



# SOUTH EAST ASIA MARKET INSIGHT

February 2023

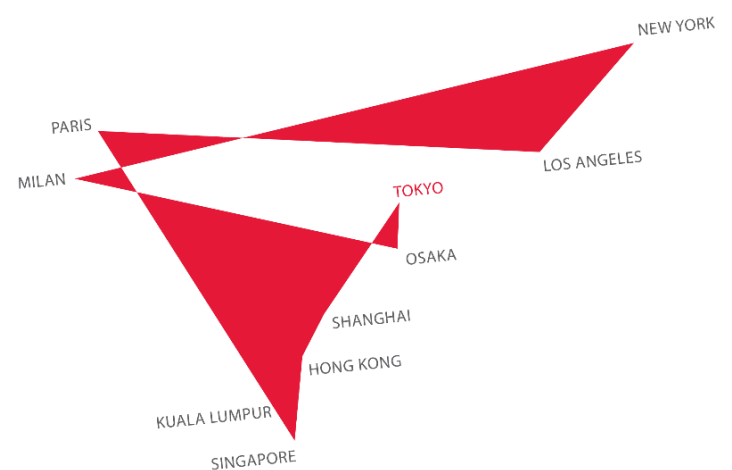


TABLE OF CONTENT

**01** MARKET OVERVIEW  
HISTORICAL TREND & STATISTICS

**02** SOUTH EAST ASIA MARKET  
INVESTMENT RANKING

**03** CURRENT MARKET SENTIMENTS & CONDITIONS  
BASED ON PROPERTY GURU MALAYSIA



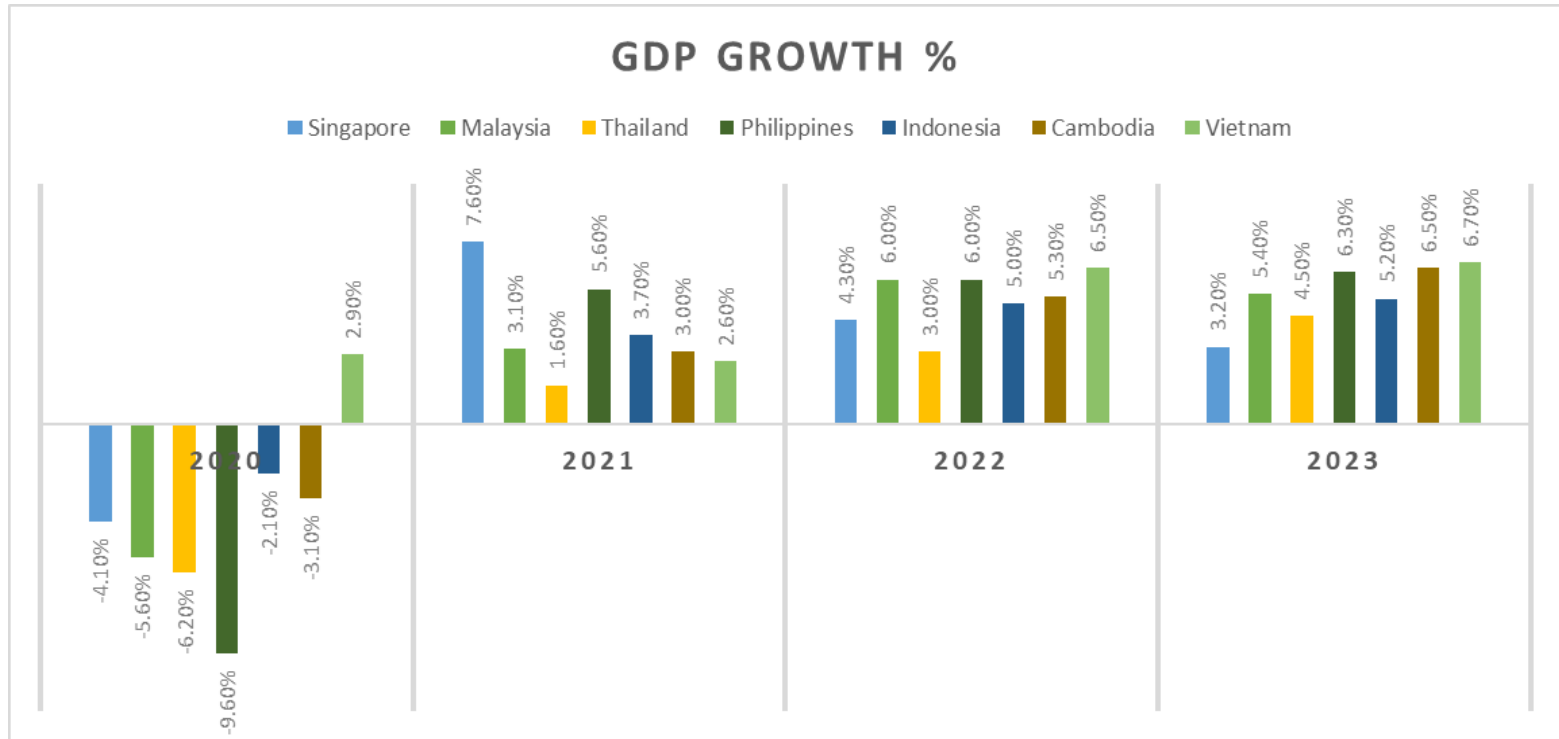


**MARKET OVERVIEW**  
HISTORICAL TREND & STATISTICS

**01**

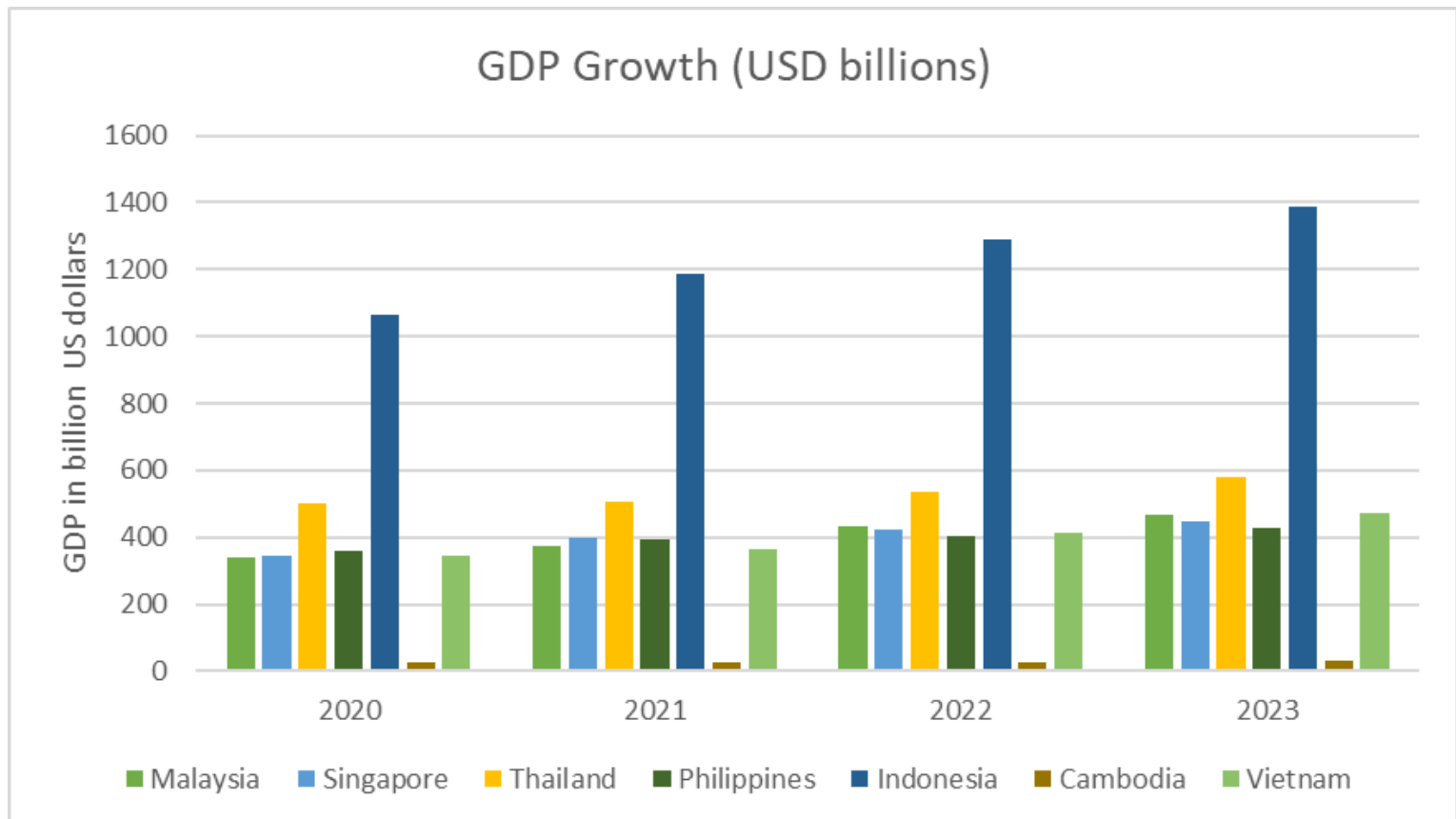
## Introduction

With the economies in developing Southeast Asia (SEA) starting to recover and finding its momentum from the worst of the COVID-19 pandemic, Southeast Asia