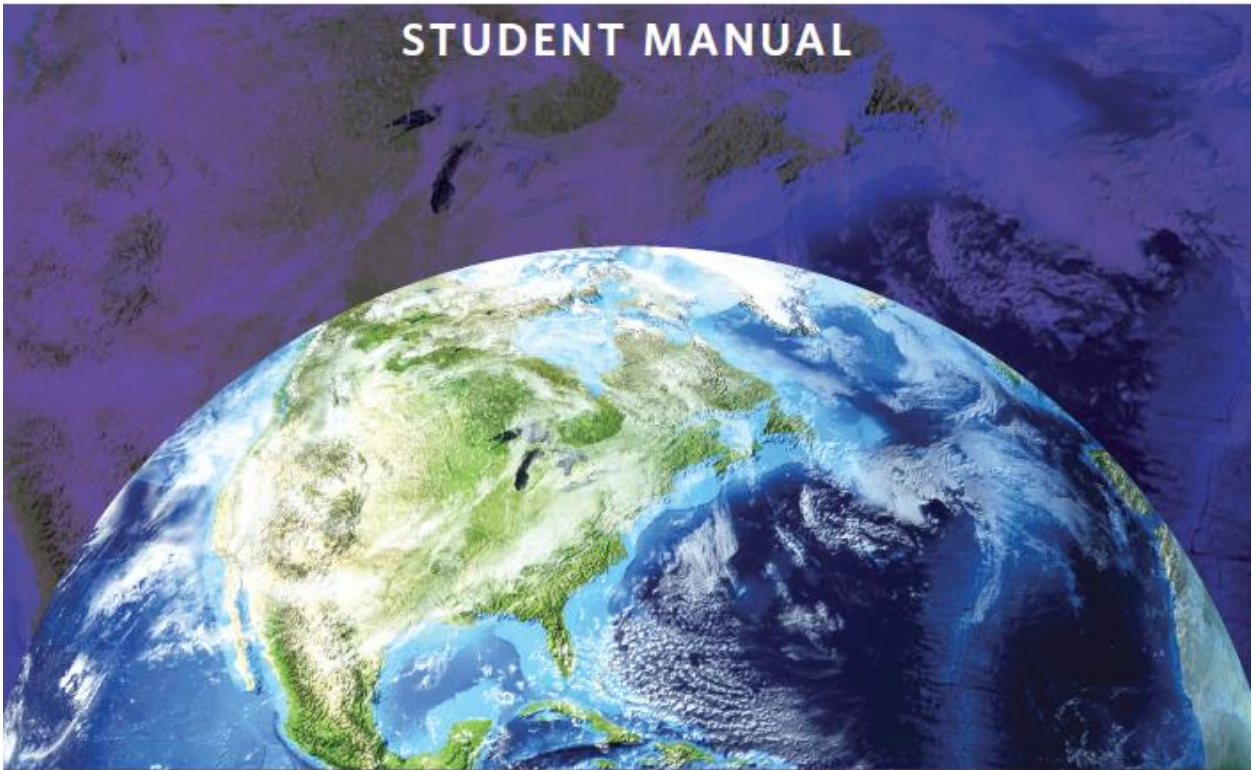


ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

STUDENT MANUAL



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ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

INTRODUCTION



Course Learning Goal

The goals of the *Asia/Pacific and International Real Estate* course are to provide:

- Knowledge of the Asia/Pacific real estate marketplace
- Methods for researching, analyzing, and applying market information
- Skills for facilitating real estate transactions in Asia/Pacific markets
- Recommendations for building key contacts in real estate organizations, commerce, and government

Learning Objectives

- Identify the social, political, and geographical characteristics of Asia/Pacific countries.
- Develop market intelligence by researching factors that shape Asia/Pacific real estate markets and assessing business opportunities.
- Adapt business and social behavior to conform to customs and cultural norms.
- Develop strategies for making productive network contacts and marketing your real estate services to clients and customers from Asia/Pacific countries.

Course Structure

Introduction

1. Market Trends
2. Cultural Influences
3. Building Your Asia/Pacific Real Estate Business Network
4. A Look at the People's Republic of China
5. A Look at Japan
6. A Look at India
7. A Look at Philippines
8. Country Profiles

Exam

At the end of the course, students will take a 30-question multiple-choice exam to document achievement of course learning objectives. The exam is open-book, unless closed-book is required for continuing education credit. Successful completion is 80 percent or better, a total of 24 or more correct answers.

Activities and Class Procedures

This course incorporates a variety of activities designed to involve students, such as work group assignments, exercises, and discussions. Students are strongly encouraged to ask questions and engage in class discussions and group exercises. The range of experience levels among students offers a rich opportunity for learning from peers. Your active involvement will enrich the learning experience for yourself and others.

Countries Included in Study

The National Association of REALTORS® has alliances with real estate associations in the following Asia/Pacific countries, which are the focus of this study.

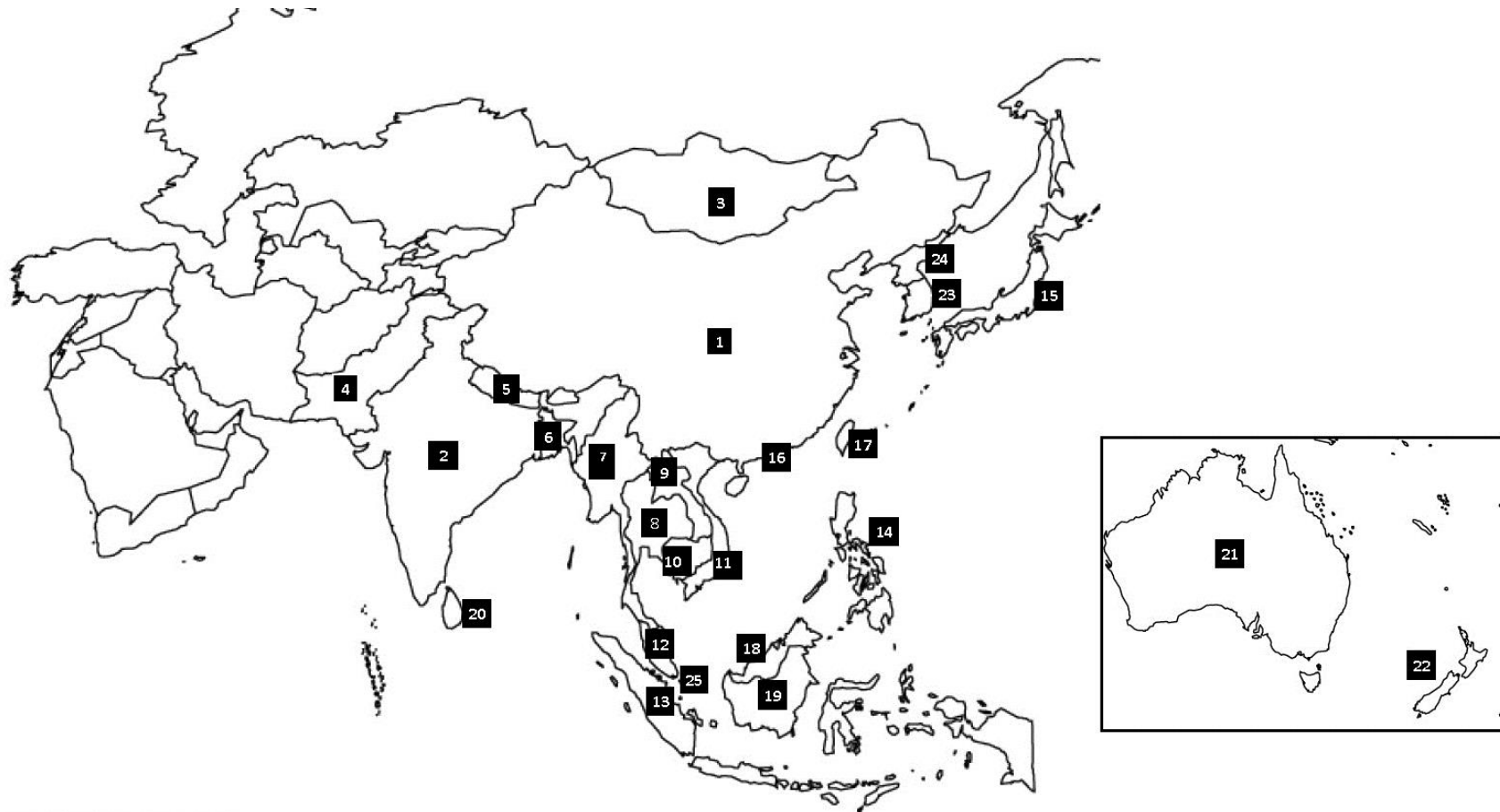
Australia	Japan	Singapore
China	South Korea	Taiwan
Hong Kong	Malaysia	Thailand
India	New Zealand	Vietnam
Indonesia	Philippines	

CIPS Designation



Asia/Pacific and International Real Estate is an elective course for completion of the Certified International Property Specialist (CIPS) Designation education requirement. For information on earning this prestigious designation go to www.realtor.org/global and select "CIPS Designation."

Getting Acquainted: Map Quiz



Outline maps courtesy of
Graphic Maps
www.WorldAtlas.com

	<u>Country?</u>	<u>Capital City?</u>
1	China (example)	F
2		
3		
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22		
23		
24		
25		

	<u>Capital Cities</u>
A	Bangkok
B	Hanoi
C	Dhaka
D	Colombo
E	Canberra
F	Beijing
G	Hong Kong
H	Pyong Yang
I	Jakarta *
J	Kathmandu
K	Kuala Lumpur *
L	New Delhi
M	Phnom Penh
N	Rangoon
O	Singapore
P	Taipei
Q	Seoul
R	Tokyo
S	Ulan Bator
T	Wellington
U	Vientiane
V	Islamabad
W	Manila

* Hint: use this city name twice

The following countries appear on the facing map. Write the name of the country next to the corresponding number. In the next column write the letter that corresponds to the country's capital city. Countries shown in boldface are included in this study

Australia
 Bangladesh
 Cambodia
China
Hong Kong
India
Indonesia *
Japan
 Laos
Malaysia *
 Mongolia
 Myanmar (Burma)
 Nepal
New Zealand
 North Korea
 Pakistan
Philippines
Singapore
South Korea
 Sri Lanka
Taiwan
Thailand
Vietnam

*Hint: use this country name twice

Pre Quiz: Test Your Asia/Pacific IQ

Circle the best answer

- | | | |
|-----|--|---------------|
| 1. | In the People's Republic of China, foreigners may own residential real estate for investment purposes. | True
False |
| 2. | Foreign citizens of Indian origin may purchase a residence in India but not agricultural land. | True
False |
| 3. | Malaysian <i>Bumiputra</i> laws provide preferential treatment in housing to native Malays. | True
False |
| 4. | By 2030, over 70% of China's population could be middle class. | True
False |
| 5. | Japan shares a land border with Russia. | True
False |
| 6. | Singapore is the #1 Asia/Pacific country for ease of doing business. | True
False |
| 7. | No Asia/Pacific countries participate in the U.S. Visa Waiver Program. | True
False |
| 8. | New Zealand is one of Australia's states. | True
False |
| 9. | Traditional Chinese names are written with the family name first following by the first name. | True
False |
| 10. | Japan has the highest median age of any Asian/Pacific country. | True
False |
| 11. | If the U.S. dollar strengthens against the Japanese yen, it will take more dollars to buy the same amount of yen. | True
False |
| 12. | Hong Kong is part of the British Commonwealth. | True
False |
| 13. | The constitution of India recognizes 18 different languages with Hindi and English as official national languages. | True
False |
| 14. | The most populous Muslim nation in the world is Indonesia. | True
False |
| 15. | According to the practice of Chinese numerology, a street address of 444 would be considered triple good luck. | True
False |
| 16. | The currency used by Australia, Hong Kong, New Zealand, Singapore, and Taiwan is called a _____. | |

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

1

MARKET TRENDS





Before we begin the discussion of business and social trends that shape the Asia/Pacific real estate market, it is worthwhile to consider two immutable and impactful characteristics: the geography of the region and its susceptibility to catastrophic seismic, volcanic and weather events.

Asia/Pacific—Vast Distances, Diverse Cultures

Almost every aspect of diversity differentiates the nations that encircle the Pacific Ocean. Vast distances separate them as does language, ethnicity, culture, religion, wealth, political ideology, and even unique ecosystems. As a region, it is much more diverse and far flung than Europe or the Americas. And, thousands of square miles of land remain unexplored, uninhabited, and almost unreachable with undiscovered resources and development potential.

It is the resource wealth of the Asia/Pacific countries that created early ties with Western nations. The history of several Asia/Pacific countries—India, Hong Kong, Indonesia, Philippines, Vietnam—is a story of West coming to meet East and creating a lingering colonial legacy. In place of bygone exploitive colonial bonds, modern shared economic interests now tie East and West together.

What does this mean for real estate professionals?

The real estate professional who ventures into Asia/Pacific markets—inbound or outbound—must become a student of diverse cultures, traditions, and ways of doing business.

The following chart highlights at-a-glance information for key countries in the region. Note the sheer scale and diversity of the region.

Asia/Pacific and International Real Estate

	Population	GDP (PPP)	Capital City	Air Time from Capital to Hong Kong (approx.)	Primary Language(s)	Currency
China	1.36 billion	\$13.39 trillion	Beijing	3 hr 30 m	Cantonese	Renminbi or Yuan (CNY or RMB)
Japan	127.10 million	\$4.73 trillion	Tokyo	5 hr	Japanese	Yen (JPY)
India	1.24 billion	\$4.99 trillion	New Delhi	5 hr	Hindi	Rupee (INR)
Philippines	107.67 million	\$454.30 billion	Manila	2 hr	Filipino, English	Peso (PHP)
Australia	22.51 million	\$998.3 billion	Canberra	12 hr	English	Australia Dollar (AUD)
Hong Kong	7.11 million	\$381.3 billion	Victoria	N/A	Cantonese	Hong Kong Dollar (HKD)
Indonesia	253.61 million	\$1.29 trillion	Jakarta	5 hr	Bahasa Indonesia	Rupiah (IDR)
South Korea	49.04 million	\$1.67 trillion	Seoul	4 hr	Korean, English	Won (KRW)
Malaysia	30.07 million	\$525 billion	Kuala Lumpur	4 hr	Bahasa Malaysia	Ringgit (MYR)
New Zealand	4.40 million	\$136 billion	Wellington	14 hr	English	New Zealand Dollar (NAD)
Singapore	5.57 million	\$339 billion	Singapore	4 hr	Mandarin	Singapore Dollar (SGC)
Taiwan	23.36 million	\$926.40 billion	Taipei	2 hr	Mandarin Chinese	Taiwan Dollar (TWD)
Thailand	67.74 million	\$673 billion	Bangkok	3 hr	Thai	Baht (THB)
Vietnam	93.42 million	\$358.90 billion	Hanoi	2 hr	Vietnamese	Dong (VND)

Source: CIA World Factbook

The Pacific Rim—the Ring of Fire

The seismic and volcanic forces that regularly rumble and flare around the Pacific Rim earn it the title of the “ring of fire.” These natural forces, along with extreme weather events, impact economies and shape national priorities. Consider some recent examples:

- **November 2013, Philippines Typhoon Haiyan/Yolanda:** one of the most powerful tropical storms on record caused tremendous destruction, with over 6,000 fatalities. It was the deadliest Philippine typhoon recorded in modern history.
- **January-February 2012, Thailand Floods:** inundation of industrial areas shut down factories producing auto parts and computer components. Auto and electronics manufacturing plants in Japan were idled as a result of the shortages.
- **March 2011, Japan earthquake and tsunami:** the radiation hazards from damaged nuclear power plants caused a national rethinking of reliance on nuclear power plants and left a large area of agricultural land uninhabitable. Destruction from the tsunami engendered a massive effort to rebuild lives, social supports, and whole towns as well as infrastructure including redesigned defensive seawalls.
- **May 2008, Sichuan, China earthquake:** collapsing buildings, especially schools, took hundreds of young lives. Exasperation with shoddy construction of public buildings focused attention on corruption among local government officials.
- **December, 2004, Indonesia earthquake and tsunami:** a cataclysmic tsunami following a deep sea earthquake took more than a quarter of a million lives and wiped out thousands of homes, businesses, and livelihoods across the region.
- **June 1991, Mt. Pinatubo, Philippines volcanic eruption:** lava and ash flows caused half a billion dollars in property damage, severely disrupted the economy of the island of Luzon, and buried U.S. Clark Air Force base under several feet of ash and mud, permanently closing it.

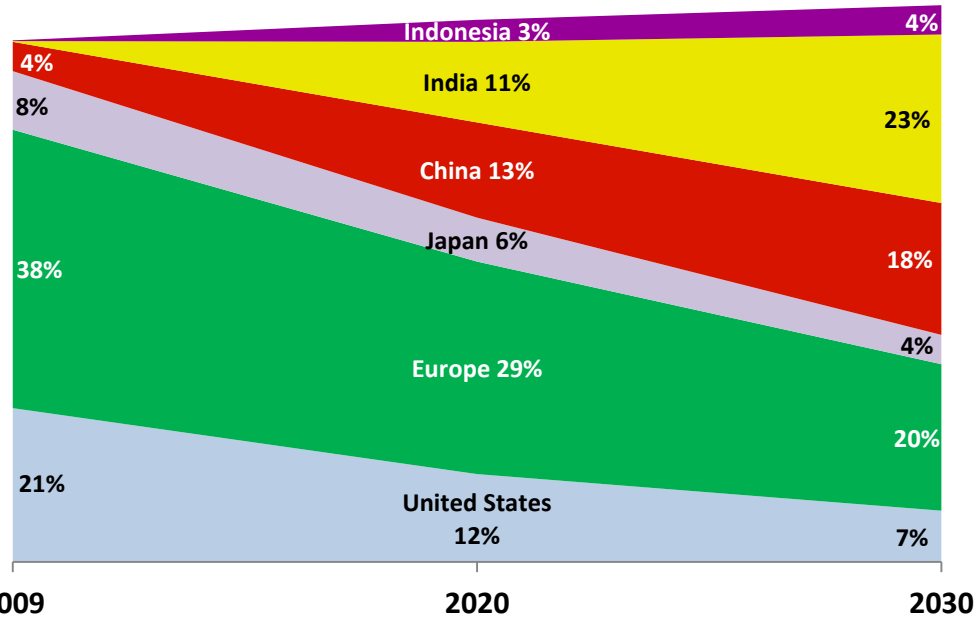
What does this mean for real estate professionals?

The Asia/Pacific “ring of fire” experiences devastating geological and weather events that take thousands of lives, disrupt economies, and necessitate huge recovery and reconstruction efforts. Furthermore, the aftermath of catastrophic events sometimes gives voice to simmering public discontent and forces governments to re-examine and realign priorities.

Trend 1: Middle Class Expansion

The global middle class is growing at a remarkable rate. It is estimated that over the next two decades the global middle class will expand to almost 5 billion consumers¹. The center of gravity for the global middle class is shifting eastward, with the projected growth coming almost exclusively from the Asia/Pacific region. Most of this growth in global middle class consumption will come from the most populous countries—India, China, and Indonesia. In fact, by 2030, over 70% of China’s population could be middle class, and India could add almost 1 billion people to the global middle class, surpassing both China and the United States². As we’ll learn later in the course, the long-rang planning objectives of two of these countries—China and Indonesia—include specific goals for improving citizens’ incomes and bolstering the social safety net. By 2030, projections put Asia/Pacific middle class consumer consumption at 59% of the global total and close to \$22 trillion in consumer spending.

Global Middle Class Consumption, 2009–2030



Source: The Bookings Institution, www.brookings.edu/research

¹ Kharas, Homi, “The Emerging Middle Class in Developing Countries,” The Brookings Institution, January 2010, www.brookings.edu/research

² Kharas, Homi, “The Emerging Middle Class in Developing Countries,” The Brookings Institution, June 2011, www.brookings.edu/research

What does this mean for real estate professionals?

Increasing income levels and populations will both enlarge the global “pie” of middle class consumption and account for a larger slice. Rising incomes and improved social safety nets will free up money to spend on consumer goods. These new middle class consumers will share the same tastes and aspirations of their western counterparts: home ownership and upgraded housing, vacation homes, cars, children’s education, retirement security, and brand name consumer goods.

Trend 2: Emerging Economies, Developing Real Estate Markets

Some of the Asia/Pacific countries enjoy mature economies and real estate markets: Japan, Australia, New Zealand, Singapore. But in other countries of the region real estate markets, and the profession, are working through a development phase. Communist countries like China are figuring out how to transition property from public to private ownership and harmonize communist ideology with entrepreneurial endeavors. Central governments of Asia/Pacific countries tend to wield greater power than their state or provincial governments and intervene to control supply and demand and influence prices.

What does this mean for real estate professionals?

In some Asia/Pacific countries the regulatory environment and market mechanisms common to mature and orderly real estate markets—standardized contracts, disclosure requirements, licensing, professional standards—are in the development and sometimes experimental stages. Regulations can change quickly. Developing markets offer the potential for high return on investment but also high risk. An international real estate professional who expects to do business in such areas must learn to adjust expectations to market norms. It should be obvious that working with a local real estate agent is essential.

Trend 3: Mega Cities, Small Living Spaces

Asia/Pacific city dwellers live in small spaces within very large, mega metropolises. Apartments in strata-title (condominium) buildings are much more common than single family homes; the land for a detached, single-family home can be an expensive, sometimes unobtainable, commodity.

Rural to urban internal migration for jobs, as well as population growth within cities, pack more and more people into compact areas. Consider

that some of the mayors of Asia's megacities preside over more people than the prime ministers of some countries; for example, the population of Shanghai (15.0 million) is roughly equivalent to the combined populations of Denmark (5.5 million) and Sweden (9.5 million).

Concentration of populations into urban areas facilitates delivery of social safety net services. But the trend also widens the affluence gap between city and country dwellers and highlights the separation between urban haves and have-nots. The resulting resentment toward concentration of privilege and wealth in the urban upper class, whether perceived or real can fuel social and political unrest.

	City Pop. (millions)*	City Area (Km ²)*	City Density (people per Km ²)*	Country Density (people per Km ²) †
India				360
Kolkata	15.4 (metro)	531	23,900	
Delhi	12.1	1,295	11,050	
Mumbai	13.9	484	29,650	
Bangalore	5.8	534	10,100	
Chennai	4.6	414	1,4350	
Hyderabad	3.6	583	9,100	
China				140
Shanghai	15.0	746	13,400	
Beijing	12.5	748	11,500	
Tianjin	7.5	453	9,250	
Shenzhen	4.3	466	1,7150	
Australia				3
Sydney	4.4	1,687	2,100	
Melbourne	3.6	2,080	1,500	
Bangkok, Thailand	12.0 (metro)	1,010	6,450	124
Manila, Philippines	11.6	1,399	10,550	313
Seoul, Korea	11.2	1,049	16,700	505
Jakarta, Indonesia	10.1	1,360	10,500	122
Tokyo, Japan	8.7	6,993	4,750	337
Ho Chi Minh City	7.1	518	9,450	260
Hong Kong	7.1	1,079	6,450	--
Singapore	5.0	479	9,250	--
Taipei, Taiwan	2.6	376	15,200	641
Kuala Lumpur,	1.8	1,606	2,750	86

Malaysia

* City Statistics 2010, City Mayors Foundation, www.citymayors.com

† World Atlas, www.worldatlas.com

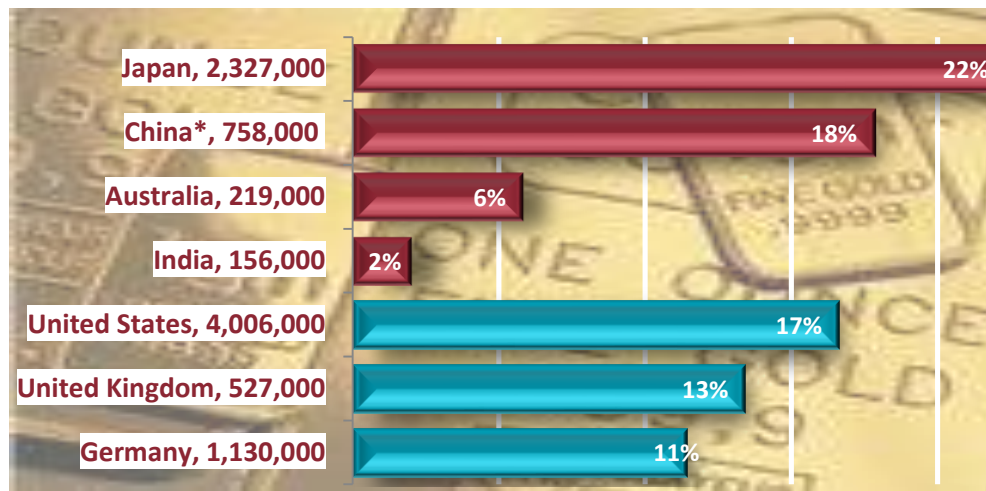
What does this mean for real estate professionals?

Burgeoning urban populations increase the demand for housing at all socio-economic levels. Wealthy and upper class city dwellers may seek refuge from the harsher aspects of daily life in exclusive enclaves—luxury apartments and gated neighborhoods such as India’s NRI colonies.

Trend 4: More Very Wealthy Individuals

Across Asia’s emerging economies, business ownership is producing a new class of very wealthy, high net worth individuals (HNWIs). Asia/Pacific continues to lead the way in global HNWI population and wealth expansion, and is expected to surpass North America as the region with the highest HNWI population and wealth by 2015³. This new wealth is cash-rich and looking for investment opportunities that provide stability with good prospects for value appreciation. Real estate—land, bricks, mortar—is a long-standing preference particularly for the Chinese who cannot own land in their own country. Real estate stores wealth safely and creates a legacy of wealth—important principles among family-oriented Asia/Pacific cultures. Newly wealthy investment immigrants are looking not only to increase their net worth, but also to secure a better future for themselves and their children.

Number of HNWIs and Growth Rate (2012–2013)



Source: Asia Pacific Wealth Report 2014, Capgemini and RBC WealthManagement

³“Asia-Pacific Wealth Report 2014,” Capgemini and RBC Wealth Management, 2014, www.worldwealthreport.com

What does this mean for real estate professionals?

Residential real estate represents the largest share of real estate holdings. Asia/Pacific investors' preferred locations for residential real estate purchases are the U.K. and United States. Consider these facts about the U.S. market:⁴

- In 2013–14, foreign buyers purchased about \$92.2 billion of U.S. residential real estate, about 7 percent of the U.S. home market.
- Arizona, California, Florida, and Texas—top foreclosure markets—accounted for 55 percent of foreign buyers' home purchases.
- Although Canadians are the top source of international clients in terms of transaction volume, Chinese buyers accounted for the largest sales dollar volume because of the higher average price of properties purchased by Chinese buyers. The total international sales from Chinese buyers rose to \$22 billion (up from \$12.8 billion in the prior period) and accounts for about 24 percent of the total international dollar sales, while Indian buyers account for 6 percent.
- Average purchase price is \$396,180 and most transactions (60 percent) are cash deals. Note that the average purchase price for Chinese buyers is \$590,826.
- In 2012, U.S. immigration approved more than 7,641 U.S. EB-5 investor visa applications, with almost 80 percent issued to Chinese investors. In 2014, the program reached capacity, and the State Department stopped issuing EB-5 visas until the 2015 fiscal year.

Trend 5: Sending Children Abroad for Education

Providing children with the advantage of a superior education is a major life goal for parents in Asia/Pacific countries. Parents who can afford the cost strive to send children abroad to prestigious universities. During the 2013–14 academic year, 64 percent of the 886,052 international students who attended universities in the United States were from one of the Asia/Pacific countries included in this study.

⁴ National Association of REALTORS® Research, www.realtor.org/research

International Students at U.S. Universities⁵

<ul style="list-style-type: none">▪ China–274,439▪ India –102,673▪ South Korea–68,047▪ Taiwan–21,266▪ Japan–19,334▪ Vietnam–16,579	<ul style="list-style-type: none">▪ Thailand–7,341▪ Hong Kong–8,104▪ Indonesia–7,920▪ Malaysia–6,822▪ Singapore–4,592▪ Philippines–3,112	The top 5 fields of study are: <ol style="list-style-type: none">1. Business and management2. Engineering3. Math and computer science4. Social sciences5. Physical and life sciences
---	---	---

Wealthy parents may combine their children’s education goals with investment objectives and purchase a home for their student child to live in while completing studies. After graduation, the home can provide a permanent residence for a graduate who stays on to start a career or family, as well as a home base for other family members to immigrate or use for vacations. Some of the U.S. universities most popular with international students are in areas that have bargain prices due to price declines and foreclosures.

What does this mean for real estate professionals?

If your market area includes a major university, chances are a substantial number of international students are enrolled there. Proving yourself as a knowledgeable and trustworthy real estate advisor to the parents of international students could establish a productive referral base.

Top 20 U.S. Universities Hosting International Students

<ul style="list-style-type: none">▪ New York University▪ University of Southern CA▪ University of Illinois – Urbana-Champaign▪ Columbia University▪ Purdue University▪ University of California – LA▪ Northeastern University▪ Arizona State University▪ Michigan State University▪ University of Washington	<ul style="list-style-type: none">▪ University of Michigan – Ann Arbor▪ Boston University▪ Penn State University – University Park▪ Ohio State University▪ Indiana University – Bloomington▪ University of Minnesota – Twin Cities▪ SUNY University at Buffalo▪ University of California – Berkeley▪ University of Texas – Dallas▪ University of Florida
---	---

Source: *Open Doors Report on International Education Exchange(2014)*, Institute of International Education, www.iie.org/opendoors

⁵ *Open Doors Report on International Education Exchange (2014)*, Institute of International Education, www.iie.org/opendoors

Trend 6: Trade Agreements Around the Pacific Rim

Although vast expanses of land and sea separate the Asia/Pacific countries, trade weaves them together into a network of cooperative relationships. Success or failure in one country impacts neighboring economies. Regional economic alliances traverse borders and unite neighbors on the basis of trade instead of diplomacy or ideology. Alliances promote security, peaceful conflict resolution, social development, and stability because the linked participating countries are stakeholders in each other's economic health and development.

Growth triangles are a uniquely Asian concept that originated in the '80s with the Singapore-Johori-Riau (SIJORI) growth triangle. The growth triangles, compact subregional areas, focus on mutual economic development and sharing of natural resources and markets.

- **SIJORI**: Singapore, Johor (Malaysia), Riau (Indonesia)
- **South China Growth Triangle (SCGT)**: Hong Kong, Taiwan, Guandong, Jujian
- **IMT**: Indonesia, Malaysia, Thailand (also known as North ASEAN GT), an expansion of SIJORI
- **East Asian Growth Area (EAGA)**: Brunei, Indonesia, Malaysia, Philippines. Also known as BIMP-East Asian Growth Area (BIMP-EAGA)
- **Yellow Sea Cooperation Zone**: China, Japan, Korea

What does this mean for the real estate professional?

These areas are significant for real estate professionals because they are centers of lively economic development that draws both foreign and domestic investment. Establishment of pacts and alliances opens the way for trade missions. Interconnectedness and development of economies encourages growth of real estate professionalism and orderly markets.

Asia/Pacific Economic Cooperation (APEC)

The Asia/Pacific Economic Cooperation organization brings together a diverse group of countries around the Pacific Rim. APEC strives to “build a dynamic and harmonious Asia/Pacific community by championing free and open trade and investment, promoting



and accelerating regional economic integration, encouraging economic and technical cooperation, enhancing human security, and facilitating a favorable and sustainable business environment.”

www.APEC.org

The Southeast Asian Economic Community

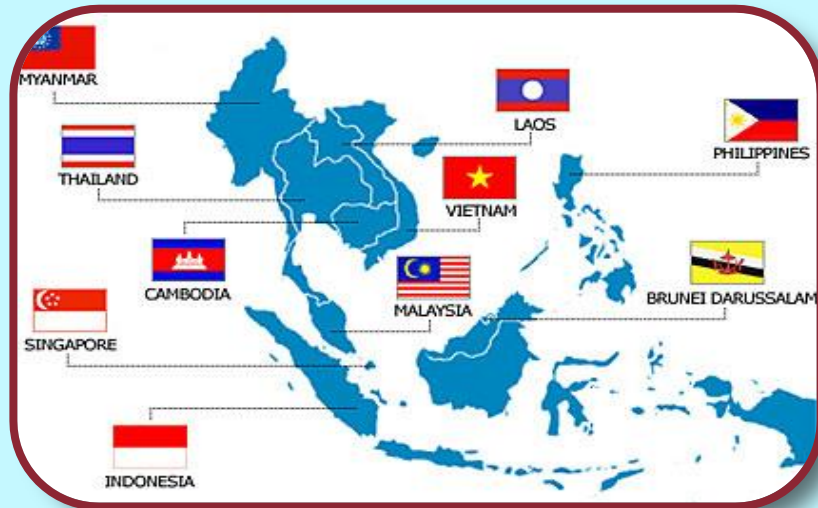
The Association of Southeast Asian Nations (ASEAN) encompasses ten core member countries: **Indonesia, Singapore, Cambodia, Thailand, Myanmar, Malaysia, Laos, Philippines, Brunei, and Vietnam.**

The term ASEAN+6 refers to the six states with which ASEAN has existing free trade agreements (FTAs) — **China, Japan, Korea, Australia, India, and New Zealand.**

The ASEAN Economic Community (AEC) has a plan for regional economic integration by 2015, built on four

pillars of integration: a single market and production base, a competitive economic region, equitable economic development, and integration with the global economy. According to the ASEAN Integration Monitoring Report, AEC efforts have brought significant gain to the region such as progress in facilitating trade, growth in the role of foreign investments in ASEAN global integration, and completion of intra-ASEAN elimination of tariff protection for Singapore and Brunei⁶. While great strides have been made toward the AEC's goal, the report also suggests priorities for further integration in 2015 and beyond.

www.asean.org



⁶ ASEAN Integration Monitoring Report (2013), The World Bank, www.worldbank.org

Trend 7: The World's Workshop and Back Office

Exports to the West, especially the United States, has fueled much of the economic growth of Asia/Pacific countries. While the rapid growth pace is easing slightly, developing East Asia/Pacific remains the fastest-growing region in the world. Analysts anticipate that the pace will pick up in the region, excluding China, as the gradual recovery in high-income economies will increase demand for exports from the region⁷.

Asia/Pacific countries are destinations for outsourcing (offshoring, e-work, and worldsourcing) of IT and business processes. India has dominated in offshoring because of its large English-speaking population and universities that graduate well-prepared engineers and technical workers. Philippine entrepreneurs are now challenging India's dominance with a rapid expansion of call-center operations.

"More Filipinos—about 400,000—than Indians now spend their nights talking to mostly American consumers...as companies like AT&T, JPMorgan Chase and Expedia have hired call centers in the Philippines, or built their own. The jobs have come from the United States, Europe and, to some extent, India as outsourcers followed their clients to the Philippines."⁸

The large population of well-educated English-speaking workers, low labor costs, low rents for office space, broadband communication technology, and a long-standing affinity for the United States, give the Philippines a competitive edge. Call centers shifting from India to the Philippines will be responsible for \$30 billion in lost foreign exchange to India's earnings this decade.⁹

⁷ *East Asia Pacific Economic Update – Enhancing Competitiveness in an Uncertain World*, October 2014, The World Bank, www.worldbank.org

⁸ Vikas Bajaj, "A New Capital of Call Centers," *New York Times*, November 25, 2011, www.nytimes.com

⁹ Winn, Patrick, "How the Philippines is Crushing the Indian Call Center Business," *GlobalPost*, May 12, 2014, www.globalpost.com

Ease of Doing Business Ranking*

The World Bank's survey affirms Asia/Pacific governments' pragmatic approach to economic life; half of the countries in this study rank in the top 25 percent for ease of doing business.

Singapore	1	Thailand	26
New Zealand	2	Japan	29
Hong Kong	3	Vietnam	78
Korea	5	China	90
Australia	10	Philippines	95
Malaysia	18	Indonesia	114
Taiwan	19	India	142

Source: *Doing Business 2015, Going Beyond Efficiency*, the World Bank Group, International Bank for Reconstruction and Development, www.doingbusiness.org

*Ranking of 189 countries, with 1 being the highest score. Countries are ranked on aspects of doing business, such as enforcing contracts, registering property, construction permits, paying taxes, starting a business, and others.

What does this mean for real estate professionals?

Investment in real property follows the growth of business enterprises, increasing demand for both commercial and residential property. Successful entrepreneurs create good paying jobs, particularly in IT services and outsourcing of business processes. Relocating foreign companies need upscale housing for overseas executives and their families—an excellent opportunity for building referral business inbound or outbound.

Trend 8: Subsiding Inflation

Inflation is subsiding throughout most of Asia/Pacific, largely due to falling commodity prices. Central banks are generally prioritizing growth through looser monetary policy. For example, China lowered policy interest rates for the first time since 2013 and also cut banks' reserve requirements. India and Australia have cut interest rates as well.¹⁰ By some accounts, the interest rate cuts by the Chinese central bank are seen as a global concern. With China generating a substantial portion of the world's growth, interest rate cuts impact the economy on a global scale. How do Asia/Pacific countries rank in terms of inflation rates?

¹⁰2014: *A New Investment Record, Asia Pacific Property Digest*, Jones Lang LaSalle. Fourth Quarter 2014. www.jll.com

	Inflation %	Growth Rate%		Inflation %	Growth Rate%
India	9.6	3.2	Australia	2.4	2.5
Indonesia	7.7	5.3	Thailand	2.2	2.9
Vietnam	6.8	5.3	Malaysia	2.2	4.7
Hong Kong	4.4	2.9	New Zealand	1.3	2.5
Philippines	2.8	6.8	Korea	1.1	2.8
China	2.6	7.7	Taiwan	1.1	2.2
Singapore	2.4	4.1	Japan	0.2	2.0

Source: CIA World Factbook

What does this mean for real estate professionals?

Inflation erodes value and consumer confidence. A larger chunk of the family budget goes to pay for daily living expenses and wary consumers postpone big purchases. Inflation can, however, drive investment to inflation-proof assets like real estate.

Trend 9: Demand for Class A Office and Retail Space

Throughout Asia/Pacific the supply of class A office and retail space continues to lag behind the demand. Much of the existing stock, as well as some new buildings, lacks the essential structural elements such as reliable electricity, phone and internet connections, fire protection systems, elevators, and HVAC.

Well-located, quality retail space is in especially short supply. The increasing income of the middle class in Asian countries, particularly India and China, has sparked demand for consumer goods. Yet, the lack of suitable retail space in malls or central business districts hampers efforts of international brands to open stores.

However, CBRE reports that the large volume of new office stock scheduled to be completed in 2015 will shift supply-demand dynamics in favor of tenants in most markets, particularly in selected emerging cities at risk of oversupply¹¹.

¹¹2015 APAC Real Estate Markets Outlook, CBRE Global Research. www.cbre.com

What does this mean for real estate professionals?

A market area that has a chronic undersupply of adequate commercial space is at a competitive disadvantage. Lack of space stymies employment growth when businesses that would like to open or expand operations cannot find suitable space at affordable rents. Furthermore, an undersupply of space definitely tips the balance in favor of landlords. Analysts predict that tenants will gradually gain the upper hand as supply comes on the market, requiring flexibility and a strategic approach from both landlords and tenants.

Trend 10: Non Reserve Currencies

Currency value correlates closely with the indicators of economic strength, such as level of business activity, gross domestic product, inflation, and employment levels. In simplest terms, stable exchange rates inspire investor confidence. A weak currency increases the cost of cross-border investments for domestic investors, but creates opportunities for investors from strong-currency countries.

Governments may influence exchange rates by setting a fixed rate, buying or selling its own currency (managed float), infusing capital markets with cash, printing more money, pegging to another currency, dollarizing, and revaluing. For example, the Hong Kong dollar is pegged to the US dollar, and both Singapore and Thailand manage their currencies to prevent wide fluctuations.

With the exception of the Japanese Yen, however, none of the other Asia/Pacific currencies function as reserve currencies. This means that the central banks must maintain deposits of reserve currencies in order to settle international commerce transactions denominated in those currencies.

While the Chinese Renminbi is already convertible under the current account, covering trade, the capital account, which covers portfolio investment and borrowing, is closely controlled. Taking steps to make the Chinese Renminbi fully convertible and freely tradable has been underway for several years and is expected to become a reality in the near future. This would allow individuals to pursue cross-border investments with no limits on the amount of currency available for exchange, reducing delay and opening up capital flow and investments.

What does this mean for real estate professionals?

