

# RUBIX NAVIGATION

Southeast Asia | Real Estate | Hospitality | 1st Quarter 2023

## **RUBIX INSIGHTS**

### **Real Estate**

The end of China's strict Covid-19 border controls is prompting pent-up cash to begin flowing abroad, especially to the Asia Pacific region. Investing abroad is also getting more attractive to the rich and middle-class Chinese who like to diversify their portfolios as the domestic real estate confidence is fragile. The Chinese demand is helping boost Singapore property prices, the Chinese students are snapping up apartments in Sydney and Melbourne, and agents say the Chinese interest is also ticking up in Malaysia and Thailand. Especially, a lot of the Chinese people travelling to Thailand since reopening have looked at this market where many properties are even cheaper than those in a third-tier Chinese city.

## Hospitality

The latest update during 4 weeks ending 18 March 2023 of STR showed that more than half of the global hotel markets achieved the RevPAR growth of more than 20% versus 2019. Just 44% of the markets saw an occupancy gain versus 2019, while 91% reported an increase in ADR. Therein, Singapore was one of the leaders in both RevPAR and OCC, while two other Asia Pacific countries, Thailand and New Zealand, were put in the top OCC spots. Among the eight countries globally where RevPAR fell behind 2019 levels, only two were from Asia Pacific, including Vietnam which reported RevPAR 25% below the pre-pandemic comparable. This means the region has finally come out from the shadow of the pandemic with more growth expected.

### Index

GDP growth rates of some Southeast Asian countries

### Economy

Informed by World Bank in 30 March 2023, growth in developing East Asia and the Pacific is forecast to accelerate to 5.1% in 2023 from 3.5% in 2022 as China's economy reopens. Meanwhile, the pace of growth in most of the economies in the rest of the region is anticipated to ease after a strong rebound last year. Economic performance across the region, while robust, could be held back this year driven by slowing global growth, elevated commodity prices, and tightening financial conditions in response to persistent inflation. Most of the larger economies of the region, including Indonesia, the Philippines, and Vietnam, are anticipated to grow more modestly in 2023 than in 2022.

### Policy

Informed by the Fiscal Policy Office of Thailand, a 15% reduction in the land and building tax has taken effect in Thailand since 19 March 2023. The regulation applies to farmland, residential land, commercial land and vacant land, excluding allocated land plots for housing development which received the 90% tax cut for a maximum of three years. Currently, the tax ceiling on farmland in Thailand is 0.15%, but individual owners with land plots not exceeding 50 million Baht is exempt. The rate for residential land is 0.3%, not applying to first home-owners having a property worth below 50 million Baht. Meanwhile, land for commercial and industrial use and vacant land have a tax ceiling of 1.2%.



# **RUBIX BRIEF**



### Vietnam's real estate market bustling with M&A deals

Vietnam's real estate market is witnessing buoyant M&A activities, luring Asian investors mainly from Singapore, China, Korea and Japan to take advantages of distressed properties. Informed by Reuters, CapitaLand Group is in talks to acquire assets worth US \$1.5 billion from Vietnam's biggest listed property firm, Vinhomes JSC. In the hospitality market, Accor reinforced its position in Vietnam with the opening of 181-key Grand Mecure Hanoi and the signing of the 146-key Emblems Collection hotel in Phu Quoc. Its competitor, Marriott inaugurated the 200-key Danang Marriott Resort & Spa and the 223-key Vinpearl Landmark 81 - Autograph Collection. Meanwhile, Wyndham announced two openings including the 423-key Wyndham Vuon Vua Thanh Thuy in Phu Tho Province and the 949-key Wyndham Danang Golden Bay.





### Chinese investors fueling Thailand's real estate market

Chinese investors are rushing to buy real estate in popular destinations in Thailand, including Phuket, Pattaya and Chiangmai for investment and retirement. They are the biggest foreign real estate investor in Phuket, followed by Russians. Chinese are snapping up condos, villas, shop houses and even durian orchards to cater to tourists from their own country, while Russians are interested in pool villas. In the hospitality market, Thailand welcomed three prominent projects in Q1 2023, featuring the 160-key Centara Ubon, the 204-key Andaz Pattaya Jomtien Beach, and the 516-key Wyndham La Vita Phuket. Meanwhile, Accor has inaugurated the 662-key Pullman Phuket Arcadia Karon Beach Resort in April 2023, and signed an agreement to manage the 419-key Fairmont Bangkok Sukhumvit which is set to open in 2024.

### Singapore's market maintains an upbeat outlook

Accor strengthened its presence in Singapore with the openings of the 326-key Pullman Singapore Orchard and the 270-key Mercure Singapore Tyrwhitt. Meanwhile, Momentus launched its first hotel in Asia, the 442-key Momentus Hotel Alexandra, and Ascott welcomed guests at the 135-unit Citadines Connect Rochester Singapore that is part of the integrated Rochester Commons. In the real estate market, prices of private homes in Singapore in Q1 2023 grew by 3.2% compared to Q4 2022 and climb by 11.3% y-o-y. Therein, resale prices increased by 0.9%, lower than 2.3% in the previous quarter. In this context, Chinese buyers are gradually returning to the housing market of Singapore, known as a safe haven in Asia in times of uncertainties.



### Real estate is a bright sport in Indonesia's economy

Besides a strong market sentiment, Indonesia's real estate in 2023 is supported by domestic drivers such as the government's stimulus plan, which includes easing down payments for property ownership loans to 0% and concessions for value-added taxes of up to 50%. Indonesia's pledge to provide more affordable housing for its 275 million people, of whom 26% are Millennials, combined with its rapid urbanization and development of infrastructure will also continue to fuel the market in 2023 and beyond. Meanwhile, the Second Home Visa is attracting global billionaires and talents strongly pouring money into this country. In the hospitality market, Indonesia welcomed the 269-key Grand Mercure Bali Seminyak, the 20-villa Somewhere Lombok managed by Marriott, and the 8-suite Uluwatu Estate in the collection of Mandarin Oriental Exclusive Homes.





### The markets of the Philippines and Malaysia seeing bright prospects

The Philippines welcomed the opening of the 303-key Westin Manila and the signing of the 188-key South Palms Resort Panglao Bohol - MGallery. This market is projected to rebound in 2023 as key sectors, including retail, hospitality, industrial, and office sectors expect a sustained return of demand. Insiders forecasted that a new supply of 3,540 residential units and 4,140 hotel rooms to be completed in the Philippines this year. In Malaysia, the 238-key INNSiDE by Meliá Kuala Lumpur Cheras were put into operation, marking the first property of this brand in Malaysia. Meanwhile, industry experts are urging Malaysia's government to reintroduce the home ownership campaign and refine the Malaysia My Second Home program to attract foreign investors and drive the real estate market.

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#### **RUBIX INTERNATIONAL JSC**

W www.rubix-navigation.com | W www.thefinestmagazine.com W www.rubix-international.com Suite 1901, 19F, Saigon Trade Center, 37 Ton Duc Thang Street, District 1, HCMC, Vietnam 5F, Press Club Building, 59A Ly Thai To Street, Hoan Kiem District, Ha Noi, Vietnam

E info@rubix-international.com (+84) 28 2220 2216 | **F** (+84) 28 2220 2217

(+84) 24 3936 8088 | **F** (+84) 24 3936 8069

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