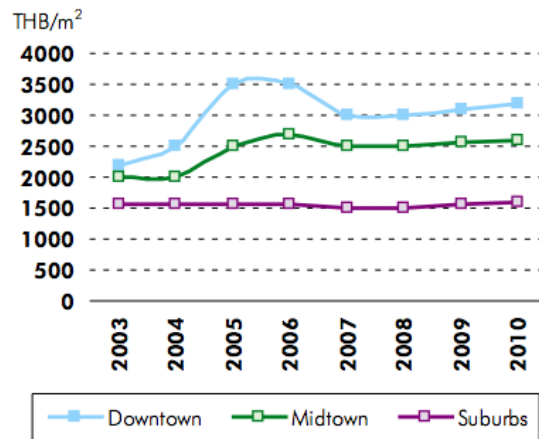


Figure 16: Achieved Rent (CBRE research, 2010)

JLL measured real estate transparency into the Real Estate composite index in every two years. The latest in 2010 shows that Thailand is at 39th from 81 countries in the global list while ranks 8th in the Asia Pacific sub-index. The neighbor's rank just before Thailand is Singapore and Malaysia with ranking 16th and 25th respectively. As Thailand ranks in the 3rd tier that is in semi-transparency so the country is still reliable for foreign property buyers or investors.

Transparency level	2010 composite	Market	2010 Composite	2010 Composite Tier
High	1	Australia	1.22	1
	4	New Zealand	1.25	1
Transparent	16	Singapore	1.73	2
	18	HongKong	1.76	2
	25	Malaysia	2.30	2
	26	Japan	2.30	2
Semi	33	Taiwan	2.71	3
	39	Thailand	3.02	3
	41	India Tier 1 cities	3.11	3
	42	South Korea	3.11	3
	44	Macau	3.13	3
	45	China Tier 1 cities	3.14	3
	48	Philippines	3.15	3
	49	India Tier 2 cities	3.17	3
	54	China Tier 2 cities	3.38	3
	55	India Tier 3 cities	3.39	3
Low	57	Indonesia	3.46	3
	65	China Tier 3 cities	3.73	4
	76	Vietnam	4.25	4

Table 4: Composite Index Asia Pacific (JLL; 2010 p. 14), and Author

4 LONG-STAY MARKET ANALYSIS

4.1 Thailand tourism analysis

As aforementioned, both tourism and construction are part of the service sector which is a crucial drive of the region. Thailand and its neighbors share their tourism prospect. According to Tourism Authority of Thailand (TAT), during 2000-2009, a number of international tourists increase almost every year in spite of the fluctuations in this period. In 2007 before the financial crisis, the breakdown of tourism receipts from international arrivals was reported by TAT that an accommodation expenditure ranks at 1st (27.78%), follow by Shopping (26.02%) at 2nd, and Food & Beverage (17.74%) at 3rd. More than 600,000 million baht (\approx USD 2 billion) is generated in 2007 that account for 6.5% of total GDP. Afterward, the visitor number in 2008 noticeably dropped due to economic downturn and a political turmoil in Bangkok. However, the tourist number slightly increases in 2009 and was predicted to rise constantly because of economic recovery. Although a political turmoil affecting tourism in Bangkok, still the number of tourists in other provinces shows fewer drops because of the preferable purpose of rural and natural tourism. From recent World Travel and Tourism Council (WTTC) report 2011, The direct contribution of Travel & Tourism to GDP is expected to be THB617.7bn in 2011 (5.9% of GDP) and its ten-year prospect is expected to grow by 8.2% per annum to THB1, 355.5bn (7.9% of GDP) by 2021. (See figure 16)

In comparison with other Southeast Asian countries, Thailand is ranked just behind Malaysia in the region at 10th place and 41st overall. It is endowed with rich natural resources and a strong affinity for Travel & Tourism (ranked 21th and 22nd, respectively), with a very friendly attitude of the population toward tourists (ranked 13th). This is buttressed by the sector's strong prioritization by the government (ranked 12th) with, similar to Malaysia, excellent destination-marketing campaigns and good price competitiveness. However, some weaknesses remain despite the prioritization of the sector by the government. Some aspects of the regulatory environment such as stringent foreign ownership restrictions, visa restrictions for many travelers, and the long time required for starting a business in the country, are not particularly conducive to developing the sector (ranked 77th).

International tourists 2003-2010

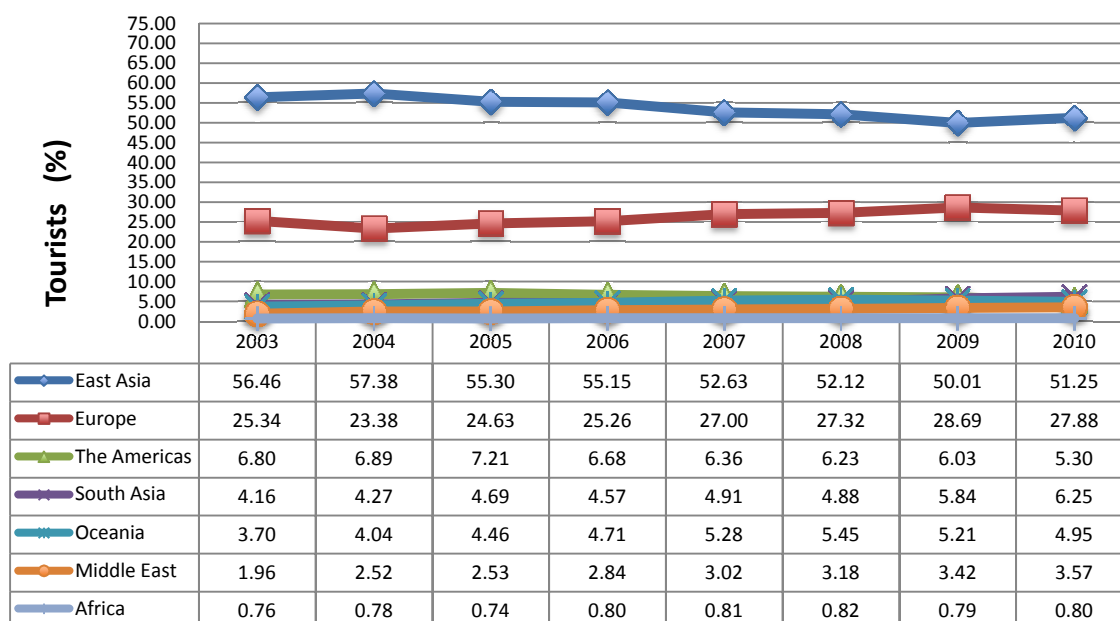


Figure 17: International tourists during 2003-2010 (REIC, 2010 and Author)

Overall Index	SUBINDEXES								
	Regional Rank	Overall Rank	Score	T&T regulatory Framework		T&T business Framework and Infrastructure		T&T Human, Cultural, and Natural resource	
Rank				Score	Rank	Score	Rank	Score	
Singapore	1	10	5.23	6	5.72	4	5.39	23	4.59
HongKong	2	12	5.19	4	5.80	13	5.19	24	4.59
Australia	3	13	5.15	36	5.08	17	5.11	4	5.28
New Zealand	4	19	5.00	13	5.60	25	4.80	22	4.60
Japan	5	22	4.94	27	5.24	32	4.72	14	4.86
South Korea	6	32	4.71	50	4.86	28	4.76	27	4.53
Malaysia	7	35	4.59	60	4.71	40	4.35	18	4.72
Taiwan	8	37	4.56	46	4.95	31	4.73	55	4.00
China	9	39	4.47	71	4.52	64	3.84	12	5.06
Thailand	10	41	4.47	77	4.45	43	4.32	21	4.64

Table 5: The Travel and Tourism competitiveness index 2011 (Schwab, The Global Competitiveness Report 2011, 2010) and Author

One key component of tourism is supportive infrastructure. Thailand business framework and infrastructure ranks at 43rd of overall. The new Suvarnabhumi international airport was opened to replace Don Muang airport (currently used by domestic carriers) (ASEAN , 2009). Other international airports are found in the top tourism destinations like Chiang Mai, Chiang Rai, Phuket, Hat Yai and Ko Samui. In figure 16 shows that international passenger arrivals to Bangkok Airport increase by 13% in March and International arrivals to Phuket increase by 39% which is a good sign for tourism industry.