Exchange rate fluctuation adds another element of risk to transactions. Real estate professionals need to be aware of the impact of exchange rate fluctuation on international transactions because even a small change can significantly increase or decrease:

- Buying power
- Return on investment
- Gain or loss on sale
- Transaction costs
- Payment of loans, closing expenses, operating costs, and upkeep
- Rental income on property
- Commissions and referral fees

A country with a stable, fully convertible currency is attractive to foreign investors and benefits citizens by buffering the impact of currency fluctuations among trading partners.

		Symbol	Abbrv.	Bank Approval Required for Some Transactions	
Managed Float	Not Fully Convertible	China Renminbi or Yuan	¥ or Y	CNY or RMB	✓
		Indonesia Rupiah	Rp	IDR	✓
		Malaysia Ringgit	RM	MYR	✓
		Taiwan Dollar	\$	TWD	✓
		Vietnam Dong	₫	VND	✓
	Fully Convertible	Hong Kong Dollar	\$	HKD	
		India Rupee	Rs	INR	✓
		Singapore Dollar	\$	SGD	
		Thailand Baht	฿	THB	✓
	Free Float	Fully Convertible	Australia Dollar	\$	AUD
Japan Yen			¥	JPY	
Korea Won			₩	KRW	✓
New Zealand Dollar			\$	NZD	
Philippine Peso			P	PHP	✓

Trend 11: Very Young to Very Old

The population of Asia/Pacific countries range from some of the world's oldest to youngest. Japan, Hong Kong, and Korea rank among the oldest populations with a median age of 40+ years. At the other end of the population-age spectrum, three of the most populous nations are also the youngest: Philippines, India, and Malaysia.

Youngest to Oldest Median Age and Population Growth Rate (%)

Philippines 24 years, 1.81 growth rate		China 37 years, .44 growth rate
India 27 years, 1.25 growth rate		New Zealand 38 years, .83 growth rate
Malaysia 28 years, 1.47 growth rate		Australia 38 years, 1.09 growth rate
Vietnam 29 years, 1.00 growth rate		Taiwan 39 years, .25 growth rate
Indonesia 29 years, .95 growth rate		Korea 40 years, .16 growth rate
Singapore 34 years, 1.92 growth rate		Hong Kong 43 years, .41 growth rate
Thailand 36 years, .35 growth rate		Japan 46 years, -.13 growth rate
<i>Source: CIA World Factbook</i>		

What does this mean for real estate professionals?

The strong demand for housing and consumer goods associated with a youthful population spurs economic activity and pulls in foreign investment. Conversely, an aging population is associated with weak demand for housing and pressure on government programs to provide pensions and healthcare. A burgeoning youthful population can, however, have a negative impact when the economy cannot produce jobs quickly enough and demand for housing outstrips supply.

Trend 12: Social Safety Net Development

Asian household savings rates are quite high in comparison to their Western counterparts. Economists cite lack of a social safety net for old age and health care as reasons for Asia's household savings rates.

Throughout Asia/Pacific, new job opportunities in urban areas and growing individual wealth are changing the traditional family structure. Adult children and young families no longer feel obligated to live in traditional multi-generational homes. As traditional family structures break down, an aging population must rely on the government to fill in the gaps. For example, the 4:2:1 population dynamic (4 grandparents: two parents: one child) resulting from China's one-child policy produced a generation without siblings to share in the care of elder family members; as we will learn later in this course, China's current 5-year plan makes strengthening of the social safety net a national priority.

What does this mean for real estate professionals?

Money saved, instead of spent on cost of living and consumer goods, is available for investment. But, in countries that have experienced economic upheavals, savers avoid the financial assets that create capital. Savings stored in inactive non-financial assets, such as undeveloped land or gold, may appreciate in value but do not create economic vigor. A reliable social safety net contributes to consumer confidence and frees up cash to spend on consumer goods and real estate purchases.

Trend 13: Environmental Awareness

The blistering pace of economic growth in the region poses a significant threat to the environment and contributes to atmospheric warming. "In the last two decades, the growth rates of Asian/Pacific economies were among the highest in the world. The strong economic growth has lifted more than half a billion of its people out of poverty and has raised living standards. At the same time, socio-economic progress was achieved at great environmental cost due to unsustainable and often inequitable economic growth patterns. Rapid urbanization and industrialization involving intensive use of resources has accelerated the degradation of natural capital and the production of waste and emissions. Resource depletion and pollution resulting from such activities as energy use and

land-use change, have become global issues, evidenced by increased worldwide attention to climate change and biodiversity loss.”¹²

Asia/Pacific countries share similar environmental problems like urban crowding, deforestation, and air and water pollution. The rush to spur economic development has often crowded out protection of the environment and unique ecosystems. Asia/Pacific governments are, however, increasingly aware of the climatic, economic, and social consequences of environmental degradation. For example, Beijing’s smoggy air, caused by coal-fired factories, was put on embarrassing display for the world prior to the 2008 Olympic Games.

Most participate in regional pacts like the ASEAN Agreement on Trans boundary Haze Pollution, the Asia/Pacific Partnership on Clean Development and Climate, and the Kyoto Protocol on reducing greenhouse gas emissions

What does this mean for real estate professionals?

Asia/Pacific countries who expect to maintain economic vitality and growth must address the challenges of atmospheric warming, pollution, and resource depletion. Some are taking innovative steps to meet environment challenges. For example, the Philippine Green Building Council (PhilGBC) has introduced a green building standard, Building for Ecologically Responsive Design Excellence (BERDE), similar to the U.S. Green Building Council’s LEED designation.

Trend 14: Internet and Mobile Connected

Over one billion Internet users live in the Asia/Pacific region; of those over 50 percent (642 million in 2014) live in China. By comparison, U.S. Internet users number about 277 million. Asia/Pacific Internet users are also avid participants in social media sites. Facebook is by far the most popular social media site throughout Asia/Pacific, although its usage in China is infinitesimal (under 1 percent) compared to the number of Internet users. The social media site RenRen is considered the Facebook of China with 172 million users. Other popular sites beyond Facebook, Twitter, Linden, and so forth include: Orkut in India, Mixi in Japan, and Me2day in Korea.

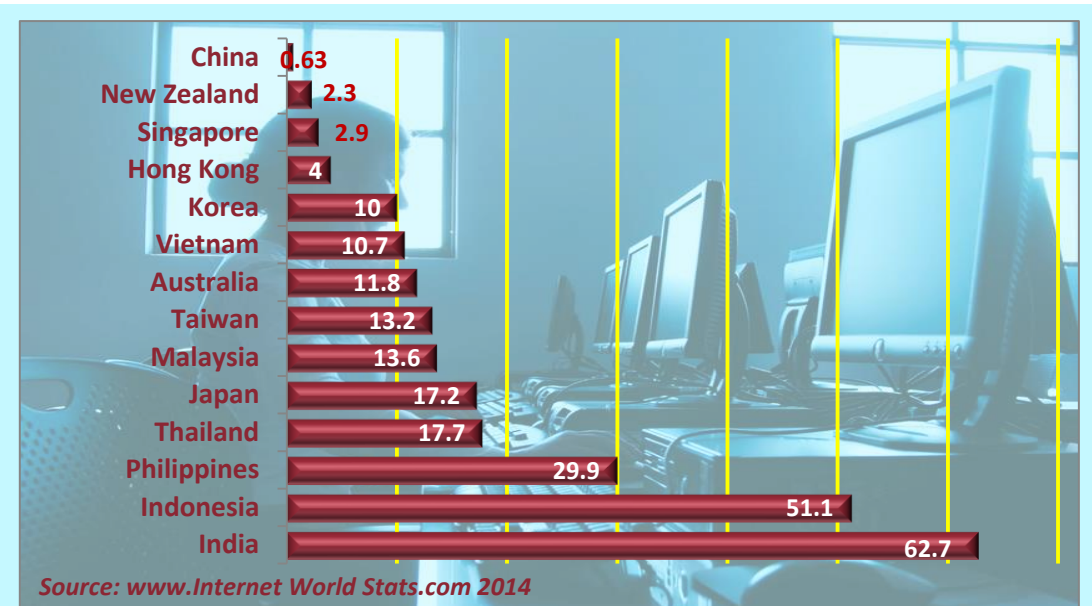
¹² *Green Growth, Resources, and Resilience, Environmental Sustainability in Asia and the Pacific, 2012*, Asian Development Bank, www.adb.org.

Throughout the region, stories about internet growth rates are being replaced by stories about mobile growth and rapidly changing consumer online behavior. Mobile penetration in Asia/Pacific was around 65% in 2014. Furthermore, half the world’s smartphones were around 65% in 2014, with markets such as Hong Kong, Singapore, Malaysia, Australia, and China having over 70% smartphone penetration.¹³

	Internet Users (millions)	% of Pop. Online		Internet Users (millions)	% of Pop. Online
China	642	47	Australia	21	94
Japan	110	86	Malaysia	20	67
India	243	20	Thailand	20	30
Indonesia	71	28	Taiwan	19	80
Korea	45	92	Hong Kong	5.7	81
Philippines	44	41	Singapore	4.5	80
Vietnam	41	44	New Zealand	4.1	95

Source: www.Internet World Stats.com (2014)

Asia/Pacific Facebook Users (Millions)



¹³ Asia Pacific Digital Factbook 2014, D+D Asia Marketing Association, www.ddma.asia

What does this mean for real estate professionals?

Mushrooming Internet and social media usage has several implications for real estate business. The real estate market is increasingly reliant on the Internet to communicate about transactions, market listings, and attract buyers and renters. Reliable Internet access facilitates communications between real estate professionals and their clients and customers. Your web presence opens information channels for informing potential clients, customers, and other real estate professionals about your listings and services and facilitates building referral networks.

Realtor.com® International—A Worldwide Marketplace

If your listings appear on Realtor.com® the front door of your real estate office is open for millions of virtual walk-ins from around the world. Where are international buyers looking in the United States? The top U.S. markets searched by international consumers on Realtor.com® and Realtor.com International are:

- **Australia:** New York, Los Angeles, Detroit, Las Vegas, Beverly Hills
- **India:** New York, Los Angeles, San Jose, Las Vegas, Chicago
- **Japan:** San Diego, Honolulu, Los Angeles, San Antonio, Jacksonville
- **Philippines:** Los Angeles, Las Vegas, New York, Warren (RI), Houston
- **South Korea:** New York, Los Angeles, Irvine, Sedalia (MO), San Antonio
- **Canada:** Fort Lauderdale, Los Angeles, Orlando, Miami, Naples
- **United Kingdom:** Los Angeles, Orlando, New York, Kissimmee (FL), Davenport (FL)
- **Germany:** Los Angeles, New York, Miami, San Antonio, Colorado Springs
- **Mexico:** San Antonio, Miami, El Paso, Houston, Los Angeles
- **Brazil:** Orlando, Miami, New York, Los Angeles, Kissimmee (FL)
- **France:** Miami, Los Angeles, New York, Miami Beach, San Francisco
- **Italy:** Miami, New York, Miami Beach, Los Angeles, Detroit
- **Netherlands:** New York, Los Angeles, Miami, Orlando, Las Vegas
- **Spain:** Miami, New York, Los Angeles, Miami Beach, McDonough (GA)
- **Sweden:** Los Angeles, New York, Miami, Fort Lauderdale, Detroit

Source: Omniture Discover, January 2015

Trend 15: Civil Unrest and Terrorism

The Asia/Pacific region is marked by episodes of civil unrest that can lead to safety and security concerns, business disruption, and worldwide upheaval. Terrorist groups such as Jemaah Islamiya (JI), Jemaah Anshorut Tauhid (JAT), and the Abu Sayyaf Group (ASG) continue to pose a concern throughout the region as well. Consider the following:

- **China and Tibet:** The ongoing tension between China and Tibet stems from a political and religious dispute about the status of Tibet being a part of China, or a separate, independent state.
- **Hong-Kong:** The Yellow Umbrella Revolution refers to the massive street protests in Hong Kong in response to Beijing's tight restrictions on the elections of its next leader in 2017
- **Thailand:** In May 2014, the military announced that it had taken control of the country in a coup. Martial law continues to be imposed throughout Thailand.
- **Indonesia:** In recent years, terrorists have been targeting Indonesian law enforcement officials with bombings, shootings, and so forth.
- **India:** Throughout the region, the threat of Pakistan-backed Islamist extremist terrorism remains high.
- **Philippines:** Terrorist activity is rampant throughout southern Philippines, with terrorist groups seeking a safe haven and operations base in the country due to more limited security resources and the rugged terrain.

What does this mean for real estate professionals?

Real estate professionals need to be aware of the region's geopolitical climate and the potential impact on personal safety, economic uncertainty, and business operations. A seasoned real estate practitioner will be able to respond to these events with professionalism and poise.

Trend 16: Competitive Destination

Asia/Pacific is a competitive destination, for both vacation travelers and business opportunities.

Countries blessed with thousands of miles of beaches—Thailand, Indonesia, Malaysia, Philippines, Australia, New Zealand—draw visitors and vacation-home buyers. Tourism development stimulates construction of the infrastructure to support it—roads, transportation, airports, utilities—which are the same facilities essential to investment-worthy residential and commercial properties.

On the business side, more multi-national companies and their expat executives, management and employee's from all over the world are moving into the Asia/Pacific region and opening up their Asia/Pacific manufacturing centers. Almost half of the 10 most expensive cities and expat locations can be found in the region as well, including Hong Kong, Singapore, Tokyo, and Shanghai. With Thailand establishing itself as a manufacturing hub in the oil and petroleum industry, Singapore looking to become a key educational center, and the Philippines emerging as a natural choice for corporations due to the English language, the region is well-poised for continued growth as a competitive destination.

What does this mean for real estate professionals?

Real estate professionals need to be aware of the region's opportunities for both tourist and corporate business growth, and offer services that bring value to potential clients and customers.

Trend 17: Increased Air Travel

The Association of Asia/Pacific Airlines (AAPA) says its region's air carriers account for nearly one-third of worldwide passenger traffic and close to 40 percent of global cargo traffic. Globalization and a rising middle class in China and other emerging Asian economies are among the factors contributing to the region's air travel boom.

Asia/Pacific Aviation Incidents

While the travel boom brings an abundance of low-cost carriers and the accessibility of travel across the region, the recent aviation incidents in the region cause some to wonder if the infrastructure is able to keep up with demand.

- 2015: TransAsia Flight 235 (Taiwan) 25 people killed (58 onboard) as plane clipped overpass after take-off and plunged into a river
- 2014: AirAsia Flight 8501 (Indonesia to Singapore) crashed due to weather, found in the waters off the island of Borneo (162 killed)
- 2014: TransAsia Airways Flight 222 crashed into buildings due to weather at Penghu Island, Taiwan, killing 48 (58 onboard)
- 2014: Malaysia Airlines Flight 17 (Amsterdam to Kuala Lumpur) shot down over eastern Ukraine in territory controlled by pro-Russian separatists (298 people killed)
- 2014: Malaysia Airlines Flight 370 (Kuala Lumpur to Beijing) still-unsolved disappearance which veered thousands of miles off course (239 on board)
- 2010: Air India Express Plane Flight 812 (Dubai to Mangalore) overran the runway in Mangalore, killing 158 people

What does this mean for real estate professionals?

The reduced barriers to air travel in the Asia/Pacific region will facilitate corporate growth, tourism, and potential business opportunities.

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

2

CULTURAL INFLUENCES



Despite the diversity and vast distances between Asia/Pacific countries, most share cultural, and sometimes religious, values that shape attitudes toward business conduct. For example, throughout most of the countries included in this study, personal relationships must precede productive and trustful business relationships. With the exception of Australia and New Zealand, Asia/Pacific countries tend to be high-context cultures. In high context-cultures, client relationships and transactions can fail when blunders, however unintentional, break the unwritten rules of personal or business conduct.

Sharing a cultural heritage, and perhaps language, provides a head start in building your Asia/Pacific real estate business. But what if this is all new to you? You don't have to change your beliefs, but learning about and demonstrating your appreciation of how these influences show up in family, social, and business life will go far to win the loyalty of Asia/Pacific real estate clients and customers.

In this chapter we will take a very brief look at some of the major religious and belief systems of Asia/Pacific countries. But this is only a beginning. Time invested in deepening your knowledge of and appreciation for the culture and traditions of your Asia/Pacific clients and customers will be rewarded with trust, repeat business, and valuable referrals of family, friends, and business associates.

High Context/Low Context

The concept of high- and low-context cultures helps us generalize about the traits of individuals within a group. This concept helps us adapt our business behavior and avoid value judgments. Even first-generation and second-generation offspring of immigrants may still be immersed in their parents' culture. They may expect and appreciate real estate professionals' sensitivity to cultural norms when it comes to conducting business.

2. Cultural Influences

High Context	Low Context
Values formality, face-saving communication, relationships, and the slower pace needed to develop them.	Values informality, results, fast pace, punctuality, and direct communication.
<ul style="list-style-type: none">▪ Business conducted through development of relationships.▪ Nonverbal and indirect communication is important.▪ Relationships are the basis of contracts.▪ Time is fluid and schedules are flexible.▪ Hierarchy and elderly are respected.▪ Exchange of favors creates reciprocal obligations.	<ul style="list-style-type: none">▪ Relationships are not needed for conduct of business.▪ Content of communication, precise verbal agreements, and facts are important▪ Contracts are binding and exist apart from personal relationships.▪ Egalitarian. Rank is respected but subservient to facts and agreements.▪ Time is a commodity and schedules are carefully observed.
Prevalent in: Asia, Russia, Middle East, Central and South America, Southern European countries, African countries, Pacific nations	Prevalent in: United States, Canada, Northern European countries, Australia, New Zealand, South Africa

Social Values

Although the traditional social orders are waning, today's Asian cultures retain a strong consciousness of rank and hierarchy. Emotions and personal relationships are kept private in Asian culture. Face-saving, nonverbal communication, proper use of personal contacts, observance of protocol and etiquette, and expectation of loyalty affect all aspects of personal, social, and professional behavior.

Personal Savings Rate

Asian household savings rates are quite high in comparison to households in Western countries. However, the 2013 Global Development Horizons (GDH) report projects that East Asia, Eastern Europe, and Central Asia will see the largest reductions in private savings rates in the coming years due to aging populations which will test public finance and policy structure. That said, the negative impact of population ageing thereon will be roughly offset by the positive impact of higher income levels. While rates will decline, the report states that saving will continue to be dominated by Asia and the Middle East.¹⁴

Economists cite several reasons for Asia's household savings rates, such as responsibility for elderly family members, lack of a social safety net for old age and health care, economic uncertainty, and low consumer confidence. Money saved, instead of spent on cost of living and consumer goods, is available for investment. But, in countries that have experienced economic upheavals, savers avoid the financial assets that create capital. Savings stored in inactive non-financial assets, such as undeveloped land or gold, may appreciate in value but do not create economic vigor.

The Individual Versus the Group

In Asian cultures an individual's status is determined by generation, sex and age within the family, by family status in the community, and by role in business. The group's concerns take precedence over those of the individual. The group leader, usually the most senior, sets the tone. Controversial discussion and debate in public are rare and junior members do not contradict the leader or senior members. Outsiders who lack a fixed place in the hierarchy of relationships present an anomaly and may be treated with little consideration.

Relationships

As in other parts of the world, people in the Asia/Pacific region prefer doing business with those they know and trust. But, in this part of the world, intertwined business and personal relationships, which cannot be rushed, must be developed before business can be entrusted and conducted. In short, if there is no relationship, there will likely be no business. If a relationship is established, real estate practice competence is assumed. Experienced international real estate professionals develop client contacts before seeking properties. In international business, it is

¹⁴ *Global Development Horizons Capital for the Future: Saving and Investment in an Interdependent World*, World Bank, 2013, www.worldbank.org

preferable to control the client instead of the product, because without a good client relationship, nothing will happen.

Family Loyalty

Asian cultures value family loyalty, reverence for ancestors, and respect for elders, who are influential in household decisions. For example, in China the family extends across five generations, from great-grandparents to great-grandchildren and the oldest male in the direct line, the patriarch, traditionally makes all important decisions for the family. India recognizes the Hindu Unified Family (HUF), managed by the eldest male, as a tax entity.

Throughout Asia/Pacific, new job opportunities and growing individual wealth are changing the traditional family structure. Increasing incomes and the growth of available housing provide opportunities for adult children and young families to live on their own instead of in traditional multi-generational households. Parents and household heads are rapidly losing control of children's marriage and divorce decisions. Children no longer feel obligated to live with parents. In the fast-aging countries of China, Japan, and Korea, the breakdown of traditional family relationships and the overburdening or an absence of a social safety net portend future hardship for elders.

Saving Face

Saving and gaining face through actions and statements is a very important concept for Asian cultures. One gains face through showing respect, exhibiting wisdom, acting honorably, or receiving praise. Embarrassing actions or words that cause a loss of face, your own or another's, will likely cause irreparable damage to a personal or business relationship. Informal treatment of someone of senior rank will cause that person to lose face and could jeopardize any hopes of a business deal.



Discussion Question

How might values like family loyalty, saving face, and relationships impact interactions with Asia/Pacific real estate buyers and sellers?

Tips From the Field: Adapt Your Behavior, Respect the Culture



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If building business relationships is key in the United States, in China it's on steroids. You need to understand traditions, customs, and business protocol. Adapting your behavior to respect cultural differences is integral to success. Here are seven cultural characteristics to keep in mind when working in China

1. Family talk: in the United States, people love talking about children and grandchildren and whipping out photo albums. Not in China. Don't ask about children and don't regale contacts with stories about your kids.

2. Slow dance: time is money in the United States, but in China, embrace the pace. Don't rush business rituals, such as long meals, drinks, and so forth. It's a slow dance.

3. Card swap: exchanging business cards entails a formal, deeply respectful two-handed ritual. Casually tossing cards across a table won't go over well. Treat business card—yours and theirs—with respect.

4. Seating charts: The seating chart tells you who's who in the business hierarchy. The number-one guest sits to the right of the Chinese boss, the number two guest sits to his left, and so on.

6. Toasting game: The host offers a welcome toast, the second-in-command does the same, and on it goes. You don't sip a drink, just down it all at once. If you don't, it can be considered semi-rude. The ritual quickly brings down defenses and elicits laughter and joking. That's the part that gets you to the relationship you want.

7. Gifts: Bring a gift of value, such as golf clubs or premium scotch, or an item reflective of the American culture. I often bring cowboy hats—they are valuable and symbolic of my home state of Texas.

Adrian A. Arriaga, broker/owner of AAA Real Estate and Investments in McAllen, Texas, represents investors from Mexico, China, and Korea in Texas.

Religions and Beliefs

An international real estate practitioner should have an awareness of religious and ethical beliefs that influence personal and family life as well as business. Some of the religious and ethical systems in the Asia/Pacific countries are as follows.

Asia/Pacific Religions

	Confucian %	Buddhist %	Taoist %	Hindu %	Muslim %	Christian %
Australia		3		1	2	61
China	Many combine these traditions				2	5
Indonesia		1		2	87	10
Japan†		84				2
Korea	1	24				32
Hong Kong	Many combine these traditions					10
India‡				81	13	2
Malaysia		20	3	6	61	9
New Zealand		1		2		44
Philippines					5	93
Singapore		34	11	5	14	18
Taiwan	Many combine these traditions					5
Thailand		94			5	1
Vietnam		9				7

Source: *CIA Factbook*

† combined with Shinto

‡ 2% Sikh

Numerology

The practice of numerology (forecasting the future by numbers) influences real estate business in areas such as building addresses, phone numbers, office numbers, and auspicious dates. Yet some cultures have contradictory beliefs about the power or influence of certain numbers. Numbers are considered lucky or unlucky. Some traditional beliefs are so deeply engrained as to be regarded as common wisdom even by nonbelievers. The number 4 is the unluckiest number.

Odd numbers are male or yang, and even numbers are female or yin. Based on the tradition of numerology, odd and even are defined differently in Asia than in the West.

For example, 13 is *even* because $1+3=4$, which is an even number, but 14 is *odd* because $1+4=5$.



It was no coincidence that the Beijing Olympics opened at 8:00 p.m. on August 8, 2008 (8/8/08).

Lucky/Auspicious

2 good things come in pairs
5 is associated with five loves, five colors, five directions, five metals, and five elements
3 and **8** signify growth and prosperity
6 is an auspicious number for business
7 symbolizes togetherness
Double-digit numbers—88—are lucky

Unlucky/Inauspicious

4 signifies death/misfortune
5, 6, and **7** can have unlucky connotations in certain combinations
13 is unlucky because 1 and 3 add up to 4
Single-digit numbers signify loneliness and separation

Fêng Shui

The art of fêng-shui, meaning wind and water, uses features of geography and topography to predict the future. It may impact real estate decisions in China, Japan, and Korea. Fêng-shui consultants advise on details from the orientation of doors to the placement of office furnishings.

Basic Principle

Achieving balance between the opposing yin and yang forces of the universe and the flow of the earth's vital energy—the *chi* (breath) or *qi* (life).



Human actions can strengthen or diminish the flow of *chi*. Harmony with the five elements—earth, fire, metal, water and wood—bestows good fortune.

Building sites, structures, and landscapes in harmony with the elements encourage the flow of *chi*. In modern Hong Kong, fêng-shui disputes influence local politics, and real estate contracts contain a fêng-shui evaluation contingency clause.

Fêng shui experts may use elaborate compasses—along with the precise moment of the owner's or occupant's birth—to evaluate the configuration of a building or site in relation to the flow and accumulation of *chi*.

If it is not in harmony with the elements, the owner and occupants may suffer bad fortune.



Photo by Arnold C, Wikimedia

Good Fêng-Shui

- South-facing windows
- South-facing bed facing, kitchen and dining room on east side of house, living room in the center, and the study on the north
- Water features
- Stones integrated with the landscape
- Undulating terrain—a dragon site
- Wind chimes
- Uncluttered spaces
- Silver elements in the bedroom connect to other lifetimes and invite angels' protection
- Uncut crystals in the bedroom provide stability
- Displaying ancestor's possessions and sharing their stories
- Bamboo lifts energy upward
- Stoneware pots strengthen ties to Mother Earth

Bad Fêng-Shui

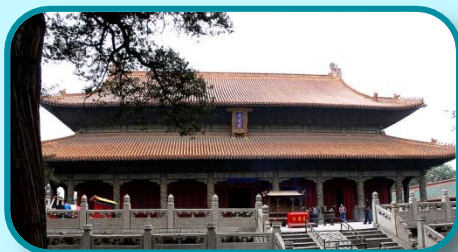
- Clutter in any form
- Sharp corners
- Glass front doors
- Buildings towering over those around it
- Hills deprived of topsoil or foliage
- Fast-flowing streams
- Commercial buildings or hospitals next to a temple or church
- Yards sloping down to the road—*chi* flows away
- Front door aligned with a back door
- Lobby stairway leading directly to the front door
- Facing a hill blocks good fortune.
- T-intersections invite evil spirits to enter
- Pie-shaped lots brings bad luck—triangles are unlucky shapes

Confucianism

The ancient ethical and philosophical system of Confucianism is rooted in the teachings of 5th century BCE Chinese philosopher, Confucius. It predates the development of both Christianity and Islam. Confucianism teaches that the knowledge of the natural order of the universe and the moral order of society accomplishes the greatest good. Therefore, the society and the individual should strive for harmony and order. It emphasizes personal and governmental morality, correctness of social relationships, justice, and sincerity. Many in China, Hong Kong, and Taiwan follow Confucian precepts. In Korea, Japan and Vietnam it mixes with local beliefs and other religions.

Personal and Professional Conduct

- Preeminence of the family and respect for elders, superiors, authority, and ancestors
- Emphasis on education as the path to perfection and status
- Pride and self-respect earned by fulfilling one's duties and obligation
- Concealment of emotion and a quiet, modest, and humble demeanor
- Pre-eminence of the group and importance of status within a group; personal effort for the benefit of the group and society
- Respect for tradition
- Belief in an ethic of hard work, sacrifice, self-discipline, and frugality



*Confucian Temple at Qufu, Shandong Province, China
Photo by Gisling, Wikimedia Images*

5 basic virtues: seriousness, generosity, sincerity, diligence and kindness. Although hierarchical. All people as equal in dignity and worth. Approaching others ritualistically, according to traditional relationships, bestows dignity; failure to do so causes loss of face.

The ideogram for water, the source of life, is used to symbolize Confucianism.



5 Principle Relationships

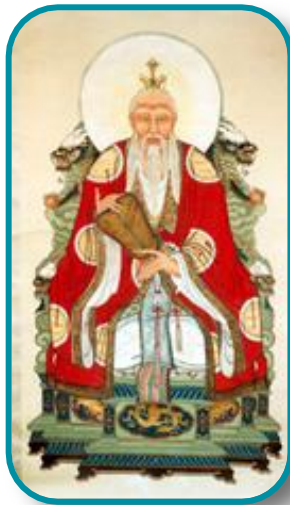
- **Ruler and his ministers:** The ruler inspires others by setting an example of correct social behavior, good-heartedness, justness, and dignity
- **Father and son:** The father's example instills correct behavior and good character in his children. The father can claim credit or bear the blame for his children's actions. A son must honor his parents while they are alive and respect them after their death. Respect by the son is the highest virtue.
- **Husband and wife:** The husband heads the family. He preserves the family's good name and assures respect for the ancestors. The wife must bear sons so that the family name passes to the next generation.
- **Brothers:** the oldest son, as future head of the family, provides a model for the younger brothers. The younger brothers must accept the oldest son's position in the family.
- **Community members:** do not do unto others what you would not want them to do unto you

Taoism

Taoism (DOW-ism), simply translated as the Way, originates from the teachings of Lao Tzu, a contemporary of Confucius. Confucianism emphasizes social harmony; Taoism emphasizes harmony with nature. Taoism often blends with Confucianism and Buddhism, as in China, as well as belief in magic, spirits, and forces which must be honored to bring good fortune in business enterprises.



Taoists believe that a primitive energy produced the yin and yang forces leading to the creation of heaven and earth.



A depiction of Lao Tzu as a deity

Rejection of formal knowledge in favor of sense and instinct brings oneness with the universe and peace of mind. The follower seeks his natural self in the nature and rhythm of the universe. Taoism emphasizes freedom from duty to family, community, and state. The Taoist should behave naturally and spontaneously and follow the art of *wu wei*, which means letting nature take its course. The Tao teaches that one must be plain and non-aggressive, accepting of change, and content with what one has.

You might encounter the subtle logic of the Tao in a negotiation as illustrated by the following poem.

*Those who strategize use the Tao of Paradox.
Thus, when able, they appear unable.
When employed, they appear useless.
When close, they appear distant.
When distant, they appear close.
They lure through advantages,
And take control through confusion.
When complete, they appear to prepare.
When forceful, they appear evasive.
When angry, they appear to submit.
When proud, they appear to be humble.
When comfortable, they appear to toil.
When attached, they appear separated.
They attack when the opponent is unprepared
And appear where least expected.*

R.L. Wing, The Art of Strategy: A New Translation of Sun Tzu's Classic, Doubleday. New York, 1988.

Islam

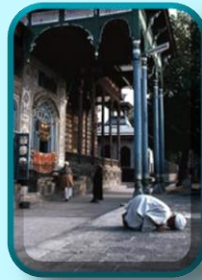
Islam originated in the Arabian Peninsula in the seventh century AD¹⁵. Among the countries of Asia, Islam is most prevalent in Indonesia and Malaysia. Islam believes in a one God, Allah, who was revealed through the teachings of the prophet, Mohammed. It is a complete system of religious, ethical, legal, social, and political behavior.

In business, fairness is expected and obligations must be fulfilled. A distinction is drawn between legitimate profit as a fair return for risks taken and illegitimate profit involving speculation or earning undue profit on loaned money. The right to private property confers a responsibility to use it for the benefit of the community.

Islam has more 1.2 billion believers¹⁶ worldwide making it the world's second largest religion after Christianity.



The observant pause five times during the day, when the *muezzin* calls the faithful to prayer; business meetings may pause at these times. On Friday, the holy day, the faithful gather at the mosque—a place for undistracted prayer.



The sexes are segregated in education, public life, and religious observances. There is a strong separation between public life and family life. Women tend to be less involved in public life than in western and non-Islamic countries, which may be as much a reflection of culture as religious belief. However, women have the right to own and inherit real property.



Friday prayer inside the Masjid Negara Mosque, Kuala Lumpur, Malaysia

The 5 pillars of Islam

- **Tashahhud:** Faith
- **Sala:** Prayer five times each day: sunrise, noon, midafternoon, sunset, after nightfall
- **Sawn:** Purification through fasting
- **Zakat:** Helping the needy
- **Haj:** Pilgrimage to the holy city of Mecca, if able

Observant Muslims abstain from eating pork (acceptable foods are *halal*) and drinking alcoholic beverages. During the month-long observance of Ramadan, the devout fast from sunrise to sunset.

Islamic Financing

Because the Koran forbids paying or receiving interest on loans, banks have developed Islamic (*Murabaha*) financing, for purchases of homes and businesses. In simplest terms, the lender purchases the asset on behalf of the borrower and “sells” it to the borrower on a deferred, cost-plus basis. Bank policy determines when the borrower must take possession of the asset and begin payments.

¹⁵ Before the Common Era

¹⁶ Council on American Islamic Relations, www.CAIR.com

Shinto

Shinto is native to Japan where it was an official state religion. Today, about 80 million people observe Shinto rites, often intermingled with traditional and Buddhist practices. Shinto stresses reverence for ancestors and a belief in the divine origins of the Japanese nation.



Floating torii gate at Itsukushima, Japan

Shinto priest and priestess

Photo by Nikita, Wikimedia Images



Four Principles of Shinto



Shinto philosophy—living in harmony with nature and other people—underlies the Japanese aesthetic sense of design, architecture, landscaping, and fine arts, as well as the sport of sumo. The ancient belief in *kotodama*—words with a magical effect on the world—inspires the Japanese emphasis on proper greetings and respectful phrasings.



A representation of the shrine gate, the *torii*, is a symbol often associated with Shinto.

The rituals of Shinto mediate between humans and the spirits, the *kami*, which can inhabit a place, such as Mt. Fuji, or a natural feature such as a waterfall. The *kami* permeate and sanctify nature. Businesses often ask a Shinto priest to conduct ceremonies for launching a new business venture or observing special occasions such as an anniversary; people may visit a Shinto shrine to mark an important event in life such as a marriage or birth of a child.

Buddhism

Buddhism originated in Nepal around 500 BCE by Gautama Buddha and spread throughout India, Japan, Laos, Cambodia, Thailand, Burma, and Vietnam.

The presence of monks as models of the possibility of human perfection makes Buddhism a potent force in everyday life. Although monks may not be candidates for elected office, they are active and influential in national and political affairs. The Thai government maintains close ties with monasteries.

In Burma and Thailand, most young men experience this holy life by becoming monks for a short time



Buddhism, meaning awakened or enlightened, stresses personal religious experience through meditation and withdrawal from the world. It teaches that a good person rises through successive births to the ultimate reward of nonexistence and freedom from the pain of life.



The wheel-like *dharmachakra* sign symbolizes this cycle of rebirth.

4 Noble Truths

- Suffering exists
- The origin of suffering is attachment
- Suffering ceases when attachment ceases
- Freedom from suffering is possible through the eightfold path.

Every person has the potential to attain the state of perfect peace and happiness called *Nirvana*. The principles for living a good life are expressed in the eightfold path. Precepts of ideal behavior are optimism, respect for life, and love of all mankind. Followers practice moderation in eating (many are vegetarians), abstention from intoxicants, and chaste behavior. Truthfulness and taking only what is given are esteemed.

If you are invited to a Buddhist temple, remove your hat and sunglasses, and in some temples your shoes. Show respect for the Buddha shrine by bringing your hands together in front of your face and bowing in front the shrine.



The great bronze statue of Amida Buddha at Kotokuin Temple in Kamakura, Japan.

Eightfold Path

Right View

Right Thought

Right Speech

Right Action

Right Livelihood

Right Effort

Right Mindfulness

Right Contemplation

Hinduism

Hinduism maintains that every living thing has a pure self which is associated with the all-pervasive energy of the universe. Salvation comes through recognizing oneness with the universal energy. Reincarnation, or transmigration of the soul (sometimes to a lower life form), continues until a person achieves spiritual perfection. The individual's accumulation of good and bad deeds creates karma. Hindus value fulfillment of duty, acceptance and patience, respect for all living things, and individual responsibility for all acts.

In India, 80 percent of the people follow the precepts of Hinduism; it is interwoven with the country's culture, history, and politics. The three-character *Aum* symbol represents the most sacred Hindu mantra—*Om*.



Hindus recognize a single deity, Brahma, whose person is manifested in other deities such as Vishnu (Krishna) the Preserver and Shiva the Destroyer.

▶ **Vishnu, the Preserver**

◀ **Shiva, the Destroyer**



Most Hindus, but not all, are vegetarians and many also eschew alcoholic beverages. Some eat poultry and fish but never beef because the cow is a sacred animal. Cows wander freely through the streets Indian cities and harming them brings grave penalties.

Hindus worship as individuals, not in congregations. Rituals are observed at temples as well as in the home, where families may devote a shrine to a particularly revered divinity. If you are invited to a Hindu temple, dress modestly, remove your shoes, and keep your hands folded as a sign of respect. Greet others by bringing your palms together and saying *namaste*. If seated on the floor, do not point your feet toward the deities or other worshipers. After consecration to the deity, worshipers may share an offering of Prasad—flowers, sweets, fruits—with family and friends; if offered to you, accept this honored gift graciously.

Hinduism is associated with a hereditary caste system of *brahmins*, *kshatriyas*, *vaishyas*, *sudras*, and *dalits*. Although India declared the caste system unlawful in 1947, caste-based discrimination still occurs and the Indian government sponsors affirmative action programs to benefit the lowest rung (*dalits*) of the system. Foreigners should avoid the sensitive subject of caste.

Sikhism

The religious philosophy of Sikhism follows the wisdom of the *Gumat*—the Counsel of the Gurus. The term Sikh can be translated as disciple or learner. Sikhism stresses salvation through faith in one God and meditation on the name and message of God. The wisdom of Sikhism is contained in the writings of enlightened leaders, the Gurus.



The *Khanda* (left) symbolizes continuity and the power of the creator; crossed swords represent spiritual/political balance. The words *Ek-onkar* (right) mean “there is one God” and often appear on Sikh letters and documents.



Sikh man at the Golden Temple of Amritsar, in northwestern India

Photo by Claude Renault, Wikimedia Images

Sikhism has about 26 million followers, 75 percent of whom live in the Indian state of Punjab.

Sikh beliefs balance work, worship, charity, and defense of the rights of all humans and creatures. Sikhism’s ethical code stresses temperance, tolerance, justice, prudence, and dutifulness. An optimistic outlook on life is a virtue as are patience, humility, contentment, detachment, and chastity.

In personal and business life, one should set a good example for others. Therefore, the professional must discharge duties efficiently, honestly, responsibly, and with sincerity. The interests of the client must be safeguarded and truthful guidance must be provided. Respect for parents, teachers, and elders is valued and the opinions of senior family members may be sought in making important decisions.



In Sikh tradition, all boys are named Singh, and girls named Kaur. Sikh men traditionally cover their heads with a *pag* (a turban).

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

3

**BUILDING YOUR
ASIA/PACIFIC
REAL ESTATE
BUSINESS
NETWORK**



Like prospecting for new clients and customers, a systematic approach to making contacts, nurturing relationships, and researching markets builds a productive real estate business network. Even if your firm is part of a referral network, developing a network of personal contacts within that framework will facilitate referrals.

An international business network combines people contacts, information resources, and communication channels so that the real estate professional can:

- Gain access to targeted markets
- Maintain current market awareness
- Reach prospective clients, customers, and other real estate professionals
- Market listings and services
- Inform others about local investment opportunities

Look at Local Market Trends

You could begin building your Asia/Pacific network by looking at trends in your local market.

- Are buyers and investors from a particular country moving into or investing in your market area?
- Are buyers and investors in your market particularly interested in an area in another country?
- Are there EB-5 visa investment projects in your market area?
- Are foreign businesses relocating to your market area or local businesses expanding abroad or outsourcing?

If the answer to any of these questions is yes, consider making contacts in that country a focal point for your international networking efforts.

Consider Your Own Interests

Make a plan for developing contacts in countries that interest you and have good market potential. Start with your own interests.

3. Building Your Asia/Pacific Real Estate Business Network

- Do you have a special interest in or an affinity with any Asia/Pacific country or cultures?
- In your personal travels, do you enjoy visiting a particular Asia/Pacific country?
- Do you have family connections in an Asia/Pacific country?
- Do you speak language(s), like Mandarin Chinese, Tagalog, Japanese, or others?

