



NAR



CIPS

STUDENT MANUAL

# Asia/Pacific & International Real Estate

OFFICIAL CIPS DESIGNATION COURSE

Presented by the **Center for REALTOR® Development**

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Center for REALTOR® Development

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## Acknowledgments

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INTRODUCTION



## Introduction

### Welcome

The key to a successful international real estate business is to have a strong understanding of the country where you're doing business. This includes everything from the geography, economy, political sphere, cultural practices, and real estate processes. In the Asia/Pacific region, with a total population of over 4.5 billion people, these factors can vary greatly and can change quickly. By taking this course, you will enhance your knowledge of countries in the Asia/Pacific region. Are you ready to gain the insights and build the networks you need to make your business thrive? Let's get started!

### What You Will Learn

#### Course Learning Goals

**The goals of the asia/pacific and international real estate course are for students to:**

- ▶ Identify important laws, cultural norms, and geographic factors of various Asian markets that will help you facilitate successful real estate transactions.
- ▶ Assess opportunities in Asian real estate markets by understanding the history of specific regions, investment patterns, and trends in real estate activity.
- ▶ Learn ways to develop a professional network that will help you start or enhance an international real estate business with Asian clients and properties.

## Module Learning Objectives

### ▶ **Module 1: An Overview Of Asia/Pacific Today**

- » Summarize the geographic, demographic, and regional market trends that can inform how, when, and where to conduct business.
- » Describe the cultural influences of the Asia/Pacific region and how knowledge of these influences can help REALTORS® better conduct business.
- » Identify ways to build an Asia/Pacific business network.

### ▶ **Module 2: The Real Estate Market in China**

- » Summarize the geographic, demographic, and regional market trends of China and their importance in making real estate investments.
- » Explain how the real estate market functions in China and how conditions impact real estate opportunities, both in China and abroad.
- » Describe the business culture in China as well as strategies for effectively navigating cultural expectations and norms.

### ▶ **Module 3: The Real Estate Market in Japan**

- » Summarize the geographic, demographic, and regional market trends of Japan and their importance in making real estate investments.
- » Explain how the real estate market functions in Japan and how conditions impact real estate opportunities.
- » Describe the business culture in Japan as well as strategies for effectively navigating cultural expectations and norms.

### ▶ **Module 4: The Real Estate Market in India**

- » Summarize the geographic, demographic, and regional market trends of India and their importance in making real estate investments.
- » Explain how the real estate market functions in India and how conditions impact real estate opportunities.
- » Describe the business culture in India as well as strategies for effectively navigating cultural expectations and norms.

- ▶ **Module 5: The Real Estate Market in the United Arab Emirates**
  - » Summarize the geographic, demographic, and regional market trends of the United Arab Emirates and their importance in making real estate investments.
  - » Explain how the real estate market functions in the United Arab Emirates and how conditions impact real estate opportunities.
  - » Describe the business culture in the United Arab Emirates as well as strategies for effectively navigating cultural expectations and norms.
  
- ▶ **Module 6: Country Profiles**
  - » Summarize the geographic, demographic, and regional market trends of the profiled countries and how they influence real estate decisions.
  - » Summarize the housing market and real estate practices and policies of each profiled country.
  - » Describe the general business practices and cultural customs and norms of each profiled country.

## Activities and Class Procedures

This course contains 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 enriches the learning experience for yourself and others.

## Countries Examined in Course

This course focuses on a selection of Asia/Pacific countries where NAR has cooperating agreements with national real estate associations. The cooperating agreement relationships form the foundation for the CIPS Network and allow you to network with real estate professionals around the world.

- |             |               |                        |
|-------------|---------------|------------------------|
| ▶ Australia | ▶ Japan       | ▶ South Korea          |
| ▶ China     | ▶ Malaysia    | ▶ Thailand             |
| ▶ Hong Kong | ▶ New Zealand | ▶ United Arab Emirates |
| ▶ India     | ▶ Philippines | ▶ Vietnam              |
| ▶ Indonesia | ▶ Singapore   |                        |

## International REALTOR® Membership

Members of a cooperating association, with which NAR has a bilateral agreement of cooperation, can become international members of the National Association of REALTORS®. As an International REALTOR® Member, your name and contact information is entered into the Find a REALTOR® directory—at no cost. Inclusion in this global database allows consumers and professionals around the world to find you at [www.nar.realtor/global](http://www.nar.realtor/global). Member benefits also include access to the Realtors Property Resource® proprietary database of the millions of U.S. property parcels and has partnered with Valuate to offer an “analyze the property for investment” function. For information on all International Member benefits and a membership application, go to [www.nar.realtor/global/international-realtor-membership](http://www.nar.realtor/global/international-realtor-membership).

