



Buying Asian Real Estate

~ Country Summaries ~

We receive a substantial number of inquiries, both from resident and non-resident Australians, about the purchase and funding of property overseas. These pages are intended as providing a brief summary of the issues surrounding the foreign purchase of property in a number of countries – commencing with countries physically close to Australia. We may expand the geographical ambit of these summaries at a later stage, but at this point we feel that there is quite a lot of material already available regarding the purchases of property in Europe and the Americas. Asia remains a more “challenging” environment, but one we feel still has exceptional potential both for lifestyle and investment purchases.

These summaries are a starting point; no investment should be made in a foreign currency unless you have a very good appreciation of both the local laws and customs, particularly in relation to security of title and taxation. You will almost invariably need to rely on local advice, both in terms of the selection of property and the legalities, but you take obvious risks if you rely entirely upon that advice and do not do the necessary preparation in advance of any purchase. It is also outside the scope of these summaries to comment on issues such as security, or the availability and quality of health care in the countries concerned. You are advised not to rely on these summaries; while we intend to provide regular updates the environments can change very suddenly and you must make your own inquiries regarding current conditions. Additionally, we do not vouch for the websites links provided, they are simply intended as providing some general indication of the properties and pricing in the individual countries.

We have lived in a number of these countries and travelled extensively in Asia; but have attempted to be as factual and objective as possible in terms of this material. However, we have assigned a **star *** rating to those countries which, in our opinion, are under-rated, whether for security or other issues, and consequently still have unrealised potential. We also invite comments on the material from expatriates and others with first hand experience in these environments. Contact us via the Exfin website if you want to discuss any aspect of selection or have questions regarding the funding of purchases.

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Sri Lanka



Population	21+ million
Major Religions	The religious base of Sri Lanka is very varied, but the major religion is Buddhism which accounts for about 70% of the population. The Hindu population comprises 16% of the total population, while Muslims and Christians comprise about 7% and 6% respectively.
Languages	Both Sinhala and Tamil are official languages. English, the link language in the present constitution, is spoken by about 10% of the population, and is widely understood. All three languages are used in education and administration.
Popular Expatriate Locations	Hikkaduwa , Galle
Legal Position	Foreigners may buy the freehold to property in Sri Lanka and the legal system is based on English law. However, in 2004 the Government re-introduced the 100% tax on foreign freehold purchases – thus your actual purchase cost will be twice that agreed to the vendor. Alternatively, long term (99 year) leases are available, which attract a 7% tax, or you may purchase through a specially constructed Sri Lanka company in which you are a 99% shareholder. The latter is often used for larger purchases and there are ongoing company administration costs.
Taxation	See above.
Finance	Funding for foreigners is not available in Sri Lanka, and nor will foreign banks accept Sri Lankan property as security on a loan. All funding must be sourced from abroad. Note that you can expect to pay an additional 3% on the purchase price for a lawyer, and potentially a broker's commission of up to 5%.
Websites	http://www.lankaland.com/ http://www.lankarealestate.com/
Other Comments	<p>The ongoing civil conflict in Sri Lanka is between elements of the majority Sinhalese and Sri Lankan Tamils – with the latter wishing to establish a separate state in the north east of the country. Apart from bombings in Colombo most of the conflict has been confined to the north of the country.</p> <p>Following the Tsunami, restrictions were placed on the development of beachfront land – these have just changed and property constructors can now build on land as close as 25 to 55 meters away from the sea in the south of the country and between 50 and 100 meters in the north of Sri Lanka.</p>