Who You Need to Meet

- Potential clients and customers: corporate or private investors, relocating employees of foreign firms in need of housing, parents of international university students
- Real estate professionals: brokers, agents, and representatives
- Buyers and sellers: corporate and individual, domestic and foreign
- Representatives of any of the above: bankers, lawyers, notaries, lenders, developers, importers/exporters, business leaders, government officials

3 Rules for Effective Network Building

- Give before you get.
- Authenticity—your interest in another country or culture must be sincere.
- The most effective way to build your own network is to become part of someone else's network.



22 Ideas for Building Your Asia/Pacific Network

1. Apply for membership in the World Trade Center located in your area. These trade centers operate as franchisees of the World Trade Centers Association in New York.
2. Research a country and real estate market using the Country Assessment Model.
3. Travel to the country and personally investigate contacts. To protect the reputation of your firm, research the credentials of anyone you are considering to represent you or set up contacts for you.
4. Research international student enrollment at colleges and universities.
5. Attend trade fairs, expositions, and international congresses in Asia/Pacific countries as well as those in your own country.
6. Contact foreign chambers of commerce for information.
7. Talk to foreign bankers who do business with your firm.
8. Ask for contacts from family members, friends, and people you meet through your spheres of influence.
9. Ask clients for references and referrals.
10. Meet public officials within your area of expertise.
11. Visit and perhaps join industrial, trade, and employers' associations.
12. Attend lectures and seminars on Asia/Pacific business and real estate.
13. Attend meetings of local Asia/Pacific business and real estate organizations.
14. Sponsor and participate in a real estate seminar for international clients and customers—inbound or outbound
15. Attend and sponsor cultural and social events for the local Asia/Pacific community
16. Participate in trade missions (for a guide to trade mission planning and participation, go to www.realtor.org/global).
17. Participate in social media networks.

3. Building Your Asia/Pacific Real Estate Business Network

18. Publish or contribute to a blog about Asia/Pacific real estate business in your market area.
19. Download NAR's International Business Report for your state at www.realtor.org/reports/state-by-state-international-business-reports.
20. Confer with NAR President's Liaison regarding real estate market conditions and opportunities for a specific country. NAR's Presidents Liaisons are REALTORS® with firsthand market knowledge and experience that can provide guidance and insight for fellow real estate professionals. Go to www.realtor.org/global/global-alliances.
21. Subscribe to online newspapers, magazines, and research reports that focus on your country of interest.
22. Make appointments and/or just stop in to a few local real estate agencies that have an international clientele. Whether expected at an organized meeting or received spontaneously as a walk in visitor, a great deal of helpful information can emerge from just talking to the local real estate professionals.

Asia/Pacific Real Estate Expositions and Events

NAR International publishes an up-to-date list of expositions, global property marketing events, international business meetings, and events with links (when available) to program information and registration. NAR makes the information available as a member service, but does not endorse all of the listed events. Events that NAR participates in or supports are noted.

Effective Expo Attendance

Before: Prepare a brief (one-minute) speech that quickly communicates your goals to an exhibitor. Your personal script should answer the questions:

- What do you (your company) do?
- Why are you at the show/convention?
- What are you looking for?

When you are prepared to answer these questions, which will be asked repeatedly in various forms, you can modify your responses to meet the situation.



Before the show consider contacting sales representatives of must-see vendors to set up appointments. If you plan the action you would like to accomplish you will be more likely to work toward it.

During: As we will learn later in the course, in Asian cultures your demeanor, attire, and manner of exchanging business cards are seen as an indication of your way of doing business.

After: If you really want to build your network quickly and receive priority treatment from vendors, send a post-expo thank you note or e-mail. Exhibitors seldom hear from show attendees, so your follow-up will make a big impression.

Find information on upcoming global events, at www.realtor.org/global/global-meetings-and-events.



Internet Field Trip: Real Estate Expos

Asia/Pacific property expositions and events are a great opportunity for face-to-face networking. You could meet your next Asia/Pacific referral partner.

MIPIM Asia www.mipimasia.com	
China's Leading Luxury Property Shows www.lps-china.com/en	
International Council of Shopping Centers Retail Real Estate World Summit www.icsc.org	
Real Estate Investment World Asia www.terrapinn.com/conference/real-estate-investment-world-asia	
Indian Property Show www.indianpropertyshow.com	
AREAA National Convention www.AREAA.org	
China U.S. Real Estate Summit www.areaa.org/uschinasummit	
Shanghai Spring Real Estate Market Exhibition www.chinaexhibition.com	
Beijing's Premier International Real Estate Trade Shows www.chinapropertyexpo.com	
Smart Investment & International Property Expo www.smartexpos.com	

What additional real estate events do you attend?

NAR's Cooperating Associations

Successful international real estate practitioners attest to the importance of an active network. A good place to start building your Asia/Pacific network is NAR's Cooperating Associations. A REALTOR® with firsthand knowledge of the country and market serves as the NAR President's Liaison to the partner association. The liaisons can offer assistance with making contacts and understanding the market dynamics. The list of Cooperating Associations and liaisons along with contact information is available at www.realtor.org/global.



Internet Field Trip

Let's take a look at the business-building resources available at NAR Global.

Go to www.realtor.org/global

Keeping Up-To-Date

An effective networking system also includes an up-to-date information file with market-specific dossiers. As referenced in the *Global Real Estate: Local Markets Course*, a networking information system should include:

- ✓ Market information
- ✓ Spheres of influence
- ✓ Prospects and clients
- ✓ News and trends
- ✓ Reminders
- ✓ Magazines, journals, books, and newspapers
- ✓ Maps

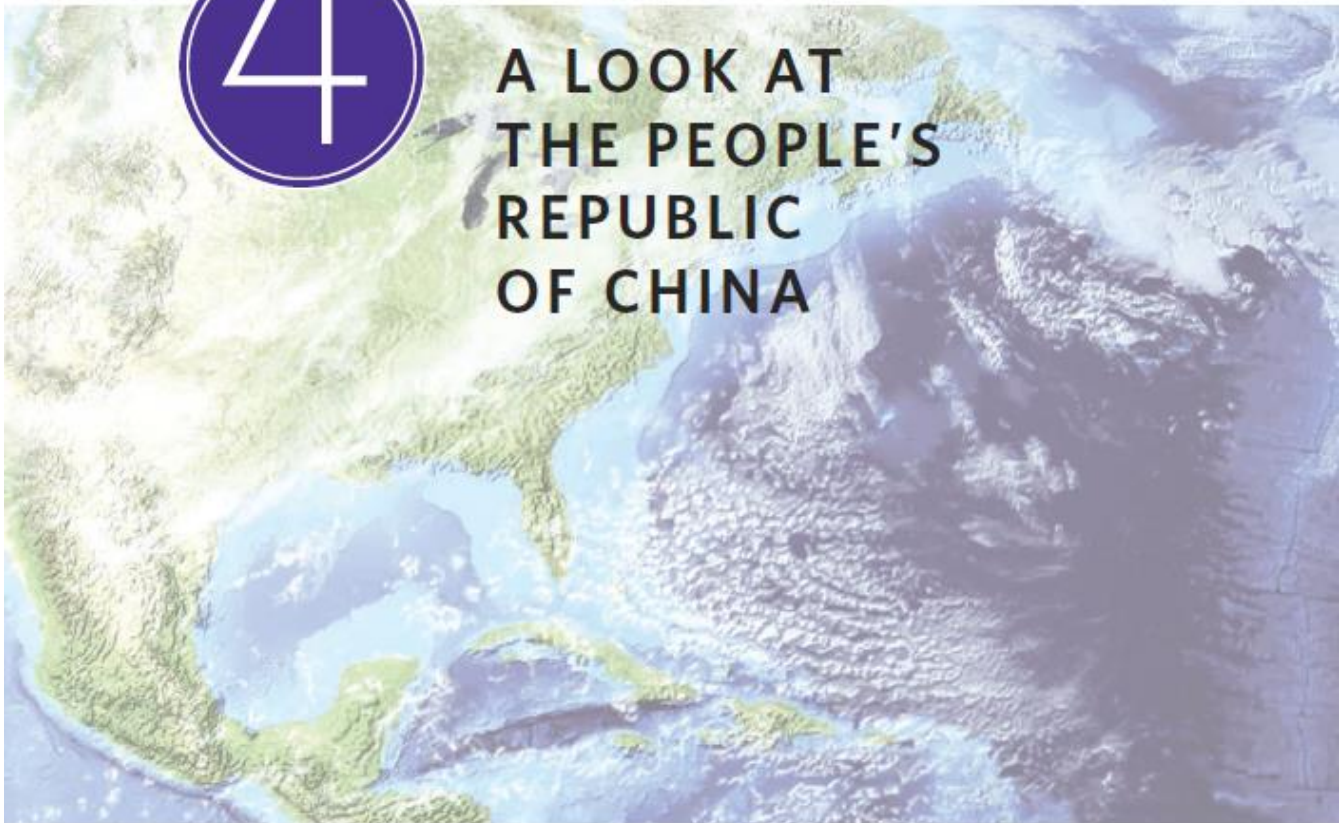
6-Minute Brainstorming Challenge

Reading: What do you read—in print or online—to stay up-to-date?	Key Words: What keywords do you set for Google alerts?
Events: What events do you participate in to build your network?	Websites: What websites do you visit to stay up-to-date on Asia/Pacific real estate?

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

4

A LOOK AT
THE PEOPLE'S
REPUBLIC
OF CHINA



Geography

In land area, the People’s Republic of China (PRC) is slightly smaller than the U.S. or Canada, but about twice the size of the European Union. China shares land borders with fifteen other countries. Self-governing regions include the Special Administrative Regions (SAR) of Hong Kong and Macau and five autonomous regions—Tibet, Guangxi, Xinjiang, Inner Mongolia, and Ningxia—home to distinct ethnic groups. Despite its size, one time zone spans all of China.

Beijing
9:00 am–5:00 pm

London
2:00 am–10:00 am
(same day)

New York
9:00 pm–5:00 am
(previous day) –(same day)

Los Angeles
6:00 pm–2:00 am
(previous day) –(same day)

Special Economic Zones (SEZs)

Self-governing SEZs operate independently from the central government. The SEZs open doors for foreign investment—wholly foreign-owned enterprises, joint ventures and partnerships—and experiments with market-oriented policies, industrialization, and urbanization.

1980-1984

- Shantou
- Shenzhen
- Zhuhai
- Xiamen
- Hainan

14 cities added in 1984

Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, Beihai

Major Cities

(ranked by size)

1. Shanghai
2. Beijing
3. Guangzhou
4. Shenzhen
5. Chongqing
6. Wuhan
7. Tianjin
8. Foshan
9. Dongguan
10. Hong Kong
11. Chengdu
12. Nanjin
13. Harbin
14. Shengyang
15. Hangzhou



Most of China’s 1.36* billion people live in the eastern half of the country. Large portions of the west are uninhabitable.

Taiwan

The political status of Taiwan, the Republic of China, remains an ambiguous issue for the PRC. The PRC’s One China policy views mainland China and Taiwan as one country, with Taiwan as a province. Taiwan, however, considers itself a separate country. Relations between the two are sometimes contentious.

Topography

The Himalayas form a crescent along the southwestern border with India and shape the Tibetan Plateau which encompasses almost a quarter of China’s land area. The Gobi Desert covers most of the northwestern quadrant.

*CIA World Factbook (2014 est)

4. A Look at the People's Republic of China

Provinces			Autonomous Regions
▪ Anhui	▪ Henan	▪ Qinghai	▪ Tibet
▪ Fujian	▪ Hubei	▪ Shanxi	▪ Guangxi
▪ Gansu	▪ Hunan	▪ Shaanxi	▪ Xinjiang
▪ Guangdong	▪ Jiangsu	▪ Shandong	▪ Inner Mongolia
▪ Guizhou	▪ Jiangxi	▪ Sichuan	▪ Ningxia
▪ Hainan	▪ Jilin	▪ Yunnan	
▪ Hebei	▪ Liaoning	▪ Zhejiang	Special Administrative Regions
▪ Heilongjiang			▪ Hong Kong
			▪ Macau

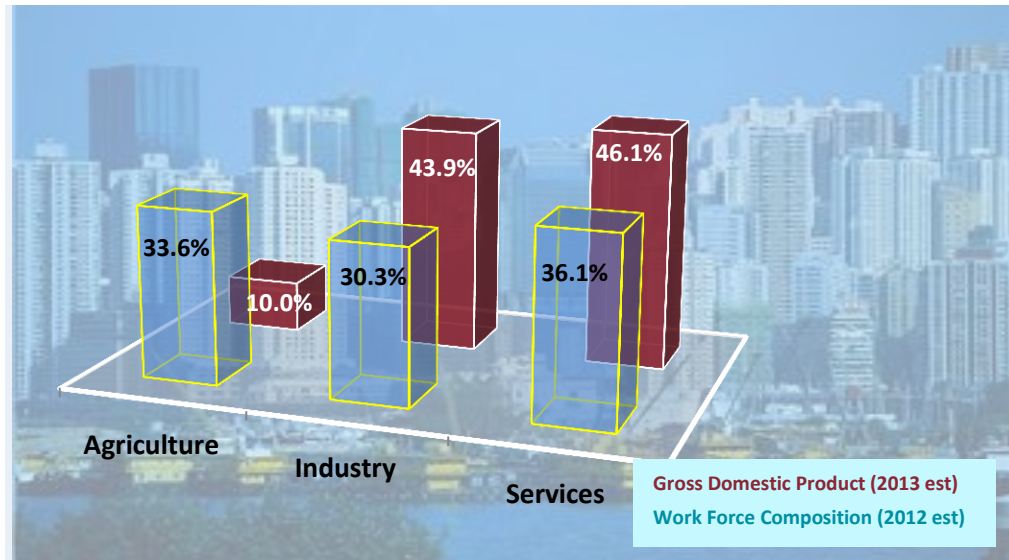
China's 22 provinces, which are subdivided in prefectures, contain counties and townships and prefecture-level cities. Four large municipalities—Shanghai, Beijing, Chongqing, and Tianjin—rank at a provincial level and encompass the surrounding areas. Self-governing regions include the Special Administrative Regions (SAR) of Hong Kong and Macau and five autonomous regions—Tibet, Guangxi, Xinjiang, Inner Mongolia, and Ningxia—where distinct ethnic groups predominate. The issue of Tibetan independence continues to stir controversy.

Special Economic Zones (SEZs) and Free Trade Zones

Seven areas designated as SEZs are located in coastal areas in close proximity to key trading partners: Shenzhen, Zuhai, Xiamen, Tianjin, Shantou, Pudong (Shanghai), and Hainan Province. Through the SEZ doorways China brings in foreign investment—wholly foreign-owned enterprises, joint ventures and partnerships—and experiments with market-oriented policies, industrialization, and urbanization. Although not entirely autonomous, the SEZs have their own governing bodies and operate independently from the central government.

In addition to the SEZs, designated free trade zones, state-level economic and technological development zones, and high-tech industrial development zones provide portals for foreign investment and a gateway for advanced technologies.

China's Work Force and GDP



Source: CIA World Factbook

China's 12th Five Year Plan—"Inclusive Growth"

China's Five-Year Plans direct almost all aspects of development. Planning objectives flow from the national level downward to the provincial and local level. Local governments formulate local objectives and implementation plans to accomplish Five-Year Plan goals. The current plan signals a change in direction from "growth at any cost" to spreading the benefits of economic development to a greater number of the Chinese people.

The current 12th Five Year Plan (2011–2015) sets the annual growth rate target at 7 percent. Although lower than previous growth targets, a 7 percent growth rate is quite high in comparison to other leading economies and is needed to keep pace with new job creation.

The 12th Five Year Plan seeks to:

- **Restructure the economy** by transitioning from an export-reliant economy to one based on consumption and targeting growth and consolidation of key sectors like pharmaceuticals and auto manufacturing.
- **Reduce social inequality** and ensure a greater proportion of the Chinese people enjoy the benefits of economic growth by raising minimum wages and enhancing the social safety net, thus lessening the need to save for future. Encouraging greater urbanization will

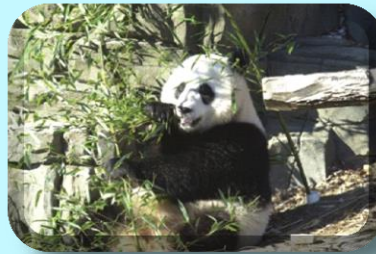
narrow the divide between the urban and rural standard of living and improve land distribution. Greater concentration of population in urban areas also expands access to quality health care.

- **Protect the environment** by reducing reliance on fossil fuels (coal and oil) and increasing production of clean energy—hydro, natural gas, nuclear, wind, solar.

Early predictions for China's 13th Five Year Plan (2016-2020) suggest that China will be switching to a more sustainable pace of growth from the double-digit rates seen over the last few years, with a 6.5 percent annual economic growth target. In 2014, China saw growth slow tremendously due to cooling property prices, slowing inflation, and deteriorating domestic and foreign demand.¹⁷

Greening of China

Air and water pollution are major problems as a consequence of rapid industrial development. China continues to lose arable land to spreading desertification, water table depletion, erosion, and development despite its vast territory. The 12th Five Year Plan sets specific goals and guidelines for:



- Holding local governments accountable for meeting green development targets
- Tracking energy consumption per unit of GDP
- Reducing emissions with “blue sky day” targets


¹⁷ Wong, Sue-Lin, *China must guarantee minimum 6.5 percent annual GDP growth in five-year plan: state media*, Reuters, February 15, 2015. www.reuters.com

7 New Strategic Emerging Industries (SEIs)

A key feature of China's latest Five Year Plan is identification of 7 new SEIs as high priority industrial targets.

- Biotechnology
- New energy
- High-end equipment manufacturing
- Energy conservation and environment protection
- Clean-energy vehicles
- New materials
- Next generation IT

Through these SEIs, the Chinese seek to enlist the knowledge of foreign companies, encourage them to establish R&D bases, and open up participation on the growth of these industries. The government offers to allow preferential tax treatment and procurement policies as well as strengthened enforcement of intellectual property rights.

 **Discussion Question**
What impact will China's SEIs have on real estate in China's major cities and on personal wealth?

China's Boom Towns

Shanghai—Tier 1

(22 million*)

Largest city in China, financial center, auto and chemical manufacturing, container port



Beijing—Tier 1

(19 million*)

National capital city, governmental, diplomatic, Communist Party center

Chongqing—Tier 2

(34 million in territory*)

Confluence of the Yangtze and Pearl Rivers. Heavy industry: iron, steel, autos



Chengdu—Tier 2

(7 million*)

Logistics, electronics, auto manufacturing, Chengdu Giant Panda Research Base



Nanjing—Tier 2

(8 million*)

Petrochemicals



Guangzhou—Tier 1

(11 million*)

University mega-center (200,000 students), biotechnology, logistics, auto manufacturing

Shenzhen—Tier 1

(10 million*)

High tech manufacturing, electronics



Tianjin—Tier 2 (11 million*)

Textiles, machinery



* www.chinahighlights.com

Foreign Direct Investment

\$1.34 trillion FDI in
China (2012 est.)*

\$541 billion Chinese FDI
Abroad (2013 est.)*



Top 10 Sources of FDI in China†

1. Hong Kong
2. Singapore
3. Taiwan
4. Japan
5. South Korea
6. United States
7. Germany
8. United Kingdom
9. France
10. Holland

Top Destinations for Chinese FDI Abroad‡

1. United States
2. Singapore
3. Hong Kong
4. Japan
5. Australia
6. Canada
7. Switzerland
8. Norway
9. Russia
10. Germany

* CIA Factbook

† Ministry of Commerce of the People's Republic of China (2014)

‡ "China Going Global Investment Index," The Economist Intelligence Unit Limited, 2013

Caribbean Tax Shelters

Additional destinations for Chinese FDI abroad are the British Virgin Islands and Cayman Islands, which serve as tax-advantaged conduits for investments elsewhere.

China's Sovereign Wealth Funds

China ranks #1 in the world in foreign reserve holdings—\$3.8 trillion (2013 est.). The vast holdings are managed by the **State Administration for Foreign Exchange (SAFE)** and most funds are invested in U.S. Treasury bonds.

In 2007, the **China Investment Corporation (CIC)** sovereign wealth fund was created to diversify holdings. In 2014, the CIC began shifting its focus to invest the \$650 billion sovereign wealth fund in agriculture and global food supplies to align with the country's priorities.

7 Disciplines for Investing in China

1. Developing connections—*guanxi*—to access information and establish relationships (new *guanxi* cannot compete with old)
2. Instilling the concepts of corporate governance and shareholder rights
3. Protecting and managing intellectual property and brand names
4. Adapting to local constraints and opportunities
5. Contributing management expertise to add value to a transaction, partnership, or joint venture
6. Creating appropriate legal and financial structures
7. Creating opportunities from regulations

Source: Deloitte Research 2004, www.deloitte.co/dtt

Information For Investors

- **Ministry of Commerce of the People's Republic of China**
<http://english.mofcom.gov.cn>
- **China International Electronic Commerce Center (CEEC)**
<http://en.ec.com.cn>
- **Jones Lang LaSalle Asia/Pacific Property Digest**
www.joneslanglasalle.com

The Rising Renminbi—Currency Trends

Is the renminbi the world's next reserve currency? Will it replace the U.S. dollar as the leading reserve currency? In 2014, China overtook the U.S. to become the world's largest economy. While some argue that the measure used, GDP at purchasing power parity, does not paint the full economic picture, one thing is clear—China is indeed a top global player and unquestionably leads the U.S. in terms of growth rate, savings and investment, and foreign trade. Despite this, its currency lacks worldwide acceptance and is not traded freely. There has been much speculation in recent years about when the global stature of the renminbi will advance to match the standing of the Chinese economy.

The Chinese government exercises firm control over the banking and finance sector. Many economists feel that the Chinese government keeps the value of the renminbi artificially low in order to keep exports prices low. The protective measures that safeguard banks' profits and bolster exports, however, stifle financial market development and hinder renminbi advancement.

When will the renminbi achieve hard-currency status? Three key indicators are when¹⁸:

- Terms of international deals are published in renminbi and it is used in denominating cross-border trades and financial transactions
- Capital flows freely in and out of the country
- Foreign banks hold reserves in renminbi

Note that none of these three indicators have anything to do with the extent of China's trade with other countries or its investments abroad.

While many analysts predict that the Renminbi will be fully convertible in the next few years, another key indicator will be if it is included in the International Monetary Fund's Special Drawing Right (SDR) pool of reference currencies, scheduled to be reviewed in 2015.

¹⁸ Prasad, Eswar, "Will the Renminbi Rule?," *Finance & Development Journal*, International Monetary Fund Publications, March 2012, www.imf.org/external

Will the Renminbi Replace the U.S. Dollar?

In order for the renminbi to take its place alongside the world's other reserve currencies the Chinese government must allow free flow of capital and flexibility of its exchange rate on world currency markets. Unless these conditions are realized, it is unlikely that the renminbi will replace the U.S. dollar as the world's preferred reserve currency. The more likely scenario is that the renminbi will take its place alongside the world's other hard currencies.

Why Does This Matter?

If the renminbi achieves full hard-currency status it will reshape the world's financial markets and open the tap on a huge flow of individual and sovereign wealth. Imagine the impact of the equivalent of trillions of dollars unleashed on world capital markets—including availability of capital for mortgage loans.

Renminbi-Denominated Dim Sum Bonds

At the end of 2011, the Chinese government launched an experiment in opening up possibilities for mainland corporations to raise capital by selling renminbi-denominated bonds on the Hong Kong financial markets. The securities are nicknamed “dim sum” bonds after the small steamed dumplings that are especially popular in Hong Kong. The bonds attract foreign investors who want to invest in China and Hong Kong-based companies but face government restrictions on foreign debt. Chinese government regulations require companies that wish to sell bonds to submit an application. Only companies that show “strong profitability” and “good credit status” will be approved and proceeds from the bond sales should be devoted to fixed-asset investments. In 2014, the United Kingdom became the first non-China state to issue renminbi-denominated bonds.



Real Estate in China-A Cooling Market

When involved in real estate transactions in China, three important facts to keep in mind are:

- The Chinese government controls the real estate market through regulations, taxes, incentives, and penalties.
- All of the land is owned by the national government and grants use of it through long-term leases
- Policies that impact real estate transactions emanate from the national level and are implemented at the provincial and local levels. Implementation at the provincial and local levels can vary considerably.

The Chinese real estate market has experienced multiple price drops and increases over the last few years. While prices had been rising in 2006-07, the 2008 global financial crisis brought a deflated market. The resulting stimulus package and relaxed lending conditions caused the housing market to come roaring back by the beginning of 2009.

Responding to fears of a rapidly inflating real state bubble as well as widespread dissatisfaction with property prices and competition from speculators, the Chinese government introduced measures to cool the market and discourage speculative buying. By May 2014, housing prices in half of the 70 cities monitored by China's National Bureau of Statistics (NBS), registered decreases, the most they had fallen since the measures were introduced¹⁹. With prices and sales continuing to decline, the growing concern is that efforts to control the bubble may have been too successful. As a result, restrictions such as the 30 percent down payment for purchase of a first home, the 60 percent down payment for purchase of a second home, and the prohibition of mortgage financing for a third home have been eased, in the hopes of rallying the market. Additionally, mortgage lending rates to people buying second or third properties have been loosened, especially in the lower-tier cities.

Given the current Five Year Plan emphasis on inclusive growth and promoting social equality, it is likely that the housing market will be a closely watched and managed economic sector. Real estate professionals should stay alert for changes in transaction requirements, mortgage lending conditions, taxes and fees, and ownership and property-use regulations.

¹⁹ Sy, Nicole, "The Chinese Property Market Conundrum," *CKGSB Knowledge*, January 26, 2015, knowledge.ckgsb.edu.cn

Financing

Mortgage loans are available for five, fifteen and thirty years although many home buyers still prefer to make payment in cash. Age limits are a distinct feature of mortgages—the term usually does not extend beyond the borrower's 65th birthday. Government lending regulations mandate minimum interest rates equivalent to minimum 1.1 times the People's Bank of China benchmark rate. A seller must pay off the entire mortgage before the property can be sold. In January 2015, China proposed the New Foreign Investment Law. If passed, this law will significantly reduce barriers to foreign investment

Land Rights

The national government maintains ownership of the land, but grants use of it through long-term leases. There are two basic types of land use rights: allocated and granted.

- Allocated land can be used only for a specific purpose; it cannot be sold, transferred, pledged, or mortgaged.
- Granted land can be used for residential or commercial purposes. Granted land may be pledged, mortgaged, leased, inherited, and transferred. A seller must produce a *Land Use Certificate*

The right to use the land is granted through a renewable long-term lease of up to 70 years for residential, 50 years for industrial, and 40 years for commercial. Local governments derive a major portion of their revenues from sales of land use rights.

Regulations and procedures on renewals and extensions of grants have yet to be fully defined.

While women's property interests are protected in theory, women in rural china have lost their rights to land at marriage, divorce, and widowhood in practice. The issue of women's land rights in rural china is something to keep an eye on, as laws are likely to change in the near future.

Rental Property

Chinese rental law, regulated by local governments, favors the rights of landlords over those of tenants. China has old rent control laws, but they are not strictly implemented and laws and regulations are being passed

at the local level to remove these restrictions. It is important to realize that there are no national laws (or antidiscrimination laws) regulating rentals. The following information presents customary practice. Tenants must usually pay a noninterest-bearing guaranty or security deposit of 2–3 months' rent plus a month's rent in advance. Upon lease termination, the tenant receives a deposit refund less damages and unpaid utilities bills; the tenant must pay within 15 days any additional amount if the deposit is insufficient to cover damages and utilities. Renewals are not automatic; the tenant must provide two months' notice in order to renew a lease. Tenants rarely sublease because of stiff penalties for unauthorized subleasing. A landlord may unilaterally terminate a lease but must pay the tenant double the guaranty and advance rent deposit. Late rent payments are assessed a penalty of .5 percent a day and the landlord may terminate a lease if the rent is more than twenty days late.

Can Foreigners Own Real Estate in China?

New foreign investment laws were proposed in January 2015 that, if passed, would grant foreigners more access to the Chinese market. In the meantime, foreigners who meet certain criteria may purchase a personal residence, but cannot own residential property for investment purposes.²⁰

- Foreigners may purchase homes if they can prove that they have worked or studied in China for more than a year.
- Overseas residents must obtain a residential status certificate showing that they have worked or studied in China for more than a year; they must also complete a signed statement that they will personally live in the house and not rent it out.
- Foreigners must reside in their properties, they cannot be landlords (although they can rent out a property through a company) and a property cannot be used for any purposes other residential.
- Foreigners may not own more than one house.
- Foreigners may own one non-residential property as a place of business but only in the city in which the business is registered

²⁰ Some restrictions were temporarily suspended for 2009 in order to stimulate markets.

- If a property is held for less than five years, the seller must pay a 5.5 percent business tax on the entire transaction instead of just the capital gain.

Foreign Invested Enterprises

Commercial property acquired by a foreign investor must be acquired by a Foreign Invested Enterprise (FIE), such as a wholly owned enterprise or joint venture. The property must be in the locality where the FIE is registered and meet significant equity, residence, and licensing requirements. Foreign-invested real estate enterprises must be approved by the national Ministry of Commerce (MOC). Additionally, such enterprises are not permitted to take on foreign debt, which bars most offshore financing. Enterprises with foreign investment including joint ventures and foreign enterprises pay 33 percent on China-sourced income or worldwide income if headquartered in China. Tax exemptions and reductions are available for foreign enterprises in Special Economic Zones, Economic and Technological Development Zones, Coastal Open Economic Zones, and the New and High-technology Industrial Development Zones.

Like other emerging markets, some factors make investment in China risky, such as lack of transparency, inconsistent enforcement of laws and regulations, and corruption. Contradicting regulations from the local and the central government also create confusion for foreign investors. Sometimes, investors need to have good connections, *guanxi*, with local governing authorities to accomplish deals.

Real Estate Professionals in China

China is an open listing real estate market. Exclusive listings are rare and a seller is more likely to list a property with numerous agencies. Real estate agent commissions are negotiable and usually paid by the seller. Competition for commission income can be fierce. In fact, brokers may withhold the names of sellers from their own agents in order to prevent an agent from making an out-of-office deal and pocketing the entire commission.

Agents typically do not share property information and usually work with agents only within their own companies. Agencies typically post their listing on their own websites. Marketing methods that are a given in the West, however, run into cultural barriers in China; approaching potential

4. A Look at the People's Republic of China

buyers and sellers to ask for their business may be seen as overly aggressive. Thousands of small storefront real estate firms are staffed by agents who simply wait for walk-in business.

The most active segment of the market is new development in major urban areas. The resale market for “used housing” is a small segment of sales.

The national Ministry of Housing and Urban-Rural Development oversees the real estate industry. Provincial and local governments implement national directives but interpretation and enforcement of regulations is inconsistent. A real estate firm must obtain permission from the local authority to conduct business transactions. Real estate sales agents must be licensed. The license applicant must complete a 15-day licensing course and pass the required exam. Local government officials, however, control the education and licensing process and can offer preferential treatment for some and barriers for others.

China Institute of Real Estate Appraisers and Agents

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Haidian District, Beijing, 100048

China

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www.cirea.org.cn



At the end of 2011, the China Institute of Real Estate Appraisers and Agents (CIREA) estimated close to 50,000 real estate agency institutions and over one million practitioners. Property transaction restrictions introduced by the national government to cool an overheating real estate market also impacted real estate agencies and forced many small agencies out of business.

The Big Story—Chinese Buyers Abroad

China's amassing personal wealth means that there is a large pool of cash looking for investment opportunities. Real estate is a preferred asset, and the prospect of higher yield investments in light of slowing economic growth at home has created a wave of investment immigration.

A blend of motivations drives investment immigrants to look abroad. Some are motivated mostly by financial goals: inflation hedge, income from rentals, safe haven investments, diversification, and avoidance of restrictions on owning land and multiple properties. Perhaps the more compelling motivations, however, reflect traditional Chinese personal and family values. Owning property and building an enduring inheritance for future generations are traditional life-achievement milestones. An important part of building an enduring family legacy is providing a quality education for children. When wealthy Chinese parents send their children abroad for studies, areas close to prestigious universities become preferred locations. Providing a home in the U.S. for student children also establishes a base for future emigration and career development.

Investment Visa Programs

Investment Visa Programs have become increasingly popular with wealthy Chinese buyers. Consider the EB-5 program where the U.S. grants visas to foreigners who invest \$500,000 or \$1 million, depending on location, in a business that creates or preserves at least 10 U.S. jobs. This program is extremely popular with Chinese investors, who used up their allotment of 2014 visas before the end of the year, marking the first time any country had used up their annual allotment. Similar programs such as Australia's Significant Investor Visa program, Portugal's Golden Visa program, and Great Britain's UK Tier I Investor Program are prime targets for wealthy Chinese investors as well. Additional opportunities for Chinese investment abroad include Chinese buyers who immigrate to the "frontier" of Russia.

Reciprocal China-U.S. Visa Policy

Another trend drawing Chinese buyers abroad, particularly to the United States, is the 2014 reciprocal China-U.S. visa policy where both countries agreed to increase the validity of short-term business and tourist visas to 10 years, and student and exchange visas to 5 years, instead of 1 year. While the new policy does not change how long visitors can remain in the

country, it eliminates the hassle and expense of updating visas annually and increases the ease of trade, investment, and real estate transactions.

Investment Restrictions and Workarounds

Currently, China places restrictions on the amount of foreign currency its citizens can convert to \$50,000 per person per year, making it difficult to gather money for a home purchase in a timely fashion. However, workarounds are common and include transferring money from Hong Kong or Taiwan business branches, giving \$50,000 to family or friends to convert, or paying a fee to an underground bank. Despite the restriction, Chinese buyers are still flocking abroad.

China's Millionaires

China's booming economy has created a class of very wealthy, high net worth individuals. According to the 2014 *Hurun Wealth Report** China is home to 1.09 millionaires—people with liquid assets of more than US\$1.6 million. Beijing has the highest number of high-net worth individuals, followed by Guangdong, and then Shanghai. In terms of the fastest growth rate, Tianjin is the leading city.

What is the source of wealth?

55% private-business owners	15% real estate investors	10% stock market investors	20% high-salaried executives
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Two important facts for real estate professionals**:

- Chinese millionaires' most preferred type of investment (64%) is real estate.
- 80% of wealthy Chinese parents want to send their children abroad—to English-speaking countries—for studies; most preferred countries are the U.S. (33%), U.K. (26%), and Canada (13%).



*Source: *The Chinese Millionaire Wealth Report 2014*, www.hurun.net

**Source: *The Chinese Millionaire Wealth Report 2013*, www.hurun.net

When wealthy Chinese look abroad for opportunities, they tend to buy properties in higher-priced U.S. markets such as California, Washington, and New York. The most attractive and active markets are those that already have a large concentration of Chinese population and in close proximity to top universities as well as high schools and prep academies. Chinese buyers often purchase properties sight unseen, and pay in cash.

It is fairly common for wealthy Chinese buyers to take one-week home-buying tours, including foreclosure tours, to the U.S. as well. Buyers have a very compressed time frame—they want to find the right property and make a deal within a couple of days. Most of the transactions are cash deals because a compressed travel schedule doesn't allow time to arrange financing. Experienced practitioners report that competition can be fierce with scheduled stops on foreclosure tours inundated by real estate agents handing out business cards and property flyers.

What Does This Mean for the Real Estate Professional?

- Wealthy Chinese buyers looking abroad for investment opportunities represent a new and growing stream of business.
- Establishing and maintaining a robust referral network has the potential to tap into a rich stream of future business as wealthy Chinese buyers look for real estate investments.
- Helping buyers make informed decisions—even when transactions are quick, cash deals—demonstrating professionalism, reliability, and trustworthiness garners repeat and referral business.
- Children of wealthy Chinese families who are sent abroad for higher education may stay on to establish careers and build businesses.

China's Top Real Estate Trends

The real estate market accounts for about 15-20 percent of China's GDP and is a major player in the overall health of the country. While growth has slowed throughout the industry, the overall outlook remains stable.

- **Ghost Cities:** Rapid economic development and a push for local GDP growth have contributed to ghost cities across the country, or urban areas with millions of new and empty apartments. Some predict that these will be soon be thriving cities as a result of the massive urbanization trend. Others are concerned that many are priced out of

these new developments and the development pace is creating a real estate bubble.

- **Consumption:** According to McKinsey Global Institute, China will account for 36 percent of global growth in consumer spending from 2010 to 2020. This increased spending is expected to boost profits and overall economic growth.

Discussion Question



Based on the preceding material and the Practitioner Perspective on the next page, what are some significant aspects of Chinese real estate? Of working with Chinese clients and customers?

▶ EAST MEETS WEST



Riding the wave of CHINESE wealth

How can you take advantage of Chinese opportunities reaching our shores? The first step is conducting research in your own backyard to determine what properties might appeal to high-net-worth Chinese investors and what ties might already exist to connect with them.

Locate opportunities in your market

No matter what your real estate focus, start by making local connections.

See if your local REALTOR® association has a Global Business Council. If so, ask if they are making efforts to develop business in China. If not, contact NAR Global to inquire about other initiatives in China or investigate NAR's global alliances at realtor.org/global_alliances.

“Check with your Chamber of Commerce or local Economic Development Office to see if they have any Chinese visitors coming to your city,” suggests Adrian A. Arriaga, CCIM, CIPS, of AAA Real Estate & Investments of McAllen, Texas, and NAR President's Liaison to China. “It's standard for international investors to contact these groups for information about the area and demographics.” Also look into SelectUSA.gov, formerly the Invest in America program, a Department of Commerce effort to encourage foreign direct investment in the U.S.

Contact Chinese companies with facilities in your market to offer your services to their executives and management, and discuss their plans for the future. Ask if they are aware of other Chinese companies that are considering expanding to the U.S. or establishing manufacturing here, especially if your market has unoccupied industrial or commercial property and a skilled workforce.

Reach out to local colleges and universities to learn if they have programs to attract Chinese students. Contact international recruitment officers to see how you can become involved in their programs to attract students from China.

Find out if there is an EB-5 Regional Center in your area that is looking for overseas investors. The U.S. Citizenship and Immigration Services (USCIS) publishes an updated list of all current Regional Centers; to access it, go to uscis.gov and enter Immigrant Investor Regional Centers in the search box.

▶▶ NAR Member Resources

NAR Field Guides: Visit realtor.org/global for field guides on China and feng shui

NAR Cooperating Association: the Chinese Association of Agents and Appraisers visit realtor.org/global, follow the Global Alliances link

NAR Affiliates: Certified Commercial Investment Member (CCIM) ccim.com/networking/country-liaisons; Institute of Real Estate Management (IREM) - irem.org, follow Find a Chapter link.

TO YOUR PROSPECTS, TRAVELING TO CHINA SHOWS YOUR INTEREST IN
AND COMMITMENT TO DOING BUSINESS WITH ITS PEOPLE.

Look for properties in your market that would attract Chinese investors. These would include high-end, luxury residences; apartment complexes with a history of good occupancy rates and steady income, but under distressed ownership; and hotels, office buildings or restaurants in need of financial partners.

Establishing connections in China

After you have identified opportunities in your market, the next step is connecting with Chinese nationals with the funds to invest in them. To your prospects, traveling to China shows your interest in and commitment to doing business with its people.

Unlike many Westerners, the Chinese expect to get to know you in person before conducting business with you. When planning a trip to China, there are several routes for making business connections there:

Attend a Chinese real estate expo. Huge numbers of investors flock to expos looking for residential, industrial and commercial properties abroad. (See sidebar on the next page.) There you can mingle with real estate professionals from China and all over the world, along with investors and their representatives searching for global opportunities. Going to an expo is also a great educational experience. You may learn more at a four-day expo than through anything you can do at home.

Meet with sponsors of home-buying trips to the U.S. There are companies in China that put together groups of high-net-worth individuals for multi-city tours, usually of luxury and investment properties. Introduce yourself while in China and make them aware of the opportunities and attractions of your market.

Join a trade mission to China. Your initial research may uncover an upcoming REALTOR®-sponsored trade mission, or a trip organized through your state's Economic Development Office or Chamber of Commerce. If so, consider getting involved early, during the planning stages.

Identify and meet with investment advisors with wealthy Chinese clients. These include Chinese firms and American lawyers, financial advisors and real estate advisors who have offices in China.

Meet with Chinese real estate agents to network and promote your listings and provide more information about your area.

"It's a good idea to build your trip around a real estate expo and then plan as many additional meetings as you can, to maximize your results," says Arriaga. "Make sure that for all your dealings with Chinese nationals, you have someone accompanying you who understands the language and can translate for you." However, also be able to use common Chinese phrases and greetings; it indicates you are trying to meet them on their ground.