is expected to return to the economic growth rates they experienced before the pandemic. We will explore the attractiveness of major Southeast Asia countries and to compare them in search of the best opportunities in 2023.



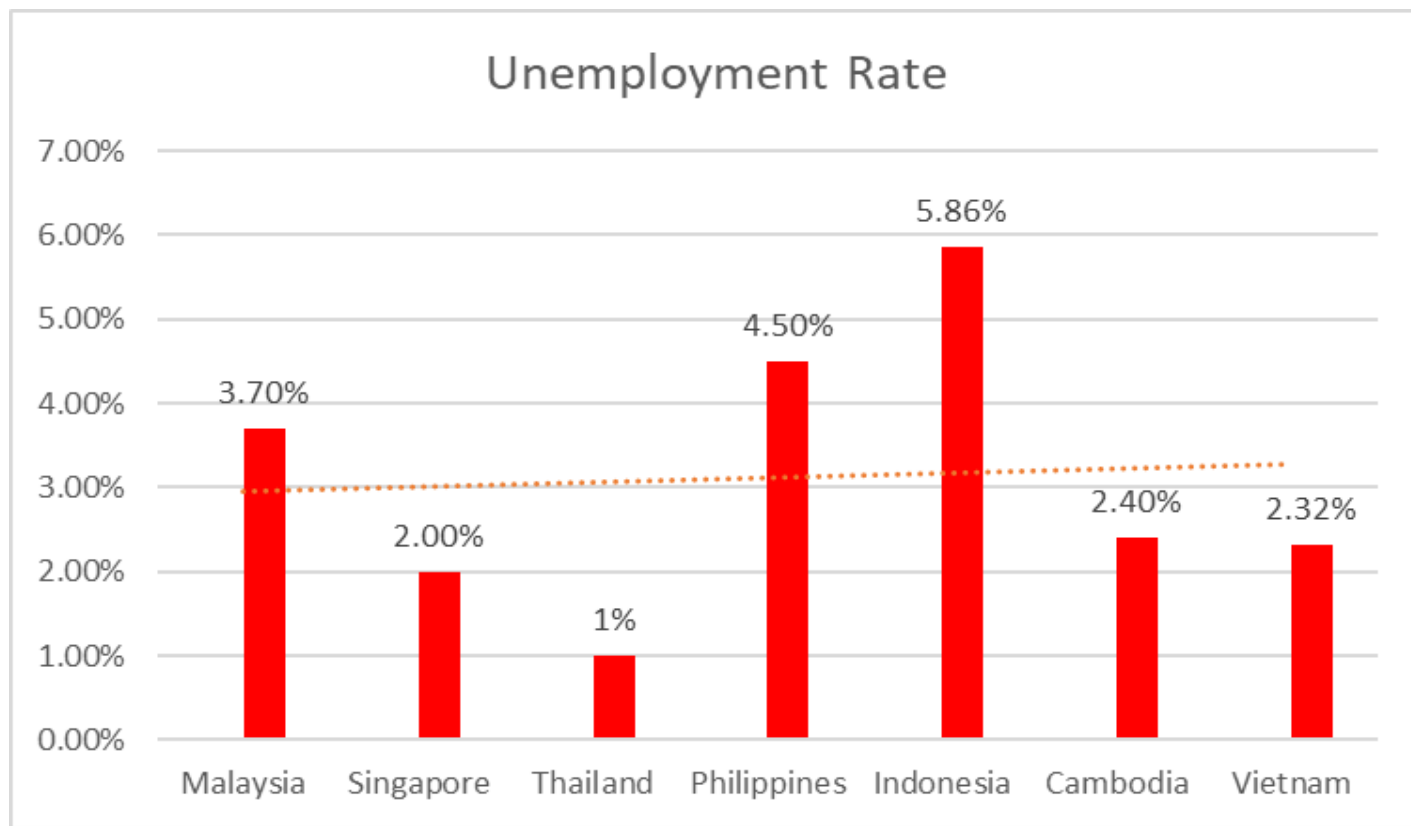
Source: Statista 2023; ADB (www.adb.org) (2023)

Most of developing Asia will see a good and steady growth in 2023. The trade-dependent economies of south-east Asia are forecasted to grow collectively by a rate of around 4-5% in 2023. Vietnam and Cambodia showed the highest GDP growth at about 6.7% and 6.5% by percentage y-o-y respectively in 2023.