Malaysia



Population	25+ million
Major Religions	Malaysia is a multi-religious society, but Islam dominates and is the country's official religion. The four main religions are Islam 60%, Buddhism 19%, Hinduism 6% and Christianity 9%.
Languages	Malaysia is a multi-racial society with the dominant ethnic groups being Malays (65%), Chinese (25%) and Indians (7%) – thus there is a very great range of languages spoken, with the Bahasa Malay language dominating in the general community. The Chinese speak a variety of dialects, as do the Indians. Many, including almost everyone in the professional classes, speak English.
Popular Expatriate Locations	Kuala Lumpur , Langkawi , Penang
Legal Position	<p>All purchases of properties by foreigners must be with the approval of the Foreign Investment Committee (FIC) regardless of its' value – and the purchase price must be more than RM150,000 (but with no limit on units acquired). State authorities may also need to give approval, and the FIC will also need to give it's approval should the owner wish to sell or transfer to another foreigner.</p> <p>FIC approval is not needed for foreigners purchasing under the "Malaysia - My Second Home" program (formerly known as Silver-Haired Program) coordinated by the Ministry Of Culture, Arts and Tourism. Under program foreigners are allowed to purchase up to two (2) units of residential premise costing more than RM150,000.00 each.</p> <p>Stamp duty on purchases is payable on a sliding scale, depending on value, from 1 to 4% on purchases, plus lawyers fees of 1% plus.</p>
Finance	Funding from within Malaysia for purchases is possible, but often problematic and the FIC expressly allows foreign funding of purchases. Offshore banks will not currently accept Malaysian property as security on a loan.
Websites	Malaysian Legal Information MANZA
Other Comments	Malaysia comprises 13 states, a number of which are dominated by Muslim parties. Some of these states apply limits or bans on entertainment and leisure activities which may be seen as restrictive by foreign residents.

Singapore



Population	4 million+
Major Religions	The Chinese majority in Singapore – about 75% of the population are largely Buddhist, with a Christians and Muslims comprising about 14% each.
Languages	The official languages are English, Mandarin, Malay and Tamil – with English very widespread in both companies and Government administration.
Popular Expat Locations	Kuala Lumpur , Langkawi , Penang
Legal Position	<p>Foreign buyers are generally prohibited from owning land, but are allowed to purchase an apartment in a building which has at least six stories, a housing unit in an 'approved condominium development' or alternatively a leasehold property a building which has at least six stories. Other properties may in principle be available for sale to an investor but they have to seek the permission of the Singapore Land Authority before proceeding to purchase. In fact, many properties are considered "restricted" and investors seeking to buy outside the "norm" will need to the services of a good property lawyer to ensure they don't waste time assessing potential properties.</p> <p>An exception to this approach was recently made in relation to the Sentosa Cove development, insofar as foreign owners were able to buy land provided the property would be used for owner occupation (that is, not rented out) and they didn't own more than one 'restricted residential property' in Singapore. Many believe the Singapore government will continue to use these type of exemptions to lure wealthy owner occupiers to the island.</p>
Taxation	At the present time there exist some very significant capital gains taxes in Singapore – 100% if sold within the first year, reducing by 33% in each following year as an obvious disincentive to speculation.
Finance	Mortgage finance for properties is available in Singapore, but with short term leasehold properties being difficult to finance.
Other Comments	Usually there is a 1% commission fee payable by the buyer to the estate agent, plus stamp duty which amounts to about 3%. Lawyer fees and charges associated with receiving approvals are extra.

Indonesia



Population	223 million+
Major Religions	Indonesia is the world's most populous Muslim-majority nation with about 88% of the population being adherents to Islam, 9% being Christian, 2% Hindu and 1% Buddhist. Note, however, that Bali is very unusual, with over 90% of the population adhering to Balinese Hiinduism.
Languages	The official language is Bahasa Indonesia, with English not widely spoken outside the toursit industry and the professional classes.
Popular Expat Locations	Bali , Lombok
Legal Position	<p>Foreigners are not permitted to have freehold title (Hak Milik) in Indonesia – which of course includes Bali. Foreign residents in Indonesia" may however hold a Hak Pakai (right of use) title – which provides a right of use for 25 years with the possibility of another 25 years extension. A foreign resident in this context has been defined to include someone who is in Indonesia from "time to time". Hak Pakai is not suited for long term investment purposes though and there are currently two approaches which address this problem; the first via a nominee arrangement, and the second, through an Indonesian incorporated company.</p> <p>With the nominee method, an Indonesian citizen or legal entity is nominated to buy the land on behalf of the purchaser – with a Power of Attorney giving the foreign purchaser total and exclusive authority to utilise, sell, transfer, or lease the land without any reference whatsoever from the nominee, along with a statement declaring that the money used the buy the land belongs to the foreign purchaser and not to the nominee. The foreign party is then free to build on the land, sell or lease the property and transfer the title to next of kin.</p> <p>An even more secure way to obtain Indonesian land is to establish an Indonesian company. 100% foreign equity companies are now possible in Indonesia, with conditions. The company can then become the legal owner of the land, with the Title Deed in the name of the company. This does not give the company freehold title but the "Building Rights Title" has the same effect as long as the company continues to use it – as distinct from allowing it to lie fallow or speculative purposes.</p>
Finance	Mortgage finance for properties is not available in Indonesia and finance will need to be arranged offshore.
Websites	Baliproperty.com Bali Real Estate