Building relationships

Chances are good that you will return from China with a long list of contacts. Because the Chinese conduct business based on social relationships and trust, turning your leads into sales may take far longer than you are used to in the States or Canada. Some things to keep in mind:

Don't expect immediate results. Your Chinese contacts will want to get to know you personally. This may require more than one visit and lots of time socializing. "They'll want to see you again and again," reports George Betz, Partner and CEO of Fortune Real Estate Group in London, which focuses exclusively on facilitating transactions in Far East markets. "You have to be in it for the long haul."

Become acquainted with Chinese social practices. NAR's Field Guide to Business Etiquette When Working with Other Cultures can help, and can be found at realtor.org/library/library/fg225. "It's up to us to learn their ways, not tell them how things are done," says Betz.

Be formally polite in your business dealings. "Chinese business etiquette is polite on steroids," reports Arriaga. It's best not to use colloquialisms, slang, or make jokes that may be misinterpreted.

(continued on page 6)

▶ EAST MEETS WEST

(continued from page 5)

Riding the wave of Chinese wealth

You'll become a "client/friend." In China, business associates get to know one another well socially. They know each other's families, visit one another's homes, and know their associates' circle of friends. "The Chinese have a saying, 'know where you live,' meaning knowing you well personally," says Arriaga. "They have to find out if they can trust you, who you are connected with, and what kind of person you are."

Expect awkward questions. Your contacts may ask questions that, in our culture, might be considered overly personal, like, "Are you a millionaire?" "How many properties do you own?" or "What is your net worth?" These questions are meant to gauge your business status. Handle them comfortably and politely, indicating that your status is appropriately high enough to be dealing with them.

Offer respect. The Chinese are very proud of their culture and accomplishments. Be properly deferential and respectful when visiting and touring in China. Our history is very brief when compared to China's 7,000 years.

Hosting expectations. When your clients come to the U.S., be prepared to commit all your time to them. They will expect to see your offices, as well as your home, and be well-entertained.

Transacting business

Real estate practices vary a great deal from country to country, and the Chinese, like most other foreign nationals, are not necessarily familiar with how business is done here. You may want to keep these things in mind when conducting business:

Many Chinese purchases are done in cash.

Though there are limits on individual transfers of funds out of China, most funding will come from offshore sources, like companies set up in other countries.

Determine your client's motivations. "If they're interested in your market, they probably know someone with a connection to it," says Arriaga. "There is no impulse buying." Understanding and exploring that connection will strengthen your position in closing the deal and building a referral network.

Explain all aspects of the purchase process thoroughly. In China, property is acquired through a lease from the government, which can be bought and sold. Make your client aware of steps in the American purchase process, and the roles of every party in the transaction. Due to corruption in some parts of China, your buyer may ask if you have the right to sell the property. Your client also may not trust lawyers. You may want to explain that in the U.S., an attorney's role is to protect clients' interests.

Support financial projections with historical returns. In Chinese business deals, due diligence is expected. Your clients may want to review the data supporting your calculation of expected returns on the purchase, even on residential property for self-use. When estimating investment returns, remember that most Chinese clients will pay with cash, eliminating the

mortgage interest deduction for any clients subject to U.S. income tax.

Learn a little about the concepts behind feng shui. Many Chinese take them into consideration in selecting properties. Consult NAR's *Field Guide to Feng Shui and Vastu* to get started, available at realtor.org/global.

Be open, honest and true to yourself.

Because social contacts and context are so important in Chinese business dealings, work with people and groups who reflect your character and the ethics of your organization.

Adrian A. Arriaga expects nothing but growth in the near term for Chinese buyers. "Getting a foothold in Chinese investment in U.S. real estate will be challenging, but there is a tremendous upside. If I were 20 years younger, it's where I would set up shop." **GP**



Attend China's largest real estate expo

The Beijing Overseas Property and Investment (BOPI) Expo is the premier exposition of its kind in China. Held every Spring, Summer, Autumn and Winter, it is a showcase for overseas investment opportunities for wealthy Chinese. In September 2011, the Expo had 100,000 visitors over four days, including over 5,000 high-net-worth citizens. Visit chinapropertyexpo.com for more details and 2012 dates.

Internet Fieldtrip

Take an Internet fieldtrip to these sources and use them to keep up to date. Add your own.

Real Estate Associations

- ▶ China Real Estate Association
 - ▶ Society of Hong Kong Real Estate Agents, www.hkrealtors.com
 - ▶ Chinese Institute of Real Estate Agents and Appraisers , <http://cirea.org.cn>
-

NAR Global Alliances, www.realtor.org/global

- ▶ NAR President's Liaison to China
 - ▶ NAR Regional Coordinator
 - ▶ NAR Ambassador Association to China
-

Business Groups

- ▶ China Council for Promotion of International Trade (CCPIT), www.ccpit.org.cn
 - ▶ U.S.-China Chamber of Commerce, www.usccc.org
-

News

- ▶ China Daily, www.chinadaily.com
 - ▶ Xinhua News, www.xinhuanet.com
 - ▶ China Digital Times, www.chinadigitaltimes.net
 - ▶ www.china.org.cn, Chinese government portal
-

Information

- ▶ National Bureau of Statistics, www.stats.gov.cn
 - ▶ China Statistical data, www.china.org.cn/e-company
 - ▶ All China Data Center, <http://chinadataonline.org>
 - ▶ China International Electronic Commerce Network, <http://topic.ec.com.cn/EnHousingInChina>
-

Events, Conventions, Expos, Cultural, Social

- ▶ Beijing International Property Expo, www.chinapropertyexpo.com
 - ▶ Shanghai Spring Real Estate Market, www.springre.com
 - ▶ MIPIM Asia, www.mipim.com/en/mipim-asia
-

Doing Business in China—Beyond the Basics

When working with Chinese buyers, it is important to realize that they do not readily divulge their source of wealth or finances. It can be quite “touchy” or “sensitive” to ask or inquire about this area, especially considering anti-money laundering laws in some countries. It is good practice to first court the Chinese buyer (normally through a trusted friend), gain his or her trust, maintain a close rapport, and continue to build on the relationship. Business will come well after the relationship is established.

Names

Chinese names are given with the family name first followed by the first name. Someone whose name is Chen Lu has the family name of Chen and a first name of Lu; following western naming conventions, the person’s name would be Lu Chen. Those who have frequent business dealings in the West may adopt a Western-style name, such as Mr. John Wang.

It is not polite to address a business associate or contact by first name or last name only. Do not expect, or ask, to be called by your first name. The appropriate form of address is the surname followed the person’s title, such as Liu Jingli for Manager Liu, or Liu Xiansheng for Mr. Liu. Never call someone “comrade” as this term is fraught with political significance. Courtesy titles for women include: *Taitai* or *Furen* for Mrs. or Madam, *Nushi* for Ms., and *Xiaojie* for Miss. It is not customary for a Chinese woman to take her husband’s name upon marriage.

Connections—*Guanxi*

Call it connections, social capital, or a network, *guanxi* is an essential ingredient in Chinese business success. The broad concept includes all sorts of business and family connections for mutual benefit and implies an obligation. Westerners might think of the concept as building a network, but with the ability to call on another for a favor or service which, it is understood, must be reciprocated in the future. Westerners think in terms of forging a good deal, while the Chinese think in terms of fostering a good relationship.



Making connections begins with appropriate introductions through an intermediary who is known and respected by both sides. The intermediary should be of sufficient rank and seniority to make contact without causing any loss of face. The real estate professional should realize that by making the introduction, the intermediary may be using up *guanxi* and creating a future obligation. Your behavior will reflect on the go between.

Women in Business

Although China is traditionally a male-dominated society, gender equality is a basic tenet of the People's Republic of China and women hold high ranking positions in business and government. It may, however, take some time for a Western businesswoman to gain acceptance. When Chinese negotiating teams include women, they may be assigned to communicate refusal of a proposal. If the Chinese team includes women, make no assumptions about their roles or responsibilities.

Business Cards

Business cards are presented, and received, with both hands with the card facing the person addressed. When receiving a card, take time to read it. If seated, placing the card on the table shows respect and helps you remember names and titles.

Meetings

Arrive on time or slightly early for the meeting. The Chinese view punctuality as a virtue and tardiness as rude.

The Chinese are accustomed to shaking hands with foreigners. When meeting someone for the first time, a brief handshake with slightly downcast eyes shows appropriate respect. If meeting someone who is elderly or senior in position, it would be appropriate to add a slight bow from the shoulders. Direct eye contact may be perceived as confrontational. Hugs, an arm around the shoulders, or back pats are inappropriately familiar. Posture should remain rather formal and demeanor should be attentive, calm, and composed as these qualities communicate competence and control of the situation. Because they are taught to not to show excessive emotion, the Chinese may seem a bit dour when introduced.

Because the most senior member of the delegation enters business meetings first, the Chinese will likely expect the same protocol for your group's entrance. A group of business associates are introduced in order based on status and age; the most senior member of the group should introduce other team members in order of rank. Stand up when introduced and remain standing until all introductions have been completed. Follow introductions with a brief presentation on your team members' backgrounds, your company, mutual benefits of cooperation, and the like.

Following these preliminaries, the next stage in the discussion should focus on exchanging viewpoints, and asking and answering questions. Sending an agenda prior to a meeting helps you direct the dialogue and alerts other participants to discussion items. If possible, send translated information about your company, products, services, and opportunities. The discussion should cover the details—the who, what, when, where, why, and how—of working together. A series of meetings and discussions may be required to reach an agreement. When discussions produce an agreement, the meeting concludes with formal handshaking and often a celebratory banquet.

Negotiations and Contracts

During negotiations, only the senior member of the team will likely speak; this is usually the same person who makes the introductions of the team.

Chinese do not like to say no and will go to great lengths to avoid it. They may respond with a “maybe” or “we’ll see” to avoid the uncomfortable situation. If you must ask for confirmation of a point to which the likely answer is negative, pose the question so that it can be answered in the affirmative, thus avoiding a loss of face.

Experienced businesspeople report that tough and protracted negotiations are commonplace. The Chinese may use tactics such as an uncharacteristic burst of emotion to throw off their opponents. Patience and perseverance produce successful negotiation outcomes.

The Chinese do not regard signing of a contract as the end of negotiations. Signing a contract signals progress and with further details and concessions to be worked out. The contract provides a basis for further agreement and can be changed if the terms prove unsuitable. Westerners may start with a boilerplate contract and modify it several times until a mutually agreed contract emerges. On the other hand, the Chinese, who tolerate ambiguity in business arrangements, will likely view such a contract as a collection of clauses that lack commitment because it does not create a relationship.

Interpreters

It is a wise move to hire your own interpreter. Confer with the interpreter prior to the meeting and familiarize him with the purpose of the meeting, provide a list of participants, the meeting agenda, and a list of any unfamiliar technical terms or brand names. Spend a few minutes conversing with the interpreter so that he has an opportunity to become accustomed to your speaking style and cadence. An expert interpreter can often also assist you in understanding business protocol. During the meeting, address the other meeting participants, not the interpreter.

Demeanor

The Chinese demeanor during business meetings is formal and reserved. Although Westerners sometimes try to create a friendly atmosphere through humor, joking will likely be perceived as inappropriate and unprofessional.

It is usual for meeting participants to maintain an impassive expression during a meeting. The Chinese are taught from childhood to hold emotions inside. Decorum helps to maintain the harmony of the group.

During a business meeting, Westerners sometimes frown when listening intently, but to the Chinese this expression signals disagreement. Remain calm during a meeting and do not allow your facial expressions to show strong emotions.

Long periods of silence during a meeting are not uncommon. The Chinese may remain silent rather than express disagreement which would cause a loss of face. Silence could also mean the need for more time to consider a proposal or confer with colleagues. There may be periods during which one participant will dominate the discussion without appearing to say anything substantive; the apparent unrelated remarks, as well as tone of voice and posture, may convey subtle signals. Remain patient and try to listen to the subtext.

Business Dining

Dining and entertaining guests at a banquet builds the relationships—the *guanxi*—vital to successful business, although on these occasions, business may or may not be discussed. Spouses are not included during these business entertainment occasions.

Seating at the table indicates rank. Guests should wait for the host to indicate where they are to sit. The guest of honor sits facing the door and on the host's right.

The meal begins when the host offers the first toast and invites guests to partake. After making the first toast, the host may place the choicest morsel on the guest of honor's plate as a courteous and friendly signal to commence eating. The guest should respond with a toast—to friendship, mutual benefit, cooperation, or the wish to return hospitality—immediately or after a course or two has been served. The meal also concludes with a toast. Tea, juice, mineral water, or soft drinks are all suitable substitutes for alcohol when participating in a toast.

Unlike in the West where a clean plate indicates a completed meal, in China guests leave something on the plate at the end of the meal. A clean plate or empty glass indicates that the diner is still hungry and the host will feel compelled to offer more food and beverage.

If you are the guest of honor, do not linger after the meal is completed. No one else may leave before you do and your host will not signal an appropriate time for departure.

A Few Taboos

- ▶ Do not point or beckon with the index finger. Use an open palm instead of pointing and beckon with the hand with fingers downward like waving.
- ▶ Whistling and finger snapping are rude.
- ▶ Placing chopsticks vertically in a rice bowl is equivalent to wishing death to someone.
- ▶ Chopsticks placed parallel on top of a bowl are a sign of bad luck. When finished dining, place chopsticks on the table or on the provided rest.
- ▶ Gifts of white or yellow flowers, especially chrysanthemums, are associated with funerals. Gifts should never be wrapped in white paper as the color is associated with death.
- ▶ Using red ink to write a message or sign a document signifies the end of a relationship.
- ▶ Showing the soles of the shoes is rude.
- ▶ Gifts of clocks and handkerchiefs are associated with death.
- ▶ Gifts of knives, scissors, and umbrellas indicate a wish to sever a relationship.
- ▶ Gifts that are in sets of four are inauspicious as this number is associated with death, although odd numbers are considered unlucky.
- ▶ A gift of a green hat signifies marital infidelity.
- ▶ Never refer to Tibet or Taiwan as independent states or countries; the PRC regards Taiwan as a province. Despite a strong independence movement, Tibet is part of China.
- ▶ Do not refer to the People's Republic of China as Red China or to Taiwan as Free China or the Republic of China. Refer to the PRC as China and simply call Taiwan by its name or the Province of Taiwan.
- ▶ Praising Shanghai in front of Beijing residents, or vice versa, stirs up long-standing rivalry between the two cities.

Holidays

January 1	New Year's Day
January-February ^L Peak travel time	Spring Festival—3 days Last day of the last lunar month and first two days of the first lunar month.
March 8	Women's Day Half day for women
April 4	Qingming Festival—Tomb Sweeping Day A day for honoring ancestors.
May 1 Peak travel time	May Day
May 4	Youth Day Half day for young people aged 14 through 20s.
May ^L	Dragon Boat Festival 5 th day of the 5 th lunar month
August 1	Army Day Half day for active army
October 1 Peak travel time	National Day 3 days
October ^L	Mid-Autumn Day—Moon Festival 15 th day of the 8 th lunar month

Commemorations

March 12	Arbor Day
May 12	International Nurses Day
June 1	Children's Day
July 1	Founding of the Communist Party
September 10	Teachers' Day
November 8	Journalists' Day

^L = Lunar calendar moveable date

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

5

A LOOK AT JAPAN



Geography

A chain of islands in the North Pacific forms the country of Japan. The major islands are (north to south) Hokkaido Honshu, Shikoku and Kyushu. As an island nation, Japan shares no land borders with any other country. The closest neighbors are Korea and Russia.

Tokyo
9:00 am–5:00 pm

London
1:00 am–9:00 am
(same day)

New York
8:00 pm–4:00 am
(previous day) –(same day)

Los Angeles
5:00 pm–1:00 am
(previous day) –(same day)



Major Cities

- Tokyo, Pop. 9.05 million
- Yokohama, Pop. 3.69 million
- Osaka, Pop. 2.67 million
- Kobe, Pop. 1.54 million
- Hiroshima, Pop. 1.18 million
- Nagoya, Pop. 2.27 million
- Fukuoka, Pop. 1.48 million
- Sapporo, Pop. 1.91 million
- Kawasaki, 1.41 million
- Saitama, 1.23 million
- Sendai, 1.05 million

The Tokyo metropolitan area includes four prefectures: Yamanashi, Saitama, Chiba, and Kanagawa. The urban employment area, including towns within commuting distance, is home to 38 million people—about one quarter of Japan’s population of 126 million.



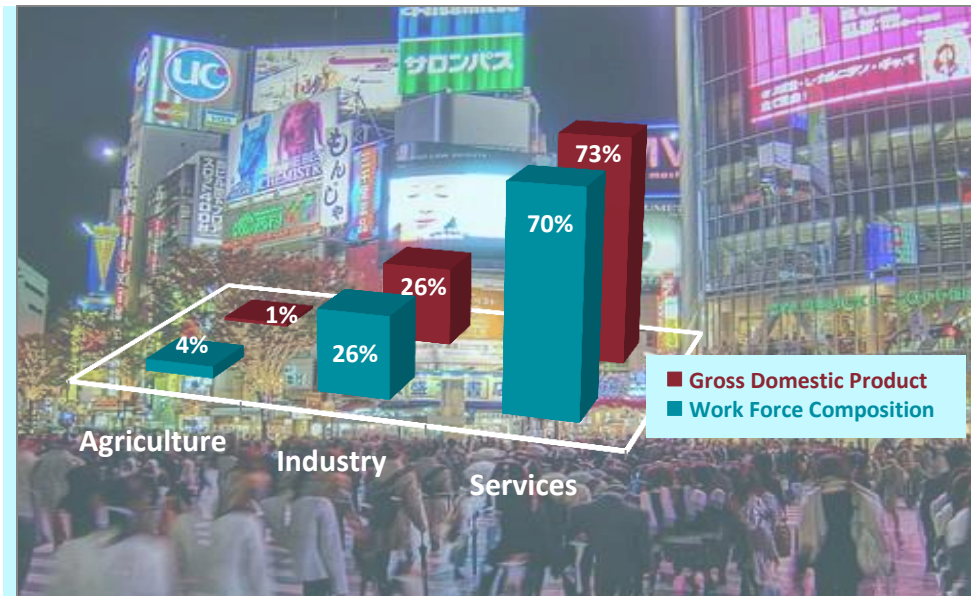
Tokyo encompasses 23 ku (wards). Shibuya ward is the central business district. Chiyoda ward is the Government center. Chuo includes the Ginza and fashionable shops.



Economy and Business

Japan lacks most natural mineral and fossil fuel resources. It depends almost completely on foreign sources for petroleum and the minerals needed for modern industrial production. Japanese energy companies are developing technology to tap the geothermal energy from volcanic steam—a clean, inexpensive, and sustainable energy source.

Japan's Work Force and GDP



Source: CIA World Factbook

Japan is among the world's largest and most technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, and processed foods. The service sector—banking, insurance, real estate, retailing, transportation, and telecommunications—produces 73 percent of economic output. The small agricultural sector is highly subsidized and protected, with crop yields among the highest in the world.

Although heavily dependent on imported raw materials and fuels, Japan's industrial sector maintains a positive trade balance. Almost all controls on the flow of capital and financial transactions have been lifted.

A unique aspect of Japanese corporate life is the *keiretsu*. The *keiretsu* refers to an alliance of companies, usually centered around a bank or trading company, with interlocking relationships and shareholdings. Within a company, a vertical *keiretsu* interconnects all factors of

production. A horizontal one interweaves relationships between companies. Six traditional *keiretsus* are Mitsubishi, Sumitomo, Fuyo, Mitsui, Daii-Ichi Kangyo, and Sanwa, although the '90s recession considerably weakened their influence.

Japan's National Debt

Japan's national debt stands at more than 230 percent of its GDP. By comparison, the U.S. national debt stands at 72 percent, the U.K. at 91 percent, Germany at 80 percent, and France at 93 percent. To help raise government revenue and reduce public debt, Japan decided in 2013 to gradually increase the consumption tax to a total of 10% by 2015.²¹ Until recent years, a generous trade surplus and large portfolio of foreign currency invested in foreign assets, such as U.S. Treasury bonds, kept the debt load manageable. Furthermore, investors remained confident that creditworthy Japan would always honor its obligations regardless of the growing national debt. The debt problems of some of the Eurozone countries, however, have made the international financial community more attentive to the debt burden of Japan. Essentially, Japan owes the national debt to itself as most of Japan's debt is held by Japanese corporations, insurance companies, pension funds, and private savers.

Many economists believe that Japan will face a difficult economic reckoning within 10–20 years as factors converge: an aging population, shrinking workforce, increasing costs of debt service, and waning export competitiveness *vis à vis* China and India. However, early 2015 reports indicate that Japan has come out of the recession and is seeing signs of recovery.

2011 Tohoku Earthquake and Tsunami

The theme that runs through reporting on the 2011 Great Tohoku Earthquake and Tsunami is this—*it was beyond our imagination*. The 2011 earthquake and tsunami is first a human tragedy. Fatalities reached almost 16,000, most from drowning, with another 6,000 injured and more than 3,000 missing. The people of the region lost families, homes, and livelihoods. The National Policy Agency of Japan estimated that 363,000 buildings were completely or partially destroyed along with severe damage to infrastructure such as roads, bridges, and dams. A year

²¹ CIA World Factbook

later more than a quarter of a million people remained in temporary housing—shelters, public housing, or living with relatives. Those forced from their homes by radiation leakage will likely never be able to return. The World Bank estimated the damage at US\$235 billion making it the most expensive natural disaster in history. Rebuilding may take up to a decade.

In the wake of the Fukushima disaster, all of the country's 54 nuclear power plants were shut down which reduced the power supply by 30 percent. In July 2012, thousands of protestors turned out to voice opposition to restarting any of the nuclear power plants. Lingering apprehension about the safety of nuclear power generation and the government's ability to provide adequate protection has given citizen opposition—a rare event in Japan—added momentum. In 2014, the new 4th Basic (or Strategic) Energy Plan, projecting plans over the next 20 years, was adopted that identified nuclear energy as a key base-load power source that would continue to be utilized safely to achieve stable and affordable energy supply and to combat global warming²². This plan is updated every three years, so additional reports, discussions, and scenarios continue. The future of nuclear power plant development in Japan is unclear.

Land Lease

Scarcity of land always shapes the real estate market in Japan's cities. The population density of Tokyo ranks highest among Japan's prefectures—4,750 persons per square kilometer; by comparison, the population density per square kilometer of New York is 2,050, Los Angeles is 2,750, and Chicago is 1,500. Despite downward trends in real estate prices, Tokyo, and urban Japan, remains high priced and high density.

Traditionally, Japan had many small landholders who kept their land within the same family for generations. Households and small businesses stay in the same location for life. Acquiring a building lot of significant size may take several years.

When land prices soared in the 1990s, the land lease system for both residential and retail real estate gained acceptance. Under this system, the landowner maintains title to the land and the leaseholder receives the right to construct and occupy a building on it. When the lease expires,

²² "Nuclear Power in Japan," World Nuclear Association, January 27, 2015. www.world-nuclear.org

usually after 30–50 years, the land owner may, although not obligated, purchase the building.

Japan has traditionally had very strong legal protections for tenants. Prior to 1992, leases renewed automatically and tenants stayed on despite the landlord's wishes. Landowners were reluctant to lease land for residential use, as the strong tenant protections essentially transferred control to the tenant. Consequently, leases are written without option to renew which encourages owners of scarce metropolitan lands to bring their lands into use in the residential sector.

The 1992 Land and House Lease Law established a fixed-term land lease right that guarantees return of the land to the lessor at the end of the lease term. Two types of leaseholds can be used for both single- and multi-family use: a general land lease or a special land lease with an end-of-lease building purchase requirement.

The fixed-term lease allows landlords to retain the right of reversion, qualify for several tax breaks, and collect lease rents and security deposits. For residential builders, it provides access to land without the immediate outlay for land purchase. The residential land lease system works well for the Japanese market, where land prices are very high and the typical home is rebuilt after 20–30 years.²³

Can Foreigners Own Real Estate?

There are no specific restrictions or conditions placed on foreigners purchasing real property in Japan. Japanese law assures foreign property owners the right to establish and own businesses and to pursue all forms of profitable enterprise. Foreign investors do not need government permission or approval from any agency to buy, sell, invest, or to act as an intermediary in a real estate transaction. Real estate may be owned as:

- > Fee simple
- > Land lease, fixed term
- > Severalty
- > Real Estate Investment Trusts (REIT)
- > Joint venture

²³ "Japan's Changing Ways: New Residential Land Leaseholds, Retail Lease Rental Methods," *East Asian Executive Reports*, vol. 19, no. 7, pp. 8, 15+, July 15, 1997.

- > Limited partnership
- > Limited liability corporation

Foreigners must, however, overcome some obstacles to obtain a mortgage from a Japanese bank. Lenders are mainly concerned about the permanence of the borrower's residency; a Japanese co-signer may be necessary to guarantee a loan. In addition to a good credit history, a bank is more likely to approve a mortgage for a borrower who is employed long term by a Japanese company, married to a Japanese citizen, fluent in Japanese, at ease in the culture, and intends to continue living in Japan—all signs of a permanence. A foreign borrower may have a better chance of obtaining a loan from a private mortgage company than a bank.

Secondhand Housing

In Japan, a newly-constructed residence begins to depreciate in value from the day of purchase. Secondhand homes and condos are much less desirable and sell at a deep discount. A 25-year old home is only worth the value of the land it sits on. Most homes are rebuilt after 25–30 years.

A short life span and depreciating value means that investing in quality construction yields little or no payoff. Attitudes play a role too. The Japanese generally favor the new and modern and prefer not to buy secondhand goods. Plus, traditional beliefs hold that bad fortune can transfer to the new owner from the previous.



Foundations for a typical single-family home

Homeownership Trends

The overall homeownership rate in Japan is about 61 percent²⁴. Japanese apartments average 45 square meters and single family detached homes average 121 square meters.²⁵ A condo unit in a multistory cement building may be referred to as a mansion (or manshon).

Average 2013 prices for the metro Tokyo area were reported as:²⁶

- ¥660,000 per square meter for new condos
- ¥415,300 per square meter for existing condos
- ¥32,050,000 per square meter for existing detached homes

Data on new home prices is generally not reported; land prices substitute as a barometer for new home prices. In metro Tokyo, 2013 average land price stands at ¥260,800 per square meter.

The size of a property may be reported in tsubo, an area equivalent to two standard tatami mats. 1 tsubo = 3.3 square meters = 35.5 square feet.

The looming fact of the aging population in Japan is expected to slowly challenge future trends in home ownership.

Rental Property

In the past, Japanese law strongly protected tenants. Prior to the 1992 reform of tenancy laws, landlords struggled to evict tenants for nonpayment of rent and tenants refused to vacate properties when leases expired. Consequently, at the time of the 1990 real estate crisis, many buildings were unsalable because they were filled with nonpaying tenants.

Current regulations and business customs make the Japanese rental market very pro-landlord. Rental of residential and commercial property is usually handled with a real estate agent.

²⁴ "2012 White Paper," Ministry of Land, Infrastructure, and Transportation, www.mlit.go.jp/english.

²⁵ *Statistical Yearbook of Japan 2009*, Ministry of Land, Infrastructure, and Transportation, www.mlit.go.jp/english/nenkan.

²⁶ "Monthly Data of Real Estate Economy," The Land Institute of Japan, January 2014, www.lij.jp

Foreigners will be asked to present a Foreign Resident Registration Card, verify income and employment, obtain a Seal Impression Registration Certificate (obtained at the Citizens Office of the City Department), and may be asked to arrange a joint surety (a guarantor).

In order to rent a property, advance payments of the equivalent of 5–7 month's rent is quite common; some payments are refundable or applied toward rental and others are nonrefundable.

- Advance rent: 2 month's rent
- Security Deposit: a refundable security deposit of 2–3 month's rent to cover nonpayment or damages
- Key money: a nonrefundable payment to the landlord of 1–2 month's rent or more, sometimes called "thank you" money, for the privilege of renting the property; key money expectations may be higher for luxury rentals in high-demand areas
- Management fee or common service fee: a separate payment for common area expenses such as utilities and cleaning
- Real estate agent's fee: An agent cannot collect double commission from the landlord and the tenant respectively. The commission they receive as a total amount, equivalent to 1 month's gross rent + 8% tax, can be equally divided between the landlord and tenant.
- Lease renewal fee: 1 month's rent

Japanese landlords are not obligated to renew a lease, which are usually two years in length. If a landlord decides not to renew a lease after one contract period, the tenant can be out of pocket for a substantial amount of money. A tenant who does not intend to renew a lease must carefully follow the notification steps outlined in the lease contract; otherwise the landlord may make a legal claim for rental payments. Leases commonly stipulate direct transfer of rent payments from the tenant's bank account.

In terms of real estate investment, current trends in residential real estate emphasize a model where returns are realized through rental income over the long term as opposed to profit from the sale of a property.

Real Estate Professionals in Japan

Licensing requirements for a real estate sales business office are:

- Clearly established location
- Money deposited with a public deposit office as a surety upon the establishment of the business
- One out of five employees must be licensed practitioners

Licensing requirements for a salesperson are:

- High school diploma
- Two years of business experience
- Successful completion of a national examination
- Registration with the prefecture government
- On-the-job training with an established real estate practitioner
- Continuing education on a periodic basis

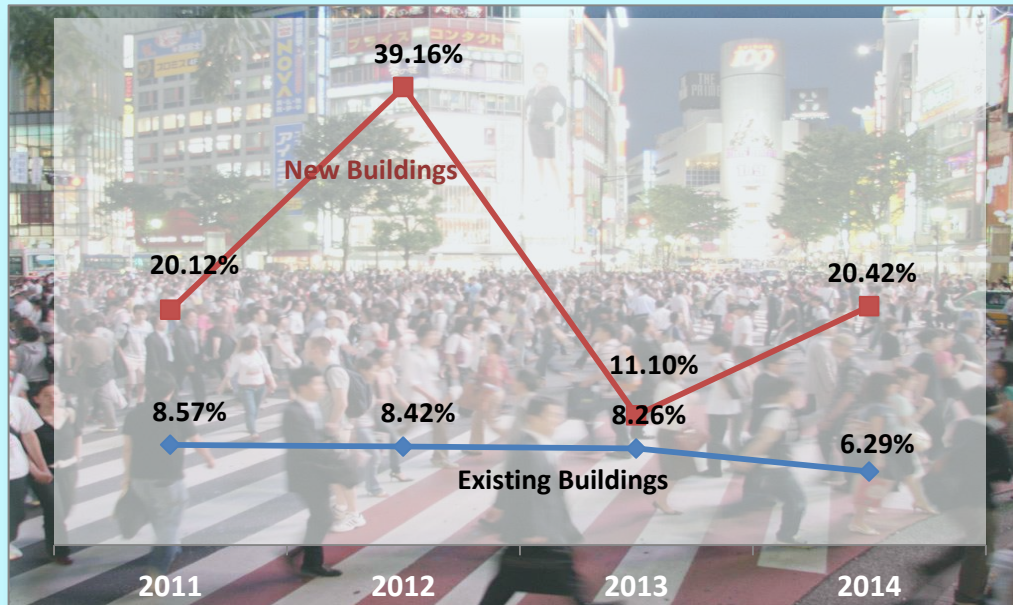
Both the buyer and seller pay commission rates of 3% + 60,000 Yen + 8% tax to the agent. An agent can collect from both buyers and sellers respectively. The Ministry for Construction regulates commission rates.

Real estate transactions do not require escrow, although a trust and escrow firm can be hired to handle the paperwork and disbursements. The seller must complete a Real Property Disclosure Statement.

Information on the ownership of real property in Japan can be found at area land registries. Although not legally required, most Japanese do record ownership to protect their property rights. Registration requires the presentation of a document called a *kenrishi* that shows the name of the owner, the identification number and location of the property, and any particular rights or encumbrances specific to the property.²⁷

²⁷ Youngman, Joan M., and Malme, Jane H, "Japan Country Report," *An International Survey of Taxes on Land and Buildings*, Boston, 1994.

Office Vacancy Rates in Tokyo (5 Inner Wards)



Source: The Land Institute of Japan, www.lij.jp (2014)

Photo by Bantosh, Wikimedia

Japan's Top Real Estate Trends

Despite weak economic growth, Japan remains one of the largest economies in the world and continues to be a favored country for real estate investment. Real estate practitioners should be aware of and continue to monitor the following trends:

- **Investment in Senior Housing:** According to the International Longevity Center Japan, by 2050, it is expected that one in every three persons in Japan will be 65 years old or over. Due to the aging population, investment of Senior Housing and Nursing Home properties are becoming more popular.
- **Increase of Vacancies:** Factors such as a shrinking and aging population, urbanization, government policies to promote residential construction, and incentives for new-home purchases are all contributing to increased vacancies, especially in rural and suburban areas. As of 2013, there were 8.2 million unoccupied homes in

Japan²⁸. Bloomberg news reports that home vacancy in Japan, estimated at about 18 percent of housing nationwide, may reach 24 percent by 2028.

- **Share Houses and Common Living:** The concept of share houses, or strangers living together, is becoming increasingly popular, especially for Japan's younger generation, and for those looking to cut costs, stay social, and with no immediate plans to buy a home. While residents typically have their own bedroom, common areas are shared. Compatibility concerns may deter some from seeking residence in share homes, but the trend may prompt some to share homes with others who share common interests and goals.
- **2020 Olympics:** When it was announced that Tokyo would be hosting the 2020 Summer Olympics, the real estate market in Tokyo's bayside area saw a dramatic increase in real estate activity and values. While the Olympics will bring needed infrastructure and tourism to the area, buyers are encouraged to use caution as potential demand and increased value may not be sustainable.
- **Abenomics:** The term "abenomics" was coined after the 2012 election of Japan's Prime Minister, Shinzo Abe, as a result of his massive economic stimulus plan. Part of this plan is focused on reviving the housing market and encouraging new home construction, as well as boosting commercial real estate recovery. Indeed, housing prices, commercial rents, and investment activity have seen a healthy boost.
- **Weakening Japanese Yen:** Large-scale monetary easing, part of the Abenomics plan, has rapidly lowered the value of the Yen. While the Yen continues to decline, the pace has slowed. However, Japan's expanding trade deficit and expectations of slower monetary easing in the U.S. are pushing the Yen lower²⁹.

²⁸ Hidetaka, Yoneyama, "Empty Homes: A Growing Problem for a Shrinking Nation," October 20, 2014. www.nippon.com

²⁹ *The Japanese Real Estate Investment Market 2014*, Nomura Research Institute, Ltd., July 2014.

Practitioner Perspective: Japanese Investors



Mark Kitabayashi
Windermere Real Estate Puyallup
Puyallup, Washington
www.MARK.mywindermere.com

I've been able to develop a niche working with Japanese investors who make construction loans to U.S.-based homebuilders. The investments are short-term and the builder pays a fee for making the financial marriage. Plus, I get a commission on the sale of the property.

I also work with Japanese clients buying duplexes, fourplexes, and single-family homes in the United States for longer term investment—10 plus years.

Exchange Rates

Japanese investors buy in dollars and pay in yen. So the relationship between the yen and U.S. dollar is something to watch. Even a small fluctuation can kick up costs when you're dealing with large—say \$1 million-plus—investments.

Business Challenges

Japan is the most difficult Asian country to break into. One hundred percent of my business with Japanese investors stems from referrals through friends and clients here. To build such relationships, you could start by joining a local Japanese Chamber of Commerce and Japanese-American business groups.

Attitude Adjustment

Learning, understanding, and embracing cultural differences are critical to success. Though it's been lessened in the last 15–20 years, some Americans still have the attitude that the U.S. is number one. That has to be put aside.

Opportunities

The opportunities are there for U.S. practitioners to work with Japanese clients looking for U.S.-based investments. But realize that these investors are cautious and remain skeptical about the health of the U.S. housing market. That said, Japan has a high personal savings rate, but interest rates on their savings at home are low. So investing in the United States often yields greater returns for them. But no one is going to take a high risk. Be certain that properties you recommend represent good, solid long-term investments.

Mark Kitabayashi, an associate broker with Windermere Real Estate, specializes in new construction and residential sales and manages a team of more than 30 agents. He was born in Japan and is fluent in Japanese.

Internet Fieldtrip

Take an Internet fieldtrip to these sources and use them to keep up to date. Add your own.

Real Estate Associations

- ▶ National Federation of Real Estate Transaction Associations (NFRETA), www.zentaku.or.jp/nfreta
 - ▶ The Real Estate Companies Association in Japan (RECAJ), www.fdk.or.jp/en/index.html
 - ▶ The Association of Real Estate Agents of Japan (FRK) www.homenavi.or.jp
 - ▶ All Japan Real Estate Association (AJREA), www.zennichi.or.jp/english
-

NAR Global Alliances, www.realtor.org/global

- ▶ NAR President's Liaison to Japan
 - ▶ NAR Regional Coordinator
 - ▶ NAR Ambassador Association to Japan
-

Business Groups

- ▶ Japanese Chamber of Commerce (chapters in most metro areas)
-

News

- ▶ The Japan Times Online, www.japantimes.co.jp
 - ▶ The Asahi Shimbun, www.asahi.com/english/
 - ▶ J@pan Inc., www.japaninc.com
 - ▶ Mainichi Shimbun, <http://mainichi.jp/english/english>
-

Information

- ▶ Ministry of Land, Infrastructure, and Transport, www.mlit.go.jp/en
 - ▶ Statistics Bureau, Ministry of Internal Affairs and Communications, Japan, www.stat.go.jp/English
 - ▶ Japan External Trade Organization, www.jetro.go.jp
-

Events, Conventions, Expos, Cultural, Social

- ▶ Japan Home and Building Show, www.jma.or.jp/jhbs/en/
-

Doing Business in Japan—Beyond the Basics

When working with Japanese buyers, it is important to be on time, to be dressed appropriately, and to go through the property channels. Hierarchy is very important.

Names

Never initiate the use of first names or nicknames. The correct form of address is the person's family name plus the suffix *-san*, for example, Mori-san.

Initial Contact and Introductions

Initial contact should always be in person. First contacts should be at the middle-management level because decisions begin at lower levels and work their way up. Bowing is the common form of greeting others and showing respect. A slight bow from the waist of about 15° is acceptable, bowing slightly lower and for a longer time than the other person shows extra respect.

Age equals rank and Japanese companies are structured on a seniority system. Always identify the most senior and show respect. It may be a mistake, however, to assume that the oldest or most senior person is the one in charge of the project. Address all associates equally. Furthermore, it may be unclear who ranks highest because the designated leader may rely on subordinates for information and advice.

Intermediaries

Intermediaries must be carefully selected because the prospect's opinion of you and your firm will be influenced by his opinion of the go-between. Japanese clients will feel compelled to include the intermediary in all future dealings. Ideally, the intermediary should be known and respected by both parties, knowledgeable about you, your company and the transaction, and of equal rank. Suitable intermediaries might be someone from a reputable trading company, a bank, a trade association, or another company with which the Japanese prospects have done business. Ask a go-between to carry unpleasant messages, regardless of where the fault lies.

Business Relationships

Japanese relationships rest on a foundation of order and propriety. An intricate system of social indebtedness defines who, what, and how much is required and friendship creates extensive obligations. Therefore, both the short- and long-term effects of an action may be evaluated before implemented. A personal relationship, which cannot be rushed, must be developed before business is entrusted and conducted. Those whose behavior threatens group harmony, may be viewed as an unreliable business partners.

An evening out is a good way to get to know the Japanese in business. If you are the host, plan a full evening's entertainment, such as cocktails, dinner, and a baseball game. Lunch is not a good time for business entertainment.

Building Relationships

Values that characterize Japanese relationships are:

- ▶ ***Amae***, which is used to describe people's behavior when they desire to be loved, taken care of and dependent on another person.
- ▶ ***Hada to hada***, literally "skin to skin," is the willingness to be open and sincere.
- ▶ ***Nemawashi***, meaning "the watering of roots," connotes gathering of support, feedback, and consensus.
- ▶ ***Tatemae*** (form) and ***honne*** (substance). Japanese people may do or say one thing for the sake of *tatemae*, while thinking or intending the opposite for the sake of *honne*, all in the name of preserving harmony. Contradictory positions can be maintained in public and reconciled later in private.



Business Cards

Business cards, called *meish*, are a personal extension and must be treated with respect.

- Present your card with both hands, bowing slightly.

- Present the card with the written (Japanese) side up and facing the receiver.
- Accept a business card with both hands and read it slowly, acknowledge it with a slight bow, and comment favorably.
- Place the card on the table in front of you and store it carefully away in a card case.
- Never write on another's card, wave it about, or place it in a back pocket

Your title should accurately communicate your position and level of responsibility. If Japanese clients later discover that you are more important than your card suggests, they may feel embarrassed about treating you with an improper level of respect. Business cards printed in Japanese on the reverse side are useful if you expect to have a lot of contact with Japanese customers.

Accept every card that is offered, it can be discarded later if it is not needed. But remember that it may cause offense to accept someone's card and not remember the information on it at a later meeting.