Source: Statista 2023; ADB (www.adb.org) (2023)

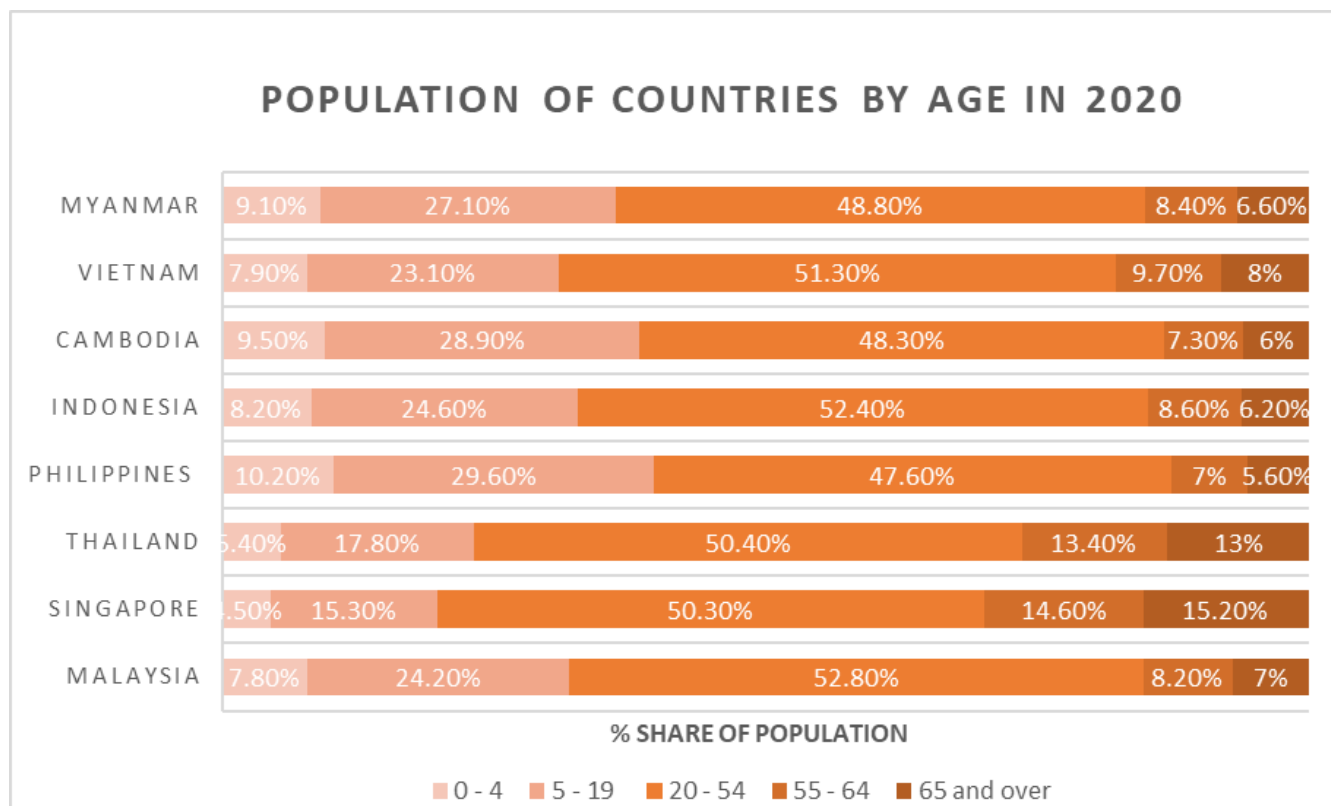
As shown above, Indonesia remains as the largest economy in the Southeast Asia, amongst others. On the other hand, Cambodia is the smallest economy and is still growing rapidly with strong exports and foreign direct investments inflows in 2023. Vietnam is also poised at a higher than average growth rate in 2023, as it becomes a favourite country for migrants because of its geographical location and a number of manufacturing firms moving out of China and shifting to Vietnam.



Source: CEIC data (2023)

Based on our findings, the unemployment rate hovers around the 3% mark. From this, (3) three countries recorded a rate of above 3%. These countries include Indonesia; recorded the highest with 5.86%, followed by Philippines (4.5%) and Malaysia (3.7%). This is likely cause of job crisis due to the past stringent lockdowns and lack in production sectors that can provide steady employment and incomes and deliver the requirements of people's welfare and national development.

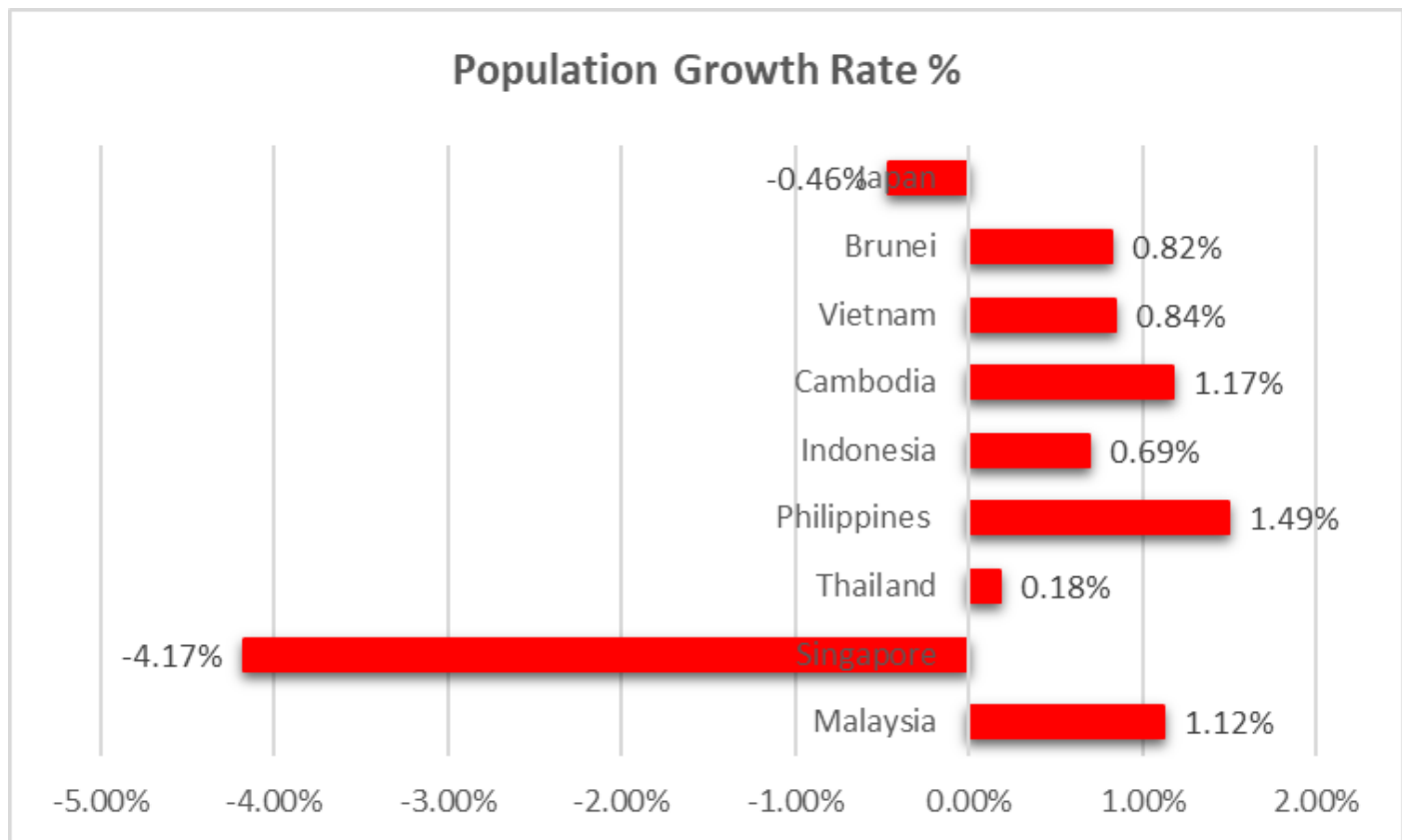
Other countries like Cambodia, Vietnam and Thailand recorded lower levels of unemployment rate of around 1-2%.



