

## Investing in Thai Property – The Basics

Thailand's rapid economic growth creates tremendous investment opportunities. Many foreign investors find Thailand's property sector to be particularly attractive. To realize these opportunities, you need to understand the market and how it's evolving. Then you'll need a well planned and executed investment strategy.

If you're considering an investment in Thailand's property market, here's our quick guide to give you the basics.

### Foreign ownership restrictions

Foreign ownership of land and other property in Thailand is subject to the following restrictions:

- Land Ownership - If you are not a Thai citizen, you cannot directly hold freehold title over land. However, non-Thais can hold shares in a Thai company provided that Thai nationals hold majority interest in the company.
- Land Lease - Land can be leased by both Thais and non-Thais. The maximum lease term is 30 years although automatic renewal for an additional term of 30 years is normally also allowed. Leases of more than 3 years are registered with the Government's Land Department.
- Condominium Ownership - Non-Thais can hold freehold title over a condominium unit given that the total of all foreign ownership in the condominium project is not more than 49%, as measured by saleable area.
- Building Ownership - Non-Thais can hold direct ownership over buildings. Therefore, non-Thais often purchase a building on land that they have leased.



### Typical investment structures

The most common structures used by foreign investors in the Thai property sector include:

- Bulk Purchase - Off-plan purchase of a number of a villa and/or condo units directly from the developer. The investor may immediately resell these units or hold them for rental purposes. Provided that the investor purchases from a credible and financially sound developer, this can be relatively lower risk strategy since the construction and financial risks of the project are borne primarily by the developer. Also has the advantage of being simple and straightforward.
- Direct Investment - Equity investment in a company undertaking a property development. Somewhat higher risk than the bulk purchase, but normally has greater profit potential. Particularly appropriate where the foreign investor has development and/or marketing experience that can be brought into the company.
- Joint Venture - The most common form of joint venture is for a Thai partner to purchase the land while the foreign partner undertakes the development of the land. Has the advantage of being a very simple way to comply with Thailand's restrictions on foreign ownership of land.

### Understand what you're buying - understand land titles

There are a number of different land titles in Thailand:

- Chanote (Nor Sor 4) - Freehold title. The owner has full rights of ownership over the land.
- Nor Sor 3 Kor - Land for which freehold title has been applied for, but has not yet been granted. The exact boundaries of the land have been confirmed by measurement by the Government's Land Department.

- Nor Sor 3 - Same as Nor Sor 3 Kor except that land measurement by the Land Department has not yet been undertaken. Therefore, the exact legal boundaries of the property have not been determined. However, after measurement, the holder can apply for freehold title, as for Nor Sor 3 Kor.
- Possessory Right - A document is issued recognizing a person's possession of land, but no rights associated with this possession are granted.

Foreign investors often find that entering into a long-term lease is an excellent way of acquiring property. Unlike freehold purchases, there are no restrictions on the leasing of land by non-Thais. However, you need to be very careful about leasing anything other than land held under Chanote title.

### **Beachfront land has tremendous investment potential - but needs to be carefully assessed**

Good beachfront land can offer you the greatest investment potential. The most profitable strategy is to purchase undeveloped beachfront property that can be developed into vacation homes or hotel/resort accommodation. Almost everyone wants to have a home on the beach and this will probably never go out of fashion.

Prime undeveloped beachfront land in the big resort areas, Hua Hin, Phuket, Pattaya and Samui, has now become scarce and, therefore, increasingly expensive. As a result, the greatest opportunities are now in newly developing areas.

If you're assessing a purchase beachfront land, you need to consider the following:

- Land titles - Can be more of a problem with beachfront land, particularly in the less developed areas of the country. Historically, beachfront land was not highly valued because of its lower agricultural value. Therefore, those settling such land were often poor and not concerned with establishing freehold title (Chanote). Even today, beachfront land in many areas is less likely to be freehold than better agricultural land away from the beach.
- Water Supply - Access to adequate piped water supply always needs to be carefully checked anywhere in Thailand. Where municipal supply systems are inadequate, private wells are often used. However, this is typically difficult or not possible on beachfront land because of salt water intrusion into the groundwater.
- Height restrictions - Construction on beachfront land is subject to special height restrictions. The further from the beach, the higher you can build. As a result, the development potential of beachfront land is very dependent on its shape.

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