## Earning the CIPS Designation

The National Association of REALTORS® awards the Certified International Property Specialist (CIPS) designation to REALTORS® who complete the required coursework and demonstrate global real estate experience.

The CIPS course curriculum is the foundation for a worldwide network of over 4,000 real estate professionals in 50 countries.

To be eligible for the CIPS designation, you must complete five of the courses listed below (two core courses and three elective courses), and complete an application demonstrating 100 points of international experience.

### Course Requirements

From the time the first course is taken, you have three years to complete the coursework and apply for the designation.

#### ▶ Core Courses

- » Global Real Estate: Local Markets (both U.S. and non-U.S. students)
- » Global Real Estate: Transaction Tools (U.S. students only)
- » The Business of U.S. Real Estate (non-U.S. students only)

#### ▶ Elective Courses:

- » Europe and International Real Estate
- » Asia/Pacific and International Real Estate
- » The Americas and International Real Estate
- » Africa and International Real Estate

#### ▶ One of the following courses may count as one elective option:

- » At Home With Diversity
- » CCIM—Residential Real Estate Financial Analysis

## International Real Estate Experience

There are many ways to earn the 100 points necessary for CIPS designation. Completing international transactions, earning other NAR certifications, attending conferences outside of your country, and being a member of your local global business council are among the ways to earn points. For up-to-date information on experiential requirements, fees, and a designation application form, go to [www.nar.realtor/cips](http://www.nar.realtor/cips).

## Maintaining Your Designation

Once you've earned your NAR Designation you will also be an International REALTOR® Member of NAR for the balance of that calendar year. For more information on your International REALTOR® Membership benefits, please visit [www.nar.realtor/global/international-realtor-membership](http://www.nar.realtor/global/international-realtor-membership).

Maintaining your NAR International REALTOR® Membership with ONE yearly fee of US\$75 will keep your CIPS designation, as well as all NAR designations and certifications active that you might hold. Please note that if your International REALTOR® Membership goes inactive, so will your NAR designations and certifications.

### **A NOTE ABOUT THE REALTOR® TRADEMARK**

The terms REALTOR® and REALTORS® are trademarks of the NATIONAL ASSOCIATION OF REALTORS® and should never be used as a substitute for "real estate agent." The trademarks, along with the Code of Ethics and Standards of Practice, set members apart from other real estate licensees. Only real estate professionals who are members of NAR may refer to themselves as REALTORS®.

## Pre-Quiz: True or False

Test Your Asia/Pacific IQ by circling either true or false for each question.

1. The Asia/Pacific is home to about 35% of the world's population. **True**  
**False**

2. Unlike other countries in the Asia/Pacific, private ownership of land is allowed in China. **True**  
**False**

3. Malaysian Bumiputra laws provide preferential treatment in housing to native Malays. **True**  
**False**

4. Japan shares a land border with Russia. **True**  
**False**

5. Singapore is considered the most prosperous of the Asian countries. **True**  
**False**

6. In the United Arab Emirates, "wasta" refers to group agreement or groupthink. **True**  
**False**

7. New Zealand is one of Australia's states. **True**  
**False**

8. China has four time zones, similar to the United States.

True  
False

9. Japan has the highest median age of any Asian/Pacific country.

True  
False

10. If the U.S. dollar strengthens against the Japanese yen, it will take more dollars to buy the same amount of yen.

True  
False

11. A home that faces a hill would be said to have good fêng-shui because the hill represents climbing to success.

True  
False

12. The constitution of India recognizes 22 different languages with Hindi and English as official national languages.

True  
False

13. The most populous Muslim nation in the world is Indonesia.

True  
False

14. According to the practice of Chinese numerology, a street address of 444 would be considered triple good luck.

True  
False

15. The currency used in Thailand is the baht.

True  
False



# 01

## AN OVERVIEW OF ASIA/PACIFIC TODAY



## **Module 1:** An Overview of Asia/Pacific Today

### **AFTER READING THIS MODULE, YOU WILL BE ABLE TO:**

- ▶ Summarize the geographic, demographic, and regional market trends that can inform how, when, and where to conduct business.
- ▶ Describe the cultural influences of the Asia/Pacific region and how knowledge of these influences can help REALTORS® better conduct their real estate business.
- ▶ Identify ways to build an Asia/Pacific business network.