Source: Statista (2023)

Based on our findings, (2) two countries that recorded most population aged 55 and over include Singapore and Thailand. An ageing population of the two countries are followed by followed by Indonesia and Malaysia.

In terms of younger population, Cambodia stood out amongst others. Cambodia has the youngest population in SEA. A younger population mean potentially higher population growth in the future, ensuring sustainable housing demand over a long period.

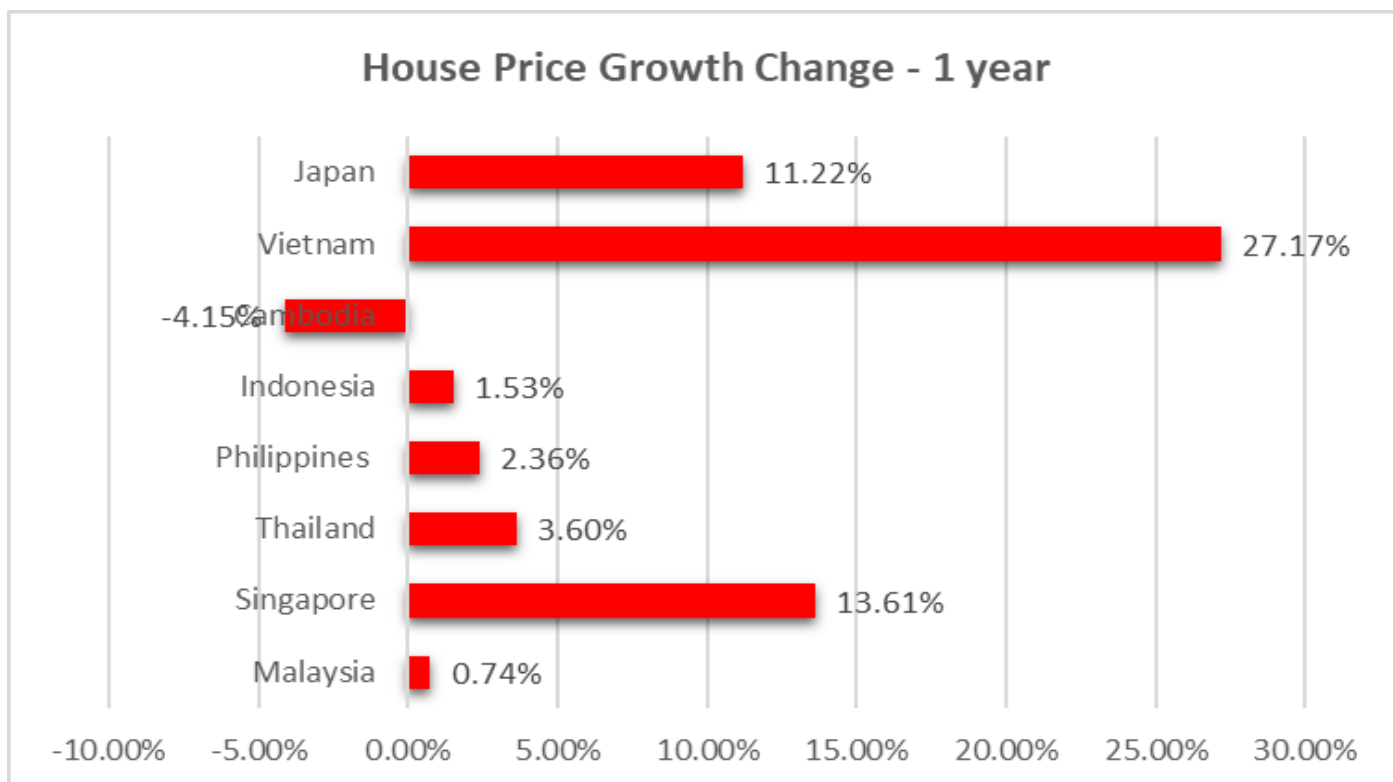


Source: theglobaleconomy.com (2023)

**Demographic Trend**

Based on the above findings, population growth rate for Philippines and Cambodia and Malaysia saw figures of above 1% annually. On the flip side, Singapore and Japan recorded a negative growth rate. With a positive population growth rate, it will result in an increased demand for housing, food water, transportation and more. Thus, it will lead to more economic growth.

Population growth will lead to economic growth with more people able to produce more goods. It will lead to higher tax revenues which can spent on public goods, such as health care and others.