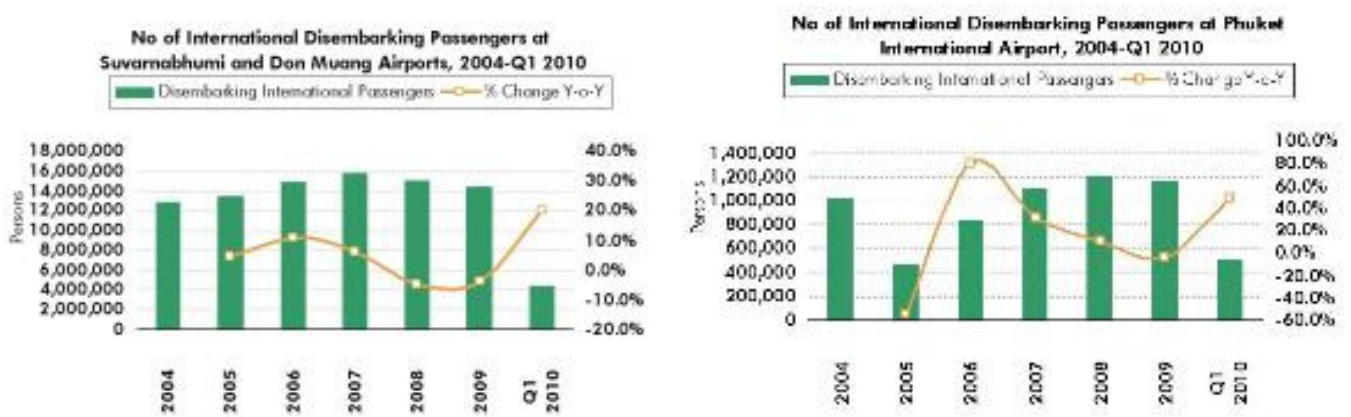


Figure 18: Number of international disembarking Passengers of Suvarnabhumi, Don Mueng and Phuket Airports, 2004-Q12010 (CBRE, 2009)

4.2 Real Estate in Thai Long-Stay market

The Tourism Authority of Thailand (TAT) has targeted four different market segments as potential Long-stay tourists in Thailand. Long-stay tourists are divided into four groups as follows,

1. Retirees from various countries with particular emphasis on the Japanese market; the European market such as British, German, Dutch, and Scandinavian; the overseas Chinese market and those from the rest of the world.
2. Snowbirds, those who will come from cold countries during their winter season. These people have already come to Thailand to enjoy seaside activities, rural/mountain hill-tribe life and to enjoy exciting and adventurous experiences for two to three weeks. Some are using Thailand as a hub to travel to nearby countries such as Myanmar, Laos and Cambodia (Indochina).
3. Students and trainees from overseas are in this group. Thailand has some economic advantages that many international schools choose to operate their affiliations or branches to teach foreign students in various subjects. Students may not be big spenders but their presence would generate other income for the country.
4. The fourth group is for those who attend sports training camps. Many sports training associations have come to Thailand and brought along their coaches and athletes to conduct their programs at different sites around the country.

Thus, long-stay accommodations in Thailand are divided into four categories as follows;

1. Hotel and resort
2. Condominium and service apartment
3. Specific project for health promotion
4. Specific accommodation for particular Group

During the first half of 2008, many of the investment activities have been found in major resort areas due to sustained growth in the hospitality and tourism sector (CBRE, 2008). Meanwhile, Bangkok was drawn attractions by the sales of both large and small-scale hotels.

According to ASEANSEC 2009 report, hotels and long-stay investment conditions are exemplified. For direct investment that is starting up new project like hotels or resorts is considered complicate for foreign investors due to specific land-use and construction law and regulations. Thus, almost of products in the market are primarily started by domestic investors (except the Scandinavian village and unknown projects). Short-stay accommodations are found both in urban and rural locations. It has been noticeably popular for hotel and resort investment especially around top tourist destinations such as Hua Hin, Mae Hong Sorn, Chiang Mai, Chian Rai, Krabi, and Phuket. In addition, many hotel brands are added to internally organize and attract worldwide tourist for example Hyatt, Sheraton, and Banyan Tree.

The Board of Investment (BOI) is the sole government agency responsible for encouraging foreign investment in Thailand in nearly all sectors, while the Tourism Authority of Thailand (TAT) is responsible for tourism promotion, product development and advising BOI on tourism investment. Primarily by BOI support, basic industries besides tourism also stimulate investment in tourism because it creates job opportunities, earns foreign exchange and contributes to the growth of regions outside of Bangkok. Financial and tax incentives are provided to foreign investors in tourism-related sectors, which are divided into four areas: accommodation; transportation, supporting activities such as leisure, sports and environmental protection and recreational activities that promote tourism (UNESCAP, 2009).

4.3 Market analysis

4.3.1 Demand analysis

In real estate market analysis, Fanning (2005) introduced that demand examining comprise the terms 'estimate and forecast'. Estimates are used to update data from the last census while a forecast attempts to measure changes that may occur (Fanning, 2005). Some sample sources

of demand driver are Increase in population and employment, Relocation of facilities, speculative demand and so forth. As in tourism industry, an estimate for long-stay accommodation demand links with the number of tourists and retirees. A forecast will employ tourists' number and demographic change to make a projection. The number of long-stay tourists is recorded from arrival and departure stamp but to define a number of long-stay accommodations of tourists is ambiguous due to unnoticed accommodation acquisition as private assets (School of Communication Arts, Sukhothai Thammathirat University, 2006). Tourists began to acquire real estate products that developers had launched for their locals but later became popular to tourism industry. During the past decade, the resident developments of coastal and island tourism have been obviously offered to international tourists as well as investors. However, it does not give the exact amount of demand from foreign buyers since the total number also comprise Thai owners. (More details in chapter 5: property ownership)

The Japanese is an obvious group which their government encourage their pensioners to spend retirement life in Thailand. They have founded a cooperation as non-profit organization 'Japan & Thailand International Relations Organization (JTIRO). The most popular destination is Chiang Mai (the northern province) because of its weather and local attractions and Pattaya (Eastern province) by its prompt of medical services. The European tourists such as from UK, Germany ranks on top of number of tourists, still there is no obvious community living as the Scandinavian did. For the Scandinavian case, although the study in 2002 reported the popularity of staying in hotels, some Swedish developers have realized the potential of Thailand long-stay market and initiate the long-stay project called 'The Scandinavian Village'. The first project of retirement community was succeeded in 2005 with support from the board of investment (More details in chapter 6: Stakeholders).

4.3.2 Supply analysis

According to four types of long-stay accommodation by TAT, mainly sale real estate products are categorized to two groups, 'Hotel and resort' and 'Condominium and service apartment'.

Hotel and resort

In summary, quantity of tourism accommodation in this group is based on 'Number of Lodging Places for tourists (REIC, 2010), which accumulate four types of accommodation these are Hotel, Resort, Guesthouse, and Bungalow. Short descriptions of these four types are as follows,

- **Hotel** means a lodging place that is specifically built and divided into rooms, filled with

convenient amenities for travelers, and individual room fees are collected.

- **Resort** means a place characterized by stand-alone rooms/units, surrounded by nature, and rent is collected.
- **Guest House** means houses that are modified or built and divided rooms are used for lodging, and rent is collected.
- **Bungalow** means a lodging place for groups of people, organizations and tourists, and rent is collected.

From now on, the study will use ‘hotel’ term for the whole group, as the owners have to register these accommodations as Hotel license). Figure 18 shows that total number of these accommodations slightly increase every year but when consider separately by regions, only accommodations in Eastern and Southern show drops after 2008 (11% and 10% respectively). These drops were affected by international tourists confidences relating financial crisis in 2008 and ongoing political turmoil during 2006-2010. Parts of the remaining projects are from the projects starting in year 2007-2008. According to these lag, there are some new projects finished in 2010 to keep the accommodation numbers stay close to the same amount or even increase.