Meetings

First meetings are usually informal, get-acquainted sessions. Seating position is important. In Japan, whoever sits farthest from the door is usually in charge. Wait for the person presiding to indicate where to sit and at the end of the meeting wait for him to rise before standing up yourself.

At a first meeting, present only a broad, verbal outline of your objectives and an agenda for further discussion. Use persuasion rather than pressure in your presentations. Present evidence in print to support your claims about yourself, company, and product. Distribute translated handouts, including copies of charts and graphics.

After a meeting, send a letter confirming your understanding.

Demeanor

The Japanese strive for group harmony in business, family, and social relationships and seldom express a personal opinion in a group. Japanese

people always try to be polite, spare others any pain or embarrassment, and maintain harmony. An apology may be offered for anything that causes inconvenience, even when it is no one's fault.

The Japanese may smile when they don't understand, rather than ask a question which would be rude. They avoid saying no, because this causes discomfort to others. A negative may be phrased as "we'll think this over." Loss of eye contact and sighing may indicate an unacceptable proposal or the need for more time to think it over. Find an indirect way of raising a problem and suggest the person may want to consider it further in private.

The Japanese regard seriousness as a virtue and are uncomfortable mixing humor with work. Laughing and joking may be construed as lack of seriousness about business. The Japanese often feel that silence is the best response and long periods of silence in a business meeting are not unusual.

Consensus decision making, group thinking, and saving face are all significant aspects of business and social behavior. Confrontation, accusations, blame, or criticism cause loss of face and so does laughter directed at a colleague.

Negotiations and Decisions

Finding a "win-win" situation is not the Japanese way of negotiation. Don't refuse or reject an extreme initial position outright. Listen to the offer calmly and say you will consider it. Present your reasons for not accepting the proposal later and in a non-threatening manner. In the event of a deadlock, always maintain the appearance of harmony.

Instead of a contract, the Japanese may prefer a brief agreement which declares the intentions of both parties. Japanese contracts often contain a clause stating that the parties agree to renegotiate if circumstances change. Performance will be based on an understanding of the agreement, not the letter of the contract.

A Few Taboos

- ▶ Never handle another's business card carelessly.
- ▶ Public displays of affection are unacceptable as is back slapping or putting your arm around someone's shoulder.
- ▶ Conservative business attire is best but avoid wearing a black suit, white shirt, and black tie because it is funeral attire.
- ▶ Do not blow your nose in public and try to avoid sneezing.
- ▶ Never make derogatory remarks about your competitors or your own employees.
- ▶ Do not ask questions about a business prospect's family or private life.
- ▶ Avoid putting your hands into your pockets as this indicates boredom or lack of interest.
- ▶ Do not point at anyone or use a finger to emphasize a point.
- ▶ Never point with chopsticks. Never pass food from chopstick to chopstick or stick chopsticks into food particularly rice—this is done only at funerals.
- ▶ The numbers 4 and 9 are considered unlucky so avoid giving gifts in sets of four or nine.
- ▶ A sharp intake of breath by your Japanese host may indicate a breach of etiquette. Apologize immediately and let your host show the correct behavior.

Social Etiquette

Tippling is not customary in Japan. A gratuity may be included in a restaurant bill, but you are not expected to tip a waiter, cab driver, bellman, concierge, doorman, or any others. Even with the best intention, your attempts to tip a service person may create an embarrassing situation.

If invited to a Japanese home, bring a gift for the hostess. Although the gift should not be extravagant, it should be artfully wrapped—flowers are a good choice (never white carnations!) or something representative of your home country. If there are children in the home, small gifts for them would be an appreciated gesture. Do not expect the recipient to open the gift in your presence, nor should you open a gift presented to you. Gifts should be offered with humility and mildly deprecating statements—“it's not much, just a small token.”

The Matter of Shoes

When entering a home remove your shoes and place them with the toes pointed outward so they may be slipped on easily upon departure. You may be offered slippers for wearing indoors. If you have large feet it would be a good idea to carry a pair of indoor slippers with you so as not to embarrass your host. Socks-only may be acceptable in informal situations, but bare feet are not. If you wear sandals, bring a pair of white socks to slip on so that bare feet do not touch the floor or provided slippers. Do not wear the slippers provided at the entrance into the toilet; a different set of "toilet" slippers should be waiting by the door. It should be obvious that slip-on shoes are advantageous.



Holidays

January 1-3 <i>Peak Travel Period</i>	Shogatsu —New Year celebration. Most offices are closed Dec. 29-Jan 3
2nd Monday of January	Coming of Age Day —For those celebrating a 20 th birthday in the year
February 11	National Foundation Day
March 3	Doll Festival —Not a national holiday. A celebration for girls.
March 21 (varies)^L	Spring Equinox
April 29-May 5	Golden Week —Peak travel period.
April 29	Shōwa Day —birthday of former Emperor Showa
May 3	Constitution Day
May 4	Greenery Day
May 5	Children’s Day —Celebrates all children but focuses on boys.
3rd Monday of July	Ocean Day
Mid-August^L <i>Peak Travel Period</i>	O-Bon —3-day Buddhist festival for honoring ancestors. Not a national holiday, but many offices close.
3rd Monday of September	Respect for the Aged Day
September 23 (varies)^L	Autumn Equinox
2nd Monday of October	Health and Sports Day
November 3	Culture Day
November 23	Labor Thanksgiving Day
December 23	Emperor’s Birthday
December 29-31 <i>Peak Travel Period</i>	New year celebration extends to January 3.

^L= Lunar calendar moveable date

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE



A LOOK AT INDIA



Geography

India is the seventh largest country in the world with a land size of about 3.28 million square kilometers. As of June 2014, India has 29 states. The state of Hyderabad was divided into two states; Telangana and Andhra Pradesh. Andhra is ten times the size of Singapore and has a population of 1.25 million. India borders 6 countries: Bangladesh, Bhutan, Burma, China, Pakistan, and Nepal. Pakistan and China both claim and control areas of the northern state of Jammu and Kashmir. All of India is in one time zone.

Delhi

22.2 million*.
India's national political and legislative site.



Mumbai

(formerly Bombay)
16.9 million*.
Bollywood

Bangalore

8.7 million*.
India's Silicon Valley



Kolkata

(formerly Calcutta)—14.4 million*.
IT, real estate, financial services, corporate headquarters, industry, and tourism

Hyderabad

7.9 million*.
software, call centers, business process outsourcing, film production—*Tollywood*.

Chennai

(formerly Madras)—8.9 million*.
Center of India's automobile industry

New Delhi

9:00 am–5:00 pm

London

4:30 am–12:30 pm
(same day)

New York

11:30 pm–7:30 am
(previous day) –(same day)

Los Angeles

8:30 pm–4:30 am
(previous day) –(same day)

22 Officially Recognized Languages

Hindi and English are the most widely spoken and English is the language of business. A large population of well-educated English speakers gives India a major competitive advantage in global business and technology development.

Populous and Young

At 1.27 billion**, India ranks as the second most populous country after China. In recent years, the population of India has been increasing much more than China, so the population gap is slowly declining between the two countries. Median age is 27 years.

*www.worldatlas.com/citypops.htm (metro area, 2012 census or best estimate)

**www.indiaonlinepages.com

The Modern State of India

The modern state of India gained independence from the British in 1947. At that time the subcontinent was divided into the secular state of India and the Muslim state of Pakistan. This time of national partition, known as the Indo-Pakistani War of 1947 or the First Kashmir War, brought violent upheaval that still affects relationships between the two countries. Today, Kashmir remains a flashpoint for relations between India and Pakistan as well as China. Armed conflict in 1971 transformed East Pakistan into the separate nation of Bangladesh with the support of India. Discussions between India and Bangladesh continue over water rights, divided villages, illegal cross-border trade, and migration.

Economic Growth

Economic reforms and the rise of the IT sector in the 1990s propelled India to over a decade of rapid growth. In 2011, India's economic growth began slowing due to high interest rates, rising inflation, and investor pessimism³⁰. In 2013, growth fell to an all-time low. While many economists are positive about India's long term outlook due to a young population and increasing integration into the global economy, speculating that India's economic growth and population will surpass China within the next 10-20 years, there are certainly challenges to address such as inadequate infrastructure, poverty, corruption, and so forth.

India's Growing Middle Class

India's rapid economic growth has lifted millions of people out of poverty into the ranks of the middle and upper class. Ernst & Young reports that India's global middle class is expected to grow steadily over the next five years, reaching 200 million by 2020. After this, they expect growth to really accelerate, reaching 475 million by 2030 and adding more people than the Chinese to the global middle class worldwide after 2027³¹. Credit Suisse's Global Wealth Report states that while wealth has been rising strongly in India, and the ranks of the middle class and wealthy have been swelling, not everyone has shared in this growth and there is still a great deal of poverty. This is reflected in the fact that 95% of the adult population has wealth below USD 10,000. At the other end of the

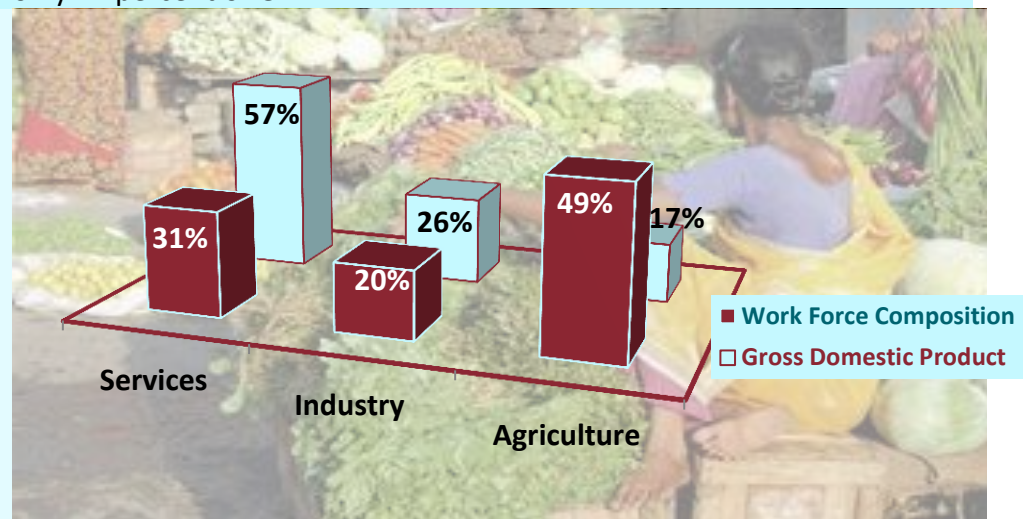
³⁰ *CIA World Factbook*, www.cia.gov

³¹ Wilson, Dr. William T., "Hitting the Sweet Spot, The Growth of the Middle Class in Emerging Markets," Ernst and Young, 2013.

scale, a very small proportion of the population (0.3%) has a net worth over USD 100,000. However, due to India's large population, this translates into 2.4 million people³². While specific definitions and growth rate projections vary, it is clear that India's middle class will continue to increase steadily. These new middle- and upper-class citizens will likely share the same tastes as their counterparts in other developed countries—comfortable homes, vacations abroad, second homes, name-brand consumer goods, latest consumer electronics, high-end cars, and university educations abroad for their children.

India's Work Force and GDP

Services, India's leading growth area, produce more than half of the GDP, but employ about a third of the workforce. In comparison, agriculture employs almost 50 percent of the workforce but produces only 17 percent of GDP.³³



Home Ownership

The overall rate of homeownership in India's is quite high, 86 percent; by comparison the U.S. rate of homeownership stands at about 65 percent.³⁴ Many homeowners in India have never had a mortgage or do not have an outstanding mortgage. Due to the increasing aging population and life expectancy, the concept of Reverse Mortgages are gaining traction in India. With a Reverse Mortgage, retired senior citizens

³² Global Wealth Report 2014, Credit Suisse Research Institute, 2014.

³³ CIA World Factbook, www.cia.gov.

³⁴ Dissecting High, Medium, and Low Homeownership Rates, Freddie Mac, June 24, 2014. www.freddiemac.com

with no income or savings are able to convert their homes into cash without having to sell their property. Essentially a homeowner's equity decreases with every monthly payment the bank makes to him or her. The loan is repaid, along with interest, by the sale of the property upon the borrower's death or via an heir's repayment or prepayment.

Household savings rates in India have averaged around 22 percent of GDP, but the composition has shifted from financial savings to physical savings (e.g., land, buildings, and gold) because of high inflation and lower returns on bank deposits, stocks and insurance.³⁵ Growing prosperity and consumerism would be expected to lower household savings rates but for India the opposite is true. India lacks an adequate social welfare net and few have pension plans or health insurance. Migration from rural areas and small villages to urban areas diminishes the tradition of caring for elders within an extended family. Indians store much of their personal saved wealth in non-liquid assets such as houses, gold jewelry, and gems. In recent years the national government offered generous tax incentives to encourage investment of household savings in financial assets such as mutual funds and bank deposits.

Subsidies and Rising Commodity Prices

The national government heavily subsidizes food, fuel, electricity, and agricultural fertilizers, but subsidies do not always reach or benefit the intended groups. Increased consumption and rising wholesale commodity prices are a serious financial drain on India's treasury.

However, India is taking steps in the right direction to reduce the subsidy burden on its budget. In late 2014, the newly elected Prime Minister, Narendra Modi, cut fuel subsidies which should offer fiscal savings over time that can be used in other ways such as public investment.³⁶

Overall, it appears change will be more incremental in nature, as Modi's first full-year budget contained no significant changes to India's subsidy programs, which cost the government around \$40 billion per year.³⁷

³⁵ Neogi, Saikat, "Budget 2014: India's Falling Savings, Inflation, Investments, and Returns, The Financial Express," February 18 2014. www.financialexpress.com

³⁶ Einhorn, Bruce, "In India, Falling Oil Prices Make Modi's Job Much Easier," *Bloomberg Business*, October 21, 2014, www.bloomberg.com

³⁷ Barry, Ellen, "India's New Budget Aims to Boost Growth," *The New York Times*, February 28, 2015, www.nytimes.com

Monsoon Season—an Economic Indicator

India's most distinct climatic feature is the monsoon—a period of torrential downpours that supplies more than 80 percent of the annual rainfall. Although the downpours and thunderstorms can be quite destructive and disruptive, a beneficial monsoon season bolsters the economy, produces good crop yields, and replenishes water supplies. For city dwellers, the monsoon brings a welcome break from high temperatures. The monsoon typically reaches the southernmost tip of India around the beginning of June and gradually spreads over the rest of the country. The rains begin to retreat by the end of August.

Monsoon clouds gathering over Howrah Bridge in Kolkata. Photo Wikimedia.



Infrastructure

Despite its technology-based economic boom, India struggles with severe infrastructure issues. Infrastructural development generally lags behind business development. Clogged airports, traffic jams, and power outages, disrupt daily life. Enclaves such as technology campuses and upscale gated communities offer a buffer zone, but many complain that predictable events, like monsoon rains, bring the infrastructure—roads and power in particular—to a stuttering halt.

Spreading Urbanization

Spreading urbanization and a growing population cause most of India's environmental issues. Air pollution from untreated industrial and vehicle emissions and millions of cooking fires casts a smoggy pall over cities, causing respiratory problems for residents and corroding building elements. The country's tap water is not potable as a result of pollution from industrial effluents, agriculture runoff, and untreated sewerage; the risk for waterborne diseases is quite high. The pressure to feed and house more than one billion people leads to increasing loss of arable land to urbanization, desertification, and salination of soil and groundwater.

Indian Anti-Corruption Movement

Corruption and bribe taking, known as “leakage,” is an unfortunate perennial drain on Indian business, government, courts, and everyday life. Growing political corruption has stirred not only domestic worries, but has also tarnished the country’s image among international investors. Since 1947, India has lost hundreds of billions of dollars in illegal capital flows such as tax evasion, corruption, bribery, kickbacks, and so forth. It was ranked 134th of 189 countries in the World Bank’s 2014 Doing Business Report.³⁸

In 2011 social activist Anna Hazare galvanized public exasperation with corruption into action. On April 5, 2011, emulating the nonviolent ways of Mahatma Gandhi, Mr. Hazare began an indefinite hunger strike to exert pressure on the government to enact anti-corruption legislation—the *Jan Lokpal* (*literally protector of the people*) Bill. Five days later, in the face of clamorous protests, the Indian government agreed to draft anti-corruption legislation. The nation-wide protest movement coalesced into the Indian Anti-Corruption Movement—a potent political action group.



In 2011, Foreign Policy Magazine named Anna Hazare among the top 100 global thinkers.

³⁸ Xu, Beina, “Governance in India: Corruption,” *Council on Foreign Relations*, September 4, 2014, www.cfr.org

Foreign Direct Investment (FDI)

“It is the intent and objective of the Government of India to attract and promote foreign direct investment in order to supplement domestic capital, technology and skills, for accelerated economic growth. Foreign Direct Investment, as distinguished from portfolio investment, has the connotation of establishing a ‘lasting interest’ in an enterprise that is resident in an economy other than that of the investor. The Government has put in place a policy framework on Foreign Direct Investment, which is transparent, predictable and easily comprehensible.”³⁹



Top FDI Investors in India

1. Mauritius*
 2. Singapore
 3. United Kingdom
 4. Japan
 5. Netherlands
 6. United States
 7. Cyprus*
 8. Germany
 9. France
 10. Switzerland
- * tax havens



Top Sectors for FDI

- 18%—Services
- 10%—Construction Development: Townships, Housing, Built-Up Infrastructure
- 7%—Telecommunications
- 6%—Computer hardware and software

Tax Havens

More than 35 percent of all FDI funnels through the tax haven of Mauritius; Indian corporations route profits through companies based there in order to avoid taxes.

Workers Remittances

Workers remittances topped US\$70 billion in 2013. Leading sources are North America, U.K, and Gulf states. After day-to-day living expenses, the next largest share of remittance money pays for housing and land purchase.

Top Recipients of FDI

2014 FDI inflow US\$ 21 million
% of total FDI inflow

1. Mumbai (Maharashtra): 30%
2. New Delhi (Delhi): 19%
3. Chennai (Tamil Nadu, Pondicherry) 7%
4. Bangalore (Karnataka): 6%
5. Ahmedabad (Gujarat): 4%
6. Hyderabad (Andhra Pradesh): 4%
7. Kolkata (West Bengal): 1%

Executive Orders

In 2014, Prime Minister Modi issued an Executive Order enabling and paving the way for companies to buy land. Instead of the previous minimum investment of US\$10 million, they have brought it down to US\$5 million. The Prime Minister had appealed to the people of Indian origin to turn to India by easing visa rules to lure them back. In January 2015, the government approved an Executive Order to ease the way for families that left India as many as four generations ago to get lifetime visas and own property in India.

³⁹ Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, <http://dipp.gov.in> (2014)

Resources for Investors

- Business Knowledge Resource Online, www.business.gov.in
- *Ready Reckoner for Non-Resident Indians (NRIs) Investment*,
- Department of Industrial Policy and Promotion, <http://dipp.gov.in>
- *Guide Book for Overseas Indians on Foreign Direct Investments in India*, Overseas Indian Facilitation Centre, <http://www.oifc.in/publications/list>

The India Diaspora—Your Next Client?

More than 25 million people of Indian citizenship or ancestry make their home in 110 countries around the world. The highly-skilled and educated “new diaspora” put down roots in developed countries such as the United States, United Kingdom, Canada, Australia, and South Africa. Singapore is also home to a growing number of Indians, with as many as 4,500 Indian owned companies registered and operating in Singapore. Semi- and low-skilled workers migrate to the oil-rich Gulf States for jobs, in the oil fields, construction, or domestic service. You might be surprised to learn that almost half a million Indians make their homes on the Caribbean islands of Trinidad and Tobago; they are descendants of the “old diaspora” of indentured laborers who worked the sugar cane fields.

The Indian Diaspora

N. America & Caribbean	Europe	Africa	Asia/Pacific	Gulf States
<ul style="list-style-type: none"> ▪ United States 2,245,239 ▪ Canada 1,000,000 ▪ Trinidad & Tobago 551,500 	<ul style="list-style-type: none"> ▪ United Kingdom 1,500,000 	<ul style="list-style-type: none"> ▪ S.Africa 1,218,000 	<ul style="list-style-type: none"> ▪ Malaysia 2,050,000 ▪ Singapore 590,000 ▪ Australia 448,430 	<ul style="list-style-type: none"> ▪ Saudi Arabia 1,789,000 ▪ UAE 1,702,911 ▪ Kuwait 579,390 ▪ Oman 557,710 ▪ Qatar 500,000

Source: Ministry of Overseas Indian Affairs, www.moia.gov.in (2012)

NRIs and PIOs

The Indian government makes a concerted effort to recognize the citizenship status or special relationship that Indians of the diaspora have with their homeland. In fact, an entire division of federal government—the Ministry of Overseas Indian Affairs—is devoted to nurturing this relationship. The government specifically recognizes three categories of overseas Indians:

- **Non-Resident Indian (NRI):** An Indian citizen who resides outside the country.
- **Person of Indian Origin (PIO):** A foreign citizen whose parents, grandparents, or great grandparents were Indian citizens may apply for PIO status. May apply for Indian citizenship after 7 years residence
- **Overseas Citizen of India (OCI):** PIOs who are citizens of other countries may apply for OCI status if their home countries allow dual citizenship.

The Indian government views NRIs, particularly those residing in the U.S., U.K., Hong Kong, and the Gulf, as a prime source of foreign exchange and investment in real estate. The government increasingly encourages and incentivizes NRIs and PIOs to strengthen their cultural and ancestral ties with India and invest in long term ventures.

NRI Colonies

In order to attract high-income Indians back from their homes abroad, developers offer full-amenity communities known as NRI colonies. These developments—from high-rise luxury condos to gated communities—offer western-style amenities, security, and services, and also provide an insulating layer between residents and harsher aspects of daily life. An Internet search for “NRI colonies” reveals a long list of developments in all major cities. As a result of international target marketing to NRIs, real estate firms offer property listing websites for all types of properties—residential, commercial, sales and rental.

Why Is This Important For Your Business?

The huge diaspora pulls people abroad for work, study, and maintaining family ties. A young and growing population means India must continually produce new employment opportunities. Young, well-educated, technology-adept, English-speaking workers will look abroad for opportunities; family ties in other countries facilitate emigration. In

addition, growing wealth among Indians at home and abroad has the potential to create a vibrant flow of real estate business. Your next clients or customers could be a part of the Indian diaspora—students, extended families, investors, or second-home buyers.

NRIs and PIOs may:

- Travel to India without a visa
- Maintain a bank account in Rupees or foreign currency
- Own residential or commercial real estate
- Sell agricultural land but may not purchase it
- Repatriate property sale proceeds for up to two properties
- Pay income taxes only on India-sourced income (subject to Indian income tax on worldwide income if stay is longer than 182 days)

Bank Accounts for NRIs

Types of bank accounts determine the flow of funds for real estate transactions. Capital gains may be credited to an NRO account from which the NRI or PIO seller may repatriate an amount up to US\$1 million per financial year. Foreign citizens of Indian origin may purchase residential real estate for personal use and commercial property, other than agricultural land, through foreign exchange remittance or from the purchaser’s NRE or FCNR account; a declaration must be submitted to the RBI within 90 days of the day of purchase.

Non-Resident Ordinary Rupee Account (NRO)	Non-Resident External Account (NRE)	Foreign Currency Non-Resident Account (FCNR)
<ul style="list-style-type: none"> ■ Rupee ■ Funds may be foreign exchange remittance or within India ■ RBI approval required for repatriation or transfer to an NRE account ■ Income tax on interest ■ May be held jointly with a resident ■ Annual repatriation limit of US\$1million 	<ul style="list-style-type: none"> ■ Rupee ■ Funds must be from abroad. Earnings in India cannot be deposited in an NRE account ■ Funds may be repatriated ■ No income tax on interest ■ Can be opened only by an NRI ■ Government approval required to withdraw funds for real estate purchase 	<ul style="list-style-type: none"> ■ Foreign currency ■ Funds must be from abroad or an NRE account ■ Funds may be repatriated ■ No income tax on interest ■ Can be opened only by an NRI ■ Time deposits (1–5 years) allowed

Buying Real Estate in India

Indian property law seeks to maintain real property ownership by resident citizens and quell speculation by limiting property ownership for those without Indian citizenship or family ties. It also aims to prevent the purchase of land by citizens of hostile countries that could make claims on border territories.

Agricultural Land

Loss of fertile agricultural land to urban sprawl is a sensitive issue both socially and politically. NRIs, PIOs, and non-resident foreigners may not buy agricultural land, plantation property, or a farm house, but through prior ownership and/or inheritance, an NRI or PIO may sell it to a resident citizen of India. Non-citizen foreigners must obtain prior RBI permission to transact such a sale.

Mortgage Financing

Typical home loan terms involve a down payment of 15–20 percent for a term of 10–15 years for fixed rate loans, and 5–7 years for adjustable rate loans; longer-term loans usually involve an interest-rate premium. NRI mortgages typically extend for 5–10 years and must be paid from the borrower's NRE or NRO account. Age matters when it comes to qualifying for a mortgage; borrowers must be younger than 65 years of age and the mortgage term cannot extend beyond retirement. A younger family member, such as a spouse or children who live with the borrower, may be a co-borrower.

Know These Numbers

Real estate values, and other large numbers, are frequently quoted using the terms *lakh* or *crore*.



1 Crore =
10 million

1 Lakh =
100,000

Real Estate Transaction Costs

- **Stamp Tax on transactions:** Real estate transactions are subject to state Stamp Tax, paid by the buyer, which can add significant cost to a transaction. Rates and formulas for calculating the amount vary between states but most fall within a range of 4–8 percent. Easily accessible online Stamp Tax Calculators can assist in estimating the amount of tax.
- **Registration Fee:** Registration of property ownership usually costs 1 percent of the property value, but may vary depending on the location of the property. The process for registering a property transaction typically takes 45–60 days; the last step, municipal recording of the title transfer, takes the longest.
- **Legal Fee:** It is wise practice to hire a real estate attorney to protect interests during the transaction. Legal fees are typically around 1.5% of the property value.
- **Capital gains tax on real property:** Capital gains are calculated by deducting the cost at acquisition, transaction expenses, and the cost of improvements to the property from the sale proceeds. Capital gains are taxed as ordinary income. At the time of the transaction, capital gains are subject to withholding of 10 percent for short-term and 20 percent for long-term gains. The withheld amount is credited toward the taxpayer's income tax bill. For the 2015-2016 assessment period, proposed changes to the income tax laws include clarifications on how exemptions are handled.
- **Real estate agent fees:** Both the buyer and the seller each pay real estate agent fees and commissions between 1–2 percent plus 12.5 percent VAT.
- **Registration of titles:** The state governments maintain the land registration system. The system is computerized only in states like Maharashtra, Tamil Nadu and Andhra Pradesh, but the other states are working on computerizing land records. A search of registration records for prior claims, liens, and encumbrances is advisable. The cost is usually around Rp10,000.
- **Property tax:** property taxes vary from state to state as well as municipality and are based on annual value.

Can Foreign Citizens of Non-Indian Origin Buy Real Estate?

Two regulatory bodies oversee acquisition and ownership of real estate by foreigners—the Reserve Bank of India and the Foreign Exchange Regulation Act (FERA) which regulates payments in foreign currency.

- **Residents of Non-Indian Origin**

With the permission of the RBI, resident foreign citizens of non-Indian origin and foreign companies may purchase property for residential use with foreign currency remitted from abroad. A prior-year's stay of 182 days is required as well as proof of intent to reside in India for an indefinite period. Rental income or future sale proceeds must be deposited in an NRO account.

- **Non-Resident of Non-Indian Origin**

A foreign national of non-Indian origin residing outside India may not purchase real property in India but may rent a residential property provided the lease period does not exceed five years.

Commercial/Investment Real Estate

The Foreign Exchange Management Act (FEMA) requires foreign corporations to obtain approval of the Reserve Bank of India to buy or sell real property.

Suburban business and industrial parks lure businesses away from congested central business districts. New, high-quality office buildings offer the reliable infrastructure essential for IT enterprises. Lower wages in cities such as Chennai and Hyderabad pull businesses away from high-cost cities like Mumbai and Delhi. Considering that the IT boom is far from over, the trend toward outlying business park development is likely to continue strong.

A residential development funded with foreign capital must meet a minimum criterion of 25 acres of land area. Commercial properties must be at least 50,000 square meters in size. Acquiring adequate land may be a challenge because sellers often hold out for high prices when they know foreign capital is involved.

Rental Property

Rent-control laws, although intended to protect tenants, skew rental markets and can leave renters clinging tenaciously to substandard, sometimes hazardous conditions. The landlords of rent-controlled properties have no incentive or income to pay for needed maintenance. In some cases, tenants sublease the apartments for substantial profit. Lawsuits to remove nonpaying tenants can drag on for more than a decade.

After WWII, the central government, under British rule, legislated rent controls that effectively froze rents at 1947 levels. Today, state laws regulate the landlord-tenant relationship and efforts to amend the laws stir controversy. The central government encourages the states to update rent control laws. For example, the Maharashtra Rent Control Act is often cited as a more balanced approach. In contrast, Mumbai rentals are regulated by the 1947 Bombay Rent Control Act and in New Delhi by the 1958 Delhi Rent Control Act.

Rent-control laws apply to leases of twelve months or more, therefore landlords commonly offer leases for terms of eleven months with an option to renew. A refundable security deposit of three months' rent and advance payments of six or eleven months' rent are common practices. Stiff penalties, tripling or quadrupling the rent, may be written into leases to prevent tenants from overstaying.

In metropolitan areas, construction of serviced apartments in mixed-use developments is a growing trend. The furnished apartments provide housing, usually short term, for staff of foreign companies in India. In high-cost cities like Mumbai and Delhi the average apartment size is about 550 square feet. In the metro areas, large corporations often rent luxury condos as well as detached homes for senior executives.

Real Estate Professionals in India

Similar to the U.S., much regulation of real estate happens at the state level and laws vary between states. The National Association of Realtors—India strives to raise standards of professionalism and transaction reliability and is working on development of a nationwide MLS system. Real estate practice in India, however, is currently not subject to licensing and practice is rather informal. Recently, the construction industry (represented by a leading developer) and brokers have been included under the Consumer Protection Act. The informal sources, such as

homemakers, friends and relatives, kiosk owners, and janitors, are particularly visible in their presence and vigorous in their pursuit of business.

National Association of Realtors–India

206 Oriental House
20, C.C. Gulmohar Enclave
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India's Top Real Estate Trends

India's real estate sector has experienced tremendous growth over the last decade due to rapid urbanization, increasing levels of income, and foreign direct investments⁴⁰. Specific trends to watch include:

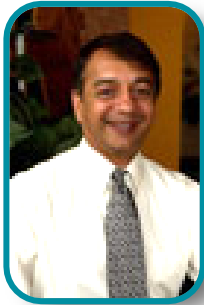
- **Benami Transaction Bill:** A new and more comprehensive Benami Transaction Bill was introduced in Budget 2015. Benami transactions describe a transaction in which the real beneficiary is not the one who purchased the property, resulting in corruption, fictitious beneficiaries, and black money, or funds earned on the black market. The new bill will enable confiscation of benami property and provide for prosecution, blocking a major avenue for black money generation and holding. The Economic Times reports that this bill will bring some much needed transparency in the industry, and will help combat falling buyer sentiment.
- **Real Estate Investment Trusts (REITs) and Commercial Real Estate:** REITs are expected to be a major investment vehicle for the Indian real estate market in 2015. Historically, real estate assets were kept out of the financial market and were not a full-fledged investment option. The demographic dynamics in India are changing fast, leading to an ever growing demand for quality real estate that continues to be higher than supply. REITs will help bring the needed investments for meeting this increasing demand and will help fuel commercial real estate activity.

⁴⁰ Brave New World for India Real Estate, Ernst & Young, 2013, www.ey.com

- **Affordable Housing:** Urbanization trends and a high percentage of low income groups will result in a major housing gap and a need for affordable housing. In July 2014 the definition of affordable housing was changed to include home loans up to Rs 50,00,000 in metropolitan cities and Rs 40,00,000 in non-metro cities.
- **Senior Living:** While India is still a relatively young population, estimates indicate that it will house approximately 20% of the world's total population aged 60+ by 2050⁴¹. This projection, along with a changing sentiment toward the concept of senior living, indicates a great deal of opportunity for this property-specific niche.

⁴¹ Brave New World for India Real Estate, Ernst & Young, 2013, www.ey.com

Practitioner Perspective: A Snapshot of Indian Opportunities



Baro Shalizi
Shalizi Real Estate
Santa Fe, New Mexico
<http://shalizirealestate.com>

India's economy, political philosophy, and mindset have shifted in a direction that will tend to lead to growth. People from India view the United States as secure and are looking here for investments. Many buyers come because their kids are attending U.S. universities. They're looking to gateway cities, such as Boston, New York, Chicago, Atlanta, San Francisco, San Diego, and Los Angeles. Consider the size of the population. Even if 2 or 3 percent of the population comes to the U.S., it's a huge amount.

Building Your Business

I would recommend attending conferences to make face-to-face contacts. I regularly attend the NAR-India Convention and Expo. Here's a tip—arrive loaded with lots of business cards. At one event I brought 500 cards and came home empty handed. There are few who network as thoroughly as those in India.

High context Versus Low Context

For those in a low context country, like the United States, it can be frustrating to build relationships with people from high context countries like India. Before doing business with you, Indians want to get to know you and become friends. Be prepared to sit and chat, have lunch, and drink tea to establish a relationship. In the U.S., so many people say "I wouldn't do business with a friend." In India, the view is, "Always do business with a friend because they're the ones most concerned about you." It's a totally different mindset. And with that bond of friendship comes loyalty. That means that investing in the one strong relationship can lead to new business because Indians will refer family and business associates to you.

Why Consider India?

Retirement value: As the economy improves and India opens up more, ex-pats from all over the world are returning and buying there. The country is booming with ex-pats—Indians who left and now are returning to India to buy retirement property. Retirement money goes a lot further than it does in other places.

English-speaking: English is the language of business in India. It's easy both for U.S. practitioners and immigrants who come to the United States to buy property.

Unexpected business: Networking and getting your name out as someone with Indian connections can lead to unexpected referral. For example, an agent in Japan contacted me because he had clients looking to invest in property in India and needed a referral to a real estate practitioner in India.

Baro Shalizi was born in India and has lived in Pakistan, Afghanistan, and the former Soviet Union. After a career in advertising, he began a real estate career as a property manager and has been a REALTOR® since 1999.

Internet Fieldtrip

Take an Internet fieldtrip to these sources and use them to keep up to date. Add your own.

Real Estate Associations

- ▶ National Association of Realtors-India, www.narindia.com
- ▶ Confederation of Real Estate Developers Association of India (CEDRAI), www.credai.org

NAR Global Alliances, www.realtor.org/global

- ▶ NAR President's Liaison to India
- ▶ NAR Regional Coordinator
- ▶ NAR Ambassador Association to India

Business Groups

- ▶ Associated Chambers of Commerce and Industry of India (ASSOCHAM), www.assochem.org
- ▶ U.S. Commercial Service, www.export.gov/india

News

- ▶ NRI Realty News, www.nrirealtynews.com
- ▶ Times of India, www.timesofindia.indiatimes.com/
- ▶ The India Express, www.indianexpress.com

Information

- ▶ Overseas Indian Facilitation Centre (OIFC), www.oifc.in
- ▶ Ministry of Overseas Indian Affairs (MOIA), www.moia.gov.in
- ▶ National Informatics Centre, Government of India, National Portal of India, www.india.gov.in
- ▶ Reserve Bank of India (RBI), www.rbi.org.in

Events, Conventions, Expos, Cultural, Social

- ▶ Realty Expo, www.realtyindiaexpo.com
 - ▶ Times Property Expo, www.timespropertyexpo.com
 - ▶ Pravasi Bharatiya Divas, www.pbd-india.com
-

Doing Business in India—Beyond the Basics

Names

Naming traditions differ by region, religious practice, caste, and even profession. In the south, a man uses his father's name or village name, in place of a family name, which are abbreviated as initials and placed in front of the first name; for example, Dr. A.P.J. Abdul Kalam, a former President of India. In the north, people usually have a western-style first name and family name, such as Arun Kapoor. Upon marriage, a woman in the north customarily adopts her husband's family name, or in the south the first name or initial. The northern naming practice is becoming more common in the south and some northerners forgo use of family names that indicate a traditional caste. A woman, particularly a business executive, may continue to use her maiden name after marriage.

Initial Contact and Introductions

Try to schedule appointments several weeks or months in advance. Reconfirm the appointment a few days in advance and obtain directions to the location. Be clear that you are in the country for a short time.

Do not schedule a meeting during holidays, which can vary widely between states and businesses. It is best to avoid the hottest months and popular vacation times (April–June and December–January). Government offices are usually open Monday through Saturday, private businesses keep a five and a half workweek, and IT companies increasingly adopt a five-day workweek.

Try to make contact at the highest level possible. After the initial meeting, the senior contact may direct you to a middle level employee who can assist with the specific business. A local intermediary can help in establishing the right contacts. If you represent a company with international or national brand recognition, you likely will not need an Indian contact to facilitate making an appointment. On the other hand, a local intermediary can facilitate initial contact for a small or unknown company. Generally, it is more difficult to obtain an appointment with a government official than an executive in the private sector.

Gifts are not usually expected upon first meeting. At subsequent meetings, a gift may be given to show friendship. Gifts that represent your home country or culture are good choices.

Respect for age and position is traditional. The most senior member of the firm or group is introduced first followed by introductions of subordinates according to rank. Greet the most senior member of the group first and introduce your team in order of rank or seniority. In the business setting, subordinates stand when a senior executive enters the room and you can show respect by rising too.

Respectful forms of address include the person's title such as doctor, professor, or Mr. or Mrs. If you do not know the person's name, sir or madam is an acceptable substitute. The syllable -ji or -sahib may be added to the second name to show respect, for example, Ghandiji.

Business people commonly shake hands, although some greet each other with the namaste—bringing the palms together at chest level and slightly bowing the head. In India, social distance tends to be a bit closer than in western countries but hugs and back pats are improper greetings. Traditionally, women do not shake hands but as more women move into executive ranks the old custom is waning; nevertheless, it is advisable to wait for a woman to offer her hand.

Women in Business

Although traditionally a male-dominated society, increasing numbers of women achieve high levels in education, professions, business, the IT industry, and politics. Women play significant roles in operating many family businesses. It is acceptable for a woman to invite a male colleague or business contact for a meal. The male guest may offer to pay the check. If you are the male guest, an offer to pay the check would be expected and also politely declined.

Mobile Phones

A GSM-enabled mobile phone will likely work in India. The phone must be unlocked so that a locally purchased SIM card can be installed—a procedure that creates a local phone number. Purchase of a prepaid SIM card requires photo identification such as a photocopy of your passport (never leave your passport with a merchant) and proof of home address. Travelers can also purchase inexpensive prepaid phones.



Business Cards

Offer and accept business cards with the right hand and with the writing facing the recipient. It is helpful, but not essential, for cards to be translated into Hindi on the reverse side. In India, business card etiquette is not as formal as in Japan or China, but you should accept offered business cards respectfully.

Conversation Starters

Meetings usually begin with some small talk. Acceptable conversation starters are cricket, movies, Indian traditions, business news, and touristic sites. Avoid discussions of religion, caste, politics, Pakistan, or poverty. Humor or joking may communicate lack of seriousness about the matter at hand. Discussion of family and personal life is quite common in India—don't be surprised by questions about your family and personal interests.



India versus Pakistan in Chinnaswamy Stadium, Bangalore. Photo by Powru

Meetings

Although punctuality is much appreciated and foreign meeting participants should arrive on time, Indians are rather casual about their own punctuality. Meetings often do not start at the scheduled time.

Refreshments, such as tea and snacks, may be offered and should be accepted. Breakfast and lunch meetings are becoming more commonplace, but dinner is almost always a social occasion and discussion of business is out of place.

Demeanor

The pace of business in India tends to be more relaxed than in western countries, but this should not be mistaken for informality. A strict hierarchy determines roles, status, and social position. Actions that disregard the social order can create embarrassment and tension.

Business travelers—both men and women—should choose modest clothing in neutral colors. Business attire for men is a suit and tie, although the hot climate makes a dress shirt and tie acceptable. Women may, however, wear pantsuits or a skirt that covers the knees. Increasingly, Indian business people, both men and women, wear western-style business attire. Indian women may wear the traditional sari or a salwar ensemble of tunic and pants. IT companies, like their western counterparts, frequently opt for a casual dress code.

Contracts and Negotiations

Indians tend to think in an inductive manner; the broad context must be understood before proposals can be considered. Therefore, do not be surprised by questions that seem overly broad or unfocused. Seeming digressions are likely attempts to understand the proposal in a broader context.