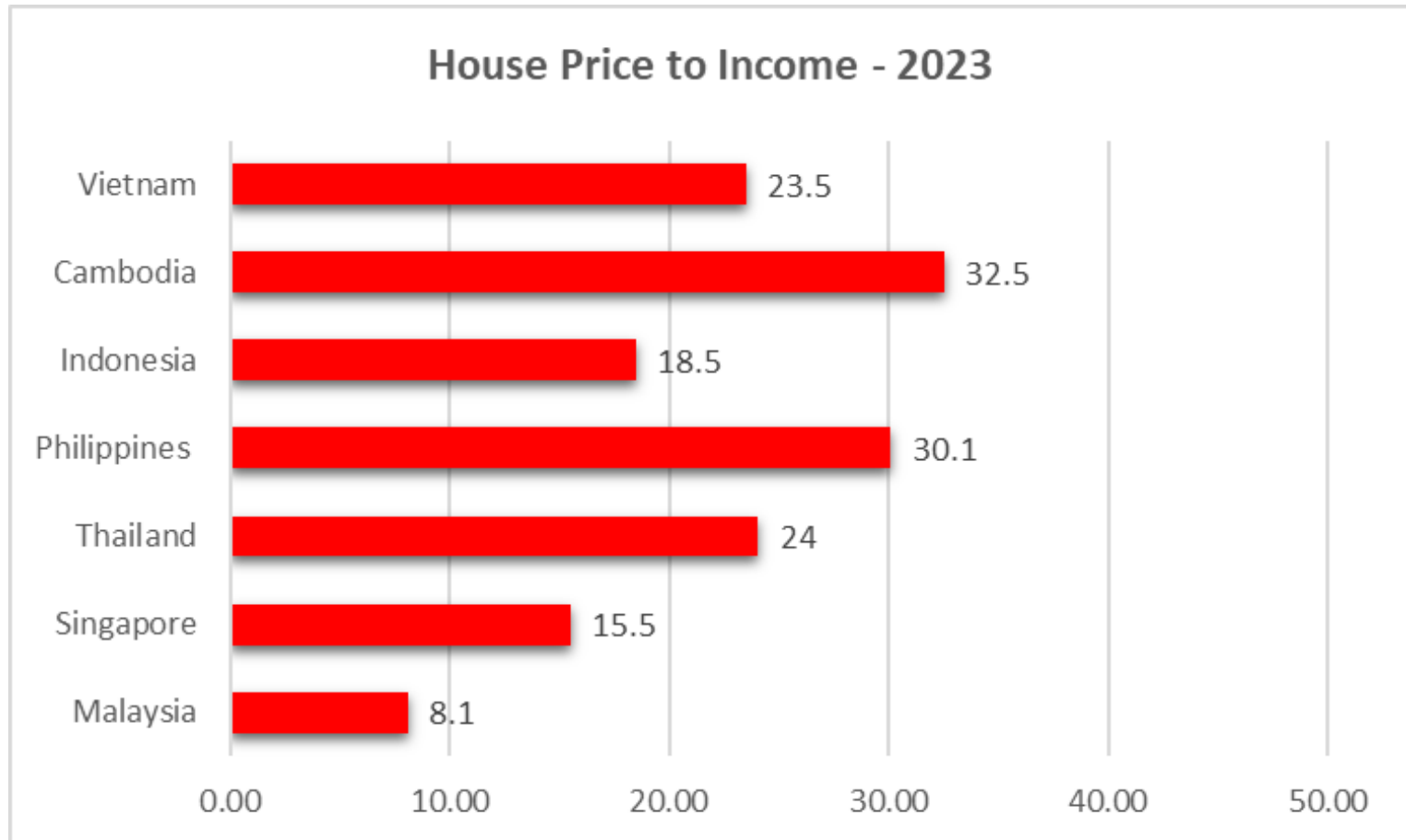


Source: theglobaleconomy.com (2023)

**House Price Growth (trend)**

Vietnam shows the highest growth in house price change (annually) within the region in 2023. On the other hand, country like Cambodia is still in the midst of recovering from a negative house price growth within the region. Singapore has also recorded a fairly high growth of 13.61%.

Note: The annual (year-on-year) percentage change in house prices (or the house price index) using the latest data available, not adjusted for inflation.



Source: [www.numbeo.com/property-investment/rankings\\_by\\_country](http://www.numbeo.com/property-investment/rankings_by_country) (2023)

### Housing Affordability

Housing in Malaysia and Singapore are the most affordable relative to income. Unfortunately, housing has become severely unaffordable for large majority of urban dwellers in developing Asia.

The housing development market is heavily weighted towards middle and upper classes.

"Out of the more than 1.6 billion people experiencing inadequate housing worldwide, 500 million people live in informal settlements across Asia", as reported by Asean today."(Asia-Pacific Housing Forum) –the most vulnerable are being left behind in South East Asia Housing Market by (aseantoday.com).

In addition, based on a report conducted it suggests around 80% do not have affordable housing options (either for rental or purchase) for half of their population. (according to South East Asia Affordable Housing Symposium 2022 by Sunway University.



SOUTH EAST ASIA MARKET  
INVESTMENT RANKING

02

## South East Asia – Foreign Direct Investment FDI

The influx of investments (FDI) indirectly stimulated the housing market by improving employment rates and providing higher wage. As higher FDI will also lead to more expatriates in professional positions and investors in the country, creating and sustaining more demand for homes.

In 2022, FDI flows to developing economies were affected by the war in Ukraine and its wider ramifications, and by macroeconomic factors including rising interest rates.

Despite this, the momentum picked up in 2023 as the economic recovery raised confidence in investors.

### KEY NOTES / HIGHLIGHTS

#### 1. TRADE WAR IN US AND CHINA

The trade war caused supply chain disruptions and geopolitical tensions between China and the US brought benefits to Southeast Asian markets as multinational companies diverted parts of their operation and investment in to spread their risk.

#### 2. SAFE HEAVEN - SINGAPORE

Singapore's reputation for a safe haven for wealth and attractive tax incentives, the country has continued to attract multinational companies and foreign investors despite the global uncertainty. Singapore has also recently secured \$6.3billion in fixed asset investments in late 2022 by European investors in an economic survey.

#### 3. MALAYSIA FDI (MAINTAINED)

Malaysia maintained its position as an investment destination, as it attracted 28billion USD in early 2022 and 17.7billion USD in late 2022 from the services sector.

#### 4. INDONESIA FDI (INCREASED)

FDI in late 2022 increase to 163 trillion or **39.7%** over the same period in 2021, based on the Minister of Investments.

#### 5. THAILAND FDI (INCREASED)

FDI in late 2022 increased to 74billion baht or **65%** by over the same period in 2021. Main investors include Japan, Singapore, Hong Kong and the United States as the main countries of investors.

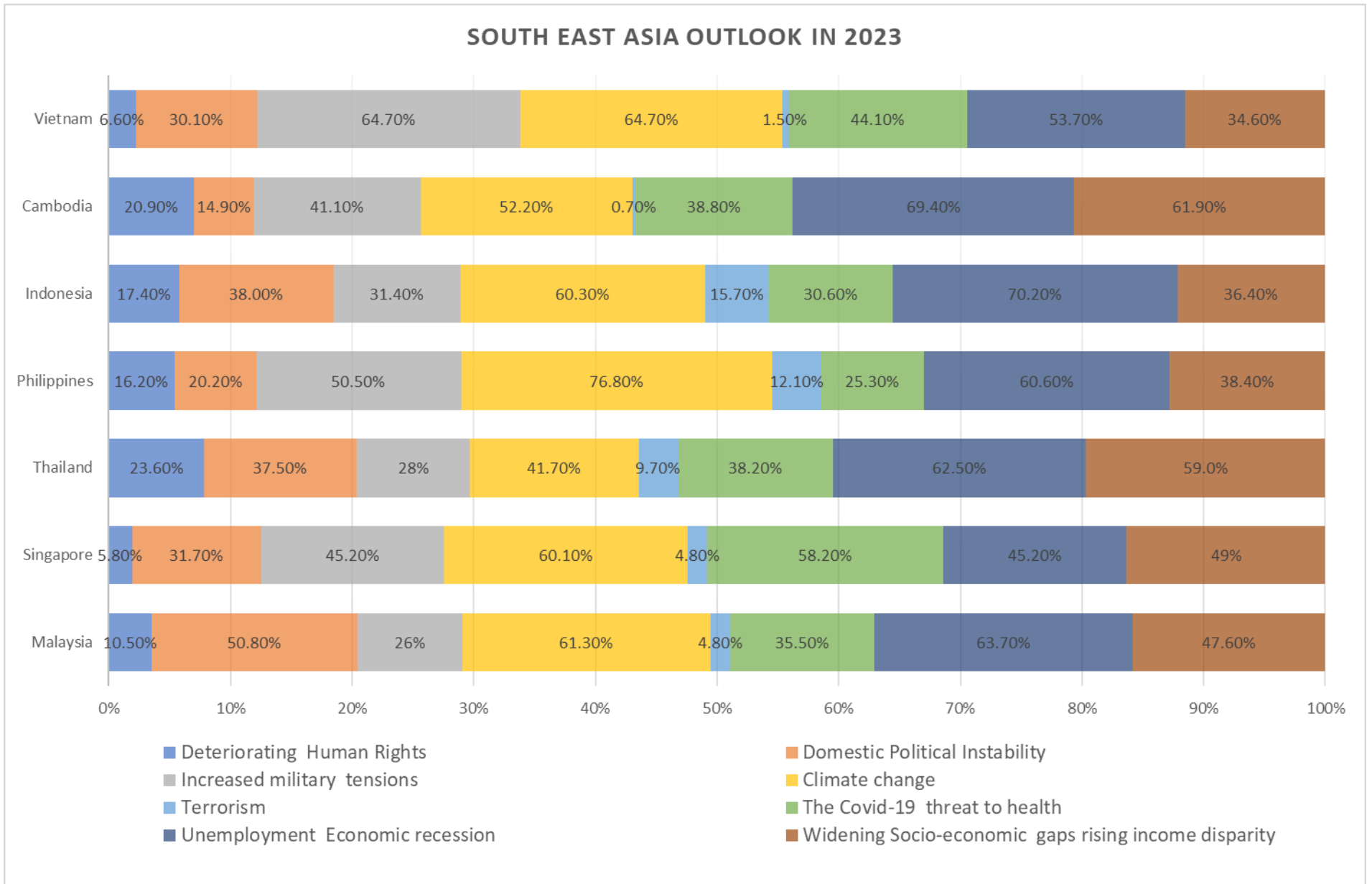
#### 6. VIETNAM FDI (INCREASED)