Number of Lodging Places for Tourists, Showing number of places

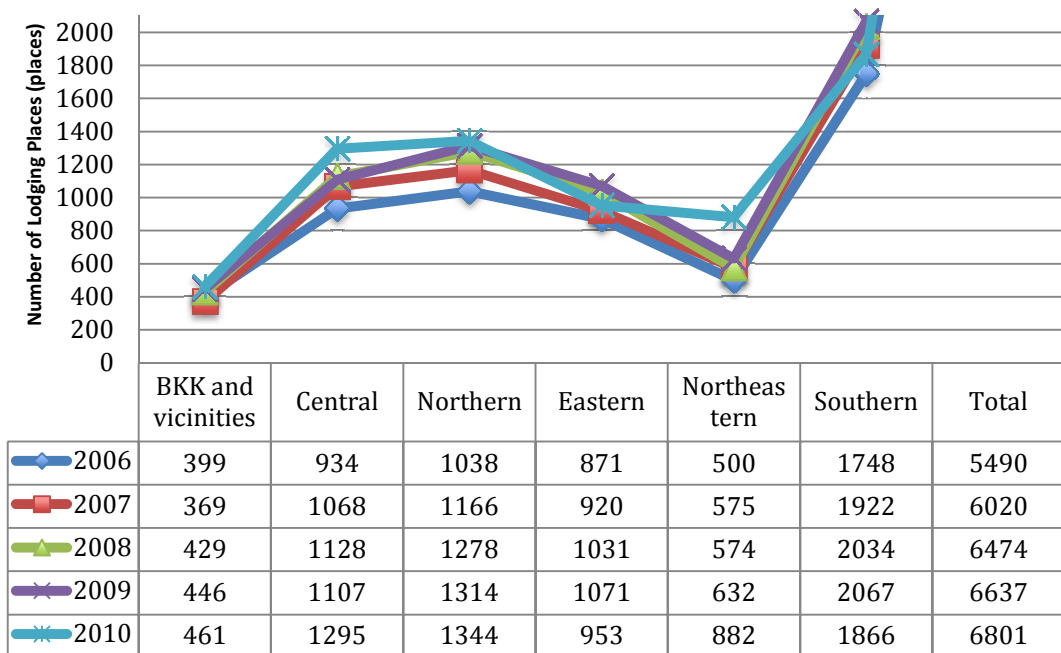


Figure 19: Number of Lodging for Tourists, showing number of places from 2006-2010 (REIC, 2010 and Author)

Condominium and service apartment

High-rise housing Construction Permits, showing number of buildings 2006-2010

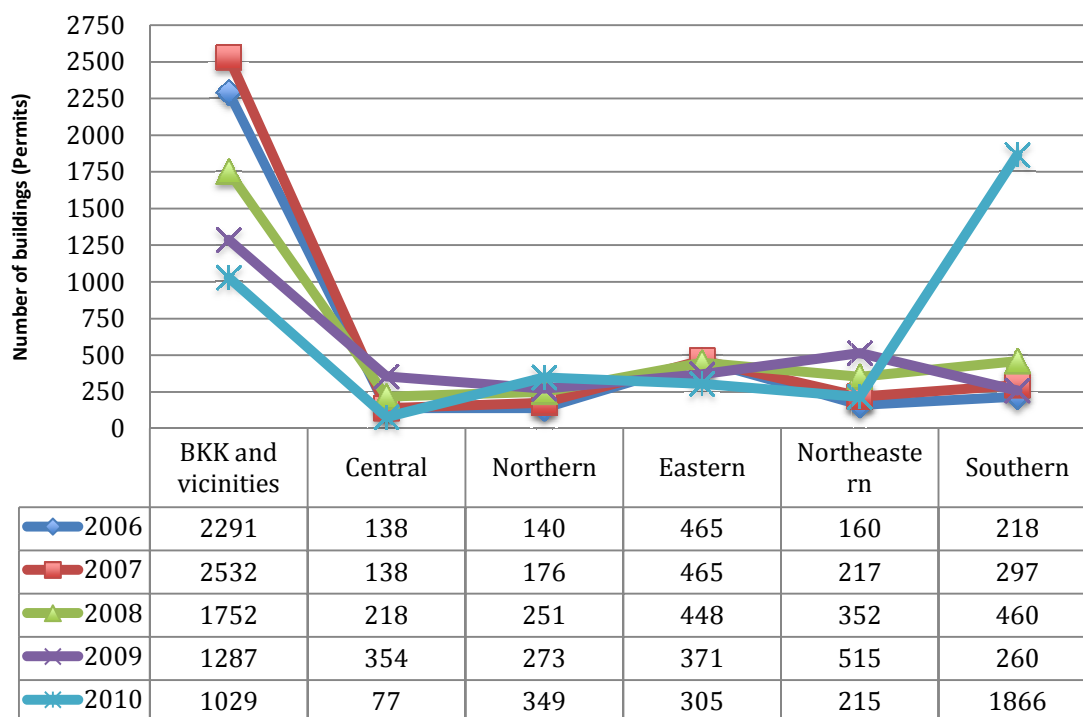


Figure 20: High-rise Housing Construction Permits, showing number of buildings from 2006-2010 (REIC, 2010 and Author)

Numbers of condominiums and service apartments are accumulated in High-rise housing¹. As of 2010, Bangkok and its vicinities show the highest density as its consensus show increasing population follows by the Southern, Northern, Central, Eastern, and Northeastern respectively. The accommodation numbers in such Southern, Northern, and Eastern could be referred mainly base on tourist destinations with the magnet cities like Phuket-Krabi-Samui in the South, Chiang Mai-Chiang Rai-MaeHongSon in the North, and Pattaya-Rayong in The East. (See Figure19) Accommodation in the East and South share common characteristics as both of them are coastal areas that offers sea-sand-sun to tourists especially those who fly from long-cold countries. This real estate products in Thai's market mostly run by private sectors, however there is only one project, which had government support i.e. Scandinavian Village (more details in chapter 6)

¹ High-rise housing construction permits are for new condominiums, flats, and apartments, including flats and apartments, which are lower than 6 floors, but excluding renovations and low-rise housing.

The study would categorize accommodation type follows the biggest real estate consultancy firm in Thailand, CBRE. According to CBRE report, the property supplies in the market were divided into three main categories, which are Villa, Apartment & Condominium, and Hotel. However, the meaning of apartment and condominium in Thailand are different from other countries which foreign buyers need to understand property ownership. Phuket is known as the highest maturity of tourist destination and longstay accommodation market. The product information was based on CBRE, which is the biggest consultancy firm in Thailand.

To give some ideas about property prices targeting foreign buyers (As foreigners have strong currency unit and high purchasing power), some examples are classified in to four levels based on price per unit.

	Luxury	High-end	Mid-range	Entry-level
	(Million Baht)			
Villa	>90 (\$ 2.99)	35-90 (\$1.16-2.99)	15-35 (\$0.50-1.16)	<15 (\$0.50)
Condo	>35 (\$ 1.16)	20-35 (\$0.66-1-16)	10-20 (\$0.33-0.66)	<10 (\$0.33)

Table 6: Price ranges of Villa and Condominium in Phuket area (CBRE report, and Author)

The high-end and above apartment or condominium possess common attractive characteristics for example;

- Good panoramic sea view
- Easily accessible locations
- Good and secure neighborhoods, ensuring privacy of residents
- Good building design, layout and decoration
- Good standard of construction using high-quality materials and specifications
- Comprehensive range of facilities, including swimming pool, gym, and/or squash and tennis courts, etc.
- Adequate elevators and efficient M&E system (only for apartment and condominium)
- Professional management/Hotel management Rental program provided

5 GOVERNMENT POLICY

The long-stay tourism was firstly taken into account when the Cabinet approved the establishment of the Thai Longstay Management Company Limited (TLM) in September 2002 to implement the objectives of the Longstay tourism development and promotion project as per the government policy. The company targeted tourists from potential 21 countries¹ and purposed the details of implementation to the cabinet for approvals of the following matters: (TLM, 2002)

1. Approval for the Board of Investment (BOI) approval on the quality of service and the housing construction plan of Thai Longstay Management Co., Ltd.
2. Approval for Treasury Department and other related government departments to lease out land to Thai Longstay Management Co., Ltd. for 30 years which will be used for lodging development and construction.
3. Approval for all government sectors to cooperate, support and assist Thai Longstay Management Co., Ltd to serve, guard, and make convenient to TLM members and foreign tourists.

Regarding the plans above, we noticed the cooperation of the company and the government in a part of tourist accommodation in long-stay tourism for example the housing construction plan in the first purpose, and land leasing for lodging development and construction in the second purpose. Nowadays, TLM play its role passively because it was established during the past government so they have had less support from current government. In 2005, a new organization was established due to government organization restructure, known as a Cooperative Center for Long Stay Tourism by the cooperation of the Office of Tourist Development, Ministry of Tourism and Sport with Suan Sunandha Rajabhat University to develop and promote Long Stay Tourism in Thailand.

