

BY INVITATION

Investing in land in AEC countries

By Virasak Suthanthavibul

● One aspect of the Asean Economic Community (AEC) that has created confusion is land ownership. Given that the AEC will provide for free flows of capital, services and goods, some people have assumed that AEC nationals will also be able to buy land anywhere in the region. This is not the case. All countries in Asean place restrictions on land ownership and these will continue under the AEC.

Nonetheless, as the AEC draws closer, we are seeing a trend toward the relaxation of property laws which is a natural consequence of the increasing investment flows within the region.

In 2011 Laos changed its laws to allow foreigners to purchase land from provincial and capital authorities — under certain conditions and with a minimum investment of US\$500,000. Meanwhile,



A rickshaw driver carries passengers in the Myanmar capital of Nay Pyi Taw, 350 kilometres north of Yangon.

Photo: EPA

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Indonesia and Myanmar now allow long-term leases of 50 years or more in certain circumstances, while Vietnam offers leasehold land for terms of up to 50 years; however it does not allow private land ownership.

With the exception of Thailand, Cambodia probably has the most liberal laws for land investment among the countries in the Mekong region. Although foreigners can't buy land outright, in 2001 the Cambodian government passed a law providing for government leases for up to 99 years.

Apart from the rush for industrial development, there is also considerable interest in investing in commercial property in Asean countries. Myanmar is attracting particularly intense interest — so much so that the price of office space in Yangon has shot up to as much as \$150 per square metre, which is higher than prices in Bangkok.

In Thailand, growing intra-regional investment and infrastructure development are also affecting property prices, especially in locations such as Udon Thani, Rayong, Bangkok and Nakhon Ratchasima.

In Udon Thani, land prices in the central business district have doubled in the past two years.

A key driver of this is the planned high-speed train network, which will not only link this northeastern city with urban centres in Thailand, but with other Asian cities in Laos, Vietnam and China. Given that Udon Thani is only 100 kilometres from Vientiane, the fast train link will make it feasible to live in one city and work in the other, and already some people are buying property in anticipation of this.

Indonesia, with its strong economy, abundance of land and limited office space, is considered by property investors to be one of the hottest destinations in Asia. A recent report by PricewaterhouseCoopers and the Urban Land Institute placed Jakarta at the top of the list for city investment prospects.

It is notable that four out of the top six city investment destinations in the 2013 PwC survey were in Asean, namely Jakarta, Singapore, Kuala Lumpur and Bangkok. The other two were Shanghai and Sydney.

With its good infrastructure and clear legal framework, Thailand remains popular with investors and this is one of the reasons for our country's current property boom. Thailand is also liberal in its land ownership laws, at least compared with most other AEC countries. Under

Board of Investment (BoI) privileges, investors in Thailand can own freehold land outright in some cases.

Despite the pressure from investors for further liberalisation, I expect Asean governments will continue to protect the interests of the local people with their land laws. Even Malaysia, which allows foreigners to own freehold land for their own dwellings, restricts them from competing with locals by requiring government approval for investments of less than 500,000 ringgit unless they fall into a special category such as "My Second Home".

With strong growth likely in Southeast Asian urban centres over the next few years, Thai developers should enjoy a bonanza, given their experience and strengths in areas such as construction and production materials. There are many opportunities coming up in the next few years and Thai companies would be well-advised to investigate them.

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