Vietnam FDI increased by more than 14billion USD or **91.1%** in 2022 by over the same period in 2021.

#### 7. CAMBODIA FDI (INCREASED)

Cambodia FDI increased by 1billion USD in late 2022, compared with an increase of 844.5 USD mln in the previous quarter.

## South East Asia Outlook



Source: The State of Southeast Asia (Survey Report) (2023)

The research study namely Survey Report (South East Asia) 2023 focuses on issues such as Human Rights, Military Tensions and Conflicts Flashpoints, Terrorism, Unemployment & Economic Recession, Domestic Political Instability, Climate Change, The Covid-19 threats to health, Widening Socio-economic gaps rising income disparity.

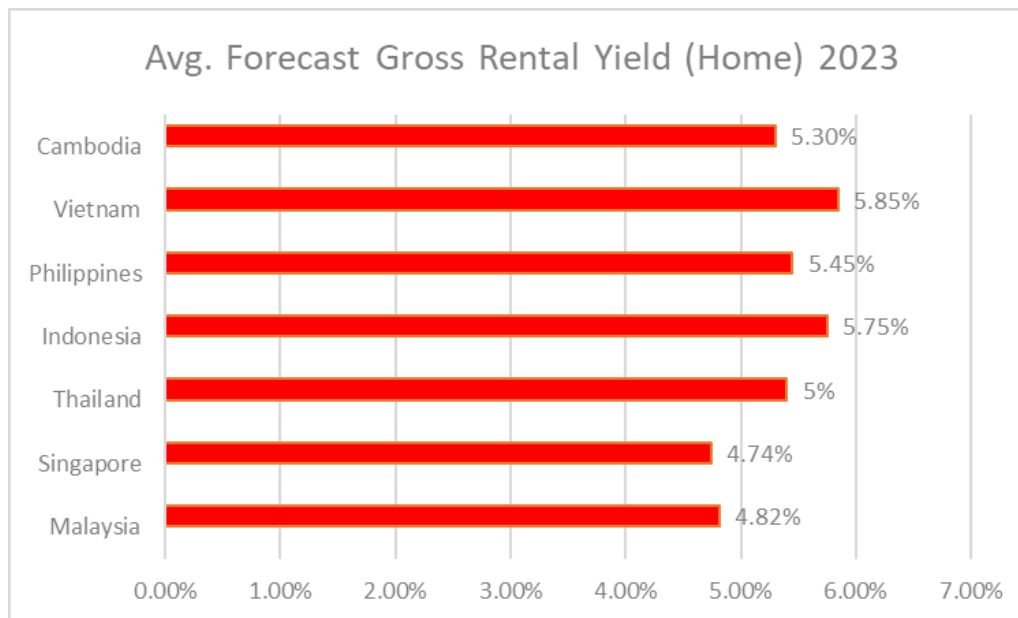
Based on Survey Report (South East Asia) 2023, Vietnam and Singapore are the least likely to experience unemployment and recession.

It is obvious that the story of Vietnam being the fastest growing economy in East or Southeast Asia. Given the country's combination of relatively effective COVID-19 measures, demographic advantages and a privileged perch in structure of the regional and global economy, World bank predicts that Vietnam's economy is to grow by a further 6.7 percent in 2023.

In terms of domestic political instability, Malaysia stood out with 50.8%, while Cambodia had the lowest percentage of the said category.

The Covid-19 threat showed the least threat to the population in Philippines, as it successfully managed the COVID-19 health crisis on the back of strong fundamentals and sound macroeconomic management. After the pandemic-driven recession in 2020, the economy grew by 5.7 percent in 2021, the following year.

## Ranking – Top 5 Investment by Countries



Source: Global property guide, AsiaHqGuide; Invest Asian, Vietnam-Briefing, Juwai, IQI, Invest Asean (2023)

RANKING	COUNTRY
1	Vietnam
2	Cambodia
3	Indonesia
4	Philippines
5	Thailand

Note: Rankings are based on a combination of yields & other related factors, and may change over time used as a guide only.

### 1. Vietnam – Top reason to invest in Vietnam

- **Strategic location** – Strategic destination for manufacturing and China + 1 located along shipping and transport routes, bordering South China, and centred along East Asia,
- **Growing Economy** – High GDP Growth; Strong economic GDP growth including continuing annual GDP growth, consistently outperforming its global and regional peers.
- **Stable Government** - Relatively stable government with a solid economic vision, fair policy control, low investment barriers, and strong incentives schemes relative to similar markets.
- **East of doing Business** – Fair and improving ease of doing business rankings for foreign investors.
- **Large, young labour force** - Labor force of nearly 60 million workers which is growing by 1 million workers annually;
- **Industrial Zones** - Well-developed Economic Zones, Industrial Parks, Business Districts, and Residential Centers.
- **Strong FDI Environment** - A strong FDI environment: US\$19.7 billion in 2021 projects disbursed; US\$31.2 billion including paid in capital.
- **Growing Consumer Spending** - Population exceeding 95 million, a rapidly expanding middle class and growing services sector which exceeds 40% of GDP
- **Network of FTA** - Signatory of more than 18 Free Trade Agreements, giving trade advantages through countries in APAC, ASEAN, Europe and elsewhere globally.
- **Integration with Legal Frameworks** - WTO member and signatory of most major worldwide Intellectual Property Protection conventions, protocols and agreements.

## Ranking – Top 5 Investment by Countries

### 2. Cambodia – Top reason to invest in Cambodia

- **Economic Growth** – Cambodia's economy has sustained an average growth rate of 8 per cent between 1998 and 2018, making it one of the fastest-growing economies in the world
- **Foreign Investments made Easier** - Phnom Penh, as the capital of Cambodia, had attracted about USD3.6 billion in foreign investment (FDI) last year, an increase of nearly 12 per cent over 2018 with Chinese investors accounting for 43 per cent of investment in the city.
- **Growing Tourism** - Cambodia has ambitious tourism plans. Prime Minister Hun Sen claimed that the number of tourists visiting Cambodia had increased substantially over the years and now the country expects 12 million tourists by 2025. More tourists will drive the real estate industry once the world is cleared of COVID-19.
- **Dollarised Economy** - The USD is the common currency used in the country. The US-China trade war has impacted the global economic picture for the past two years and Cambodia has benefitted from aspects of the conflict, with China increasing its reliance on the nation as a trading base.
- **Growing Population** - Cambodia's demographic is young with an average age of 25 and the population is expected to increase by over 20 per cent by 2030 and as the workforce increases to keep up with economic growth, urbanised cities will see more housing being developed to house workers. Cambodia now has about 16 million people with 1.5 million living in Phnom Penh.