5.1 Property ownership

Real estate acquisition in Thailand has some limitations in order to avoid influx of foreign capital into real estate market in Thailand. Basically, foreigners cannot have freehold right on the land but instead can acquire the land by leasehold right at a maximum term of 30 years with possibility of renewal. However it is exceptional for some investment promoted

¹ Japan, United Kingdom, France, Italy, Switzerland, Finland, Canada, United State of America, South Korea, Germany, China, Belgium, Ireland, Netherland, New Zealand, Norway, Sweden, Denmark, Australia, Singapore, Russia

companies supporting by the Board of Investment (BOI). The next concern is about land use restriction which varies for each location such as land use, building setting back, floor area and open space ratio. Freehold foreign ownership is allowed in condominium purchasing but limited to 49% of the saleable floor area of all units. However, in practice, foreigners can also buy condominium units in form of Thai company.

In a specific project like Scandinavian Village, foreigners acquire unit rights in the form of “membership residence” which guarantees a full refund of the share purchase price. Scandinavian Village is an interesting FDI story, one likely to attract competition in the sector. (Hastings, 2004)

A summary of comparative leasehold duration in ASEANs’ countries and other leading countries in Asia is shown in table 7 (Rene, 2010). We found that Thailand ranks at 10th which is lower than our comparative long-stay countries such as Malaysia and Philippines

COMPARING LEASEHOLD DURATION IN ASIA			
Rank	Country	Lease Duration	Remarks
1	Cambodia	99 years	
2	Singapore	99 years	
3	Malaysia		Land lease of more than 10 year require Foreign Investment committee approval
		99 years	
4	China	70 years	
5	Vietnam	50 - 70 years	
6	Hong Kong	50 years	
7	Korea	50 years	
8	Philippines	50 years	Renewable for 25 years
9	Taiwan	50 years	Renewable for 30 years
10	Thailand	30 years	Renewable for 30 years (Residential)
		50 years	Renewable for 50 years (Residential)
11	Laos	20 - 30 years	
12	Indonesia	Right to use land 20 years Right to built on land 30 years	In both cases an extension of 20 years is possible
13	Myanmar	1 year when leasing from private sector Up to 30 years when leasing from government with approval of MIC	

Rene Philippe & Partners Ltd

www.renephilippe.com

Table 7: Leasehold duration comparison in Asia (Rene, 2010 and Author)

5.2 Real estate financing

5.2.1 Money transfer and exchange rate

To buy or lease the property, exchange controls are governed by the Exchange Control Act of 1942 and relevant Ministerial regulations, and are administered by the Bank of Thailand (BOT; Thailand’s central bank). Non-residents can open and retain foreign currency accounts with authorized banks in Thailand. Inward transfers are allowed as long as foreign currency is deposited in a foreign currency account or converted at an authorized bank within seven days of being remitted to Thailand. Commercial banks are authorized to undertake most routine foreign remittance transactions without prior approval of the Bank of Thailand.

Foreign buyers must transfer funds from overseas into their foreign currency account in Thailand. They need to obtain a “Foreign Exchange Transaction Form” certificate for each payment from the beneficiary bank. But in case they have Thai baht in their non-resident bank account or have foreign currency account, they need a withdraw slip and bank certificate issued by the bank to confirm their purpose to buy condominium from their accounts and all these certificates must be shown to the Land Department in order to register the condominium (CBRE research) This foreign ownership regulations are also applied to foreigners with Thai spouses who mutually purchase a condominium. However Foreigners holding Permanent Resident status do not need to transfer money from overseas.

Real estate mortgaging for foreign buyers in Thailand is possible but very complex. Not every banks provide loans for foreigner, thus the different required document are various for each banks. The most asking document are work permit, passport, letter of employment. Amortized period ranges between 5-10 years and LTV ranges between 70-80. Thorough consideration is required in order to avoid the project or property that will possibly be taken off the market. Usually 30 days is given to allow for legal work to be completed before the first payment is due on signing of the contract. Financial payment structure varies for each project. The most common one is exemplified by CBRE. After the first payment, the following payments will be split according to construction milestones. Sample payments are divided as follows (CBRE research)

- Signing of agreement: 20%
- Completion of villa footings or pilings: 20%
- Completion of columns, floor slabs and roof frames: 20%
- Completion of villa shell, including external doors and windows: 20%
- Substantial completion of the villa: 20%

5.2.2 Property tax

Many individuals who have invested in property in Thailand are often very unaware of the tax liabilities that may arise on selling the property. Typically, foreigners have invested in property either through buying a condominium unit, which they hold in their own name or having taken out a lease on a landed property.

As CBRE analysis shows below, an individual or other legal structure will always be subject to taxation on the sale of the property. The general tax rates (excluding company or individual personal tax which may also apply eventually) are shown below. Perhaps surprisingly, for an individual selling a property, the taxation system is actually very complex.

CATEGORY	SALE OF FREEHOLD LAND & PROPERTY	TRANSFER OF LEASEHOLD LAND	SALE OF BUILDING	LIABILITY TO TAX
Transfer Fee	2%	N/A	2%	Seller/Buyer
Lease Registration Fee	N/A	1%	N/A	Lessor/Lessee
Specific Business Tax	3.3% or N/A	N/A	3.3% or N/A	Seller
Stamp Duty	0.5% or N/A	0.1%	0.5% or N/A	Seller
Withholding Tax	1% or 5 - 37%	N/A	1% or 5 -37%	Seller

Table 8: Tax of selling property in Thailand (CBRE and Author)

5.3 Visa regulation

Initially, some countries are exempted for visa requirement for a period from 15 days to 60 days. The Scandinavian tourists have 30-day exemption visa and one time extension to 30 days more. However, Thai Long-Stay visa has been requested for more flexibility. Most of the “Long-Stay” tourists requested for the improvement and adjustment of the “visa allowance” specifically the processes of visa acquisition and extension. Of utmost importance is the tourist’s request to further extend the 30-day length of stay in Thailand. (OTD 2007) In 2001, according to the tourism policy at that time, a new visa called OA was introduced. Briefly, this type of visa may be issued to applicants aged 50 years and over who wish to stay in Thailand for a period of not exceeding one year without the intention of working. Employment of any kind is strictly prohibited. (See www.mfa.go.th)

In comparison with other potential competitors, Thai long-stay visa is less attractive although the bank amount requirement is less than Malaysia and Philippines but much shorter visa duration subsequently.

	Thailand	Malaysia	Philippines
Package	Thai long-stay	Malaysia My Second Home (MM2H)	
Age	50+	50+	35+
Bank amount	800000 Baht (\$24000)	350000 ringgit (\$104000)	\$50000 for < 50 years \$20000 for > 50 years
Monthly Pension	65000 Baht	10000 ringgit	
Visa	1 year (renewable)	10-year resident’s visa	Permanent residence
Work permit	-	20 hrs/ week	-
Average Property price	-	7500 – 8000 ringgit/m2	-
Land acquisition	Long leasehold		No permit
Remarks		150000 in fix interest account	No tax for bank account

Table 9: Sample package comparison between Thailand, Malaysia and Philippines (GORVETT, NY times 2010) and Author

5.4 Public relation

Public relations (PR) are a critical component to any tourism and travel related company for different reasons, such as crisis communication, brand and image building, customer relations (Deuschl, 2006). Deuschl has divided 'how to implement PR' in the four major travel and tourism sectors – accommodation, restaurants, transportation companies (airlines and cruises), tourist attractions and destinations. Not only the central policy but also the province scale needs to promote their image. Various types of multimedia are employed for example; Internet, e-mail subscription, Television programs, all kinds of publishing (brochures, posters, newspapers, magazines, public displays), personal contacts (public personnel, operators, employees, etc.)

However, public relation of Thai tourism policy still lacks adequate planning and consistent direction. As the results, public relations for long stay tourism are scarce and fragmented. Most long stay tourists have to share necessary information among themselves and relatives. (School of Communication Arts, Sukhothai Thammathirat University, 2006)

After the government restructured Long-Stay tourism responsibilities and the Office of Tourism Development (OTD) promoted Suan Sunandha Rajabhat University as one stop service for long-stay tourists, OTD introduced an in-depth research about the proper accommodation for long-stay tourism in Thailand. Firstly, the research studied various long-stay management both domestic and international case studies in order to collect practical guidelines for further development. Secondly, the research has listed the 'Long-stay accommodation standard' as well as additional recommendations to promote long-stay tourism. Thirdly, the accommodation service providers are surveyed and listed in order to create long-stay accommodation database for long-stay tourists. Lastly, the department has set the meeting between the project owners to inform and educate every party about the new standard. The countries, which have been observing as case studies are Finland, Spain, Japan, Australia, USA, Malaysia and Thailand.