Successful participation in the Asia/Pacific real estate market requires not only market expertise, but also knowledge of the social, political, cultural, demographic, and geographic aspects of Asia/Pacific countries and regions. Let's start by getting oriented with the geographic location of the region and its countries. After that, we will look at some real estate trends in the Asia/Pacific real estate market, and then conclude with a look at some broad social and cultural aspects of the region that will be helpful to understand when conducting business.

## The Geography of the Asia/Pacific Region

A richer understanding of the geography of Asia will make it easier to understand the market dynamics at play among the Asia/Pacific countries that we will explore in this course. So let's take a few minutes to study the region.

**Figure 1.1** Map of Asia/Pacific Countries



## Vast Distances, Diverse Cultures

Almost every aspect of diversity differentiates the nations that encircle the Pacific Ocean. Vast distances separate them—as do language, ethnicity, culture, religion, wealth, political ideology, and ecosystems. As a region, Asia/Pacific is much more diverse and expansive than Europe or the Americas. 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, the East and West now have shared economic interests.

### 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.

**Figure 1.2** At-a-Glance: Key Countries in the Region<sup>1,2</sup>

Country	Population	GDP/PPP 2023	Capital City	Primary Language(S)	Currency
<b>China</b>	1.37 billion	\$34.64 trillion	Beijing	Mandarin	Yuan (CNY)
<b>Japan</b>	126 million	\$6.25 trillion	Tokyo	Japanese	Yen (JPY)
<b>India</b>	1.4 billion	\$14.53 trillion	New Delhi	Hindi	Rupee (INR)
<b>Philippines</b>	102 million	\$1.26 trillion	Manila	Filipino, English	Peso (PHP)
<b>Australia</b>	26 million	\$1.84 trillion	Canberra	English	Australian Dollar (AUD)
<b>Hong Kong</b>	7 million	\$538 billion	Victoria	Cantonese	Hong Kong Dollar (HKD)
<b>Indonesia</b>	283 million	\$4.3 trillion	Jakarta	Bahasa Indonesia	Rupiah (IDR)
<b>South Korea</b>	51 million	\$2.79 trillion	Seoul	Korean, English	Won (KRW)
<b>Malaysia</b>	35 million	\$1.27 trillion	Kuala Lumpur	Bahasa Malaysia	Ringgit (MYR)
<b>New Zealand</b>	5.2 million	\$282billion	Wellington	English	New Zealand Dollar (NAD)
<b>Singapore</b>	5.8 million	\$837 billion	Singapore	English, Mandarin	Singapore Dollar (SDG)
<b>Thailand</b>	71 million	\$1.68 trillion	Bangkok	Thai	Baht (THB)
<b>United Arab Emirates</b>	11 million	\$798 billion	Abu Dhabi	Arabic	Dirham (AED)
<b>Vietnam</b>	100 million	\$1.5 trillion	Hanoi	Vietnamese	Dong (VND)

<sup>1</sup> The World Bank. (2024). World development indicators database. International Comparison Program. <https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD>

<sup>2</sup> World Population Review. (2024). Asia population 2024. <https://worldpopulationreview.com/continents/asia-population>

## Demographics

This region of the globe is home to 60% of the world's population. Here you will find the world's two most populous countries—India and China. As we will discuss later in this module, rapid urbanization and migration flows make this area an active real estate climate.

It is anticipated that by 2050, the number of people in the Asia/Pacific aged 60 and older will more than double. This will create an increased need for senior living communities and health-care facilities. At the same time, there will be an increased need for real estate in urban centers, as more people move to cities in pursuit of jobs and improved living conditions.

### WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

The Asia/Pacific represents a dynamic market with countless opportunities for the real estate investor. It is important to keep informed on demographic trends, as these are a direct reflection of the type of real estate people are searching for.

#### Discussion Questions:

Answer the below questions regarding demographics and discuss your answers with the class.