## Ranking – Top 5 Investment by Countries

### 3. Indonesia – Top reason to invest in Indonesia

- **Largest economy in Southeast Asia** – Being the largest economy in Southeast Asia and 16th in the world, Indonesia has an annual gross domestic product (GDP) of approximately USD 970.00 in 2020!
- **Large Population** - 250 million people, the fourth biggest population in the world with more than 300 ethnic groups, and the largest nation in Southeast Asia, Indonesia is a growing economic country with impressive growth over the years. A large population indicates a bigger labour force, more opportunities, which lead to more value and a country's sustainable growth.
- **Foreign Investment Laws** – You can own apartments and you can also own land (there are a few restrictions) in Indonesia. In 2020, the Indonesia government has updated their investment laws to further improve the foreign investment climate. Foreigners can now own apartments through 30 year lease agreements with 20 year extensions; they can obtain, but not own landed houses through leases.
- **Open Investment Climate** - In the past, it would've been hard for foreigners to invest in Indonesia, as the government announced that land in Indonesia can only be owned by their citizens. However, there has been a steady implementation of new laws that encourages foreign investment. In the 90s, foreigners can own strata title apartments but not the land it stands on. In years 2010 to 2015, foreigners can hold 70-year leases on land, but laws were unclearly stated. Now in 2020, the laws have further improved!

## Ranking – Top 5 Investment by Countries

### 4. Philippines – Top reason to invest in Philippines

- **Popularity** – Reap the benefits from the rising demographic dividend. With a high population of over 100 million, Philippines has a massive labour force which is also a great advantage and possess great potential for economic development.
- **Strong housing demand** – As of Q1 2022, the total number of residential units in Manila reached 46,700 with only 13,500 unsold, which means only 2.89% of the existing houses are available right now.
- **A surge in residential properties** – The number of new residential properties reach 4,762, a 70% surge compared to 2021 Q4. The transaction volume is higher than the opening amidst the pandemic. This proves that there's a shortage of housing units in Metro Manila.
- **Mid –High end housing leads the market**- Regardless of the pandemic, mid and high-end residential priced between 4 million to 7 million pesos are the hottest among buyers.
- **Stable Asset Appreciation** – Rent fell at the beginning of the year due to Omicron, however the property value is rising in Manila CBD and surpassing the pre-pandemic levels.

## Ranking – Top 5 Investment by Countries

### 5. Thailand – Top reason to invest in Thailand

- **Tourist Hot Spot** –Thailand welcomed a record-breaking number of more than 35 million visitors from all over the world, maintaining its position as Asia’s most visited tourist destination 2022. High-demand areas for foreigners in Thailand are the beach resorts such as Phuket and Pattaya, the city of Bangkok and Chiang Mai, the country’s second-largest city. With the expanding tourism industry, we are seeing tremendous growth in demand for short-term rental contracts and holiday homes, in particular for those close to BTS stations.
- **Transportation Infrastructure** - The Thailand real estate market is expected to grow by 6 to 8 percent. The government plans to further enhance the transportation infrastructure (Mass Rapid Transit for both BTS Skytrain and MRT Subway) in Bangkok and notwithstanding a USD 45 Billion investment to develop the Eastern Economic Corridor. This is in time with the recent influx of foreign investors entering Bangkok and Pattaya, especially from China.
- **Property Price and Capital Appreciation** - Generally, properties in China, Singapore and Hong Kong are higher in cost as compared to the real estate in Thailand. Thailand was the fourth most popular country for real estate investment with \$2.3 billion coming in from Chinese sources. Bangkok is positioned for huge growth at the property sector, attracting overseas investments and regional headquarters keen to tap into the city’s economic potential.
- **Investment in Freehold Properties** - In Thailand, local quota caps at 51% and foreigners are allowed to purchase and own freehold condominiums up to 49% of the total number of units in the project, unlike countries like Cambodia and Vietnam where foreigners can only purchase leasehold properties up to certain years. Upon purchase, foreign buyers receive the same title deed as a Thai owner would. Hence, buying a freehold condominium is the ideal option for those who are looking for a long-term investment with 100% ownership.
- **Inclusive foreigner Thailand laws** - Thailand is a friendly country when it comes to foreign investments, unlike most countries where foreigners may be required to pay additional property tax. In terms of taxes and fees, the buyer acquisition cost for off the plan is only at 1% of the property price – i.e. transfer fees, juristic fees (i.e. one year of the maintenance fee in advance), management fees and sinking fund with no foreign stamp duty or legal fees involved. Recent contracts are written in both Thai and English.

