



## Compass Point Property Investments

*Building Wealth Through Property*

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*'Property Investment in SE Asia' at 950 words (50 word intro + five 170 word paragraphs plus 50 words on the Author at the end) for mid October.*

## **Overseas Property Investing**

### **South-East Asia – Where the hot property investment money is going!**

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With little growth in the UK property market at present, savvy property investors are looking overseas. South-East Asia may not be familiar territory to many but, with potential appreciation of 15-25%pa and yields over 10%pa, it offers some great opportunities – and lifestyles! As an Expat myself for 12 years, I love the region. [53]

Asian and American investors, as well as Expats, have benefited from huge growth for many years in South-East Asia. With China's economy booming, and Japan and Korea showing distinct signs of recovery, South-East Asian economies are benefiting from a surge in growth and tourism – and the potential for strong capital growth. Property prices (per sqm) point up where the hot money is coming from and going to: Hong Kong: £7k, Shanghai: £5k, Singapore: £5k, Sidney: £3.8k, Tokyo £3.5k, Thailand: £0.8–1.2k, Philippines £900. As anywhere, successful property investment in SE Asia should focus on factors driving capital growth – strong economic activity and significant investment by tour operators and hoteliers and investment in transport and social infrastructure. There should be several types/levels of buyers, to ensure a sound exit strategy, and liquid markets (low taxes and few limits on capital transfers). GDP growth of up to 8% isn't everything – market confidence and tourism growth are key factors and the level of cross-border investment between SE Asian countries reflects positive sentiment and makes for sound property investments. [175]

With a well developed infrastructure, free-enterprise economy, and significant foreign investment, **Thailand** offers great prospects for property investment, with potential capital appreciation of 15-20%pa, a strong resale market and yields of more than 10% that cover even repayment mortgages. Fully recovered from the 1997-98 Asian Financial Crisis, it has been one of the best performing economies in East Asia for the past few years, now ranking as the World's 20<sup>th</sup> largest economy, with GDP growth of 6–8% in the near term. Growth in **Bangkok** is predicted at up to 20% or so for the next 5–10 years, so presents good investment potential. Units as small as 25 sqm sell for as little as £15k and are snapped up quickly on release. The December 2004 tsunami caused relatively little damage to the economy and, learning from it, the government is ensuring that future developments are better protected. Nevertheless, those investing in resort properties should seek developments which are in sheltered locations or set above sea level. [167]

The Thai resort property markets are now well established, but buyers are becoming more discerning, so investments should focus on design and build quality in the most popular resort areas and competitive pricing from reliable developers with reputations for meeting ROI projections. **Phuket** is well known and is hugely popular with holiday makers, retirees and investors of all nationalities – up to 70% of resort property in Thailand is being purchased by Hong Kong Expats! Beautiful **Koh Samui** is rapidly developing into an up-market destination, with trendy restaurants, shops and bars, and even a 6\* hotel – making it one of Asia's investment hot-spots. Unaffected by the 2004 tsunami, several areas have been declared 'Green Zones' by the

Government, tightening planning consents, and approval for the 2<sup>nd</sup> airport and completion of the new marina in 2006/7 will drive property values up. **Krabi** is one of the most naturally beautiful places one could hope to visit, with plenty to offer tourists and residents in an unspoilt tropical beach paradise. [166]

With GDP growth now around 6%pa and booming regional tourism, **the Philippines** has enjoyed stability and economic reform over the past 10-15 years and is one of the fastest growing and most profitable residential property markets in Asia. **Manila** is quickly becoming one of Asia's business hotspots, with rapidly-climbing property prices – one modern development has seen 80% price growth in 2½ years. Another attractive property investment location is **Cebu**, a fast-growing commercial and tourism centre some 560km south of Manila. The Province's 167 islands are lined with idyllic white sandy beaches and pristine clear waters, with fantastic diving grounds, and it's strategic location at the centre of the Philippine archipelago, with easy travel by air, boat or bus, places it at transport and tourism crossroads. [125]

Elsewhere, continued capital growth in the Chinese commercial capitals of **Hong Kong** and **Shanghai** is predicted at up to 20% in the next few years, leveling off (at the high price-levels already reached) from up to 50% in the last 2–3 years. If you think of **China** as offering 'bargain' opportunities, you need to look beyond these locations – but make sure you know your market and that you have reliable local support. Despite the recent bombings, **Bali** remains one of the most popular of all global destinations – my family's too! – with good 'lifestyle' investments. The **Indonesian** economy is showing stability, with GDP growth of around 5%pa and a stable currency, so **Jakarta** should be worth a look soon. For the early-birds, there is emerging investment potential in the northern countries of SE Asia, with the tourist resorts in **Vietnam** showing the best opportunities. **Myanmar** (Burma) has huge future tourist potential, once the government stabilizes, and **Lao** and **Kampuchea** will, in time, mature sufficiently to offer sound property investments. In **Australia**, growth in the cities has tailed off to around 5% but **Queensland** is still a strong favourite for Australian retirees and the all-year resorts in the South Island of **New Zealand** are currently offering great prospects for growth and net rental yields of over 10%. [216]

**About John Thornely:** Drawing on his experience of over 20 property investment deals in 6 countries achieving an average return of 30%pa, John established **Compass Point Property Investments** to offer investors wealth-building investments. You can contact him at [jt@compass-point-investments.com](mailto:jt@compass-point-investments.com). [49]

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