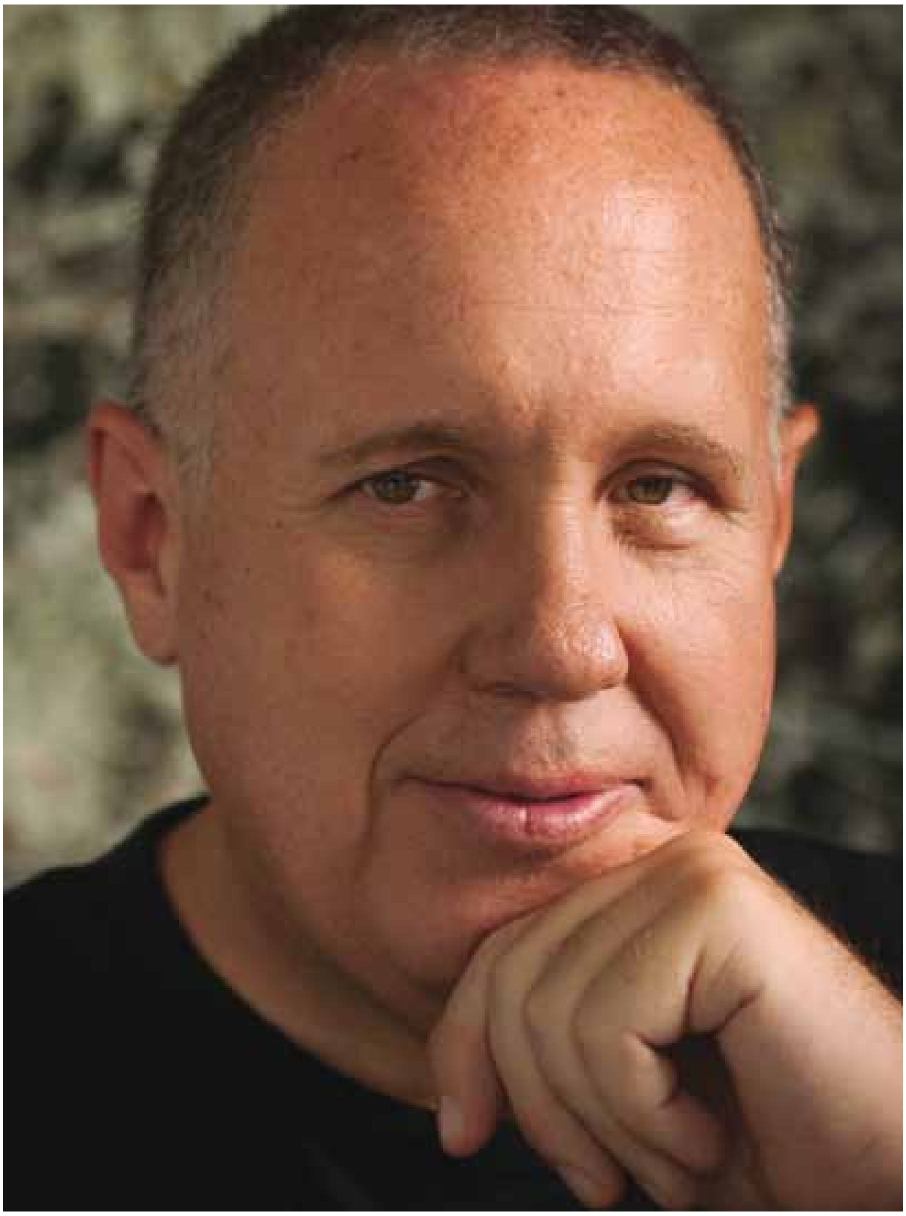

Owning it - The Minority Report

Bill Barnett, founder and managing director of hospitality and property consulting firm C9 Hotelworks, negotiates the ownership maze in South East Asia.

There is no shortage of real estate products for sale in South East Asia but buying and owning are two entirely different things, be it homes, villas, condominiums, vacation ownership (formerly known as timeshare), fractions, destination clubs or any hybrid of the above. Within the region, foreign property ownership remains a contentious topic at best with emotional issues ranging from national sovereignty, concerns over keeping housing affordable for lower income earners and of course stemming speculative external investment in order to ensure market stability. Painful memories from 1997's Asian contagion are being erased from the collective hearts and minds of central governments, and as demonstrated during the global financial crises (GFC), which saw Asia lead the recovery, things are changing.

Looking at bright and progressive Singapore, which I often draw parallels with the California-like Orange County of Asia. While some may knock it, as we in the region have come to understand and appreciate, the place simply works. It's all so bright shiny and new that I need to put on my Ray Bans just thinking about it, in order not to be permanently blinded.