6 CASE STUDY: SCANDINAVIAN TOURISTS AND LONG-STAY ACCOMMODATION

'Although the tsunami in the end of 2004 had a great negative impact on Thailand and terribly damage tourism in 2005, especially along the Andaman coast, which was a key destination for European tourists, it was found that the European market had recovered very rapidly. It resulted in the overview growth at a rate of a 3% increase, equivalent to 2,686,567 European tourists. The sign of recovery was noticeable since the second quarter.

For Scandinavia, which had the highest number of victims in the tsunami disaster, also had a quite rapid recovery. The market began to expand positively since March and it resulted in more than a 6% growth rate in 2005 and gradually increases year by year. The growth in the number of travellers and the return of visitors resulted from the impression in Thai people's hospitality, assisting foreigners in the disaster, guaranteed by many prizes of popular destination that Thailand got from the Scandinavian countries.'

Tourism situation report after Tsunami catastrophe in 2004 (TAT, 2005)

6.1 Why the Scandinavian?

In this study, the term 'Scandinavian' refers to tourists from Denmark, Norway and Sweden since these three countries share a common linguistic, cultural and religious environments as late at the high Middle Ages and many commonalities remain (Michael, Miller and Saarinen: 2008). Generally, the Scandinavian countries are regarded as high economic potential countries as shown in world economic statistic. Hence some outstanding attributes of their tourists are that they have high income, long holiday, and nearly 100% of visitors speak English.

More potential from demographic reason is that the Scandinavian countries share common characteristic of Baby Boomers in the U.S. Aging population will rise noticeably as seen in United Nations reports. As of 2009, Japan ranks on top of population aged 60 or over at 29.7% of total population while the Scandinavian countries lead by Sweden (24.7%), Denmark (23%), and Norway (20.8%) respectively. Subsequently, labor shortage will become parallel problem. While international labors transfer to these three countries (especially Norway and Denmark), transnational migration will head to be the second residence in somewhere outside the countries. The most popular one is in Spain but Southeast Asia is becoming popular.

Percentage of population age 60+ (1970-2050)

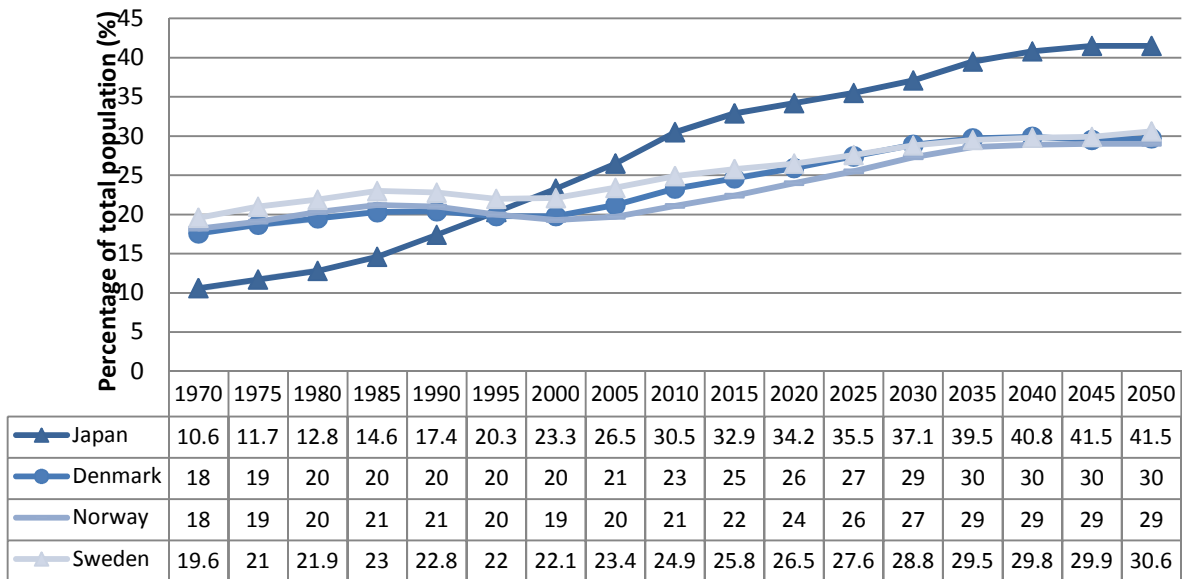


Figure 21: Percentage of population age 60+ (United Nations, 2010 and Author)

Average Life expectancy at birth (both sexes combined)

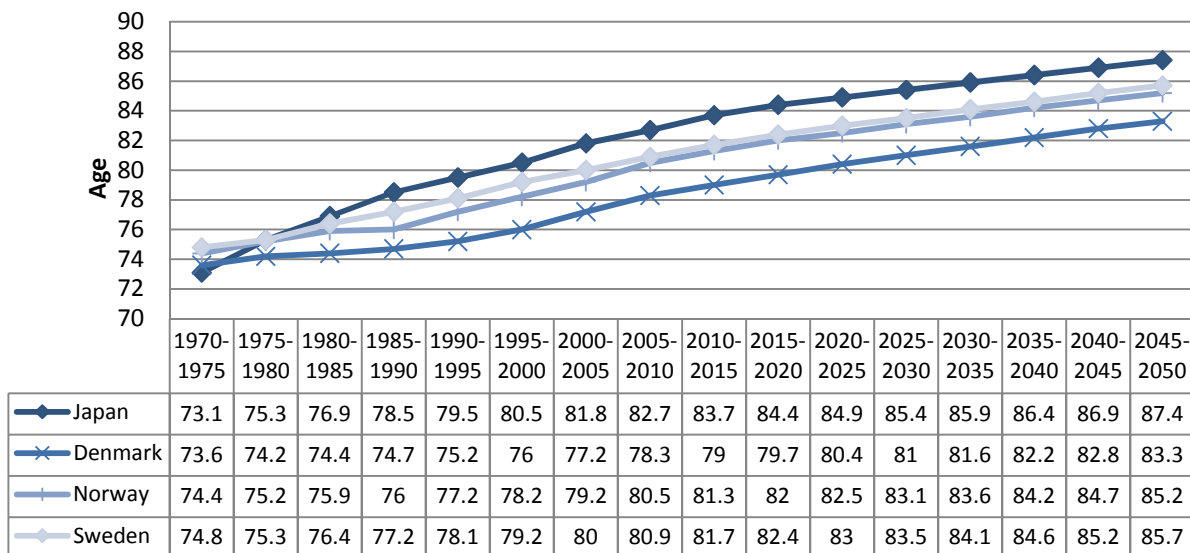


Figure 22: Average Life Expectancy at birth (both sexes combined) (United Nations, 2010 and Author)

From the latest property exhibition by Fair Media International AB, the company has provided relevant information about the Scandinavian property buyers. Noticeably, the

Scandinavians are still buying off-plan properties in many markets. Around 250,000 people in the region are, according to research, going to buy homes overseas in the coming years as a second home, a permanent home or as an investment. A study carried out by Kairos Future AB, Plans for Retirement of The Record Generation, shows that 1,200,000 Swedes were born between 1945 and 1954. 67 % of them want early retirement (55 - 62 years) and around 26 % (312,000) would buy properties in a warmer country when they retire. Additionally, a research in 2008 by the Scandinavian banks Nordea and SEB showed some records of people between the ages of 55 – 64 that 51 % will live abroad part of the year while 43 % want early retirement before the age of 65.

6.2 Long-stay accommodation stakeholder interview

The interview sessions were set up to provide an intensive view from direct experience of each stakeholder. There are seven respondents from four different roles in long-stay accommodation market from three private companies, one facility management company, one official government agency and two households of retiree. Additionally, the environments and user behaviors were observed one day per each project.

6.2.1 Private Company

The information from the following three companies come from personal interview and some are from open publication aiming to express their views and the way the project is going. In accordance to give a view of market trend, the content will investigate Target group, Products, Expected return, and Project management.