Send detailed or complex proposals in advance. A senior executive may assign a subordinate to study the proposal and prepare a brief.

In a negotiation session, or any business meeting, the most senior member typically speaks for the group, even if subordinates do not agree. Decisions are made at the highest level of a company. In family-owned companies, the highest authority may be the most senior family member. A meeting that excludes the most senior executive or family member will likely fail to produce a decision. An attempt to rush a decision or impose a rigid deadline will probably be viewed as too aggressive.

Indians are generally uncomfortable expressing open disagreement or saying no because it seems overly aggressive and hostile. Indirect statements, such as “I will think about it” or “I will have to check with others,” may signal disagreement.

Indians expect flexibility in negotiations and may dismiss straightforward propositions or requests for an immediate action as too constraining. A proposal with bargaining room is a better approach. A celebratory banquet may mark successfully concluded negotiations.

Parties do not typically sign contracts. Deals are frequently verbal and based on trust. When a written agreement is involved, it may be in the form of a letter of intent or an actual legal contract depending upon the property type and the size of transaction.

A Few Taboos

- ▶ Never use the left hand for eating, offering a gift, or presenting a business card.
- ▶ Offering a morsel from your plate to another person is considered unclean.
- ▶ Gifts should not be wrapped in white or black paper as these colors are inauspicious; suitable choices are red, yellow, green, or blue paper.
- ▶ Gifts made of leather may offend Hindus who are vegetarians. Gifts of jewelry between men and women are too personal, although a woman may make such a gift to another woman or girl. Gold jewelry is usually given only within the family.
- ▶ Gifts and invitations must be reciprocated—a simple thank you is generally not sufficient.
- ▶ Do not greet others with a hug, kiss, or backslap. A *namaste* is the most respectful greeting.
- ▶ Hand gestures common in western countries can be misinterpreted. Do not point with your finger or beckon with the palm facing up—both gestures are demeaning. Beckon with a scooping motion with the palm facing downward. Use the palm or chin to point.
- ▶ Whistling and winking are considered rude.
- ▶ A man's attempt to talk with an unaccompanied or unknown woman will be seen as a proposition.
- ▶ Pointing at or touching another person with your foot or exposing the soles of your shoes are all extremely rude. Apologize if you accidentally touch someone with your foot.
- ▶ Direct, sustained eye contact may be regarded as overly aggressive and intrusive. Standing with hands on hips may communicate aggression—likewise folded hands or hands in pockets while speaking.
- ▶ Begging is commonplace in India, but a person who gives alms to a beggar in a public place will likely be besieged by others.

Social Etiquette

Indian food practices vary based on religious tradition. Whether dining with business contacts or personal friends, it is helpful to know the customary practices and the degree of your dining companions' observance. If you are the host, inquire if your guests are vegetarian or non-vegetarians or serve both vegetarian and non-vegetarian dishes from separate tables. With the variety of dietary customs, and a casual approach to punctuality, buffet meal service is usually the best choice.

- ▶ Most Hindus are vegetarians although non-vegetarians generally do not eat beef or pork. On special occasions, holy days, new moon days, and other festivals, observant Hindus fast by consuming only fruits.
- ▶ Muslims do not consume pork or alcoholic beverages. The meat they consume should be *halal*—slaughtered according to strict ritual. During the month of Ramadan, observant Muslims consume nothing from sunrise to sunset.
- ▶ Jains are strict vegetarians and also avoid eggs, honey, figs, onions, garlic, and root vegetables such as potatoes.
- ▶ Sikhs do not consume alcohol and avoid *halal* and kosher meats. Some are vegetarians or avoid beef and pork.

Restaurants may add a 10 percent gratuity to the bill which is generally an adequate tip; a 15 percent tip is more common in cities such as Mumbai and Delhi. It is acceptable to leave some change to show appreciation for extra good service, but don't over tip.

Hospitality is a core value for Indians, regardless of religion or state, rural or urban. They go to a great extent to welcome guests, assure their comfort, and overlook any faux pas. If you are the host, do not be surprised if invited guests bring additional guests with them. Welcome the unexpected guests as though they were invited. RSVPs are not usual practice, so plan to confirm by phone with all invited guests.

Foreigners are sometimes surprised at the casual nature of Indian social invitations. Even a casual acquaintance may prompt an invitation. An invitation to drop in is sincere, but calling ahead is advisable. On the other hand, Indians may drop in unannounced for a social visit and a host always receives guests courteously. An invitation should not be declined outright, but answered tactfully, such as "I'll confirm later."

If invited to an Indian home, arrive 15–30 minutes later than the stated time. Indians are rather casual about social punctuality and arriving at the

stated time will be viewed as gauche. A gift representative of your country or culture is appropriate, but not too expensive as it might cause embarrassment when the recipient reciprocates. Flowers (ask the florist for help in choosing the appropriate blooms and colors) and chocolates are usually appropriate. A toy or book would be a suitable gift for the host's children. During festivals, it is customary to bring a box of sweets. If making a gift of money, add 1 to the amount, such as 11, 51, 501, as these are considered auspicious numbers. Gifts are usually not opened in front of the giver. If you are the recipient and the giver insists, open the gift and express appreciation for the giver's choice.

Holidays

Holidays observed by the central government and the territory of Delhi. States and banks observe additional holidays.

December/January^I	Muharram (Islamic)—Beginning of Islamic liturgical cycle
January 26 (F)	Republic Day (National)—Adoption of the Constitution
March^I	Id-a-Milad (Islamic)—Birth of the Prophet
March^L	Holi (Hindu)—Festival of Colors
March/April^L	Rama Navami (Hindu)—Birth of Lord Rama
March/April^L	Mahavir Jayanti (Jain)—Birth of the Prophet Mahavir
April/May^L	Good Friday (Christian)—Death of Christ
April/May^L	Buddha Pournima (Buddhist)—Birth of Buddha
August/ September^L	Janamashtami (Hindu)—Birth of Lord Krishna
August 15	Independence Day (National)
August/ September^L	Ganesh (Hindu)—Commemoration of Lord Ganesh
September/ October^I	Idu'l Fitr (Islamic)—End of Ramadan
September/ October^L	Dussehra (Hindu)—Commemoration of Lord Ram
October 2	Mahatma Gandhi's Birthday (National)
October/ November^L	Diwali (Hindu)—Festival of lights
November^L	Guru Nanak's Birthday (Sikh)—Birth of the Guru
November^I	Idu'l Zuha (Islamic)—Commemoration of the sacrifice of Ibrahim (Abraham) and completion of the Haj
December 25 (F)	Christmas Day (Christian)—Birth of Christ

^L = Lunar calendar moveable date

^I = Islamic calendar moveable date

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE



A LOOK AT PHILIPPINES



Geography

The 7,000 islands (2,000 inhabited) of the archipelago of the Republic of Philippines cluster into three main groups: Luzon, Visayas, and Mindanao. The United States gained possession of the territory in 1898 as a Spanish/American War treaty concession. Although the Philippines gained independence on July 4, 1946 following WW II, independence day is celebrated on June 12—the 1898 date of the Declaration of Independence from Spain. The remnants of 16th century Spanish colonization linger in place names, devotion to the Roman Catholic Church, and the people’s surnames.

Manila 9:00 am–5:00 pm	London 2:00 am–10:00 am (same day)	New York 7:00 pm–3:00 am (previous day) –(same day)	Los Angeles 4:00 pm–12:00 am (previous day) –(same day)
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The total population of the Philippines was 92.3 million at the 2010 census, with estimates of 100.6 million in 2014. Metro Manila, also called the National Capital Region (NCR), encompasses 16 cities including:

- Quezon City, Pop 2.76 million ^{BPO}
- Manila, Pop. 1.65 million ^{BPO}
- Caloocan, Pop. 1.48 million
- Pasig, Pop. 669,773 ^{BPO}
- Taguig, Pop. 644,473 ^{BPO}

BPO = business process outsourcing center

Other Major Cities

- Antipolo, Pop, 677,741
- Cagayan de Oro, Pop. 602,088 ^{BPO}
- Cebu City, Pop. 866,171 ^{BPO}
- Davao City, Pop 1.44 million ^{BPO}
- Zamboanga City, Pop. 807,129

Source: National Statistics Office of the Philippines (2010 census)



Makati

Makati City, part of Metro Manila, is the financial center of the Philippines and home to more than 200 BPO centers.

Ortigas Center

Ortigas Center, the central business district of Manila, encompasses office towers, financial services, corporate headquarters, medical centers, business processing outsource services, shopping malls, condominiums, restaurants, and nightlife.



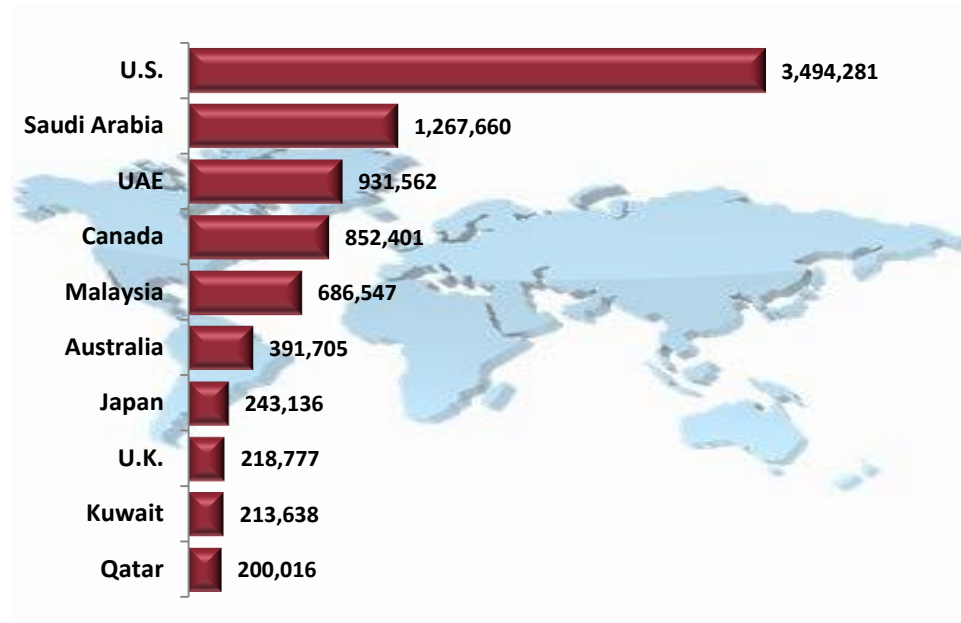
“Malling”—a Popular Pastime

Metro Manila includes three popular mega malls: SM Megamall in Ortigas Center, SM City North EDSA in Quezon City, and SM Mall of Asia in Pasay.

The Philippine Diaspora—Your Next Client?

An estimated 12.3 million Filipinos, referred to as Overseas Filipinos (OF) or Overseas Filipino Worker (OFW), live outside of the Philippines. Many immigrate for work, for higher wages or to support families. Remittances to families in the Philippines from overseas workers totaled US\$26.7 billion in 2013 and accounted for about 9.8% of the Philippines GDP⁴².

Top 10 Countries for Overseas Filipinos



Source: Commission on Filipinos Overseas, www.cfo.gov.ph (2012)

Although scattered throughout the world, more than 3 million—live in the United States where they are the second largest Asian-American group. There are large concentrations of Filipino-Americans in California, Hawaii, Illinois, New Jersey, New York, Washington, D.C., Texas, and Florida. Several factors help Filipinos assimilate quickly:

- Education levels and job skills
- English proficiency
- Middle class lifestyle
- Christian

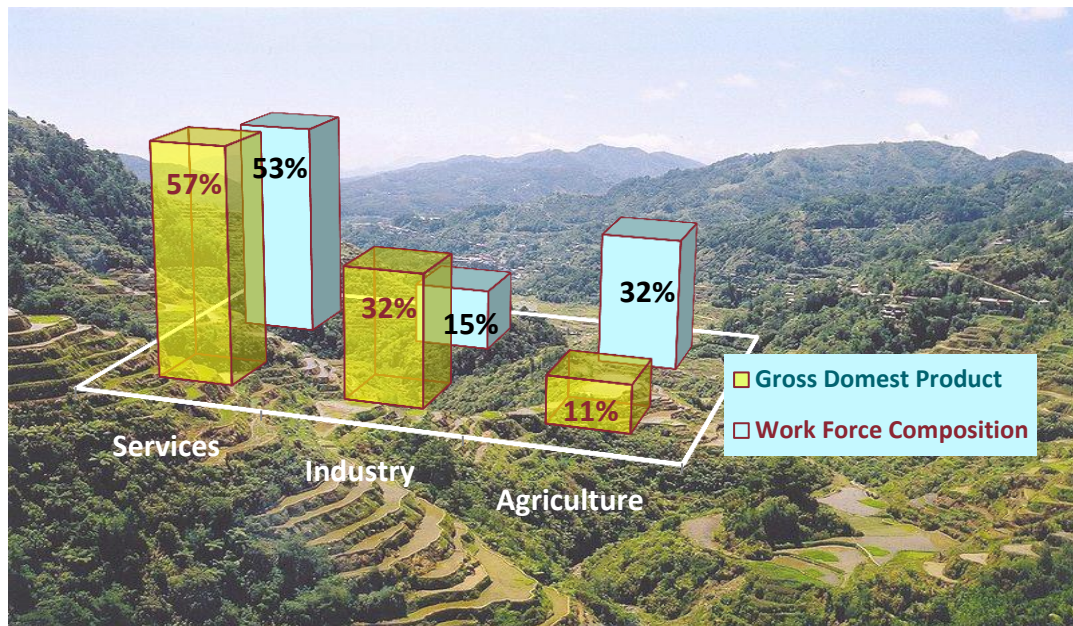
⁴² World Bank, 2013, www.worldbank.org

Overseas Filipinos are represented in every profession, however, a large number work in healthcare as physicians, nurses, physical therapists, and medical technologists in the United States, EU countries, the Middle East, and Japan. Similarities in the medical training curricula and standards facilitate finding employment. Another large group of workers—about 15 percent—are employed by international cruise ships.

Why is this important for real estate professionals? In the United States, Filipino-Americans have a median household income of \$78,000, well above the overall U.S. median income of \$51,000.⁴³ Income levels and a family-oriented culture make Filipino-Americans avid home buyers. A notable percentage of Overseas Filipinos return to the Philippines for their retirement years because of the lower cost of living and reuniting with extended families. They may purchase a second home there in anticipation of retirement.

Philippines Work Force and GDP

The economy of the Philippines is in transition from agriculture to manufacturing and services.



Source: CIA World Factbook

⁴³ 2010 American community Survey, American Fact Finder, U.S. Census Bureau, www.census.gov

The Economy of the Philippines

More than half of the exports from the Philippines go to one of four main customer countries: China (11.8%), United States (14.2%), Singapore (9.3%), and Japan (19%)⁴⁴. Exports include:

- Agricultural exports: sugarcane, coconuts, rice, corn, fruits, beef, pork, eggs, fish
- Industrial exports: electronics, garments, footwear, pharmaceuticals, chemicals, wood products, processed foods, petroleum refining, fishing
- Mining: copper, nickel, gold, chromite, silver, coal, gypsum, sulphur, limestone, clay, marble, silica, and phosphate

Inadequate infrastructure impedes development outside of the major metropolitan areas. The Philippine government, in an effort to spur infrastructure development, offers a Public-Private Partnerships program. The program offers incentives and some regulatory protection in order to encourage private investment in construction of roads, railways, public transit, utilities, and airports.

Development of roads and transportation facilities would give tourism and job creation a big boost by opening areas that are now not easily accessible. For example, the Philippines has countless miles of beaches with great potential for touristic development and construction of vacation homes.

The progressive government of President Benigno Aquino III, who was inaugurated in 2010, has inspired investor confidence by pledging to improve fiscal discipline, increase transparency and accountability in government, root out corruption, and reduce red tape.

The Big Story—Business Process Outsourcing

Supported by a large population of young, well-educated, English-speaking workers as well as low salaries and office rents, the Philippines is quickly overtaking India as the global leader for business process outsourcing, obtaining the majority of voice-based accounts. Operations are concentrated in Makati City, metro Manila and Quezon City but other

⁴⁴ CIA World Factbook, www.cia.gov (2012)

cities are emerging cities for outsourcing, such as Cebu City, Davao, Cagayan de Oro, and Pasig City.

IT and Business Process Outsourcing (BPO) in the Philippines

The Business Processing Association of the Philippines predicts that the IT-BPO industry annual revenues will more than double from \$9 billion and 500,000 employees in 2010 to \$20 billion and 900,000 employees in 2016. If the industry accelerates its talent development initiatives and obtains stronger government support, the IT-BPO industry could employ up to 1.3 million Filipinos and account for nine percent of GDP by 2016—equivalent to a 10% share of the global market.⁴⁵ In addition to call centers, other services include travel services, tech support, healthcare information management, financial services, business-to-business support, software development, and computer animation and game development.

BPO centers are driving development of high grade office space complete with the telecommunications capabilities for seamless operation of international call centers. Along with office space, the BPO centers spur retail and residential development, especially mid-priced condominiums, that cater to the needs of the thousands of workers. Preselling an entire condo development before construction is common.

Trends related to the growth of business process outsourcing include:

- **Cloud & Virtual Workforce (Work At Home Agents – WAHA)** results from the increase in technology and cloud-based software systems that allow for new ways of doing business. Clients can save money by avoiding long-term contracts and dedicated operations space, and call center agents can avoid the excessive commute in congested Manila.
- **Business Process Management (BPM) and Knowledge Process Outsourcing (KPO)** are gaining traction as higher-level outsourcing services that deliver value. These services are moving beyond the more traditional task oriented BPO services such as call centers. Examples include big data and analytics, strategic partnerships to

⁴⁵ "IT-BPO Road Map 2011 – 2016," IT & Business Process Association of Philippines, www.ibpap.org/media-room

improve business results, and automated business process as a service (BPaaS).

- **Disaster Planning and Business Continuity.** Considering that the Philippines is no stranger to tropical storms, many organizations have solid emergency and disaster plans in place. In the wake of Typhoon Haiyan in 2013, one of the greatest typhoons in history, BPO organizations once again realized the importance of minimizing impact and responding to loss. As such, disaster planning and business continuity is an ongoing trend in this space.

Building for Ecologically Responsive Design Excellence

The Philippine Green Building Council leads in encouraging green, sustainable building practices through development of a local green building rating system: Building for Ecologically Responsive Design Excellence (BERDE). The BERDE designation is patterned after the U.S. Green Building Council LEED rating system.



Foreign Ownership of Real Estate

Foreigners may not own land but may own condominiums provided no more than 40 percent of the units are occupied by foreigners. Foreigners may buy a home, but not the land; the land is leased usually for 50 years with a renewal option for another 25 years. Maximum area that may be acquired for residential purposes is 1,000 square meters of urban land or one hectare of rural land. Commercial enterprises may lease up to 5,000 square meters of urban land or three hectares of rural land.⁴⁶

The foreign natural heirs of a Filipino citizen—spouse and children—may acquire land through inheritance but cannot transfer land to another foreign owner.

Corporations with fewer than 40 percent controlling foreign ownership and a minimum of 5 stockholders may acquire land. The corporation must apply to the Board of Investment (BOI) for permission to buy, sell, or act as an intermediary in a real estate transaction.

⁴⁶ Ownership of land by foreigners and former Filipino citizens is covered by the *Batas Pambansa Bilang 185* Act of the Philippine national government.

Homeownership

A continuous influx of expatriates and retirees keeps the Philippine real estate market active. The Philippine government encourages return of expatriates and those with family ties through two programs.

- The Citizenship Retention and Reacquisition Act of 2003 enables returning Filipinos who became naturalized citizens of other countries to reclaim Philippine citizenship without renouncing the citizenship of their adopted country—dual citizenship. Reclaiming Philippine citizenship restores all rights to purchase land and other real property.
- The Special Resident Retiree’s Visa (SRRV) Program encourages self-supporting retirees, particularly those with Filipino ties, to settle in the country. The SRRV program offers incentives and services to ease the transition.

SRRV Requirements	SRRV Benefits
<ul style="list-style-type: none">▪ Comply with age limits and time deposit rules▪ With Pension▪ Age 50+, US\$10,000 deposit and US\$800 monthly income▪ Without Pension:<ul style="list-style-type: none">▪ Age 35–49, US\$50,000 time deposit▪ Age 50+, US\$20,000 time deposit▪ Former Filipino citizens, age 35+, US\$1,500 deposit▪ Former foreign diplomatic staff who served in Philippines, US\$1,500 deposit	<ul style="list-style-type: none">▪ Unrestricted travel▪ Long-term residency visa▪ Exemption from income tax on pension and annuity income▪ No customs duty on import of household goods▪ Concierge services and a 24-hour assistance hotline▪ Time deposits may be used to purchase a residence▪ Adult children and dependents granted same status the retiree (additional time deposits for children age 21+)

For information and application forms go to the Philippine Retirement Authority Web site at www.pra.gov.ph/main/srrv_program

Rental Property

Luxury condominium units usually require 2–3 month’s rent security deposit. Rent may be paid in advance with a series of post-dated checks for the duration of the lease. The deposit is customarily returned within a month of the end of the lease with charges for repairs deducted. For the standard rental market, month’s advance rent plus 2 month’s rent deposit is customary with rent paid monthly.

Renters should be wary of leases that include a provision for complying with the “customs of the place,” which means that local practices prevail; there can be a wide variety of meaning for the clause, especially in small towns and rural areas.

In small towns, settling a dispute in court usually involves a cumbersome and expensive process. The town (barangay) tribunal may mediate disputes between landlord and tenant, with the outcome quite dependent on the landlord’s local influence.

Real Estate Professionals in the Philippines

The national government requires licensing of real estate sales people. Licensing requirements include: education at the college level, successful completion of a national exam, clearance from the police and the clerk of the court or the National Bureau of Investigation, a surety bond, and a business permit from the municipality or city of operation. After meeting the requirements, the sales person applies to the Department of Trade and Industry for the license and pays the annual license fee. There are no continuing education requirements.

Real estate agents represent either the buyer or the seller but not both. Commissions are negotiable and are usually paid by the seller.

Rapid construction of condominium homes and office space presents an opportunity and a challenge to develop the real estate management services needed to provide services for tenants and residents.

Chamber of Real Estate and Builders Association

CREBA Center, 3rd Floor, CREBA Bldg.
Don Alejandro Roces Avenue, Corner South "A" Street
Quezon City 1109. Philippines
Phone: 632-373-2268 / Fax: 632-373-2274
creba_national@yahoo.com
www.crebanar.com



Philippine's Top Real Estate Trends

The real estate market in the Philippines is growing and prices are rising as the BPO industry continues to expand and the country has shown its resiliency to natural disasters and global downturns. Specific trends to watch include:

- **Manila Top Real Estate Market:** According to the Urban Land Institute and PwC's Emerging Trends in Real Estate Asia/Pacific 2015 report, Manila continues to be one of the top real estate investment markets in Asia, ranking eighth among Asia/Pacific cities in both investment and development prospects. However, this is down from the fourth place ranking in 2014.
- **ASEAN Integration:** Trade and tourism is expected to increase in 2015 as a result of the ASEAN Economic Integration and the lowering or elimination of trade barriers. The ASEAN Economic Integration is also expected to bolster the real estate market as a result of increased consumer spending.

Practitioner Perspective: It's Better in the Philippines



Asuncion "Shonee" Henry
Allegro Realty International
San Diego, California
www.shoneesellsglobal.com

The Philippines serves as a source of both inbound and outbound referrals. Many inbound referrals involve working with buyers seeking San Diego vacation properties. I also make referrals for Americans looking to the Philippines for retirement properties.

Building Business

You can make connections and stay up on developments by actively participating in CIPS education and networking programs. Look to www.realtor.org/global, www.Realtor.com/international, or www.mls.com.ph to familiarize yourself with properties in the Philippines and connect with practitioners there.

Why the Philippines?

- **English spoken here:** since English is widely spoken, there's no language barrier.
- **Business center:** It's no longer a third-world country. The country is attractive to businesses and it's a center for business process outsourcing. The country's GDP grew by 6.8 percent in both 2013 and 2012, and by 3.6 percent in 2011.
- **Tropical paradise:** It's a beautiful country with lots of things to see and do, and it has great beaches and diving and snorkeling.
- **Aging in place in comfort:** The Filipino people are known for hospitality and care giving, so American retirees feel very welcomed. They also get a lot of bang for the buck. Just \$2,000 a month can buy a very comfortable, worry-free retirement, and retirees can afford to hire people to help them age in place comfortably.

Asuncion "Shonee" Henry states that her real estate vision is to help clients obtain their ultimate dream in real estate both locally and internationally.

Internet Fieldtrip

Take an Internet fieldtrip to these sources and use them to keep up to date. Add your own.

Real Estate Association

- ▶ Chamber of Real Estate and Builders Association (CREBA), www.crebanar.com

NAR Global Alliances, www.realtor.org/global

- ▶ NAR President's Liaison to Philippines
- ▶ NAR Regional Coordinator
- ▶ NAR Ambassador Association to Philippines

Business Groups

- ▶ Philippine American Chamber of Commerce
<http://philamchamber.org>

News

- ▶ Philippine Star, www.philstar.com
- ▶ Manila Times, www.manilatimes.net
- ▶ Inquirer, www.inquirer.net
- ▶ Philippine News Agency, news.pia.gov.ph

Information

- ▶ Philippine Retirement Authority,
www.pra.gov.ph/main/srrv_program
- ▶ National Statistic Office, www.census.gov.ph
- ▶ Philippine Department of Tourism, www.tourism.gov.ph

Events, Conventions, Expos, Cultural, Social

- ▶ Chamber of Real Estate and Builders Association National Convention, <http://creba.ph>
 - ▶ Philippines Building and Construction Expo,
www.itte.com.ph
 - ▶ International Tourism and Trade Expo, www.itte.com.ph
-

Doing Business in the Philippines—Beyond the Basics

Names

Many Filipinos have Spanish-sounding surnames that hark back to former colonial times. Spanish colonizers required adoption of surnames for identification and tax purposes and these family names continue.

Initial Contact and Introductions

Filipino business runs on the basis of a network of personal and family relationships. Family connections figure into many preferential hiring practices. Business relationships are personal, with the individual not the company. Relationships imply the exchange of favors; you may be asked to perform favors and Filipinos will fully expect to do the same.

Business building may involve invitations to breakfast, lunch, dinner, banquets, or evening social events during which business will likely not be discussed.

If possible, arrange for a mutual contact to make initial introductions. A local intermediary, who should be included in all subsequent meetings, can leverage existing relationships. Face-to-face meetings are preferred because they provide an opportunity to form and affirm personal relationships.

Make appointments 3–4 weeks in advance and reconfirm a few days prior. Avoid scheduling appointments during the week preceding Easter. Although Filipinos may be rather casual about time, in business, they expect punctuality; therefore you should arrive on time for an appointment. Remain for a period of social conversation at the end of the meeting.

Initial greetings and introductions are formal in tone. Introductions of a group of business colleagues proceed by rank from the most senior to most junior. A sincere handshake is an appropriate greeting for both men and women. Women who share a close relationship may embrace. Professional and academic titles, as well as Mr. and Ms., should be used until you are invited to proceed on a first name basis.

Business Cards

Business card protocol is not as formal as in other Asia/Pacific countries, but cards should be presented and received respectfully. Present a business card with both hands, with the writing readable to the recipient. Examine a received card before placing it carefully in a card case. Senior level executives may offer their business cards only to those of similar rank.

Negotiations and Decisions

Filipinos see negotiations as mutual problem solving to arrive at a win-win resolution. Negotiations are not conducted in an aggressive or adversarial manner, but expect bargaining.

Because the decision maker may not attend meetings, and decisions are generally made at the top, it may take several meetings to hear a business prospect's decision. Although decisions are made by the most senior in the hierarchy, the decision is often arrived at through a process of consensus building. Feelings based on personal relationships guide decision making as much as, or more than, facts. Sometimes it may seem that no one has the final say.

For Filipinos, the strength of an agreement lies in the individuals' commitment to it, not in the written document. Flexibility is expected if conditions change.

Demeanor

The Filipino concept of saving face involves causing no shame (*Hiya*) to oneself or family. Embarrassment and criticism may cause shame. The individual avoids bringing shame on the family by living up to social expectations.

Filipinos avoid confrontation, negative answers, and displays of temper because these cause loss of face. Loud or boisterous behavior signals a lack of control or aggression. They try to avoid giving a negative answer or causing disharmony. Consequently, communications tend to be indirect. An answer of "yes" and a responsive smile may mean that a statement was heard or understood, not necessarily agreed with.

Appearances, including attire, are important and you will be judged on how well you dress. The best choices are conservative well-tailored,

business suits for men and suits or stylish dresses for women. Men should not remove their jackets unless others do.

Social Etiquette

Bayanihan, the spirit of kinship and camaraderie, embodies the concept of hospitality—a core value for Filipinos. The family is the most important social unit with kinship including not only the extended family but also honorary relations such as godparents (children may have several) and close family friends.

If invited to a home, bring a gift. Sweets or flowers are good choices but avoid chrysanthemums and white lilies as these are associated with funerals. Gifts, which should be elegantly wrapped, are not opened in the presence of the giver unless a host does so first.

Compliment your hosts on their home and their hospitality but do not refer to the host's wife as the hostess as this has other connotations.

Strict punctuality for informal social events is not expected. Arrival 15 – 30 minutes after the scheduled start time is acceptable and expected. At a dinner party, wait to be invited to the table and told where to sit; once seated, the host will invite you to begin the meal. A traditional place setting consists of a fork and spoon; hold the fork in the left hand and use it to push food into the spoon held in the right hand.

Following a social occasion, send a written thank you and perhaps a fancy fruit basket as an extra thank you gift.

Holidays

January 1	New Year's Day
February 25*	EDSA People Power Anniversary
April 9	Araw Ng Kagitangan (Fall of Bataan)
Apr/May^L	Maundy Thursday and Good Friday
May 1	Labor Day
June 12	Independence Day
August 21*	Ninoy Aquino Day
August 31	National Heroes Day
November 30	Bonifacio Day
December 25	Christmas
December 30	Rizal Day
December 31*	Last Day of the Year

In addition to national holidays, provinces and towns observe local holidays and fiestas.

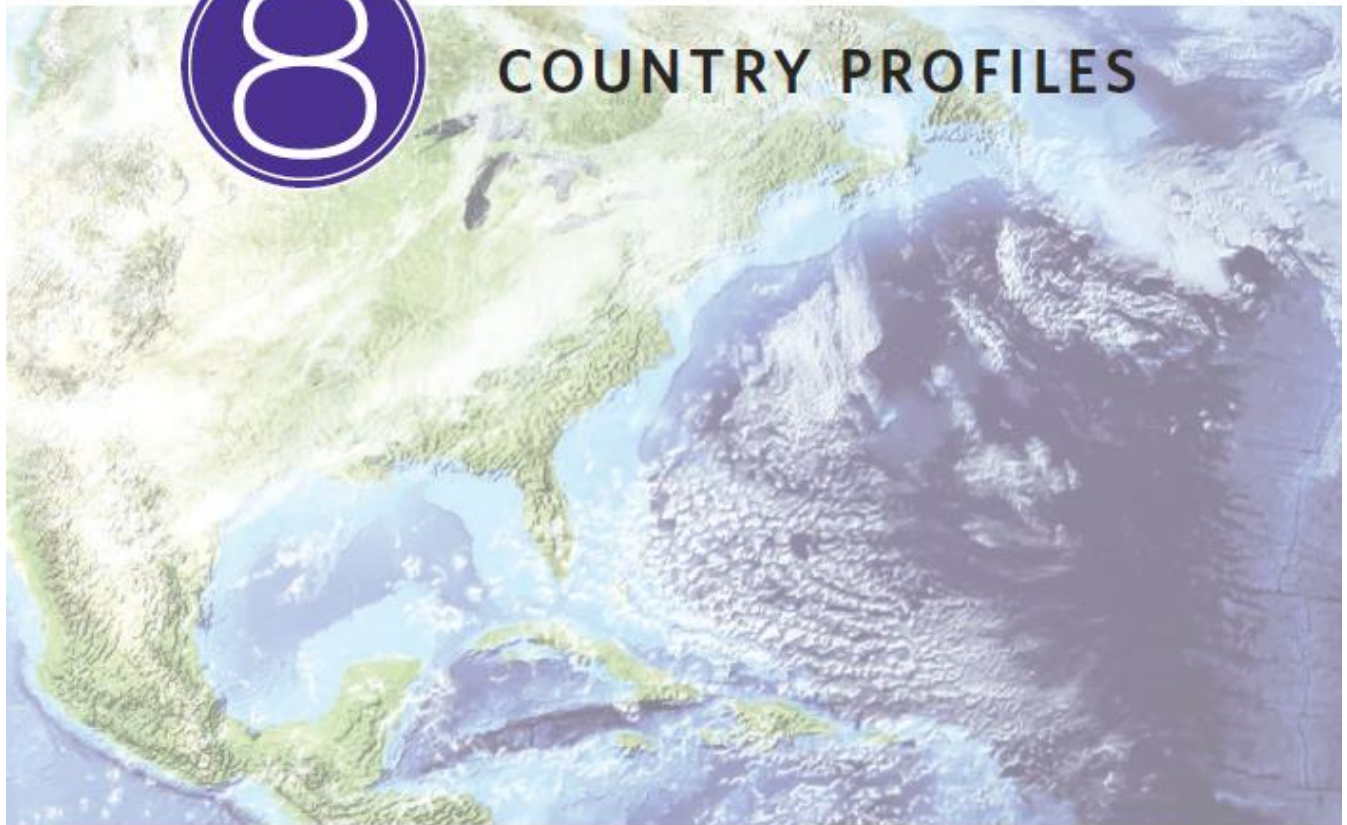
^L = Lunar calendar moveable date

*Usually declared a holiday yearly by the Philippine Government

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE



COUNTRY PROFILES



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Your instructor may divide the class into learning teams and assign one or two country profiles to each team. Read the assigned profile(s) and answer the following questions. Maximize use of the time allotted by dividing the profile so that each team member reads and reports on a designated portion. Explore websites if you have Internet access. You may add your personal knowledge and refer to information presented earlier in the course.

What important facts should the real estate professional know about:

- Geography?**
- Economy and business?**
- Foreign ownership of real estate?**
- Real estate practice**
- Business and social etiquette?**

A Look at Australia

Australia is one of the most urbanized countries in the world. Out of a population of 22.5 million, more than 60 percent live in five large coastal cities. Only 11 percent of Australians live outside of urban areas. Population concentration in coastal cities leaves a large part of the interior relatively unoccupied.

Three time zones—eastern, central, and western

Eastern and western time zones differ from the central zone by a half hour.

Sydney
9:00 am–5:00 pm

London
12:00 am–8:00 am
(previous day)–(same day)

New York
7:00 pm–3:00 am
(previous day)–(same day)

Los Angeles
4:00 pm–12:00 am
(previous day)–(previous day)



Sydney, Pop. 4.6 million*

Melbourne, Pop. 4.0 million*

Brisbane, Pop. 2.1 million*

Perth, Pop. 1.8 million*

Adelaide, Pop. 1.3 million*

Canberra, Pop. 418,292*

In land area, Australia measures slightly smaller than the 48 contiguous states of the United States.

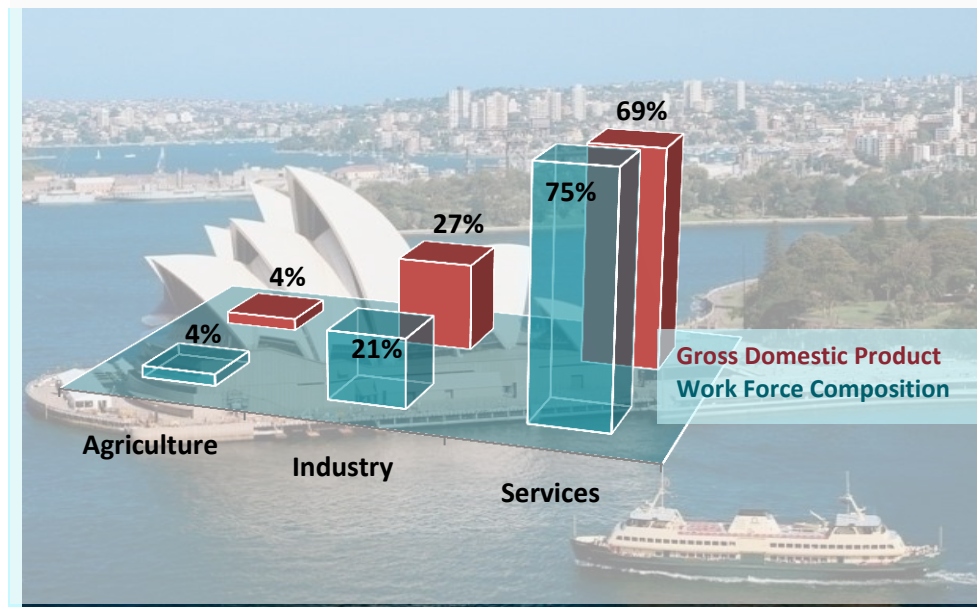
States and Territories

The Commonwealth of Australia is made up of the six states of Queensland, New South Wales, Victoria, Tasmania, Western Australia, and South Australia and the two territories of the Capital District and the Northern Territory. It is a member of the Commonwealth of Nations with the British monarch as Queen of Australia—the titular head of government.



*Australian Government Department of Infrastructure and Transport, www.infrastructure.gov.au (2013)

Australia's Economy—A Few Facts



The Australian economy has experienced continuous growth over the last 20 years and features low unemployment, contained inflation, very low public debt, and a strong and stable financial system. During the 2009 global financial crisis, Australia experienced only one quarter of negative growth. Export of mineral resources—copper, iron ore, gold, coal, rare earths, natural gas—continues to support economic growth. Australia's buoyant economy is closely linked with that of China, its number-one customer, which accounts for a quarter of all exports. China, Japan, and Korea together account for more than 50 percent of Australian exports. The trading partners participate in the Trans Pacific Partnership talks as well as ongoing free trade negotiations.

Source: CIA World Factbook

Real Estate Ownership

Harking back to British law tradition a Torrens system records freehold ownership, equivalent to fee simple. Registered and certified titles are guaranteed by the Australian government. The owner receives a Certificate of Title from the state or territory.

Every state and territory has its own distinct system for land, taxation, property development, title registration, environmental law, historical preservation, and state lands policy. Local governments have limited land taxation, planning, and zoning powers derived from state/territorial legislation.

Can Foreigners Own Real Estate?

The Foreign Investment Review Board (FIRB) controls foreign ownership of real estate. The FIRB strives to maintain price stability, discourage speculation, and ensure that investment increases the housing supply. Access the FIRB website at www.firb.gov.au.

■ Residential

Different regulations apply to new housing and second-hand housing

- **New housing:** there are no restrictions for foreigners who purchase off-plan (pre-construction) if the dwelling is purchased from the developer—not previously sold—and vacant for less than 12 months. The developer must market the properties locally as well as overseas. After purchase, the property may be rented out or sold to an Australian buyer.
- **Second-hand housing:** foreigners may not purchase existing, previously owned homes for investment purposes. Subject to FIRB approval, temporary residents may purchase one property for personal use provided the house is sold when the owner vacates the residence. Companies may purchase residences to house Australia-based staff but must sell a property expected to stand vacant for 6 months or more.

■ Vacation Homes

Foreigners may purchase vacation residences in designated Integrated Tourism Resorts (ITR) without prior FIRB approval. Most of these resort developments are located in coastal areas, particularly in the northeastern state of Queensland.

■ Commercial

The FIRB reviews foreign purchase of non-residential commercial real estate valued over AUS\$5 million.

Real Estate and Brokerage Practices

Real estate agents must be licensed by the state/territorial government where they conduct business. Real estate license requirements vary among the states and territories. Plans for national licensing standards were recently dismissed. While many support the concept, ongoing discussions are necessary to ensure that quality training and operational standards are met.

Real estate agents can represent either the buyer or seller in a transaction. Properties are sold through real estate brokers by private treaty (equivalent to the listing and selling process in the U.S.) and by public auction. Commissions are negotiable except for the state of Queensland. Government regulations in Queensland set a maximum of 5 percent of the first AU\$18,000 of purchase price and 2.5 percent for the remainder. At the time of listing, the seller may pay a fee to cover marketing and advertising expenses.

Doing Business in Australia—Beyond the Basics

Australians view their country as a diverse and multicultural society that blends European, Asian, and Aboriginal heritages.