In the Lion Republic, ownership falls under the Residential Property Act and comes in two servings per se. For non-restricted projects such as apartments and condos, which have been approved by the Planning Act, it's fairly straight forward. There is also a process for purchasing restricted property that requires approval by the Ministry of Law, but that is far too complicated to lay out in this article.

Taking the Singapore example into other countries, places such as Thailand and the Philippines also allow freehold ownership of condominiums, but as an underlying fundamental, the allocation of allowed ownership is a minority of the total number of units. So the good news is, you can own outright, but the bad news is in most cases this is restricted to high rise projects and not individual homes or villas. Indeed, having lived in Asia for some 25 years I'm used to being a minority, though I must admit some angst over that Tom Cruise movie.

Malaysia introduced one of the region's leading incentives through its MM2H (try remembering that) or easier Malaysia My Second Home program. Mainly targeting the retirement or second home segments, depending on your age grouping, a minimum bank balance needs to be retained in a local bank, after which a connected visa and real estate ownership scheme are allowed. There are variations from state to state, but some fairly nifty bells and whistles such as import tax free purchase of autos, visas for domestic helpers, and tax exemption apply.

Indonesia has historically presented fairly high hurdles for foreign property purchases, but a sign of the times was the recent change which allowed foreigners who are married to national's permanent residency visas. The new legislation has been widely hailed for liberalising what has thus far been a restricted arena and even gone so far as extend this onto qualifying foreign investors. Wider changes, however, remain in the wind in Southeast Asia's largest economy.

Of course there continues to be the ability to lease homes or villas to foreigners, mainly for resort properties in the region. Varieties of schemes are on offer, from the legally correct down to a gray area of nominees and offshore holding companies. Let's just say where there is a will there is a way.

With ownership often comes the desire of expatriates to leverage their property and consider in-time resale. It remains far easier for local banks to take a view on securitization of assets on a freehold property versus a leasehold, and also if selling down to a local is in your sights, they will most likely only look at a full ownership opportunity. After all, why shouldn't they be allowed to own in their own country?

As you move into alternative ownership, things simply get more complicated. While fractional ownership in the west can often come through a deeded interest or right of use, in many cases, restrictions on foreign ownership or the lack of appropriate legal structure has created a potpourri of offerings. The use of leasehold terms or membership rights in many cases create an overlay. Add onto that, in some cases, the addition of an offshore element in which shares are denominated in an SPV (special purpose vehicle) which isolates an ownership interest and attempts to create a transparent financial investment.

There remain successes, failures and a slew of mystic combinations when it comes to shared ownership structures in the region. Fairly said though, a number of quality organizations such as Marriott Vacation Club International, Karma Resorts and Laguna Phuket have a strong track record of reliable operations. More and more hospitality groups now apply the crossover opportunity of a club or vacation ownership structure that has shifted from time-based to reward points to fill vacant hotel rooms. Hotels remain a perishable and incremental revenue stream that enhances the bottom line.

Bill Heinecke's Anantara Hotels and Resorts and Ho Kwon Ping's Banyan Tree Resorts are good examples of two groups tapping into the synergies between hotel and lifestyle property investment. Consumer legislation in Southeast Asia often mimics a team trailing at halftime, who are attempting to stage a late minute come back – but in most counties consumer laws are progressing, especially over the wider vacation ownership programs.

While some say Asia has no country for old men, property reforms in the emerging markets of Cambodia and Vietnam are moving swiftly when it comes to fast tracking these reforms to attract foreign real estate investors. If you are considering a property purchase, go back to the time when you were young and taught to wait, look and listen before crossing the road. Do your homework, view the options. Carefully planned and informed decisions could make all the difference in the often confusing marketplace. ■

Bill Barnett is a leading hospitality sector expert in the region, he writes for various publications including his own news site thephuketinsider.com

Sharing the lux

Hong Kong-based company LUXLife offers travellers all the comforts of home combined with 5-star service and resort facilities in exclusive villas set around South East Asia and beyond. Rather than spending on vacations, members can invest in these luxury properties and gain access to a variety of prestigious services and products such as private islands, yachts, jets or country clubs.

"For less than the price of a mere down payment on just one luxury multimillion dollar home, now you can have them all," said LUXLife founder Gary A. Ferraro.

Four different types of memberships are available: equity-based memberships, non-equity based memberships, leisure/travel memberships and exchange memberships. All feature lifetime access to the company's portfolio of villas.

As most villas are in branded resorts, members can use any facilities there without actually staying at the resort. Current options include sea-side villas, eco-retreats, mountain estates or city apartments in locations such as Bali, Phuket, Singapore and Vietnam.
www.luxlife.hk