- ▶ **How do the demographics and geography of a location affect real estate?**

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- ▶ **What types of real estate would be in demand for a younger population (age 25–45)?**

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- ▶ **What types of real estate would be in demand for an older population (age 55+)?**

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## Geological Forces

The seismic and volcanic forces that regularly rumble and flare around the Pacific Rim earn it the title Ring of Fire. These natural forces, along with extreme weather events, impact economies and shape national priorities. Consider recent examples, several of which, you'll notice, occur close together:

▶ **April 2024, Taiwan Earthquake:**

An earthquake with a 7.4 magnitude hit Taiwan killing 9 people and destroying an estimated 52,000 buildings.

▶ **December 2023, Philippines Earthquake:**

A 7.6-magnitude/ earthquake just off the coast of the Philippines killed 3 people and injured 79.

▶ **February 2022, Indonesia Earthquake:**

An earthquake with a magnitude of 6.1 struck the west coast of the country's Sumatra island. At least seven people were killed and dozens more were injured.

▶ **January 2022, Tonga Volcano:**

An explosive eruption triggered a tsunami warning across the Pacific and left a thick coat of ash on the region. Crop damage is estimated at US\$17 million.

▶ **December 2019, New Zealand Volcano Eruption:**

A volcano that was a tourist attraction erupted on December 9, as 47 people were visiting the island. Over 20 people died and dozens were injured.

▶ **September 2019, Indonesia Earthquake:**

A 6.5-magnitude earthquake struck Seram island in North Maluku, Indonesia, killing 41 people, injuring 1,500, and displacing 150,000.

▶ **July 2019, Indonesia Earthquake:**

A 7.2-magnitude earthquake struck Halmahera island in North Maluku, Indonesia, killing 14 people, injuring 129, and displacing 50,000.

### 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 effects of climate change must be addressed by the nations in this region to counteract further disruptions in the landscape. As a real estate professional, you will want to be aware of how current climate conditions are affecting the market.

## Climate Change

As a producer of more than half of the world's greenhouse gas emissions and a center of rapid development with a large population, the Asia/Pacific region is a focus for reducing carbon emissions for many environmental development organizations.

A recent study showed that the region is falling behind rather than making gains in its efforts, as greenhouse gas emissions are expected to grow by 34% by 2030 (compared to 2010 levels).<sup>3</sup> China is one of the largest producers of emissions and, despite a push to integrate green energy, is falling behind its climate targets.<sup>4</sup> In response, many nations are looking to move away from a reliance on coal and are considering cleaner energy sources, including renewable energy.

At the conclusion of the 2021 Asia-Pacific Climate Week, Selwin Hart, Special Adviser of the UN Secretary-General on Climate Action, said:<sup>5</sup>

*“This week has shown that there is much determination in the Asia-Pacific region to take ambitious climate action. But support to developing countries in the region is paramount so that they can accelerate the decarbonization of their economies and protect people and livelihoods from increasing and more frequent and catastrophic climate impacts. The US\$100 billion commitment made by developed countries over a decade ago must be met. We have no time to lose. No effort should be spared to keep the 1.5 degree goal of the Paris Agreement within reach so as to prevent even more dangerous and deadly climate impacts in the Asia-Pacific region.”*

In addition to the effects of greenhouse gas emissions, there is also concern as climate change creates more frequent and intense heat, rains, and droughts. These conditions affect people's livelihoods and where they live.

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<sup>3</sup> Alisjahbana, A.S. (2021, November 1). Is Asia and the Pacific ready for the global climate stage? SDG Knowledge Hub. Retrieved from <https://sdg.iisd.org/commentary/guest-articles/is-asia-and-the-pacific-ready-for-the-global-climate-stage>

<sup>4</sup> Hawkins, Amy. (2024, February 21). Growth in CO2 emissions leaves China likely to miss climate targets. The Guardian. <https://www.theguardian.com/environment/2024/feb/22/growth-in-co2-emissions-leaves-china-likely-to-miss-climate-targets>

<sup>5</sup> UN Climate Press Release. (2021, July 9). Asia-Pacific climate week 2021 sends strong signal to COP26. United Nations Climate Change. Retrieved from <https://unfccc.int/news/asia-pacific-climate-week-2021-sends-strong-signal-to-cop26>

## Regional Market Trends

There are a number of broad social, political, and economic trends in the Asia/ Pacific region that are influencing, and will continue to influence, the real estate market and the business decisions of real estate professionals. Let's take a look at some of these trends in more detail.

### Trend 1: Middle-Class Expansion

Prior to the onset of the COVID-19 pandemic, the global middle class was growing at a remarkable rate—consisting of nearly 3.8 billion people. As the global economy faced unprecedented stress related to the pandemic, living standards declined around the world, including throughout the Asia/ Pacific region, and millions were forced out of the middle class.