Scandinavian village (Chonburi province)

Scandinavian village, a pioneer project offer purpose-built retirement homes in Thailand, was introduced to the market in 2003. The concept was initiated by Mr.Otto Kreuger, executive director, whose family business' involvement in construction of nursing home property in Sweden. The facility, registered in Thailand as Scandinavian Village Co, Ltd., is exclusively owned by Scandinavian Senior Community Svenska AB, a private company based in Sweden (BOI, 2005).At that time, the region was suffering from a negative impact such as the Iraq war, the Bali bombing, bird flu and SARS. They had to face both prospective buyers' hesitation to buy into an entirely new market, and that Scandinavian Village was targeting a defined target group, limited to persons aged 55 years old or more. (Thailand property blog).

Scandinavian village is solely a project which has been granted a BOI certificate in January 2002 as the first project under the category 'Retirement homes and care centers'. Being a Board of Investment (BOI) project and under a special category allowing that land and property can be 100% foreign-owned. And with the age restriction relieved to 50+ the project is selling according to established goals. An initial concept with the buyers as members is depositing sum money into the company and later became clear that it is not work due to tax payment. Hence, they have developed a new form that is buys preference shares from the company. And the number of shares depends on the apartment's size, placing etc. We then enter a user agreement, describing the rights the member has against the company and the responsibilities the company has towards the member."

Logans Thailand

After the starting long-stay retiree-aim project like Scandinavian Village, Logan Thailand is the next step of the Scandinavian tourists who are almost repeating tourists. Most of buyers come from Scandinavian countries since they have sale agents in Stockholm. The product range starts with economical housing projects and builds up to luxurious quality homes. All their developments are constructed with top quality materials and are in prime locations, with extremely competitive sale prices. They chose Chonburi and Rayong (Eastern provinces) because it is not far from Bangkok (88 km. and 184 km. respectively). The market price is one reason why the East coast provinces are chosen. Average coastal property prices in Thailand are lower than coastal properties in Spain for example; average asking price in Phuket is 90,000 baht/m² (\approx USD2,985/m²) while in Andalusia (Malaga) costs 2103€/m² (\approx USD3,034/m²) (CBRE 2009). However, if compare within Thailand, lands and properties in Phuket and Samui are quite overpriced and higher than in the East Coast provinces. They do believe that the market trend is changing from villas to condominium living referring to the ratio of residential construction in this market (40% Villa: 60% Condo).

The residents here have been frequent tourists with rented accommodation before so they understand and know how to survive in daily lives. They also feel familiar with local people, however the developer provide management team from the start for 1 year but later the residents will manage it themselves. Below are long-stay accommodation products under sales of Logans Thailand.

- Houses project Mountain View residence
 Terrace houses
 Bali residence
 Sea Breezes residence

- Condominium Seaview condominium
 Avatara condominium

Glen Asia

The company has started the projects for more than 5 years with high confidence in a strong growth of Scandinavian tourists at that time despite of Tsunami catastrophe. Almost 200 units of apartments and houses were completed and sold in the project Sunrise beach I & II in Pattaya district, while the Tropical beach is under construction in Rayong province. Current Glen Asia projects comprise as follows

- Sunrise beach I (Low-rise Condo: 3 storeys)
- Sunrise beach II (Low-rise Condo: 3-7 storeys)
- Tropical beach (Villa, Townhouse, Condo)

6.2.2 Facility Management Company

Sunrise beach resort & residence

After a completion of Sunrise beach by GlenAsia, the project has been managed by partner management company ‘Sunrise Beach resort & residence’. An intensive interview with the project vice president (Mr. Veeraphan Chayangkura Na Ayudhya) expressed several views about long-stay projects in Thailand. Firstly, he realized a future trend of demographic change and believed that Thailand has potential to be one of the top foreign retirement destinations apart from tourist destination. In addition, among world tourists, Scandinavian tourists are regarded as one of a high quality group which should attract in order to boost the national income. Thus, to support the target tourists, he questions about government support that is a fundamental and effective drive. As previously seen in the retirement project for the Japanese, a corporation between Japanese and Thai government (G2G) was founded to provide accommodations where Japanese retirees could spend their pension at a low cost of living but standard quality of life.

Secondly, without quality control of long-stay accommodation, there are many under standards as well as tricky companies that draw tourists’ money into their pocket. This led to misunderstanding and reputation ruin and could affect to other tourists groups.

Thirdly, he pointed out that activity is the key when people reside in the accommodation. His residents are willing to participate in local activities such as making

stuffs donation, joining Loy-Kratong activities (Water ceremony). The most popular sport is golf as east coast provinces have many world standard golf clubs.

6.2.3 Official government agency

Office of Tourism Development

The government by the Tourism Authority of Thailand realized the importance of both long-stay project and retirement home opportunity in Thailand. As obvious examples in the Scandinavian village project and popularity of Japanese retirees in ChiangMai, the Scandinavian Village project was supported by the Board of Investment for land acquisition to develop the project and a support from Japanese government to send their retirees to spend their retirement life in ChaingMai. At this first stage, what the government supported is solely the investment issue not the whole system of long-stay accommodation business. Actually, at that time, the Thai long-stay management, the agency for long-stay business, was working but in different perspectives. The Thai long-stay management was finally passive due to fluctuation in policy from instability of the government. Therefore, these show a big obstacle that is instability of government and too many involved responsible agencies.

6.2.4 Targeted Tourists

Wenche Klem (62 år) and Helge Stö (57 år) from Norway. (Customer of Logans Thailand in Seaview condominium)

Wenche and Klem have been repeated visitors for over 10 years. They normally take 6-8 weeks per each visit and come here around 2-3 times a year. Wenche said that she knew the project from friend in Blue Mango residence (<http://www.bluemangoresidence.com/>), which is a villa type project. Personally they prefer condo living because easy taking care, less maintenance, higher level that gives better views and wind. The reason why they choose Thailand is because all-year rounds warm weather, cheap cost of living, good medical service and easy living. Almost of their neighbors are from Sweden, Finland, Norway, Denmark and a few unit of Thais. Some years they brought friends along but for those who have never been in Thailand before would find culture shock in daily life. For the couple, they feel familiar with local people here and they also have Thai acquaintance who can be personal one-stop service to ease their life here. So after retirement, it is possible to spend their time together here. An important comment is about a need of government document in English.

Swedish family (34 år): (Customer of Glenasia, Tropical beach project)

The interview was conducted with this whole Swedish family consisting of respondent A, her husband and her parents. Both of the couple has been repeated visitor for ten years ago while their parents just first came here a few years ago. They have known the project from an agency in Stockholm before buying their first accommodation in Pattaya city (Logan's project). After that they decide to buy this attached house in the Tropical beach project in Rayong, The reason why they bought more accommodation here because this project is very close to the beach and is not crowded as the one they have in Pattaya. However, locating in a very private area is far from the city but they think it is not a problem because whenever they want to go to somewhere else they just call a rental van. Generally, they spend their vacation 4-6 weeks per each visit.

6.2.5 Interview summary

After the interview sessions, the study divided several opinions into demand and supply sides. Restrictively, we have a small number of respondents so this summary could be only an outline of the all comments concerning long stay market in Thailand.

From the demand side, two groups of respondents from different projects, both groups share some common characters and opinions. Firstly, they were repeated visitors before buying long stay accommodation. Therefore they have known and understood how to survive in daily life very well for instance they have known where to buy food, how to use local transportation, where the popular destination is or even how to deal with Thai normal culture (not too much in details). In contrast, even they have known some rules concerning buying property but Thai document is still an annoying problem for them. Sometimes they need to have someone who could proof a document for them.

Secondly, the location selection is highly relative to the property price and their decisions. Since the long stay accommodation along the east coast is not as much popular as in Phuket, Samui, or Hua-Hin, thus the property price in these area (Pattaya and Rayong) is more reasonable for them compared to those which are overpriced for them. Additionally, only a few hours from Bangkok international airport (Suvarnabhumi Airport) they can easily reach their second home. Thirdly, they prefer to live around the neighbors with common culture (and experience something different outside). However, they have found the projects in different ways. The Norwegians (Wenche and Helge) have found the project from friend's suggestions while the Swedes have found the project from real estate agency in Stockholm.

From the supply side, the government agency has realized the importance of the long

stay tourism market as we have seen in some of supporting organizations and agencies for example a corporation with Japan (Japan & Thailand Int'l Relations Organization: JTIRO) which support Japanese tourist to settle or spend their stay properly and happily. One more example is a corporation of BOI with Swedish developers in ScandinavianVillage which is described earlier. However, for a negative side, this finally results in 'the more parties, the more complexities'. Many campaigns were launched but lacked of constant process and assessment. There are several products of the long stay accommodation which provided by private company, however they have had direct effects from very restrict real estate law and regulation for foreign holders (See real estate law and regulation table in appendix). Money transaction and tax relevance are also affected due to recent economic crisis causing exchange rate fluctuation. Visa restriction is another concern (See Table 9) that if it is adjusted to be more proper with the present situation and more competitive with our competitive neighbors, the visitor will be more enjoyable and increase possibilities of spending their long stay or even retirement in Thailand.