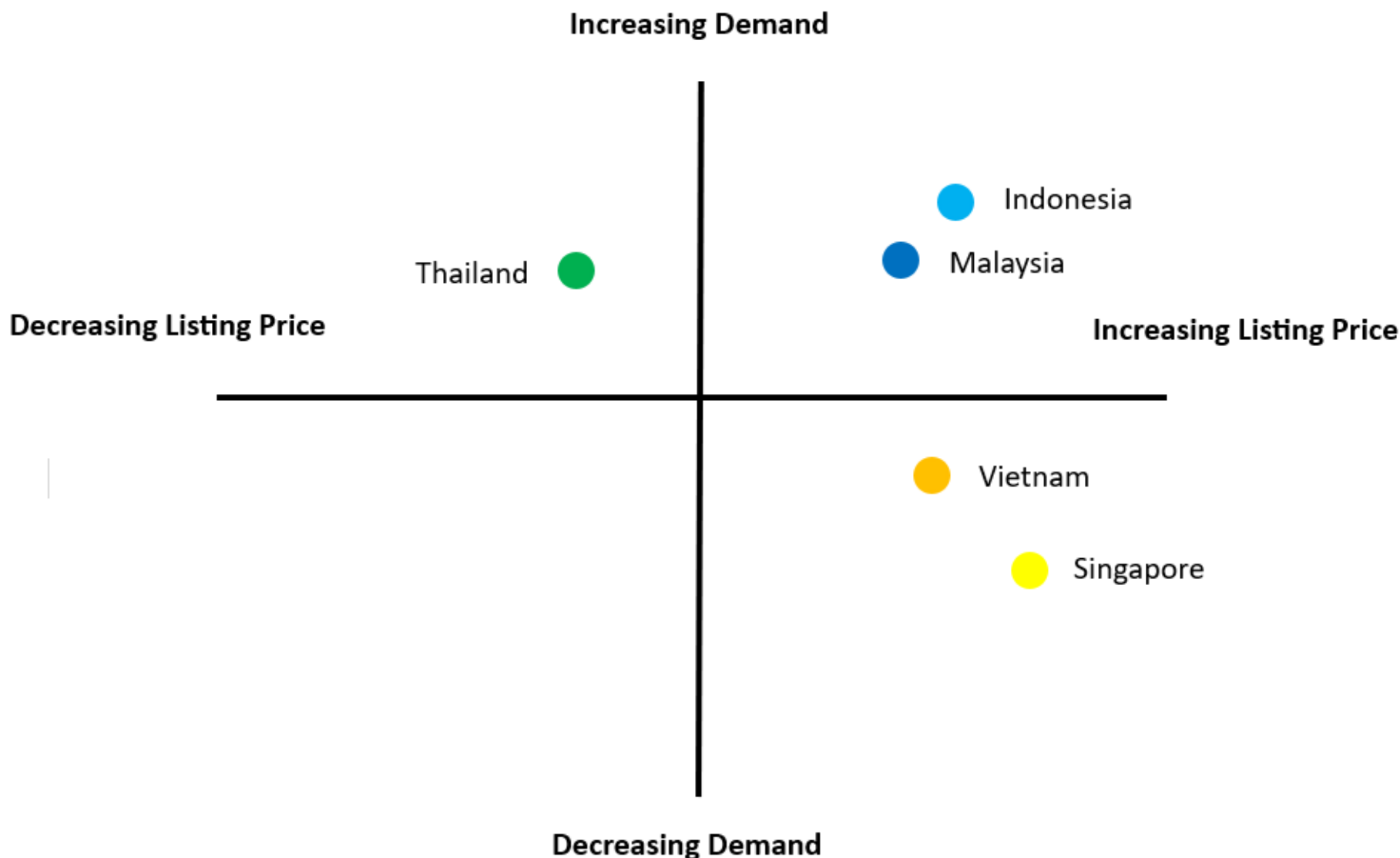


## CURRENT MARKET SENTIMENTS & CONDITIONS

Based on PropertyGuru Malaysia

03

## Projections of Market Conditions in Q2 2022



Source: Property Guru (2023)

### Projections of Market conditions for Q2 2022

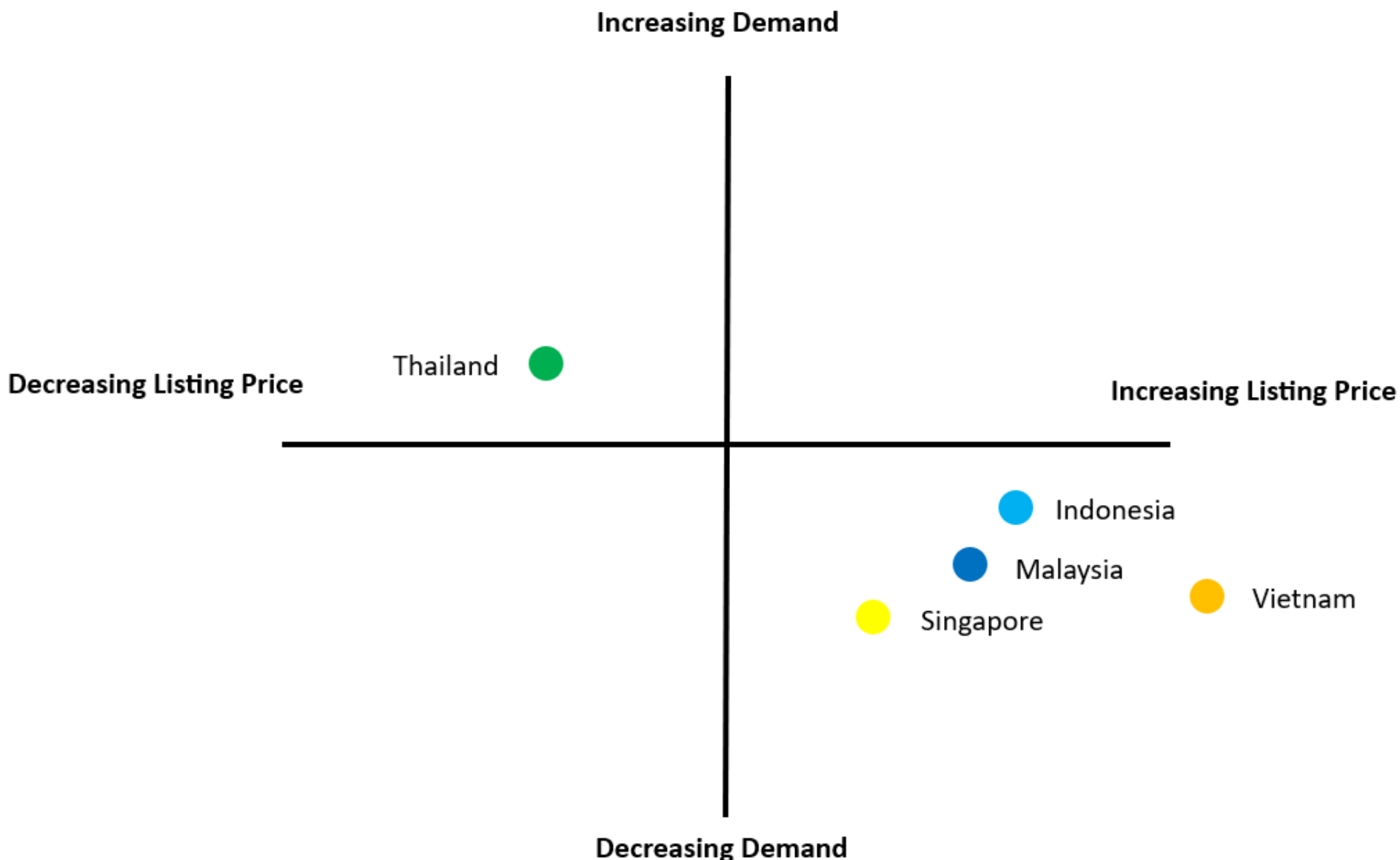
Based on our findings, we expect Malaysia, Singapore, Indonesia, Thailand and Vietnam to continue to show resilience despite the global slow down and economic uncertainty coupled with the reopening of borders.

Among the countries named, Thailand stood out as one of the country to see a surge in demand while maintaining prices of homes.

As for Indonesia, Malaysia, Singapore, and Vietnam, residential prices are seen to be on an increasing trend. This is most likely due to increasing costs of raw materials, as a result of inflation, etc.

Thailand and Singapore has also recorded a dwindling demand in the residential market, during this period.

## Projections of Market Conditions in 1H 2023



Source: Property Guru (2023)

### Projections of Market conditions for 1H 2023

Based on our findings, we expect Malaysia, Singapore, Indonesia and Thailand likely to experience slower growth in sales in the housing market in 2023.

Singapore and Indonesia is likely to experience a decreasing trend in sales volumes in 2023, as low to middle income households might be priced out of the market. Prices will maintain and hold as homeowners are only willing to sell should their asking prices are met.

As tourism and retail activities open for business in Thailand, we expect the demand for housing will increase as a result. However, with the global economy re-opening with rising inflation, interest rate hikes we expect the market to stay within its existing quadrant in 2023.

This report is published for general reading only and not to be relied upon in any way. While we believe information contained herein are reliable at the date of publication, we have not verified it and make no guarantee, warranty or representation about it. No responsibility or liability whatsoever can be accepted by GARDE for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of GARDE in relation to particular countries, properties or projects.