However, this was a temporary phenomenon and analysts predict more than 1 billion Asians will enter the middle class by 2030, with the strongest growth likely to be in Indonesia and India, which has already become the most populace country in the world, recently overtaking China.

The middle class is one of the main builders of the consumer class, and as the chart below indicates, Asia is the focus of growth for consumption.

### WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

Increasing income levels and populations both enlarge the global “pie” of middle-class consumption and account for a larger slice. It is anticipated that 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, tourism, retirement security, and brand-name consumer goods.

## Trend 2: Emerging Economies, Developing Real Estate Markets

Some Asia/Pacific countries enjoy mature economies and real estate markets: Japan, Australia, New Zealand, Singapore, for example. But in other countries in the region, real estate markets and the profession itself are working through a development phase. For example, in China, private ownership of land is not allowed—an individual can only obtain rights to use land with a land lease of up to 70 years, typically allowed for residential purposes.

Furthermore, central governments of Asia/Pacific countries tend to wield greater power than their state or provincial governments; they also intervene to influence prices and control supply and demand.

### 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—e.g., 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 is imperative to work with a local real estate agent and legal representative to keep abreast of current regulations and requirements.

### 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 and sometimes unobtainable commodity.

Rural-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. Rapid urbanization is predicted to continue for this region. It is anticipated that there will be over 1 billion new urban residents by 2050. This growth will create environmental challenges and a greater focus on building a more sustainable society.<sup>6</sup>

Concentration of populations into urban areas facilitates delivery of social safety net services. But the trend also widens the affluence gap between urban and rural dwellers and highlights the separation between 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.

#### WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

Burgeoning urban populations increase the demand for housing at all socioeconomic 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. (In order to attract high-income Indians back from their homes abroad, developers offer full-amenity communities known as NRI colonies; more on NRI colonies in Module 4.)

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<sup>6</sup> MIT Technology Review Insights. (2021, November 10). 21st century cities: Asia Pacific's urban transformation. MIT Technology Review. Retrieved from <https://www.technologyreview.com/2021/11/10/1039592/21st-century-cities-asia-pacifics-urban-transformation/>

**Figure 1.3**  
At-a-Glance: Asia/Pacific Urban Populations (2024)<sup>78</sup>

Country	City Pop. (in millions)	City Area (sq. km)	City Density (per sq. km)	Country Density (per sq. km.)
<b>Australia</b>				<b>3.3</b>
Sydney	5.3	1,687	3,142	—
Melbourne	5.1	2,080	2,452	—
<b>China</b>				<b>153</b>
Shanghai	28	6,340	4,481	—
Beijing	21.5	16,410	1,310	—
Tianjin	14	11,946	1,172	—
Shenzhen	12.8	1,997	6,150	—
<b>India</b>				<b>464</b>
Kolkata	15.1	1,481	11,900	—
Delhi	32	1,295	21,050	—
Mumbai	20.9	484	29,650	—
Bangalore	13	534	10,100	—
Chennai	11.5	414	14,350	—
Hyderabad	10.5	583	16,100	—
<b>Hong Kong</b>	7.5	1,079	6,450	<b>6,800</b>
<b>Indonesia (Jakarta)</b>	11	1,360	9,400	<b>151</b>
<b>Japan (Tokyo)</b>	37	2,197	16,870	<b>347</b>
<b>Korea (Seoul)</b>	9.9	605	10,400	<b>530</b>
<b>Malaysia (Kuala Lumpur)</b>	8.4	1,606	2,750	<b>98</b>
<b>Philippines (Manila)</b>	14.4	1,399	46,178	<b>367</b>
<b>Singapore</b>	5.9	479	9,250	<b>8,103</b>
<b>Thailand (Bangkok)</b>	10.9	1,010	6,450	<b>136</b>
<b>UAE (Abu Dhabi)</b>	1.5	777	700	<b>139</b>
<b>Vietnam (Ho Chi Minh City)</b>	9	518	9,450	<b>295</b>

<sup>7</sup> Macrotrends. (2024). Population density (people per sq km of land area). Retrieved from <https://www.macrotrends.net/global-metrics/cities/largest-cities-by-population>;