Notices from interviews

- Buyer is a repeated visitor before
- Buyers buy the projects from friends' recommendation and local agency in buyers' hometown
- Prefer to have someone to help when they need (Food, Travel, Document, etc.)
- Accommodation price is not a problem
- Prefer to live around neighbors with similar background

7 CRITICAL ANALYSIS

This chapter combines previous studies, research data, and interview results together to answer five research questions as follows,

7.1 Research question conclusion

- *How is the long-stay accommodation characterized in Thailand?*

There are various characters of long-stay accommodation as sub sector of residential properties in Thailand. As exemplified in the East-coast case, we have categorized the accommodation for instance; with-ownership accommodation such as villas (single house), row house (attached house), and condominium (multi-residential unit). On the other hand, non-ownership accommodations are hotel, serviced apartment and subletting from with-ownership properties.

However, if we would perceive them in term of government support, a good example was found in the Scandinavian Village that shows extra support from BOI. We have found partly contribution such in case between Japan and Thailand government in some of Japanese long-stay villages (developed by Thai owners). Lastly, without contribution is mostly found in private sector such as individual owners or developers.

- *How is the relation among socio-demographic changes, long-stay tourism and retirement home opportunity?*

The study of the Population Division (DESA) predicted demographic changes in many developed countries such as Japan and many European countries. These changes will appear in burden of the elders and lack of labor forces. Scandinavian demographic structure will be more critical lead to transnational population (Gustafson, 2008). In regards to tourism and global dynamic, people will search for new place to live when they have steadiness of life (no family concern, financial stress). Developing countries were predicted to be the after retirement destination.

- *How is the long-stay accommodation development in the Thailand adopted by the Scandinavian tourists?*

According to the tourism situation, growth of the Scandinavian tourists after the financial crisis (2007-2008) still show a positive sign as shown in an increasing number of inbound tourists. The long-stay accommodation development by the private sector is still going on as expected by Logan Company regard to their confidence with this sector. Also, the survey

from demand side such as Fair Media Company reported continuity of property acquisition by Scandinavians in the property fair in February 2011. However, on the government side, although the Scandinavian countries are in the list of prospect long-stay market, there is no particular action to attract tourists from Scandinavian countries due to relatively lower tourist number compare to those from the US, UK, or Germany.

- *What is the current government policy to the long-stay development in Thailand?*

At present, the government attention on long-stay tourism still continues, however with less action or campaign than several years ago. An ongoing long-stay tourism policy is focusing more on the local market since they aim to help existing accommodation owners in popular and pioneer destination with various theme of tourism such as ecological tourism, rural tourism, medical tourism and so forth. The new private developments have not been taken seriously into account as long as the developments follow building law and regulations. For long-stay tourism perspective, private developers manage promotions and campaign themselves base on government public relations. The overall policies still focus on overall market of long-stay tourism. The length of visa is still a problem as well as properties and land acquisition.

ScandinavianVillage is the only project which was supported and promoted by government sectors. It is not only tax incentives, purchasing and owning land, but it also became authorized to process and provide twelve-month retirement visas on site, saving residents the travel time and costs associated with periodic visa renewals (Hastings, 2004). At present, there are still some incentives attracting private investment from BOI. Eligible activities are Hotels, Retirement homes and care center, dedicated health centers, and Long-stay business (see Appendix 2). Even in the Japanese case, although JTIRO was introduced the land in Ayuttaya (province in central region of Thailand) of Mr. Nipon (Vice Chairman of The Federation of Thai Industry) in order to establish Japanese village, there was no interest from the Japanese side. Unfortunately, chronic political problem has deducted Thailand reliability, hence until now; there has been no new project for this segment from foreign investors.

- *How to enhance a potential of long-stay projects in Thailand?*

The political fluctuation have had negative effects for several years but if we set this problem aside since tourist destinations are outside Bangkok, we will find other issues to improve in order to enhance this market. As aforementioned, current concern to the tourism situation

need to be improved in order to relieve the market i.e. these comments include the length of visa, one-stop information service Centre, and real estate acquisition incentives. A concrete communication system, such as a “one stop information center” will operate to provide relevant information about “Long Stay” tourism and conduct relevant PR and Integrated Marketing Communication (IMC) activities. This would reduce repetition of endeavors among all stakeholders thus ensuring effective work implementation (School of Communication Arts, Sukhothai Thammathirat University, 2006)

Furthermore, the Thai government should have a concrete policy about “Long Stay” tourism, to enable stakeholders to operate and function more effectively, gearing its activities toward sustainable development tourism in Thailand; the marketing plan is an important strategy in order to compete with other competitors in the market.

7.2 Recommendation

After all, the difficulties should be recovered to appreciate the hidden potential. If we want to target this specific market, firstly, the visa option should be revised. Secondly, real estate incentives should be introduced and subsequently the one-stop service should be held to facilitate three aspects i.e.; activities, visa, and accommodation. From internal focus, the long-stay accommodation database should be created since there are still many accommodations available in different parts of Thailand. More precise information could ease the development of this sector in tourism market. From external focus, long-stay tourism cooperation between Thailand and target countries should be promoted or provide special campaigns (although tourists from many countries know Thailand quite well). The marketing and public relation is highly needed to motivate especially by Internet marketing. The fake advertisement and under qualified sources should be delaminated to revitalize the country’s image. One good example of Internet marketing website is MM2H which is long-stay project of Malaysia, the leading competitors in Southeast Asia.

As mentioned earlier, a specific market such pensioners from further countries beside the Japanese have been targeted. Usui (2007) shows pensioners’ interests and their purchasing power. Since real estate is one of the retirees’ spending, there are some relevant aspects to take into account to service this group for example; building and accessibility, support facilities and amenities for the elders as well as handicaps should be provided sufficiently enough. The minimum requirement due to Thai building law and regulation has to be met and in the same time combine it with international standard especially in the projects targeting international markets. Medical services have played important roles for

several years and the trend is expecting to follow number of aging population. A suitable places for such these market is the areas in reaching distance from international hospitals which mostly are private hospitals. Some evidences are from Bumrungrad Hospital (www.bumrungrad.com) in Bangkok, and Bangkok Hospital in Pattaya (www.bangkokpattayahospital.com). Not only with the competitively low cost of medical treatment, but its advantages are also the quality and variety of these treatments. Some popular activities are elective surgery, LASIK treatment, dental treatment, Cardiac therapy, Cancer, and many more. Although the Japanese seems to be a priority for this sub-sector but recently even people from the US, Europe, and Middle-East is enjoy these opportunities.

8 SUMMARY AND SUGGESTIONS FOR FURTHER STUDY

8.1 Summary and discussion

After all, the study has convinced fundamental potential of Thailand's tourism such as tourist destination, infrastructure, and accommodation. As an extraction from the long-stay tourism, the long-stay accommodation demand and supply are likely to move along with the tourism industry as once it occurred with the Mediterranean coast in Spain. More expectation is from demographic reason that leads to transnational migration. Tourists became familiar with seizing international property especially for those who are repeated visitors. However, when it comes to the accommodation record, the study could not extract number of the accommodation occupied by international long-stay tourists as its blur possession. This ambiguity is a consequence of ownership limitation i.e. properties' owners are often shown in the name of Thai spouse or Thai company. In our case study, Scandinavian tourists, the statistic shows past increasing number of the tourists despite some fluctuations in the past ten years. Some project lists are exemplified and current developers' interviews have proved the ongoing business.

As aforementioned, Thailand has been popular receiving countries but yet could not call itself as the most successful. The country has been facing challenging difficulties during recent years such as political instability, fluctuation in Thai baht currency, and increasing oil price. The implications behind these obstacles are that political instability could not make a constant policy in specific way such as promoting long-stay tourism or even focus on retirement accommodation. Also, political concern drops foreign investors' confidence leading to less investment in other industries. In addition, the fluctuation of currency will affects tourists' decision to spend their money on property abroad. Furthermore, increasing oil price or even increase inflation in Thailand will affect the construction cost leading to rising in property prices as well as cost of living in daily life.