Australians are rather informal in both business and social life. Greetings are casual and first names are used early on. A brief handshake is appropriate, but other contact, such as back patting or hugging, is too familiar. Business proceeds without a lengthy period of relationship development. The relaxed business atmosphere, however, should not be mistaken for lack of seriousness. Punctuality is expected for both business and social occasions. Australians admire loyalty to friends, candor, modesty, and self-deprecating humor. Based on a strong sense of fairness, Australians tend to conduct negotiations on a win-win basis.

When invited to a home, bring a gift for the hostess—flowers, chocolates, or wine are all acceptable. Gifts are opened when received. Good conversation starters are travel, hobbies, and sports—cricket, tennis, water sports, Australian-style football, and rugby.

Holidays

January 1	New Year's Day
January 26	Australia Day
Mar/May/Oct	Labor Day (date varies among states)
Apr/May ^L	Good Friday and Easter Monday
April 25	Anzac Day
2 nd Monday of June	Queen's Birthday
December 25	Christmas
December 26	Boxing Day

State Holidays

In addition to national holidays, each of the states observe holidays such as Canberra Day, Melbourne Cup Day, Queensland Day, and Agricultural Show Days.

^L = Lunar calendar moveable date

Cooperating Association

The Real Estate Institute of Australia (REIA)
www.reia.com.au

A Look at Hong Kong

The People’s Republic of China regained the former British Crown colony of Hong Kong on July 1, 1997 upon expiration of the 99-year lease. The Hong Kong Special Administrative Region (HKSAR) includes Hong Kong Island, Kowloon, Lantau Island, and the New Territories.

Hong Kong 9:00 am–5:00 pm	London 2:00 am–12:00 pm (same day)	New York 9:00 pm–4:00 am (previous day) –(same day)	Los Angeles 6:00 pm–1:00 am (previous day) –(same day)
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One Country, Two Systems
Hong Kong’s Basic Law, a mini-constitution, guarantees self-governance and protects private property and individual rights. It is, however, silent on crucial areas like the status of land leases, voting rights, extradition, composition of the ruling council, and security provisions. The Basic Law expires on July 1, 2047.

Hong Kong 2047?

The People’s Republic of China owns all of the land and leases it to users. Lease holders have the right of use, income, and transfer but the central government retains title. The status of land leases is unknown past the July 2047 expiration of the Basic Law.



Panorama of Hong Kong

Hong Kong Real Estate

Because of its open business environment, huge population, and land scarcity (7.1 million people packed into about a thousand square kilometers), Hong Kong real estate prices rank among the most expensive in the world. Hong Kong real estate will always fetch premium prices because limited space makes its demand consistently exceed supply. In 2010, the government instituted a special stamp duty on sales to slow price escalation and combat speculation. Additional measures—a 15% buyer’s stamp duty for non-permanent residents and adjusted rates on the SSD—were introduced in 2012 to further suppress property speculation.

Special Stamp Duty (SSD) rates are:

	If the property was acquired between 20 November 2010 and 26 October 2012	If the property was acquired on or after 27 October 2012
property owned less than 6 months	15 percent	20 percent
property owned for 6–12 months	10 percent	15 percent
property owned for less than 24 months	5 percent	10 percent
property owned for more than 24 months but less than 36 months	N/A	10 percent

The HKSAR maintains a public-access computerized document registration system, which creates a public record of the transaction, but not a title registration system.

Foreign Ownership of Real Estate

Foreigners can buy apartments and condos and rent the units out as well as invest in real estate without regulatory impediment. Chinese citizens may purchase real estate in the HKSAR if they are residents of another country. Foreign exchange restrictions create obstacles for mainland Chinese to purchase property without dodging regulations.

Real Estate Licensing and Brokerage Practices

Real estate agents must be licensed. The Estate Agents Ordinance and its subsidiary regulations, the Estate Agents Authority, also promulgate Practice Directions and a Code of Ethics for reference by licensed estate agents and salespersons. The Estate Agents Authority has disciplinary powers over the practitioners. There is also a Code of Ethics supported by the Society of Hong Kong Real Estate Agents whose members can be disqualified for violations. Licensees must be 18 years of age, meet a fit-and-proper standard, have a high school diploma or equivalent, and pass the qualifying exam. Maintaining a license does not require continuing education credit.

For the sole proprietorship, the individual must be a licensed estate agent and apply for a Statement of Particulars of Business (similar to a business license). For partnerships, the partners must be licensed. Both the partners and the business must meet the fit-and-proper standard, and the partnership must apply for a Statement of Particulars of Business.

The real estate agent can represent the buyer or the seller (single agency) or both (dual agency). An agency representation agreement can be written, verbal, or by conduct, but in most cases it is in written form for residential property transactions. Referrals are not commonplace.

Commission rates are negotiable (usually less than 1 percent) or, for rentals, a full month's rent with half a month's rent from both the tenant and landlord. The commission may be paid upon signing of a purchase contract or completion of the transaction.

Doing Business in Hong Kong—Beyond the Basics

The east truly does meet the west in the Hong Kong business world. Its long history as a British colony westernized Hong Kong in many ways, but Chinese culture and traditions intermix and influence both daily life and business conduct. Most of the behavior and protocol that applies to doing business in China also applies in Hong Kong, although the latter is a bit more relaxed and accustomed to western business norms. Hong Kong business moves at a faster pace than its mainland counterpart.

Relationships are important, but less so than with the mainland Chinese, and are also formed more quickly. Communication tends to be more direct but, like the mainland, subordinates avoid communicating bad news to superiors.

Many business people adopt western-style names but first names are not used in business. Business contacts should be addressed as Mr. or Ms. Handshaking is common practice for both men and women, but any other physical contact is inappropriate. Hong Kong business is hierarchical, although less formal than on the mainland. In meetings, participants are introduced from most senior to junior.

Holidays

January 1	New Year's Day
Jan/Feb ^L	Lunar New Year (3 days)
April ^L	Ching Ming Festival
May 1	Labor Day
May ^L	Buddha's Birthday
June ^L	Dragon Boat Festival
July 1	Hong Kong SAR Establishment Day
September ^L	Mid-Autumn Festival
October 1	National Day of the PRC (2 days)
October ^L	Chung Yeung Day (Honors elders and ancestors)
December 25	Christmas
December 26	Boxing Day

^L = Lunar calendar moveable date

Cooperating Association

Society of Hong Kong Real Estate Agents

www.hkrealtors.com

A Look at Indonesia

A chain of 17,000 islands—7,000 inhabited—make up the country of Indonesia. Most of the population of 253.6 million lives on the five largest islands of Java, Sumatra, Borneo, New Guinea, and Sulawesi. Jakarta, the capital city, lies at the northwestern tip of Java. Indonesia shares two of the largest islands with other countries; Borneo with Malaysia and Brunei, and New Guinea with Papua New Guinea. The country's 33 provinces are subdivided into administrative areas of regencies, cities (*kota*), sub districts, and village groupings. Most enforcement of regulations occurs at the regency and city levels. The five provinces of Jakarta, Yogyakarta, Papua, West Papua, and Aceh all enjoy semi-autonomy.

Jakarta 9:00 am–5:00 pm	London 3:00 am–11:00 am (same day)	New York 10:00 pm–6:00 am (previous day) –(same day)	Los Angeles 7:00 pm–3:00 am (previous day) –(same day)
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The capital city of Jakarta (pop 10.19 million*) lies on the island of Java. Indonesia is the 4th most populous country in the world.

Many, But One

Indonesia's national motto, "*Bhinneka tunggal ika*"—Many, but one—reflects its diversity of religion, ethnicity, and language. The Javanese, however, make up about half the population. *Bahasa*, the national language, a majority Muslim population, and a shared history of resistance to colonizers unite its national identity. Indonesian is the world's most populous Muslim nation.

Emerald of the Equator

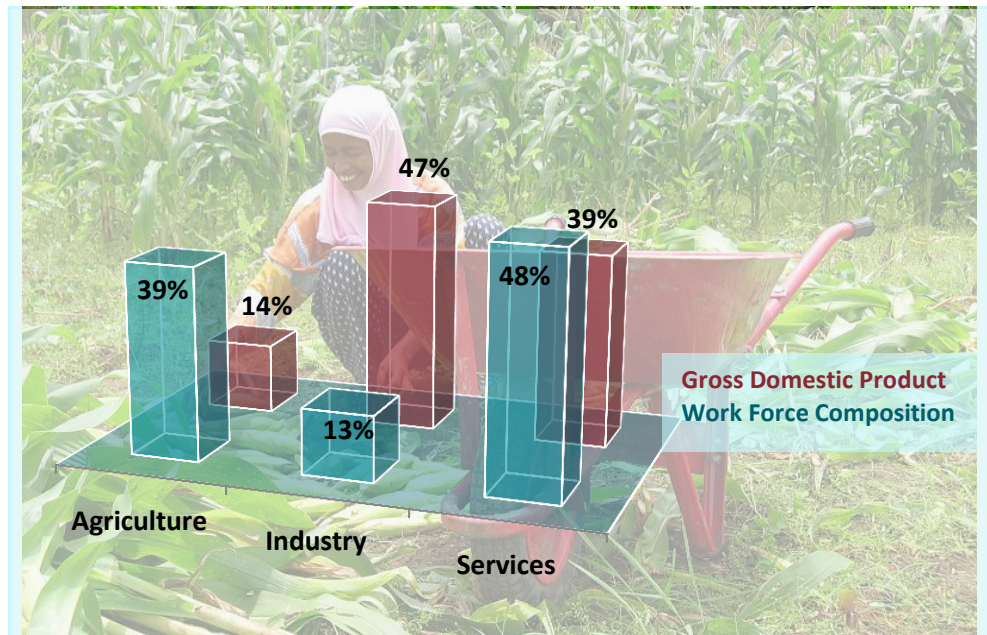
Indonesia's tropical forests shelter the greatest bio-diversity on earth. Nationally supported multilateral initiatives focusing world attention on Indonesia's unique ecosystems include: the Heart of Borneo initiative, the Tropical Forest Conservation Act, the Coral Triangle Initiative, and the World Ocean Conference.

The Dutch East India Company

Holland established a commercial colony in Indonesia in the 17th century. Although abstaining from involvement in Indonesian affairs or culture, the Dutch influenced legal codes and court systems. Indonesia gained independence from Holland in 1945.

*www.worldatlas.com

Indonesia's Economy—A Few Facts



Indonesia's national leaders are extremely intent on fostering economic development that nurtures sustainable growth and provides stable employment. It is an unfortunate fact of Indonesian business that bureaucratic bottlenecks, arbitrary enforcement of regulations, and corruption sap economic growth and discourage investors. Consequently, the World Bank ranks Indonesia at 114 out of 189 economies for ease of doing business. A foreigner seeking to establish a business presence in Indonesia must obtain the guidance of a trusted local real estate professional and attorney. Despite its myriad obstacles, Indonesia's export-driven economy will likely continue to thrive because of the worldwide demand for petroleum which represents 20 percent of exports, as well as minerals—gold, silver, copper, tin, and bauxite—and exotic woods.

Source: CIA World Factbook

Foreign Ownership of Real Estate

Foreigners cannot own land, buildings, or houses outright. They may, however, purchase an apartment or office in a building that offers strata (similar to condominium) title. Alternatively, foreigners may acquire rights to use the property by means of a lease arrangement through an Indonesian representative. For commercial purposes, investors can form a *Penanaman Modal Asing* (PMA) corporation which is a rather complex

and time-consuming endeavor, but does confer the right to build. Foreign buyers commonly maneuver around restrictive land law by “loaning” the purchase price to an Indonesian representative who buys the property and grants irrevocable power of attorney to sell, lease, or mortgage it and a permanent right of use. Condominium “buyers” receive a Convertible Lease Agreement with the developer maintaining the title. In anticipation of law modifications, the lease states that the agreement becomes a deed of sale if future regulatory changes allow foreign ownership. It should be obvious that this system is rife with potential for corrupt and deceitful practices; a reputable, trusted real estate professional and attorney are essential. Indonesia real estate professionals warn that the court system lags in fairly adjudicating property disputes.

Real Estate Licensing and Brokerage Practices

No license is required for real estate brokers or agents. Real estate salespeople represent either the buyer or the seller, but not both. Either the buyer or the seller pays the commission, but not both.

Doing Business in Indonesia—Beyond the Basics

■ **Names**

Indonesians traditionally have one name, but use of a first name and surname is becoming more common, particularly among the middle class. The Chinese and Indians may follow their own naming traditions. Titles are very important and should always be used. If unsure of the proper form of address or correct pronunciation of a name, the best approach is a polite question.

■ **Introductions**

Formal introductions and greetings show respect. The eldest and most senior are introduced first. Communicate your team members’ ranks and levels of authority by following the same introduction protocol. Indonesians customarily shake hands with a soft grip and some may add a slight bow. After the handshake, placing the palms over the heart expresses cordiality. Wait for a woman to extend her hand before offering a handshake; if she does not offer her hand, a slight bow is an appropriate substitute.

■ **Business cards**

Business cards may be presented and received within both hands or with the right hand only. If translated, present the *Bahasa*-language

side of the card facing the recipient. Accept an offered card respectfully, study it, and place it gently in front of you or in a card case. Your business card should clearly state your title, position, and academic degrees so that Indonesian business contacts know the appropriate level of deference and your counterpart within their organization.

■ Meetings

Aim for punctuality, but allow for the flexible *jam karet*—literally rubber time—that characterizes the Indonesian approach to appointment schedules. Time does not equal money, as it does for Westerners, because relationships are more important.

The eldest, most senior member of the group will likely enter first; an approach that foreigners can adopt to signal group members' seniority and authority.

An initial meeting seldom involves substantive discussion. Discussion focuses on getting acquainted and the main topic of business may be ignored entirely. The small talk at these introductory meetings (expect more than one meeting) builds the relationship, a process that cannot be rushed. If the Indonesians feel a good relationship is possible, and your proposal is of interest, substantive discussion will take place at subsequent meetings. Face-to-face interaction is much preferred over e-mail, phone, or fax. Consensus among peers produces decisions—also a process that cannot be rushed. Contracts are viewed as guidelines, not a statement of duties and responsibilities; insisting on a contract too early in a business relationship communicates lack of trust.

Gift giving is not expected at first meetings but is a relationship-building gesture at follow-up meetings. Choose modest gifts representing your company and avoid lavish gifts that could be misconstrued as bribery, known as facilitation payments. Gifts should always be wrapped and are opened later, not in front of the giver. When offered a gift, a small pretense of refusing (“you shouldn’t have”) shows proper humility and appreciation.

■ Demeanor

In Indonesia, the concept of saving face means avoiding shame, *malu*. Indonesians strive for harmony and saving face, their own and others. For this reason, they are quite indirect in verbal communications and will go to extreme lengths to avoid saying no. Linguists report that *Bahasa* has more than a dozen ways to say no plus several ways to say yes but mean no or “I understand but don’t agree.” The distress

of a direct negative answer causes loss of face for all involved. Of course, singling someone out for criticism causes loss of face, but so might praise for an individual member of a team. Assigning a challenging task as a learning experience, a common Western management practice, can cause calamitous loss of face if the subordinate should fail.

Indonesians admire moderate behavior, control of emotions and body language, and avoidance of extreme facial expressions. When asked a question, an Indonesian pauses respectfully for a moment or two before answering. What to a Westerner seems like awkward silence is time in which the Indonesian considers an appropriate response. Therefore, keep silent, wait impassively for the response, and do not try to fill in the silence with chatter, more questions, or suggested answers.

Indonesia's humid, tropical climate makes lightweight clothing essential, but dress conservatively—suit and tie for men, modest dresses, skirts and blouses for women. Women's hemlines should cover the knees and sleeves should cover the upper arm. Western women need not adopt the Muslim custom of covering the head with a scarf. Evening functions are usually casual—short sleeves for men, slacks for women.

■ **Bapakism**

Bapakism (in *Bahasa* literally *father-ism*) refers to an extremely paternalistic style of management based on unquestioned respect for elders and superiors. The concept assumes that the manager makes all decisions and instructs subordinates who carry out instructions to the letter—no more or less. In return for absolute loyalty and deference, the manager is expected to look after the best interest of the group and its individual members. Some see *Bapakism* as an impediment to healthy business growth when managers advance on the basis of nepotism or cronyism instead of merit.

■ **Social etiquette**

Business dining builds relationships, but do not expect to discuss business unless your guest brings up the subject. Guests wait to be shown where to sit and also wait for an invitation to begin eating. After initial serving from shared dishes, diners may help themselves. If you are a guest at a buffet, insist (at least twice) that others precede you which your host will refuse. The most senior person or guest of honor begins the meal and the host is always the last to sit and eat. A place setting usually consists of a spoon and fork; signal

completion of your meal by leaving a few morsels on the plate and placing the fork, tines down, across the plate and the spoon over the fork. Use the right hand when eating and passing food and keep both hands above the table while eating.

A businesswoman who wishes to invite a businessman for dinner should also invite his wife. Making arrangements in advance to pay the bill avoids embarrassment or loss of face.

Better restaurants add a 10 percent gratuity to the bill; if it has not been added, leave a 10 percent tip. In small, traditional restaurants, tipping is not expected.

Because of cramped living conditions, an invitation to an Indonesian home is a rare honor. A gift of flowers or candy would be appropriate, but check with the florist on choice of colors and blossoms. White, black, or blue signify mourning; red or pink are better choices. CDs of champion songbirds, a distinctly Indonesian hobby, make good gifts for those who appreciate birds. Plan to arrive 10–20 minutes late. Upon arrival, check discreetly if you should remove your shoes before entering the house; leave shoes with the toes pointed outward.

Never touch an Indonesian's head; the head is the seat of the soul.

Holidays

January 1	New Year's Day	Holidays, reckoned by the Western, lunar, and Islamic calendars, reflect Indonesia's diversity. Provinces, ethnic, and religious groups observe holidays and festivals in addition to the these national observances,.
Jan/Feb ^L	Chinese New Year	
Mar/Apr ^L	Nyepi (Hindu New Year)	
March ^I	Mouloud (Birth of the Prophet)	
Apr/May ^L	Good Friday	
May ^L	Waisak Day (Buddha's Birthday)	
May/June ^L	Ascension of Christ	
August 17	Indonesian Independence Day	
July ^I	Lailat al Miraj (Ascension of the Prophet)	
Sep/Oct ^I	Eid al-Fitr (end of Ramadan)	
Oct/Nov ^I	Eid al-Adha (Feast of the Sacrifice)	
Nov/Dec ^I	Islamic New Year	
December 25	Christmas	

^L = Lunar calendar moveable date

^I = Islamic calendar moveable date

Cooperating Associations

Asosiasi Real Estate Broker Indonesia (AREBI)

www.arebi-indonesia.com

A Look at the Republic of Korea

The Republic of (South) Korea occupies the southernmost tip of the Korean Peninsula. It has seen growth and global integration over the last few years, currently ranking as the world's 12th largest economy and the host of the 2018 Winter Olympics. South Korea borders only North Korea and its nearest neighbors are China and Japan. The Demarcation Line sometimes referred to as the demilitarized zone (DMZ), divides south from north. Tension between North and South Korea has increased in recent years, with North Korea attacking a South Korean ship and island in 2010, nuclear and missile tests, and its temporary closure of the inter-Korean Kaesong Industrial Complex in 2013.

Seoul 9:00 am–5:00 pm	London 1:00 am–9:00 am (same day)	New York 8:00 pm–4:00 am (previous day) –(same day)	Los Angeles 5:00 pm–1:00 am (previous day) –(same day)
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Capital city
Seoul, Pop. 10.4 million*

Major Cities
Busan, Pop. 3.6 million*
Daegu, Pop. 2.5 million*
Incheon, Pop. 2.9 million*
Daejeon, Pop. 1.5 million*

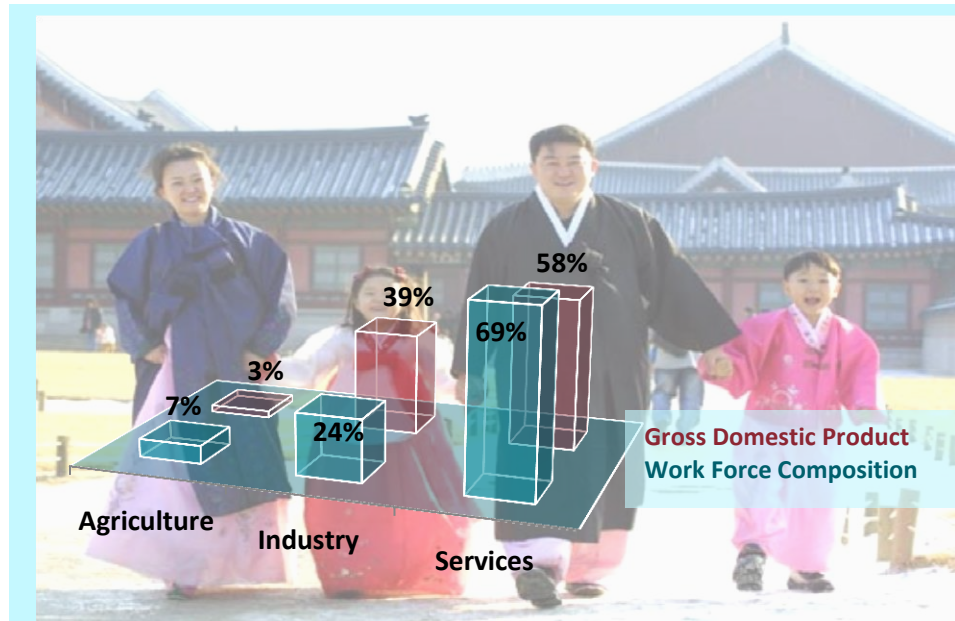
*www.citypopulation.de/KoreaSouth.html (2013)

Korea's population is one of the most ethnically and linguistically homogenous in the world. Virtually all Koreans share a common cultural and linguistic heritage. A rapidly aging population presents a challenge to future economic growth. Korea's over-65 population will reach 40 percent by 2050, making it one of the world's oldest countries. Providing support and services for a large elderly population will present a future economic challenge.



The World Trade Center, Seoul

Korea's Economy—A Few Facts



South Korea, a trillion dollar economy, ranks among world leaders in technology, auto manufacturing, and robotics. It boasts one of the highest rates of broadband Internet access per capita in the world. Several factors underlie its economic success: a system of close ties between government and business, targeted credits, import restrictions, and sponsorship of specific industries. Korea enjoys moderate inflation, low unemployment, an export surplus, and a fairly equal distribution of income.

Source: CIA World Factbook

The Chaebols

Through the rapid growth decades and continuing today, government-sponsored conglomerates known as *chaebols* have dominated Korean business. The *chaebols* represent some of the most familiar worldwide brand names, such as Hyundai, Samsung, and Daewoo. *Chaebols*, like Japanese *keiretsu*, involve interlocking relationships, but differ in key ways. The *chaebols* are family-dominated companies, with relationships often reinforced by marriages, and they do not hold reciprocal shares in banks.

Foreign Ownership of Real Estate

Foreign ownership of real estate encounters few restrictions in Korea. Foreign buyers must file a real property acquisition notification with the municipal registry office within 60 days of the transaction. If the property lies within a military protection zone or designated cultural or ecological zone, the buyer must obtain prior approval of the transaction. The municipal registry office can verify if a property transaction requires notification or prior approval.

Real Estate Licensing and Brokerage Practices

Real estate practitioners, agents and brokers, must be licensed. An agent must pass a national certification exam. A broker must pass the national exam, complete a 32-hour specialized business practice training course, and register a business license with the municipality. There are no continuing education requirements.

Real estate business is regulated by the national Ministry of Construction and Transportation which sets maximum real estate commissions. Commission percentages and terms, however, are negotiable; a broker or agent may accept less than the maximum. Maximum commissions on residential property is .4–.6 percent; the higher the cost, the lower the percentage. Higher commission limits are allowed for luxury and commercial properties. Some practitioners may request payment of half of the commission upon contract signing and the remainder at closing.

Property Rental

Renting a residential property in Korea can be an expensive proposition depending on rental terms. Deposits and rent payments usually follow one of two systems:

- **Key money (*Jeonse* or *Cheonse*):** This system is unique to South Korea and commonly used during times of high interest rates. The renter pays the landlord an advance deposit equivalent to between 25-80 percent of the property's value, but does not make monthly rent payments. The tenant receives a refund of the deposit, less damages, without interest when the lease ends.
- **Key money plus monthly payment (*Wolse*):** Under this system, the tenant pays an advance deposit (up to 10–20 times the amount of monthly rent) and also makes a monthly rent payment. Usually, the

higher the deposit, the less the monthly payment. The tenant receives a refund of the deposit, less damages, without interest when the lease ends.

Serviced residences (furnished apartments) in mixed use developments and *officetels* (combination office and living space) are popular accommodations for foreign business people staying in Korea on a long-term basis.

Doing Business in Korea—Beyond the Basics

Confucian principles shape much of Korea's business culture. Strict hierarchy, respect for seniority and elders, and group harmony characterize Korean business behavior. Although Koreans share many attitudes and behaviors with other Confucian-based cultures, like Japan and China, they are not the same. In fact, a history of conflict makes Koreans react quite emotionally to discussions of Korea's relations with Japan.

■ Names

Traditionally, Korean names are given with the family name first followed by a given name that is shared by all siblings, and a distinguishing first name; there are no middle names. When addressing another, use the person's title followed by last name.

■ Initial contact and introductions

An intermediary known to both parties provides the best, sometimes the only, means of establishing contact. Given the Korean emphasis on education, university alumni networks can yield good contacts.

An intermediary or mutual contact should make introductions; it is rather rude to introduce yourself. The most senior member of a group is introduced first, followed by other group members according to rank and seniority. The most senior member should be addressed first when speaking to a group.

■ Business cards

As in other Asian countries, business cards are an extension of the giver and must be handled with respect. Use the right hand or preferably both hands to present and receive business cards; the writing (translated into Korean on the reverse) should face the recipient. After studying the card and commenting favorably, place it carefully in a card case.

■ **Meetings**

Experienced business travelers report that Koreans tend to schedule meetings close together; a delayed conclusion to one meeting means a late start for the following one. Arrive punctually, but remain flexible if the start of a meeting is delayed.

■ **Demeanor**

Demeanor during business meetings is formal and attempts at ice-breaking humor communicate a lack of seriousness about the matter at hand.

Respect for elders is a paramount virtue. You should, for example, allow elders to go first through doorways and go ahead of you in a line. Also, refrain from smoking, remove your sunglasses, and sit with uncrossed legs in the presence of elders.

Koreans, like other Asian peoples, value face-saving behavior. But, in Korea, the concept, known as *kibun*, involves not only saving face but also personal dignity, pride, mood, and feelings. Harming another's *kibun* can cause irreparable damage to a relationship.

Koreans share two key Asian traits: the reluctance to say no and an admiration for calm, professional demeanor. But Koreans are very different from their neighbors. They tend to be assertive, expressive, individualistic, and direct in their communication and appreciate straightforwardness in others.

Conservative and modest business dress is the best approach for both men and women. Subdued colors such as brown, black, or navy are the best choices.

■ **Contracts and negotiations**

Koreans view contracts as a statement of consensus instead of a conclusion of an agreement. They tend to be assertive in negotiations and appreciate straightforward negotiations with others.

■ **Social etiquette**

Building a business relationship may involve an evening of socializing with cocktails and dinner. Offer and accept drinks using the right hand, or both hands to share extra respect. When toasts are made, lift your glass with the right hand; extra respect and enthusiasm are shown by supporting the right elbow with the left hand. Use utensils—chopsticks or silverware—never your fingers to consume all foods including fruit.

If invited to sing along at a karaoke bar, it is time to overcome stage fright and do your best as a refusal is rather rude.

If invited to a Korean home, remove your shoes at the entrance, with the toes facing the same direction as other shoes, and don the slippers your host will provide.

Koreans do not accept a gift on first offering; you must insist that the recipient accept. Likewise, when offered a gift you should decline modestly at least two or three times before accepting.

Exposing the soles or the shoes or feet, touching another, or pointing with your feet are all considered quite rude. If you cross your legs, make sure that the soles of your shoes are pointed downward and not exposed. Men should never sit with an ankle resting on the opposite knee as this exposes the shoe sole—an action that likely kill a deal and lose a client.

Holidays

January 1	New Year's Day
Jan/Feb ^L	Lunar New Year (3 days)
March 1	Independence Day
May 5	Children's Day
May ^L	Buddha's Birthday
June 6	Memorial Day
August 15	Liberation Day
Sept/Oct ^L	Autumn Festival (3 days)
October 3	National Foundation Day
December 25	Christmas Day

^L = Lunar calendar moveable date

Cooperating Association

Korean Association of Realtors

www.kar.or.kr

A Look at Malaysia

The far-flung former British colonies of Sabah and Sarawak joined together in 1963 to form the Federation of Malaysia. Singapore, a member of the original Federation, split off in 1965. Eastern Malaysia (Sarawak) shares the island of Borneo with Indonesia and Brunei. Peninsular, western Malaysia (Sabah) shares land borders with Thailand and Singapore. The South China Sea separates the two parts of Malaysia. If compressed into one land mass, Malaysia would equal roughly the land area of Norway or the U.S. state of New Mexico.

Kuala Lumpur

9:00 am–5:00 pm

London

2:00 am–8:00 am
(same day)

New York

9:00 pm–5:00 am
(previous day) –(same day)

Los Angeles

6:00 pm–2:00 am
(previous day) –(same day)



Capital city

Kuala Lumpur, Pop. 6.9 million

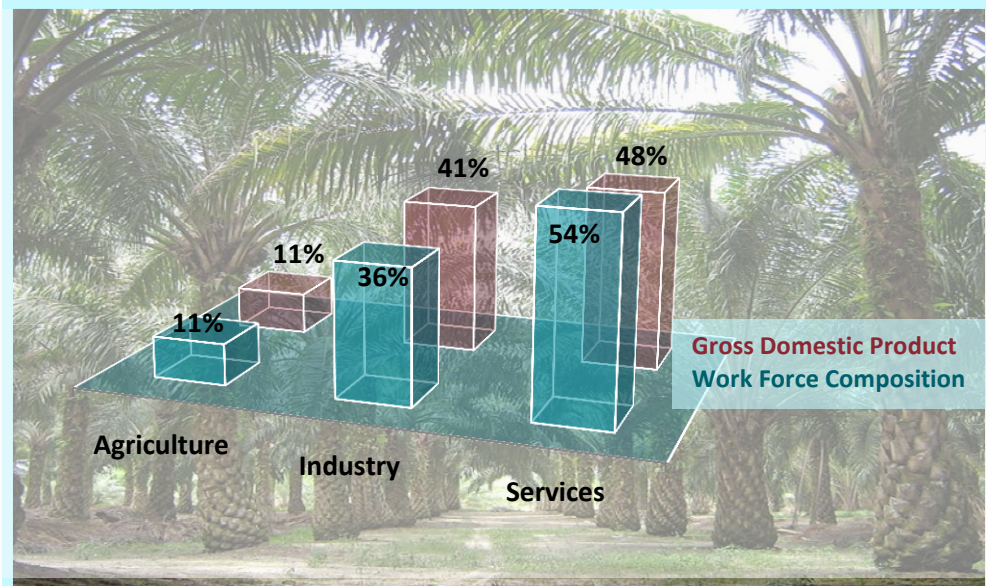
Peninsular Malaysia is home to more than two thirds of the country's 30.1 million inhabitants.



The 88 Story Petronas Towers, the world's tallest twin towers, dominate Kuala Lumpur's skyline.

Malaysia's governing structure combines constitutional monarchy, hereditary sultans, and a bi-cameral parliament. The king is elected for 5-year terms from among the nine sultans of the peninsular Malaysian states. The king also is the leader of the Islamic faith, the state religion. Hereditary sultans govern all but two of the country's thirteen states. Each state establishes its own regulations.

Malaysia's Economy—A Few Facts



Malaysia is a net exporter of oil and gas and, consequently, global oil prices impact the country's revenues. In 2013 the oil and gas sector supplied about 32 percent of government revenue. Under the current Prime Minister NAJIB, the government is taking steps to boost domestic demand and reduce its dependence on exports. The government is also trying to lessen its dependence on state oil producer Petronas. A goods and services tax of 6 percent was introduced in 2015. The government subsidizes energy and food prices and manages supplies to keep inflation in check; shortages caused by smuggling and hoarding are a chronic problem as a result. Government planning, through a series of five-year plans, greatly influences the Malaysia's economic priorities. The Tenth Malaysia Plan—Vision 2020—sets a 6 percent growth target. The plan emphasizes strengthening of the private-sector economy, reducing reliance on subsidies, and improving access to a reliable social safety net for all Malaysians.

Source: CIA World Factbook

Foreign Ownership of Real Estate

Malaysia has one of the least restrictive environments for foreign ownership of real property, but the rules have changed multiple times in the last few years. As of 2013, foreigners may own any type of property including up to two residences valued at a minimum of MYR 1,000,000 (about US\$270,000); less expensive properties are reserved for Malaysians. Since most of the properties purchased by foreigners were in the MYR 250,000 to MYR 500,000 range, the industry was hit hard. As of September 2014, some areas now have a minimum MYR 2,000,000. Also, Foreigners can't purchase landed properties in Selangor unless it's in a gated community. To complicate matters, property is a State matter so individual states may overrule the Federal policies. As such, it is wise practice to consult with State Land Offices for specific regulations.

Non-Malaysians may purchase all types of properties without setting up a company with local equity partners. Foreigners can also buy into projects on which construction has not started and borrow from Malaysian banks to finance their property purchases.

The Real Property Gain Tax was also changed to a flat rate of 30% for first three years, 20% for the fourth year, 15% for fifth year, and 5% for sixth year onward. .

Malaysia My Second Home (MM2H)

The lush tropical beaches and a cosmopolitan capital city, combined with a low cost of living, lure retirees and second-home buyers to Malaysia from Australia, Japan, Korea, Hong Kong, the U.K., France, Canada, and other countries. Capitalizing on this trend, the national government offers the Malaysia My Second Home initiative—MM2H for short—specifically designed for foreign retirees. The Ministry of Tourism and Immigration Department jointly administer the program; for detailed information go to www.mm2h.gov.my

MM2H Requirements (aged 50+)	MM2H Benefits
<ul style="list-style-type: none">▶ Maintain a fixed deposit account of MYR150,000* or,▶ Monthly offshore income of MYR10,000▶ Medical insurance with a company in Malaysia▶ Cannot seek employment or open a business <p>MM2H inspection tours and long stay travel packages can be booked through government approved travel agencies. Go to www.mm2h.gov.my</p> <p>*MYR50,000 may be withdrawn after one year for approved expenses—house purchase, education of children in Malaysia, or medical expenses.</p>	<ul style="list-style-type: none">▶ 10-year visa for unrestricted travel and unlimited stay; automatic renewal▶ May own up to two residences subject to minimum price requirements by state▶ May obtain 60% mortgage financing through a Malaysian bank▶ Note that the 6% goods and services tax introduced in 2015 may impact the purchase or import of a personal car.

Real Estate Licensing and Brokerage Practices

Malaysia’s national government mandates licensing for real estate agents. Licensing requirements include a high school diploma with credits in math and science, required real estate education, successful completion of a licensing exam, and three years of work experience. There are no continuing education requirements to maintain the license.

Malaysian real estate agents represent the buyer or the seller but not both. The Board of Valuers, Appraisers, and Estate Agents Malaysia (LLPEH) regulates commission rates. The commission rate on a residential home sale is 2.75 percent on the first MYR500,000 and 2 percent on the remainder. The commission scale does not apply to transactions involving overseas properties.

Bumiputra

Bumiputra, a uniquely Malaysian phenomenon, describes a set of laws and customs meant to provide native Malays with preferential treatment in employment, business, housing, and education. *Bumiputra*—literally son of the earth—is defined as a Malay who is Muslim, habitually speaks Malay, conforms to Malay customs, and has at least one parent who was born within the Federation of Malaysia before August 31, 1957, the date of Malaysia’s independence from Great Britain.

The system was introduced in the 1970s following a period of violent ethnic unrest. When instituted, the practice of *Bumiputra* derived from the belief that non-native Malaysians, particularly Indian and Chinese immigrants, held most of the nation’s wealth and owned most of the commercial enterprises to the detriment of native Malays. Although *Bumiputra* successfully raised many native Malaysians into the middle class, the policies are a continuing source of resentment for Malaysians of Indian and Chinese descent.

The concept of *Bumiputra* is important for foreign investors because its practices dictate minimum equity requirements for corporations, housing development set asides and discounts, employment quotas, auto importation permits, and other preferences.

Doing Business in Malaysia—Beyond the Basics

■ Names

In Malaysia, native Malays, Chinese, and Indians follow the naming traditions of their respective cultures. Native Malays and Muslim Indians customarily have a first name followed by a patronymic—*bin* (son of) or *binti* (daughter of) for Malays, a/l (son of) or a/p (daughter of) for Indians; when abbreviated as B. or A/L non-Malays may mistake these for middle initials. Alternatively, Indians may adopt the father's first name as a first initial. Chinese Malaysians follow the Chinese naming convention of family name followed by a first name; those who have frequent contact with westerners may adopt a western-style first name and surname.

Some names are lengthened by the use of inherited hereditary Malay titles such as *raja*, *tun*, *haji*, *awang*, and *dayang*. The resulting lengthy names may be shortened in various ways.

■ Initial contact and introductions

Initial contact is best accomplished through a mutual contact which establishes a basis for developing a relationship. Malaysians are very respectful of both elders and superiors. Therefore, a group of business associates will be introduced in order of rank or seniority. Personal and professional titles are valued and should be used usually with a surname. For the foreigner unsure of how to address a Malaysian, a sincere question about correct name and pronunciation is the best approach.

Malaysians are accustomed to the Western custom of shaking hands; close associates may clasp with both hands. The handshake grasp tends to be light, unlike the Western firm handshake. Generally, men and women do not shake hands, unless the woman offers her hand; a slight bow is an appropriate substitute.

■ Business cards

Proper business card protocol is to present and receive a card within both hands or with the right hand only. When a card is received, the recipient should handle it respectfully, study the card for a moment and then place it carefully on the table or in a card case.

■ Meetings

A foreigner should strive for punctuality, but realize that Malays and Indians have a relaxed attitude toward punctuality. Chinese, on the other hand, will almost always be punctual.

Initial meetings are for the purpose of getting acquainted and substantive business discussion may be postponed until a subsequent meeting. Because early meetings focus on relationship building, you should not be surprised by personal questions about family and income. Do not be offended or become defensive, as this would cause loss of face for the questioner; respond to questions as tactfully as possible without causing your own loss of face.

In a business setting, gifts are not expected and are probably best avoided in order to steer clear of the perception of bribery.

■ **Demeanor**

Modest, self-deprecating, and face-saving behavior are admired. Consequently, Malaysians tend to communicate quite indirectly and may use subtle expressions and gestures to convey thoughts and reactions. They will go to great lengths to avoid giving a negative answer. When asked a question, a Malaysian may pause before answering. The silence means that the question is being considered and an answer prepared. The Western propensity to give quick, sharp answers may be perceived as rude.

Conservative business dress is the best choice, although the humid tropical climate calls for lightweight clothing. Men should wear a conservative jacket and tie, although the jacket can be removed if others do so. Women should dress very conservatively with knee-covering hemlines, long sleeves, and no pantsuits. Makeup should be understated. Non-Muslim women are not required to cover their heads, but modesty is appreciated. Malaysia receives a lot of rain with frequent sudden downpours; lightweight rain gear and an umbrella will come in handy. Do not wear yellow as it is the color reserved for royalty.

■ **Contracts and negotiations**

Be prepared for prolonged negotiations. Malaysian view contracts as a set of guidelines and may expect to renegotiate if conditions change.

■ **Social etiquette**

A 10 percent gratuity may be added to a restaurant bill, but tipping is generally not practiced unless rewarding exceptional service. Toasting is usually not done. When arranging a group dinner, consider if attendees are Muslim (restaurants must be halal), or vegetarian Hindus. If you are hosting an event, buffet service with distinct separations for the gamut of dietary practices is the best approach.

Although the Chinese, Indian, and native Malaysians go to school together and share workplaces, when it comes to socializing the individuals and families almost always stay within the group.

Hospitality is an important value for Malaysians and they commonly invite business contacts to their homes. Unannounced visits are common and during major festival periods Malaysians may hold open house with all invited and expected to drop in. If invited to a home, bring a gift. The type of gift and color of wrapping paper varies according to ethnic group. All, however, have in common the customs of not opening a gift, which is always handsomely wrapped, in front of the giver as well as giving and receiving a gift with the right hand. Gifts of sweets, pastries, or chocolates are usually appropriate gifts or an item that represents your home country. Do not give gifts of alcohol to Muslims—most Malays and some Indians. If a gift is offered, accept with humility and feigned refusal (“you shouldn’t have”).