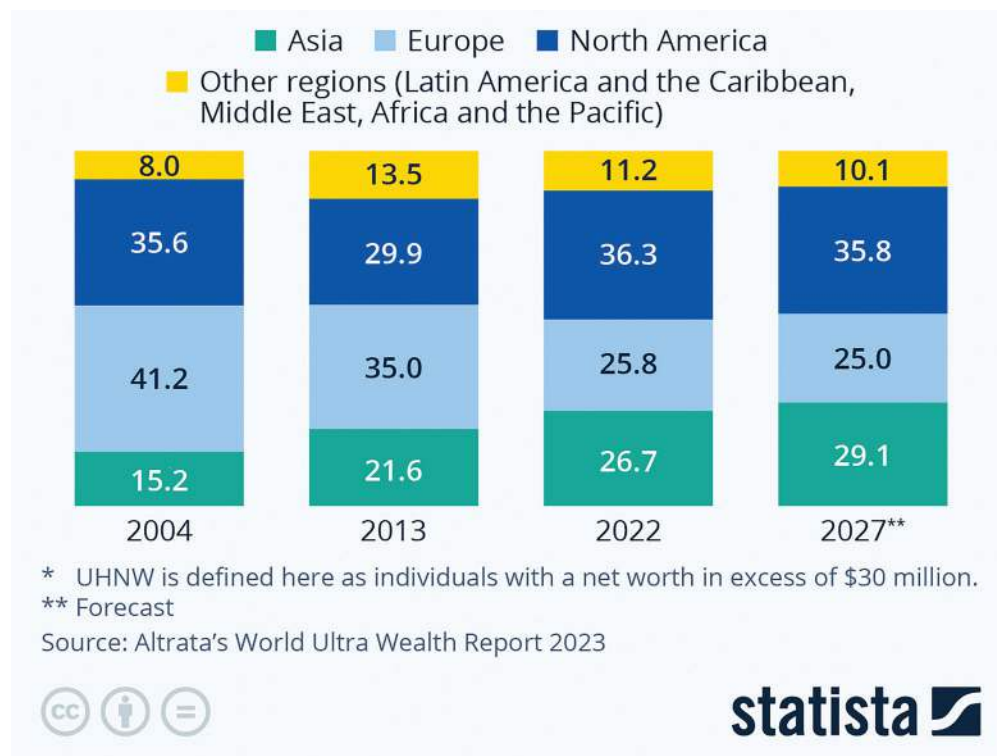
<sup>8</sup> World Population Review. (2024). World city populations 2024. Retrieved from <https://world-populationreview.com/world-cities>

## Trend 4: More Wealthy Individuals

Across Asia's emerging economies, business ownership is producing a class of very wealthy, high-net-worth individuals (HNWIs). Asia/Pacific continues to lead the way in global HNWI population and wealth expansion. Asia's percentage of ultra-wealthy surpassed Europe in 2019, and the upward trend is expected to continue. Some analysts predict Asia may have nearly 30% of the world's HNWIs by 2027. See Figure 1.4.

**Figure 1.4**

Share of Ultra High Net Worth Individuals, by Region<sup>9</sup>



This group 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, since they 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.

<sup>9</sup> Fleck, Anna. (2023, September 11). "The Rise of Asia's Super Rich Population." Statista. <https://www.statista.com/chart/30789/share-of-ultra-high-net-worth-individuals/>

## 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 the United States. Consider these facts about the U.S. market from April 2023 to March 2024:<sup>10</sup>

- ▶ Foreign buyers spent \$42 billion on residential purchases.
- ▶ 54,300 foreign buyers purchased existing homes.
- ▶ 21% of those buyers came from China and India.
- ▶ 45% purchased property for use as a vacation home, rental, or both.
- ▶ Florida, Texas, California, Arizona, and Georgia accounted for 53% of foreign buyers' home purchases.
- ▶ 50% of these buyers paid in all cash.

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<sup>10</sup> National Association of REALTORS®. (2024). International Transactions in U.S. Residential Real Estate. Retrieved from <https://www.nar.realtor/sites/default/files/documents/2024-international-transactions-in-us-residential-real-estate-report-07-17-2024.pdf>

## 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.

Following years of consistent growth, the number of international students in the U.S. began to fall in the late 2010s, a consequences of higher costs, immigration barriers, and political rhetoric. The pandemic helped exacerbate this decline. But recent years has seen a rebound. There was a 13% increase from 2022 to 2023, with international students in the U.S. exceeding 100,000. The highest percentage of students by far come from China (19%) and India (16%), accounting for 35% of all international students. South Korea and Japan are also notable source countries in Asia for international students.<sup>11</sup>

Wealthy parents may combine their children's education goals with investment objectives and purchase a home for their child to occupy while completing studies. After graduation, the home can provide a permanent residence for a graduate who stays on to start a career or family, and can also serve as a home base for other family members who immigrate or want to use it for vacations. Some of the U.S. universities that are 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 that 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.