In an outstanding issue such government policy, visa barrier is the first concern since it involve with tourists who want to stay both with and without property ownership. Moreover, the second concern is property ownership limitation that affects decision making from tourists who want to act as buyers or investors. Leasehold ownership still sounds risky for new enters or some of them although, in fact, an ownership renewal options are available. It is understandable why the real estate market needs to be controlled as explained in Deuschl (2006) study. In my opinion, the most considerable public policy reasons with long-stay accommodation from Deuschl (2006) study are Externalities, Market Stabilization,

Conservation, and Effective land use. Firstly, sample *Externalities* in tourist destination when it is more crowded are pollution such noise, traffic, and garbage. Accordingly, *Externalities* also relate with *Conservation* especially in preservation area such natural destination. *Effective land use* seems to be a subsequence due to controlled land in tourist area and limited property ownership of foreign buyers, hence these has led to vertical development like condominium. Lastly, the government intervention is needed to maintain *Market Stabilization* since the construction industry obviously impacts the property cycle. However, in fact, *Market Stabilization* is difficult to controlled in active area such Bangkok and its vicinities or popular tourist places such as Phuket, Samui, and Pattaya as we can see from rise in property price compare to those less popular destination. The boom in those areas should be aware of becoming the bubble later as Spain has been facing this problem.

The East coast province like Rayong is becoming popular both by tourist destination and investment destination (There are many industrial settlements in the Eastern of Thailand). Hence, we can see noticeable residential developments from Scandinavian developers in our case study. Beside Scandinavian tourists, TAT (2006) report a significant increasing tourists from Russia which also have high purchasing power. This also shows a good sign for the future tourism and accommodation developments. In details, standardized accommodations are required because potential tourists come from different countries and many of them prefer high quality and safety, as they will spend a long period in long-stay accommodation. Until now, the government provides standard guarantee services and some promotion of this market but has never started or initiates the project by itself. Responsible sector like BOI provide investment incentives for any developers with eligible activities relevant to tourism accommodation such as Hotels, Retirement homes and care center, dedicated health centers, and Long-stay business (see Appendix 2). However, after Scandinavian Village project, there has been no new applying project since then. Only private sectors develop projects and play active roles in marketing. Again, for tourists from strong economic country with high purchasing power like Scandinavian countries, the property price is not a main problem but the property acquisition is. Although the single-house (villa) is more familiar with the Scandinavians' second-home tradition, the limitation of ownership has led the property type to multi-residential property like condominium.

8.2 Further study

Last but not least, data collection is needed to create central database for long-stay accommodation then later study could apply with more precise quantitative method. Further studies should focus on considerable keys from public policy i.e. visa duration, property ownership, tourist information service, and tourism public relation. Some case studies shall be investigated such as Thailand's neighbors, Malaysia and Singapore, not only because they are competitors but also they are good examples. An improvement of this sector is expected to sustain popularity of Thailand's tourism and stimulate national economy in overall.

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- **www.joneslanglasalle.co.th** Jones Lang LaSalle
- **www.colliers.co.th** Colliers Thailand
- **www.worldbank.org** World Bank
- **www.logansthailand.com** Logan Thailand company limited
- **www.glenasia.com** GlenAsia Resort+Residences Thailand

APPENDICES

Appendix 1: Thailand real estate investment guide (Source: Asia real estate investment guide 2010 CBRE)

Land	Mainly freehold with individual and corporate landholding. Leasehold land lease term generally ranging from 30 years plus options to renew.
Restriction Land use related restriction	Property developments in Thailand are required to comply with regulations and laws on zoning, plot ratio, site coverage, environmental impact assessments and building height. The Town Planning Act and Building Control Act are statutory building construction controls. The zoning regulations empower local government to identify land uses in specific areas in each province. The restrictions are subdivided into several uses with different colors. In Bangkok, the zoning will also restrict the floor area ratio and the open space ratio of the new development.
Holding related restriction	No foreign ownership of land except via Board of investment promoted companies. Freehold foreign ownership of condominiums permitted but capped so that the maximum proportion of foreign ownership within a condominium building is restricted to 49% of the saleable floor area of all the units. Foreigners are generally restricted from owning freehold title to landed properties. There are exceptions, principally for companies with Board of Investment Approval. In general, a foreigner may lease land in Thailand not exceeding 30 years but may also have options to renew.
Transaction (Acquisition/ transfer/ disposal)	Transfer Fee: is levied at 2% of the property value assessed by the government Stamp duty: is levied at 0.5% of the government's assessed value, will be charged upon any person who sells land or property held for 5 years or longer. However, if the specific business tax is imposed, stamp duty will not be payable. Specific Business Tax (SBT) is imposed only on sales of land and property held for less than 5 years in transactions of properties listed below; <ol style="list-style-type: none"> 1. Property for which the land allocation is permitted 2. Condominiums 3. Property developed for sale 4. Property which is used for corporate purpose 5. Property which is re-sold within five years of its purchase The SBT rate for real estate is 3.3% of the government's assessed value or transaction price, whichever is greater. Withholding Tax for corporate: in case the sale corporate entities or companies, the Withholding Tax for real estate is 1% of the government's assessed value or transaction price, whichever is greater.
Holding (possession) costs and taxes	There are two kinds of Property Tax in Thailand, namely, Household Tax and Local Development Tax. Household Tax: is imposed on the owners of a house, building, structure or land, which is rented or otherwise put to commercial use. The tax rate is 12.5 % of the actual or assessed annual rental value of the property. Local Development Tax: is imposed upon any person who either owns land or is in possession of land. The tax rates vary according to the appraised value of the property being determined by the Land Department. There is an allowance granted for land utilized for personal dwellings, the raising of livestock and the cultivation of crops by the owner. The extent of the allowance differs according to the location of the land.

Appendix 2: Related eligible activities for promotion (BOI)

Section 7: Service and Public Utilities

Retrieve from <http://www.boi.go.th/english/about/section7.pdf>

Activities	Conditions
<p>7.4 Activities to support tourism:</p> <p>7.4.3 Hotels</p>	<p><u>Conditions</u></p> <p>1. Each hotel must have at least 100 rooms or the minimum investment (excluding cost of land and working capital) of not less than 500 million baht.</p> <p><u>Rights and benefits</u></p> <p>1. Projects located in Zone 1, Zone 2, Hat Yai district of Songkhla or Muang district of Chiang Mai shall receive only non-tax incentives.</p> <p>2. Projects located in Zone 3 (excluding those specified in No. 1 and No. 3) shall receive only an exemption of import duty on machinery and other non-tax privileges.</p> <p>3. Projects located in Kalasin, Nakhon Phanom, Narathiwat, Nan, Buri Ram, Pattani, Phayao, Phrae, Maha Sarakham, Yasothon, Yala, Roi Et, Si Sa Ket, Sakon Nakhon, Satun, Surin, Nongbualamphu, Chaiyaphum, Nongkhai, Ubon Ratchathani, Udon Thani and Amnat Charoen shall receive rights and benefits according to the BOI Announcement No.1/2543 dated August 1, 2000.</p> <p>-----</p> <p><u>Conditions</u></p> <p>Projects must achieve standards set by relevant government agencies.</p> <p><u>Rights and benefits</u></p> <p>Regarding tax incentives, only exemption of import duty on machinery according to the BOI Announcement No.1/2543 dated August 1, 2000 shall be granted.</p>
<p>-----</p> <p>7.4.4 Retirement homes and care centers</p>	<p><u>Conditions</u></p> <p>Projects must achieve standards set by relevant government agencies.</p> <p><u>Rights and benefits</u></p> <p>Regarding tax incentives, only exemption of import duty on machinery according to the BOI Announcement No.1/2543 dated August 1, 2000 shall be granted.</p>
<p>7.4.5 Dedicated health centers</p>	<p><u>Conditions</u></p> <p>Projects must achieve standards set by relevant government agencies.</p> <p><u>Rights and benefits</u></p> <p>Regarding tax incentives, only exemption of import duty on machinery according to the BOI Announcement No.1/2543 dated August 1, 2000 shall be granted.</p> <p>-----</p>

<p>7.4.6 Long-stay business</p> <hr/>	<p><u>Conditions</u></p> <ol style="list-style-type: none">1. Projects must be approved by relevant government agencies.2. Promoted projects must provide a variety of services such as lodging, health care, travel services etc. <p><u>Rights and benefits</u></p> <p>Only non-tax privileges shall be granted.</p>
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