- ▶ Gift giving to Malays: do not give children gifts of toy dogs or pigs. The color white denotes mourning and yellow is reserved for royalty. Avoid items made from pigskin.
- ▶ Gift giving to Chinese: appropriate gifts are pastries, sweets, or chocolates, but say it is for the children. Never give gifts of scissors or knives as these symbolize cutting off the relationship. Flowers are best avoided because of the association with funerals. The colors white, blue, and black denote mourning, but it is acceptable to use red or pink. Elaborate gift wrapping makes a good impression. If giving a baby gift, never decorate it with a stork as these birds symbolize death. Gifts of money or sets of something should be even numbers.
- ▶ Gift giving to Indians: avoid flowers, such as frangipani, which are associated with funerals (ask a florist for help). Gifts of money should be an odd number. The colors white and black denote mourning, but it is acceptable to use red or green.

Holidays

January 1	New Year's Day	National holidays are observed based on the Western, lunar, and Islamic calendars and reflect the diversity of Malaysia. State and religious observances add holidays to the calendar. The Islamic calendar can cycle a holiday date throughout the year over the span of several years.
Jan/Feb ^L	Chinese New Year (2 days)	
Jan/Mar ^I	Maulidur Rasul (the Prophet's Birthday)	
May 1	Labor Day	
May ^L	Wesak (Buddha's Birthday)	
June 6	Birthday of the Paramount Leader	
August 31	National Day	
Sep/Oct ^I	Hari Raya Puasa (End of Ramadan—2 days)	
October ^L	Deepavali (Hindu Festival of Lights)	
Oct/Nov ^I	Hari Raya Qurban (Sacrifice of Abraham—2 days)	
Oct/Nov ^I	Awal Muharram (Islamic New Year)	
December 25	Christmas	

^L = Lunar calendar moveable date

^I = Islamic calendar moveable date

Cooperating Association

Malaysian Institute of Estate Agents (MIEA)

www.miea.com.my

A Look at New Zealand

The island nation of New Zealand consists of two main islands, North Island and South Island, plus a handful of outlying islands. Its capital city, Wellington (population 471,000*), located at the southern tip of the North Island, claims the title of the world's southernmost capital. The North Island city of Auckland, the largest city, is home to 1.4 million*, about a third of the population. Christchurch, the largest city on the South Island, has a population of 353,000*. New Zealand place names show a combination of British colonial influence and the native Maori culture.

*www.citypopulation.de/php/newzealand.html

Wellington

9:00 am–5:00 pm

London

10:00 pm–6:00 am
(previous day) –(same day)

New York

5:00 pm–1:00 am
(previous day) –(same day)

Los Angeles

2:00 pm–10:00 pm
(previous day)

Two Distinct Cultures

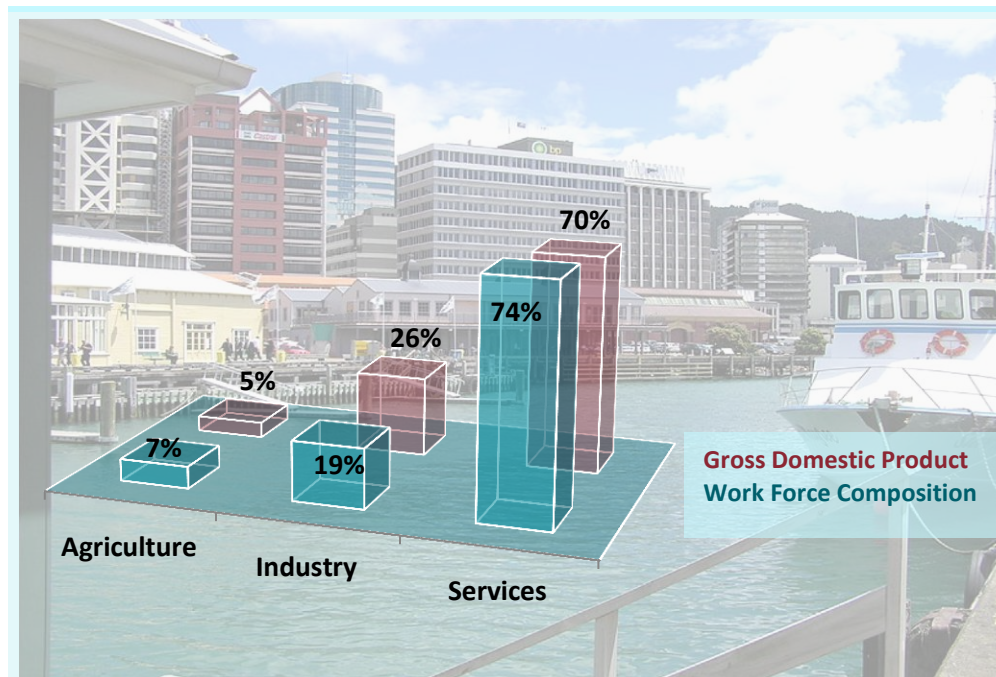
New Zealanders refer to themselves as kiwis, after the country's national bird. Maoris refer to New Zealanders of European descent as *Pakeha*. The Maoris, once the dominant group, now represents about 14 percent of the population. European colonization from the late 18th century onward led to most of New Zealand's land passing from Maori to colonialist ownership. The 1840 Treaty of Waitangi, celebrated annually on February 6, brought New Zealand into the British Empire and awarded Maoris equal rights with British citizens.



A Maori welcome ceremony. Marae, sacred places for the Maori, are best visited in an organized group as permission is required. Photo by Ciell, Creative Commons



New Zealand's Economy—A Few Facts



New Zealand's economy has traditionally been based on a foundation of exports from its very efficient agricultural system. Leading exports include meat, dairy products, wood and wood products, fruit and vegetables, fish, and wool. A quarter of all of its exports go to Australia; China, the United States, and Japan are also important customers of New Zealand's exports. Starting in 1984, restructuring based on free market principals transformed the economy from highly protected, regulated, and subsidized to globally competitive.

Source: CIA World Factbook

Real Estate Practices

In terms of real estate, housing prices continue to go up and lending practices remain the same; most lenders are banks from Australia. New Zealand continues to have seller agency only, with most homes sold in the auction format and no multiple listing services.

Foreign Ownership of Real Estate

Foreigners may own real estate in New Zealand with few restrictions. Some purchases require prior approval: properties valued at more than NZ\$10 million, more than 5 hectares of agricultural land, land adjoining nature reserves and heritage sites, and shoreline properties exceeding .4 hectares.

A seller must present a Land Information Memorandum (LIM) from the local authorities; this document provides information on the legality of the structure, taxes, zoning, permissible use, and future developments. Additionally, the seller must register the title through the national Land Information New Zealand database.

Real Estate Licensing and Brokerage Practices

The Real Estate Institute of New Zealand (REINZ) has an extensive Code of Ethics and Rules of Practice and a formal process for the investigation and prosecution of complaints.

Real estate agents must hold a Certificate of Approval issued by the national Real Estate Agents Licensing Board (REALB). License applicants must be of good character and complete a required course of education. No continuing education credit is required, but licenses must be renewed annually. Real estate auctioneers must hold both a salesperson's certificate and an auctioneer's license.

Sales agents work under the supervision of a Branch Manager or Principle Officer. A Branch Manager must have a minimum of three years of experience as a salesperson and complete additional educational requirements. A real estate company must be supervised by a licensed Principal Officer.

Although licenses are national in operation, and allow the agent to transact business anywhere in New Zealand, an agent's market area is effectively controlled by the requirement that a Branch Manager or Principal Officer personally supervise agents' sales activities.

Real estate agents generally represent the seller or landlord; they seldom represent the buyer.

Commission is due as soon as the agent has procured an unconditional and enforceable contract. Commissions are negotiable and subject to a 12.5 percent Goods & Services Tax.

Doing Business in New Zealand—Beyond the Basics

■ Initial contact and introductions

New Zealanders are quite egalitarian and do not stand on ceremony when introduced. A smile with eye contact, a cordial handshake, and a “how do you do” are quite sufficient. When initially introduced, it is polite to address the person as Mr. or Ms., but New Zealanders will likely move quickly to a first-name basis.

Maoris, the native Polynesian people, may be a bit reserved at first meeting, but place great value on hospitality and assuring a guest’s comfort. A formal Maori introduction ceremony, a *Powhiri*, is a very complex ritual involving formal introductions, speeches, and singing. An invitation to a *Powhiri* is a high honor. If you are invited, enlist the help of a native Maori to guide you through the ceremony, prepare an appropriate speech expressing appreciation for the place and the hospitality, and learn 2–3 songs representing your home country. For the Maoris, singing strengthens friendship bonds and communicates conviviality.

■ Business cards

Although there is no formal business card etiquette, as in neighboring Asian countries, it is still a good idea to present and receive business cards respectfully.

■ Meetings

Make an appointment in advance and confirm by phone. It may be difficult to confirm an appointment during December or January as these are popular vacation months and schools are on summer break.

Arrive for meetings on time or a few minute early. Meetings begin with some small talk and then get down to business. New Zealanders appreciate brevity and direct communication. Present your proposal straightforwardly along with supporting data.

■ Demeanor

The kiwi business culture is basically European in approach, but definitely relaxed and low key. Dress, including business attire, tends toward casual.

■ Contracts and negotiations

New Zealanders do not generally conduct protracted negotiations or haggle over details or price. A concise, straightforward approach is best.

■ **Social etiquette**

Dining protocol and manners follow European standards and are generally relaxed, although the more formal the occasion, the more formal the expected etiquette. Hands are kept above the table when eating.

Tipping is not customary.

Afternoon tea served around 3:00 p.m. is a refreshment break. Evening tea served between 6:00 p.m. and 8:00 p.m. is the main evening meal. A supper is usually a light evening meal or snack.

If invited to a home, arrive at the stated time. Bring a modest gift of flowers, chocolates, wine, or an item representative of your home country. Gifts are opened when received.

An invitation to a home barbecue may be (BYO) which means bring your own beer and may also mean bring meat for the barbecue grill. Check with the host when the invitation is received.

Holidays

January 1	New Year's Day
February 6	Waitangi Day (National Day)
Apr/May ^L	Good Friday and Easter Monday
April 25	ANZAC Day
1 st Monday June	Queen's Birthday
4 th Monday October	Labor Day
December 25	Christmas
December 26	Boxing Day

^L = Lunar calendar moveable date

Cooperating Association

Real Estate Institute of New Zealand (REINZ)

www.reinz.co.nz/reinz/

A Look at Singapore

In 1965 Singapore split off from the British-formed Federation of Malaysia and became an independent city state. It occupies the southernmost tip of the Malaysia peninsula and its 700 square kilometers of area houses a population of 5.6 million. Singapore long range plans call for expanding its area through ongoing landfill particularly on the east-facing coast. Like its neighbors, Malaysia and Indonesia, Singapore's population is a diverse mix of Chinese (74%), Malay, and Indian

Singapore

9:00 am–5:00 pm

London

2:00 am–10:00 am
(same day)

New York

9:00 pm–5:00 am
(previous day) –(same day)

Los Angeles

6:00 pm–2:00 am
(previous day) –(same day)



The Merlion, Singapore's national symbol. Photo Wikimedia



Economy and Business

The World Bank ranks Singapore number one for ease of doing business. It is the most prosperous of the Asian countries and its citizens enjoy personal incomes on a par with European countries. Singapore is a regional financial and technology center. More than 1,500 U.S. firms operate offices there. Its strategic location on major shipping lanes make its port the world's busiest in terms of tonnage and shipping provides a large portion of Singapore's wealth. The government's approach to business and regulation enforcement, although authoritarian, results in a corruption-free business environment. The government resolves labor issues through "tripartism" with unions, management.

Foreign Ownership of Real Estate

A foreign person who wishes to purchase a landed residential property is required to seek Government approval under the Residential Property Act (RPA). However, the RPA was amended in 2005 to allow foreigners to purchase apartments in non-condominium developments of less than 6 levels without the need to obtain approval. While the number of foreign buyers has declined over the last few years, they still play a key role in the market.

Stamp Duty Taxes for Sellers and Buyers

In order to cool off the real estate market and discourage speculation, the Singapore government introduced special stamp duties in 2011 and increased them in 2013.

Seller's Stamp Duty	Additional Buyer's Stamp Duty
Computed on the higher of market value or sales price	Computed on the higher of market value or purchase price
Holding period of: <ul style="list-style-type: none">▪ 1 year or less: 16%▪ 2 years: 12%▪ 3 years: 8%▪ 4 years: 4%	Applies to foreigners, permanent residents who already own 1 property and citizens who already own 2 properties. <ul style="list-style-type: none">▪ Foreigners: 15%▪ Residents and citizens: 5-10%

Real Estate Licensing and Brokerage Practices

Real estate professionals must be licensed. Requirements include a college degree in real estate or a related field, successful completion of the Common Examination for House Agents, relevant work experience, and membership in the Institute of Estate Agents (SISV/IEA). There are no continuing education requirements.

Real estate agents most commonly represent the seller; buyer representation is rare. Agency representation contracts are not mandatory and open agency arrangements often result in conflicts when several brokers claim that their efforts introduced the buyer. Agent commissions are negotiable and the market is quite competitive.

Doing Business in Singapore—Beyond the Basics

■ Names

Personal names are based on ethnicity. The Chinese of Singapore usually have a surname followed by one or two given names, although many adopt a western-style name. Malays do not have surnames, but connect their fathers' first names to their own with a son of/daughter of indicator, *bin* (for a man) or *binti* (for a woman). Indians tend to add the father's initial in front of a first name, sometimes with a son of (s/o) or daughter of (d/o) connector. Indians whose names are long may use a shortened version. All Indian Sikhs adopt the surname of Singh.

■ Initial contact and introductions

Try to arrange appointments at least two weeks in advance. The most formal method is a written request for an appointment, but Singaporeans are accustomed to communications by phone, fax, and e-mail.

Introductions proceed by order of rank, from the eldest and most senior to youngest. Young Singaporeans accustomed to westerners shake hands with everyone. For more conservative and older business people, greetings and introductions follow protocols based on the ethnicity. Chinese, both men and women, shake hands with a light touch; wait for a woman to extend her hand. Malay men shake hands but Muslims of opposite sex do not touch. A slight bow of the head is appropriate when introduced to a woman or when women greet each other. Indians shake hands with people of the same gender; substitute a slight bow to a woman.

■ Business cards

Business cards should be handled with great respect as it communicates how you will interact with business contacts in the future. Offer and accept a card with both hands with the text facing the recipient. If you will have a lot of contact with Chinese, have cards printed in Mandarin Chinese on one side, preferably in gold ink which is a very auspicious color. Accept a card respectfully, study it briefly, and carefully put it in a card case.

■ Meetings

Singaporeans are punctual and will expect you to be on time. Unlike other Asian cultures, Singapore business meetings start with some small talk and then get down to business. Because Singaporeans avoid confrontation, they may be reluctant to ask questions during a meeting. You will need to encourage questions and assure listeners

that questions are welcomed. Between a question and a reply, Singaporeans insert a moment of silence which demonstrates careful consideration of a response.

They are reluctant to lose face by saying no; “I’ll see what I can do” may be the substitute response. Indirect, subtle communication prevents a loss of face, which means facial expressions and body language speak more than words do.

Despite the preference for indirect communication and preserving face, Singaporeans are keen negotiators and you should expect tough, lengthy negotiations.

■ **Demeanor**

A loss of face reflects not only on the individual but also the family, school, and company. Maintaining face makes Singaporeans strive for continuous group harmony. The need to maintain face underlies adherence to a strict chain of command within companies.

Although an egalitarian society, strong hierarchical relationships are the norm in the family, schools, and in business. Hierarchy is expressed in both position and age, with senior members of a company treated with increasing respect as years accumulate. Even if you do not personally know the individual, an elder always receives consideration. In Singapore, children are legally responsible for the financial support of elderly parents if the need arises.

■ **Social etiquette**

Acceptable social etiquette depends on ethnicity. Refer to the information on gift giving in the Look at Malaysia (see page 189). The extended family, which includes close family friends, forms the core of Singapore’s social structure. Deference to the family includes deeply felt respect for all elders, even those not personally known.

Holidays

January 1	New Year's Day
Jan/Feb^L	Chinese New Year
Apr/May^L	Good Friday
May^L	Vesak (Buddha's Birthday)
August 9	National Day
Sep/Oct^I	Hari Raya Puasa (End of Ramadan)
Oct^L	Deepavali
Oct/Nov^I	Hari Raya Haji (Feast of the Sacrifice)
December 25	Christmas

^L = Lunar calendar moveable date

^I = Islamic calendar moveable date

Cooperating Association

Institute of Estate Agents (IEA)

www.iea.sg

A Look at Taiwan

The modern island state of Taiwan, formerly known as Formosa, was formed in 1949 when two million Nationalists led by Chiang Kai Shek fled the mainland advances of Mao Tse Tung's army. Following this conflict, both the Republic of China (ROC) and the mainland People's Republic of China claimed the status of the "true China," a contentious issue that isolated the PRC diplomatically for many years.

Taipei

9:00 am–5:00 pm

London

2:00 am–10:00 am
(same day)

New York

9:00 pm–5:00 pm
(previous day) –(same day)

Los Angeles

6:00 pm–2:00 am
(previous day) –(same day)



A panorama of Taipei

The island of Taiwan is slightly smaller than the U.S. states of Maryland and Delaware combined, or roughly equal to Belgium. The capital city Taipei (population 2.7 million) lies on the northern tip of the island. A narrow strait, 120 kilometers across, separates the island from mainland China.



Foreign Ownership of Real Estate

Liberalization of investment laws has facilitated foreign ownership. A foreigner may purchase or lease real estate if Taiwanese are allowed to own real estate in the foreigner's country; this regulation effectively barred mainland Chinese from owning property in Taiwan. Lands in sensitive areas, such as forests, fisheries, and coastlines are off limits for foreign ownership.

Real Estate Licensing and Brokerage Practices

The national Real Estate Brokerage Management Act sets forth qualification requirements for real estate brokers and agents.

Real estate sales associates must complete a thirty-hour training course of study and successfully complete the qualification examination (100 questions out of 500 in question bank). License renewal, every four years, requires completion of a twenty-hour refresher course. Sales agents must work under the supervision of a broker. A licensed sales associate must have at least one year's experience before applying for a broker's license.

The sales associate license permits the real estate practitioner to work for a brokerage anywhere in the country. Although the license is national, brokers and agents are effectively limited to doing business within a specific municipality by local business license requirements.

Taiwan strictly regulates real estate brokerage. The 1999 *Real Estate Brokerage Management Act* sets forth rules for business conduct and commissions. Either the buyer or seller may pay the commission which cannot exceed 6 percent for the entire transaction. In practice, the buyer pays 1–2 percent and seller pays 3–4 percent.

Economy and Business

Taiwan maintains a healthy trade surplus and foreign reserves. Agriculture, once a third of the economy, now represents less than 2 percent of GDP. Taiwanese companies invest heavily throughout Southeast Asia.

Doing Business in Taiwan—Beyond the Basics

Traditional Chinese culture underlies Taiwan's way of doing business as well as its social, cultural, and family customs. Ethnic groups define themselves on the basis of dialects of Chinese—Taiwanese, Hakka, or the official language of Mandarin. Social and political distinctions between native Taiwanese and former mainlanders and their descendants are gradually diminishing.

■ Names

The Taiwanese follow Chinese naming traditions of surname followed by one or two first names, although some adopt western-style names. Use titles or Mr. or Ms. until a first-name basis is requested.

■ Initial contact and introductions

The Chinese practice of *guanxi* makes mutual acquaintances essential to making the right contacts. Introductions follow formal protocol from the oldest and most senior to junior members. A light handshake is appropriate including between men and women, but it is best to wait for woman to extend her hand. A slight, respectful downward glance may accompany a handshake.

■ Business cards

Business cards are presented and accepted with both hands. The text should face the recipient. If translated into Chinese, use traditional script instead of the simplified script used on the mainland.

■ Meetings

Several meetings may be needed to establish a relationship before business is conducted. Taiwanese want to understand a proposal's broad context and words, gestures, and facial expressions all contribute to communicating the context. They may reject an overly succinct proposal because it lacks context.

■ Demeanor

Traditional Confucianism values define Taiwanese social, business, and family life. True to this tradition, the family is the most important social unit and group harmony is paramount. Contact with the West, however, makes expression of individuality more socially acceptable.

Taiwanese strive to maintain face (*mien-tzu*). Expressing criticism, giving a gift beneath their status, displaying anger or excessive emotion, or refusing an invitation or gesture of friendship are all actions that can cause loss of face.

■ **Social etiquette**

Taiwanese commonly greet each other by saying, “have you eaten?”

The Taiwanese generally prefer to entertain guests in restaurants instead of their homes. Therefore, an invitation to a Taiwanese home is quite an honor and will follow only after cementing of a close relationship. If invited to a home bring a modest but elegantly wrapped gift and present it with both hands. Following Chinese traditions, avoid white, blue, or black wrapping paper, white flowers and chrysanthemums, odd numbers and the number 4, scissors, and knives. Give a modest gift unless reciprocating a lavish one. Gifts are not opened in front of the giver.

Holidays

January 1–3	New Year’s Day and National Day
Jan/Feb ^L	Chinese New Year
February 28	Peace Memorial
April ^L	Tomb Sweeping Day
May 1	Labor Day
May/June ^L	Dragon Boat Festival
Sep/Oct ^L	Mid Autumn Moon Festival
October 10	Double Tenth Day

^L = Lunar calendar moveable date

Cooperating Association

Chinese Association of Real Estate Brokers (CAREB)



A Look at Thailand

Thailand has the distinction of being the only Southeast Asian country to never come under foreign colonial rule. Thailand shares borders with Burma, Cambodia, Laos, and Malaysia. Its size is slightly larger than Spain, or about twice the size of the U.S. state of Arizona. Its bustling capital city of Bangkok houses 8.2 million* people.

*www.worldatlas.com

Bangkok

9:00 am–5:00 pm

London

3:00 am–11:00 am
(same day)

New York

10:00 pm–6:00 am
(previous day) –(same day)

Los Angeles

7:00 pm–3:00 am
(previous day) –(same day)

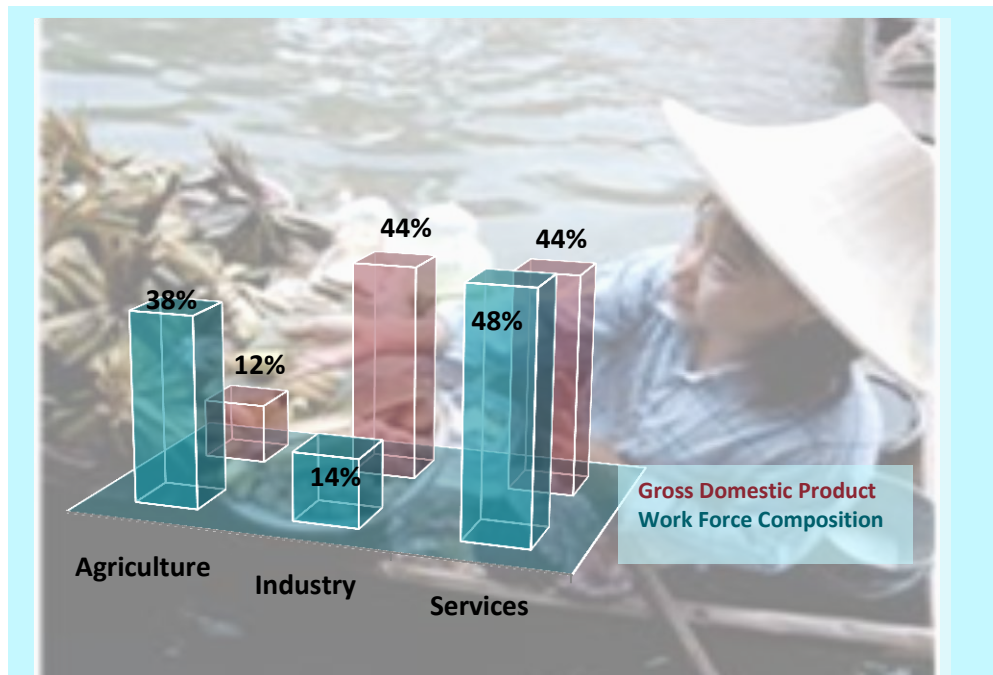


Bangkok skyline

A much revered hereditary monarchy and an elected parliament share the leadership of Thailand. The king is the chief of state and the prime minister is the head of government. A strong central government exercises much control over the country's 76 provinces; provincial governors are appointed by the Ministry of the Interior.



Thailand's Economy—A Few Facts



The Thai economy has been tested over the last several years, with the global economic recession impacting exports, historic flooding in 2011 that crippled the manufacturing sector, and ongoing political unrest. However, Thailand has shown its resiliency and is expected to achieve slow, but steady, growth.

Source: CIA World Factbook

Foreign Ownership of Real Estate

Foreigners cannot own land in Thailand, only condominiums and apartments. However, foreigners cannot make up more than 49% of the condominium's unit-owners. A purchaser must remit funds from outside the country and obtain a *Thor Tor 3* certificate from the Thai bank as proof of the international fund transfer. This certificate must be presented to the land department as part of the title transfer process.

A foreign buyer may generally acquire only a leasehold on land for a period of thirty years with an option to renew for an additional thirty years. Formation of a joint venture special purpose company, a Thai SPV, allows land ownership rights, making it possible to acquire a house and its land. An SPV faces the same restrictions as an individual if more than 49 percent of the registered capital or shareholders are foreign. Only two

of the required seven shareholders can be foreigners; the majority shareholders (51%) must be Thai citizens.

Foreign investors who bring at least THB 40 million into the country may own one plot, not coastal property, of land for their personal use. The plot cannot exceed 1 Rai (1,600 square meters).

Before 1998, Thai women lost their land ownership rights upon marriage to a foreign citizen. They now retain land ownership rights regardless of the husband's nationality, but the rights do not transfer to the foreigner spouse.

Real Estate Licensing and Brokerage Practices

Although real estate practitioners and business are not regulated, the Real Estate Broker Association of Thailand has made great efforts to establish standards and rules of professional conduct.

Doing Business in Thailand—Beyond the Basics

Thailand is a stronghold of Buddhist belief and almost 95 percent of the population observes its traditions. Buddhism set the tone for hierarchical relationships in the family and business.

■ Names

Thai names are given with a first name followed by a surname. Because names tend to be rather long, some may be shortened or substituted with a nickname. Ask politely if you are uncertain of an individual's preferred title and name.

■ Initial contact and introductions

Make appointments well in advance. Provide a list of attendees, an agenda, and material about your company and proposal.

The *wai*, a traditional greeting, involves bringing the palms together (in a praying position) over the chest and making a slight bow of the head. The higher the hands are held and the lower the bow, the more respect. The *wai* is offered by younger to seniors and elders; which is usually returned by the senior person

Punctuality is expected. Following introductions, remain standing until told where to sit, the hierarchical culture dictates the places of honor and position within the group.

■ **Business cards**

Business cards are presented and accepted with both hands. The text should face the recipient. Accept an offered card respectfully, study it briefly, and place it carefully in a card case.

■ **Meetings**

Relationships develop slowly and may take several meetings. Rank is very important and must be observed. At first meeting, Thais will try to fit a new acquaintance into the right hierarchy and show the appropriate amount of deference. You can help this process by providing an advance list of meeting attendees and their titles.

■ **Demeanor**

Thais avoid confrontation because expressing open criticism or anger invites the wrath of the spirits. You must be cognizant of your own body language, tone of voice, and facial expressions as these will be observed carefully and may overshadow your words.

Business attire is conservative. You will be judged on the basis of your clothing choices and its quality.

■ **Social etiquette**

If invited to a social function, the host will introduce you to others as this indicates your status.

Arrive on time. Remove your shoes before entering if it appears to be the custom of the house. Step over the threshold, not directly on it—an old superstition but still practiced and appreciated.

Meals are served buffet or from platters placed in the center of the table. Wait to be asked to take a second helping. Leaving a little food on the plate indicates you are finished, but do not leave rice as it is considered wasteful. Nor should you take the last morsel from the serving bowl.

Do not cross your legs in such a way that the soles of the shoes are exposed.

Holidays

January 1	New Year's Day
February 9	Makha Bucha Day
April 6	Chakri Memorial
April 13-15	Songkram Festival (3 days)
May 5	Coronation Day
May^L	Visakha Bucha Day (Buddha's Birthday)
July^L	Vassa (Bhuddist Lent)
August 12	Queen's Birthday
October 23	Chulalongkorn Memorial Day
December 10	Constitution Day
December 5	King's Birthday/Father's Day
December 25	Christmas *
December 31	Last Day of Year

^L = Lunar calendar moveable date

* = not a national holiday but observed by many businesses

Cooperating Association

Real Estate Sales and Marketing Association (RESAM)

www.resam.or.th

Thailand Real Estate Brokers Association (TREBA)

www.treba.or.th

A Look at Vietnam

Vietnam experienced French colonization in the 19th and early 20th centuries. The Vietnamese won independence from France in 1945. The country is about the size of Norway, or the U.S. state of New Mexico, and has a population of 93.4 million. It is divided into 58 administration provinces. The national council exercises central control of provincial matters. The far north capital city of Hanoi has a population of 6.9million* and the southern city Ho Chi Minh (HCM) City (formerly Saigon) has 7.8 million* residents.

*www.citypopulation.de/Vietnam.html

Hanoi

9:00 am–5:00 pm

London

3:00 am–11:00 am
(same day)

New York

10:00 pm–6:00 am
(previous day) –(same day)

Los Angeles

7:00 pm–3:00 am
(previous day) –(same day)

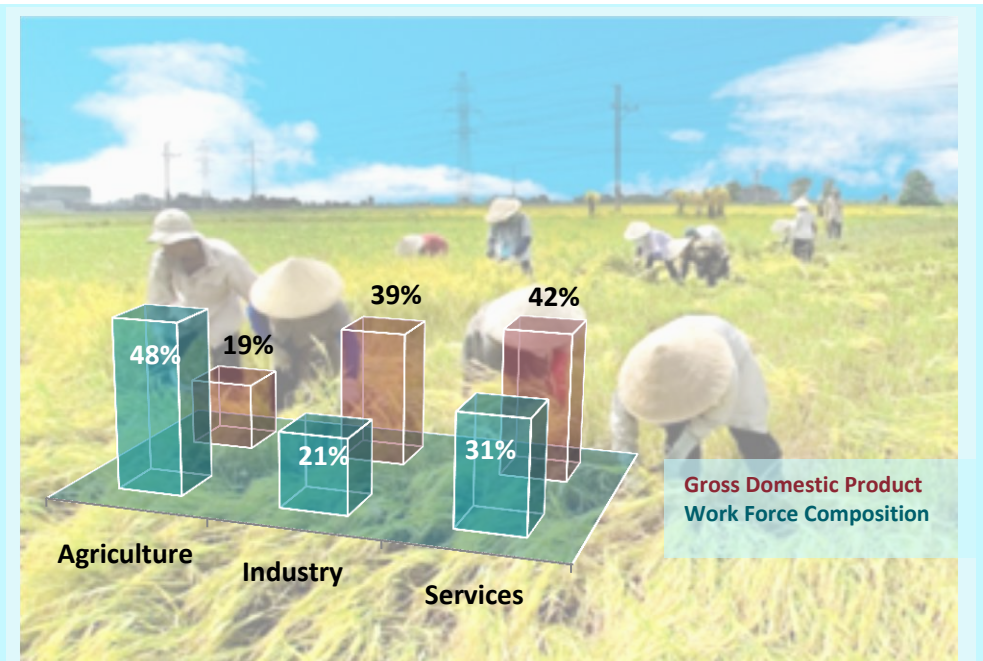
Vietnam’s long coastline includes several major sea ports: Cam Ranh, Da Nang, Hai Phong, Ho Chi Minh City, Hong Gai, Qui Nhon, and Nha Trang. A network of inland rivers offer more than 11,000 miles of navigable inland waterways.



Panorama of Hanoi



Vietnam's Economy—A Few Facts



Over the last three decades, Vietnam has had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc, and the constraints of a centrally planned communist economy. Despite rapid growth of private enterprise, state-owned enterprises, which dominate the economy, still produce about 40 percent of country's GDP. The Vietnamese government continues to work toward economic liberalization and international integration in order to create jobs for a labor force that grows by more than one million people every year.

In 2012 Vietnam launched a three-pillar economic reform program, but little progress has been made. The goals are to:

- Strengthen competitiveness in the regional and global economy
- Enhance the sustainability of development
- Broaden access to social and economic opportunity

The top five sources of FDI in Vietnam are: Japan, Singapore, South Korea, Taiwan, and the British Virgin Islands. The manufacturing and processing sector captured the most investment dollars (\$120,964 million) with the real-estate business sector coming in next (\$48,432 million).

Source: CIA World Factbook

Foreign Ownership of Real Estate

In an effort to strengthen the real estate market, a new law will take effect on July 1, 2015 that allows foreigners to buy houses in Vietnam for the first time, as long as they have a valid Visa. They will be able to own the property for a maximum of 50 years under the amended Housing Law, and may lease, sell, or transfer the property similar to Vietnamese citizens. In terms of restrictions, foreigners won't be able to purchase more than 30 percent of the apartments in an apartment building or 250 houses in a ward.

Vietnamese properties are priced in taels of gold. One tael equals 1.25 ounces. Consequently, prospective property buyers and real estate professionals need to monitor gold prices and conversation rates.

Profits on sales of real estate are subject to a personal income tax including a property transfer tax. Under these tax regulations, the owner of more than one property pays either a transfer tax of 25 percent on the profit or 2 percent on the selling price. The sale of a personal residence is exempt from the transfer tax. There is a 10 percent withholding requirement for interest and royalties paid to foreigners. In addition to national taxes, municipalities collect real estate tax based on occupancy.

Real Estate Licensing and Brokerage Practices

In 2009, the government enacted regulations for property trading floors operated by real estate companies—a company structure similar to the brokerages operated by real estate professionals in western countries. Per the 2009 law, property transactions must be carried out through a licensed property trading floor so that both market access and transaction transparency are improved and consumers are protected. In addition to facilitating transactions, the property trading floors may offer services such as appraisal, consulting, and property management. Property trading floors must publicize information about properties at least seven days before the properties are listed. The 2009 law also requires certification of real estate professionals.

Doing Business in Vietnam—Beyond the Basics

Although officially atheist, Vietnamese culture and society are strongly influenced by Buddhist tradition stressing duty, loyalty, honor, respect for age and authority, and family devotion. Life revolves around the extended family and the senior member makes decisions.

■ Names

Naming tradition is similar to Chinese custom with a surname first followed by a first name.

■ Initial contact and Introductions

Best introductions are through a mutual contact. Handshaking is common due to contact with the West. Wait for a woman to extend her hand and substitute a small bow if she does not offer her hand. Professional titles or Mr. or Mrs. should be used until you are invited to switch to first names.

■ Business cards

Business card protocol is similar to that used by Chinese business people. Present a card with the text facing the recipient and respectfully accept offered cards.

■ Meetings

Arrive on time for meetings. Respect for hierarchy and rank means that the senior member enters the room first, so try to arrange your group in rank order too. Decision making is slow and may move through several levels and group consultation before a decision is made.

Gift giving is not expected. Gifts, if given, should be presented at the conclusion of a meeting. A modest gift with your company logo or something typical of your home country is a good choice.

■ Demeanor

Due to contact with the West, Vietnamese business conduct is slightly more casual than other Southeast Asian countries. Face saving behavior, however, is important and should be observed. Vietnamese try to avoid confrontation and saying no. A smile could mask misunderstanding or disagreement.

It is very rude to touch another's head or shoulder or pass something over another's head.

Standing with hands on hips or making direct eye contact may mistakenly communicate aggression.

■ **Social etiquette**

If invited to a Vietnamese home a gift of sweets, flowers, a fruit basket, or spirits is appreciated by not expected. Gifts for children and elderly parents in the home will be much appreciated. Do not give gifts of handkerchiefs, anything black, yellow flowers, or chrysanthemums. Gifts may be refused once or twice before acceptance. Gifts, which should be wrapped in colorful paper, are not opened in front of the giver.

In Vietnam, the Western gesture of crossing the fingers for luck should be avoided as it is rude.

Holidays

January 1	New Year's Day
Jan/Feb ^L	Tet Festival (Vietnamese New Year)
April 5	Gio To Hung Vuong
April 30	Fall of Saigon
May 1	Labor Day
September 2	National Day

^L = Lunar calendar moveable date

Cooperating Association

Vietnam Real Estate Association (VREA)

ASIA/PACIFIC & INTERNATIONAL REAL ESTATE

RESOURCES



Resources

Websites 229

Country Assessment Model 231

Web Sites

National Association of REALTORS® Global
www.realtor.org/global

Realtor.com
www.Realtor.com/international

Asian Real Estate Association of America (AREAA)
www.areaa.org

All China Data Center
<http://chinadataonline.org>

Asia/Pacific Economic Cooperation (APEC)
www.APEC.org

Associated Chambers of Commerce and Industry of India (ASSOCHAM)
www.assochem.org

Association of Southeast Asian Nations (ASEAN)
www.asean.org

Bookings Institution
www.brookings.edu/research

Business Knowledge Resource Online
www.business.gov.in

China Council for Promotion of International Trade (CCPIT)
www.ccpit.org.cn

China International Electronic Commerce Network
En.ec.com.cn

China Statistical data
www.china.org.cn/e-company

Commission on Filipinos Overseas
www.cfo.gov.ph

Council on American Islamic Relations
www.CAIR.com

Department of Industrial Policy and Promotion
<http://dipp.gov.in>

Doing Business Survey, World Bank Group
www.doingbusiness.org

Finance & Development Journal, International Monetary Fund
www.imf.org/external

Foreign Investment Review Board (FIRB)
www.firb.gov.au

Institute of International Education
www.iie.org/opendoors

Japan External Trade Organization
www.jetro.go.jp

Jones Lang LaSalle Asia/Pacific Research
www.joneslanglasalle.com

Land Institute of Japan
www.lij.jp

Malaysia My Second Home (MM2H)
www.mm2h.gov.my

Ministry of Land, Infrastructure, and Transport
www.mlit.go.jp/en

Ministry of Overseas Indian Affairs
www.moia.gov.in

National Bureau of Statistics
www.stats.gov.cn

National Informatics Centre, Government of India, National Portal of India
www.india.gov.in

Overseas Indian Facilitation Centre
www.oifc.in

Philippine American Chamber of Commerce
<http://philamchamber.org>

Philippine Retirement Authority
www.pra.gov.ph/main/srvv_program

Pravasi Bharatiya Divas
<http://www.pbd-india.com/>

Reserve Bank of India (RBI)
www.rbi.india.org.in

Statistics Bureau of Japan
www.stat.go.jp/English

U.S.-China Chamber of Commerce
www.usccc.org

United Nations Economic and Social
Commission for Asia and the Pacific
www.unescap.org

Country Assessment Model

Geography

- Major cities, states, provinces, colonies
- Climate, terrain, borders, and coastlines
- Unique features
- Environmental issues and agreements
- Natural resources

Real Estate

- Market size
- Private property rights
- Foreign ownership
- Acquisition costs, fees, and taxes
- Transaction support: MLS, records access
- Rental property: commercial, residential, office
- Land use regulation, zoning, permits
- Financing
- Brokerage practices and agent licensing
- Forms of ownership
- Role of the notary
- Investment returns and value appreciation
- Commercial trends
- Home ownership rates and housing trends

Demographics

- Population: size, age, density, trends
- Consumption and savings rates
- Per capita income
- Languages and literacy
- Labor force composition (service, industry, agriculture) and overall skill level

Government

- Type, structure, tenure, and stability
- Tax laws and rates (citizens, foreigners, corporate, capital, inheritance, tax treaties)
- Legal system and court structure
- Constitution, legislature, regulatory structure
- Major political parties and elections
- Voting rights
- Administrative structure and bureaucracy

Economy and Business

- Economic philosophy and monetary policy
- Base industries
- Currency and exchange trends
- Inflation, recession, and GDP trends
- Unemployment
- Major trading partners and alliances
- Exports and imports
- Trade balance
- Trade and capital flow restrictions
- Wage and price controls
- Business infrastructure
- Market access—internal and external

Infrastructure

- Electricity and water supplies, waste management
- Transportation and shipping: airports, ports, waterways, railways, roads
- Banking, ATMs, credit cards
- Technology usage
- Internet access
- Communications and media
- Institutions: medical, educational, religious

Beyond the Basics

- Ethnic composition
- Business impact of religion and culture
- Business and social behavior
- Traditions
- Holidays
- Negotiation and decision-making styles
- Mistakes to avoid

Networking and Key Contracts

- Potential clients and customers: corporate, commercial, individual, local, and foreign
- Business and professional connections
- Real estate organizations
- Real estate expositions and events