12 Buying Tips

1. Buying in Asia, or abroad, is not something that should be rushed. Even if you have experience in Asia as an expatriate that does not usually translate into direct experience with local property markets. The price of rushing this process may be the purchase of an overpriced property in the wrong location, high maintenance costs or “all of the above”
2. Ideally, you should not make purchases when on holiday in a location because you will often lack the objectivity, knowledge and time to do justice to the decision. If a location is good enough to be considered as a “second home” or regular holiday destination it is almost certainly worth considering renting accommodation there for a reasonable period, perhaps a minimum of 4 weeks, during which you can explore the local market and really test its “liveability”.
3. Visit the country’s local embassy or consulate to explore in depth issues such as work and residency permits – whether for example there are limits or conditions attaching to how long you can reside in the country – or taxation.
4. Consider the issue of “timing” in terms of potential locations. To state the obvious, most the countries have tropical climates and there are distinct wet and dry seasons. If you are going to spend part of your time in these countries and in Australia, or elsewhere, are you going to be able to visit at the preferred times of year? We have constructed a [basic climate chart showing wet and dry seasons](#) in each of the Asian countries/regions.
5. In most of the Asia countries you will need the services of a local lawyer, and you should require that he or she speak fluent English – this is not a situation where you wish to get embroiled in stressful “communication problems”. In answer to the question of... which lawyer? ... you can ask resident expatriates or consider using local affiliates of Australian legal firms. As an example, Exfin has a relationship with Meritas firms in Australia and they have [legal affiliates in most Asian countries](#). If these local firms do not cover real estate law – which would be unusual – ask them for a (written) referral to another firm. As mentioned previously, no matter how competent or qualified your local lawyers or representatives may be it is in your best interests to be knowledgeable and informed about all aspects of the purchase process.
6. If at all possible, talk to local expatriates who have been through the process of buying property – they are most likely to have the inside knowledge and objectivity which is critical.
7. It sounds obvious, but be very wary of people touting real estate at places like airports and shopping malls, and of people who might approach you within a hotel. Timeshare resorts now exist in Asia and, although there is nothing wrong with the principle of time-sharing, indeed quite the opposite if managed properly, the aggressive marketing which has caused them to have such a poor reputation has often followed them.

8. Whether you end up buying freehold, or long term leasehold, make sure that you have "clear title" – that is to say that the vendor is entitled to sell the property and there are no competing claims. Some countries have very archaic titles system – don't accept any lack of transparency in this respect.
9. Make sure you understand the payments process – particularly when a deposit is required, how much and in what circumstances you may forfeit that deposit if you decide, for whatever reason, to withdraw from the process.
10. The environment changes remarkably quickly in some of these countries, but at present you may need to provide proof of having remitted the purchase money into the country in order to later remit the proceeds of a sale. Make sure you understand the documentation required and that you retain the necessary documents. If the agent or vendor requests payment offshore in foreign funds discuss the repercussions, if any, with your local lawyer and seek the advice of other expatriates.
11. If you are looking to rent out your property while away, look carefully into rental levels achievable, occupancy rates during the "off" season and the costs and practicalities of maintaining it.
12. Apartments are often the more practical alternative if you plan to be away for long periods and want to be confident that the property will be maintained in a reasonable condition in your absence. Houses and villas can pose security and maintenance problems, in the absence of (trusted) local staff/caretakers remaining in residence and some sort of professional property management.