

But like any other valuable investment, putting property in someone else's name, no matter how much you may trust them at the time is fraught with danger, and leaves you potentially open to abuse. Would you rather trust your life-savings to a bank or your housekeeper? I know many of you cynics will say, "Depends on which bank." But I think you get my drift.

Similarly with your house, there are so many reports of gullible farangs being thrown out of the house they thought they owned, (having paid for it!!), without any protection from the law courts, it's impossible to ignore the fact it does happen, and perhaps more often than most would care to admit.

THINGS TO CONSIDER

Potential property investors here or anywhere should look a number of areas including, long-term demographics, supply, demand, tax, and inflation.

First, what is the supply and demand situation in Pattaya?

At first glance there seems to be an oversupply of residential property, with even more coming onto the scene virtually daily. Much of what is available has stood empty for years, so it would seem reasonable to conclude it's a buyers market.....wrong!

Most people don't like to lose money and Thai property owners are no different. Unless the bank is beating at their door demanding repayment of a non-performing loan, it seems that most Thai landlords would rather leave a property vacant than to rent/sell at a reduced price.

In fact, property prices have been rising at a fair pace and as was pointed out not so

many days ago, it doesn't matter what price is being asked, someone, somewhere it seems is willing to pay. It appears the day of the genuine bargains have gone forever (or until the next crash?).

For example, land that could be picked up for a song at around 500,000 baht per rai has jumped to 2,000,000 baht (or more) and yet there still seems no shortage of buyers.

RENT OR PURCHASE?

It's interesting to look at the ratios between the purchase price of a property and the rental price. A studio may cost around Bt.1.5m to purchase and it may be rented for around Bt.10,000, which means the purchase price is about 150 times the rental price. In other words, you would have sunk an amount of capital into buying the property which would be equivalent to paying 150 months rent (which for those who don't have a calculator handy is 12 years and 6 months.) Taking into account agents fees, maintenance etc it's quite likely that the return will end up around 6-7% p.a.

Whether to rent or buy really depends on how much free capital you have and what income you have or need. If the rent is low, you could easily invest the capital in an offshore investment and achieve around 10% without tying up the capital in a property which may or may not become difficult to sell should you need access to the funds.

LOCATION, LOCATION, LOCATION

The three most important words in property!.

The trouble is that the area that is popular now may or may not be as popular 10 years hence?

You may make a killing if the area improves and becomes the place to be, however, you might also be facing the prospect of having to swallow a capital loss if the area deteriorates and that has happened many times in many select spots of Pattaya which are booming one year and deserted the next. (And, I freely admit, vice versa.) So as far as making a capital gain on an investment property is concerned, that is very much pot luck.

Housing estates and even condominiums are subject to the same whims & fancies, it seems, although admittedly much less than commercial property.

But consider whether you would be content living in the same house in the same location for the next 16 years. Because that's the rental equivalent of purchasing the property outright. It is more likely that you will want to move to another location perhaps quieter, cleaner, newer sometime during that period. Then you've got the problem of finding a buyer for your house perhaps in a deteriorating neighbourhood. You could easily lose money on your investment if you move, not to mention the taxes you will have to pay either when you sell or buy the house.

Even buying a brand-new condominium doesn't guarantee success. Some buildings haven't been as popular as expected or another one has popped up close by and taken away potential buyers. This has left them without sufficient funds to provide maintenance, security etc etc. In fact this is a good indicator of how easy or difficult it may be when it comes to selling. So check, do you have to pay to use the pool which may be maintained by a contractor? What is the standard of general maintenance?

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