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<sup>11</sup> Open Doors. (2024, February 6). "Open Doors 2023 Report on International Educational Exchange." <https://opendoorsdata.org/annual-release/international-scholars/#key-findings>

## Trend 6: Trade Agreements Around the Pacific Rim

Although vast expanses of land and sea separate 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.

The growth triangle is a uniquely Asian concept that originated in the late 1980s as Indonesia, Malaysia, and Singapore formed the Singapore-Johori-Riau (SIJORI) Growth Triangle. Growth triangles compact subregional areas and focus on mutual economic development and the sharing of natural resources and markets. Following is a list of some current deals:

▶ **Asia-Pacific Economic Cooperation (APEC):**

The organization brings together a diverse group of countries around the Pacific Rim.

▶ **Association Of Southeast Asian Nations (ASEAN):**

The organization encompasses 10 core member countries: Indonesia, Singapore, Cambodia, Thailand, Myanmar, Malaysia, Laos, Philippines, Brunei, and Vietnam.

▶ **SIJORI:**

Established between three countries: Singapore, Johor (Malaysia), and Riau (Indonesia).

▶ **South China Growth Triangle (SCGT):**

Economic cooperation between Hong Kong, Taiwan, Guangdong, and Fujian.

▶ **Indonesia, Malaysia, Thailand (IMT)**

An expansion of SIJORI.

▶ **East Asian Growth Area (EAGA):**

Includes Brunei, Indonesia, Malaysia, and the Philippines. Also known as BIMP-East Asian Growth Area (BIMP-EAGA).

▶ **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):**

Includes Canada and 10 other countries in the Asia/Pacific region plus several other countries that have applied to join.

► **Regional Comprehensive Economic Partnership (RCEP):**

ASEAN plus five regional partners, signed in 2020 and went into effect in January 2022. Considered the largest free trade agreement in history. The Trump administration pulled the country out of the CPTPP in 2017. In September 2021, China formally applied to join this trade pact. It should be noted that the newest agreement, RCEP, also does not involve the United States.

## WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

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

## Trend 7: The World's Workshop and Back Office

Exports to the West, especially the United States, have fueled much of the economic growth of Asia/Pacific countries. Asia/Pacific countries are also destinations for outsourcing (e.g., offshoring, e-work, and world sourcing) 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. But over the past few years, Filipino entrepreneurs have challenged India's dominance with their rapid expansion of call-center operations.

In addition, the Asia/Pacific region is well known for being business friendly overall. For years, the World Bank published ease-of-doing business rankings that consistently placed countries in the Asia/Pacific at the top. These rankings were based on a variety of factors: enforcing contracts, registering property, construction permits, paying taxes, and starting a business. Figure 1.5 shows the rankings for Asia/Pacific countries for 2020, the last year the survey was conducted.

**Figure 1.5**

The Business Environment 2020 (East Asia and Pacific Rankings)<sup>12</sup>

<b>#2</b> Singapore	<b>#70</b> Vietnam
<b>#3</b> Hong Kong	<b>#73</b> Indonesia
<b>#12</b> Malaysia	<b>#95</b> Philippines
<b>#21</b> Thailand	<b>#98</b> Samoa
<b>#31</b> China	

<sup>12</sup> The World Bank. (2019). Ease of Doing Business, 2019. Retrieved from <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ>

## WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

Investment in real estate property follows the growth of business enterprises, increasing demand for both commercial and residential property. In our increasingly mobile world, workers can often live wherever they choose and this increases the demand for real estate. Foreign companies that are relocating need upscale housing for overseas executives and their families—an excellent opportunity for building referral business inbound or outbound.

### Trend 8: Demand for Class-A Office and Retail Space

In the wake of COVID-19, there was initially a high demand for hybrid and more flexible office space environments. That initial trend has been waning, with companies and managers seeking more traditional in-office work from employees. However, it doesn't mean things will be returning back to the old normal. The commercial space is continuing to evolve. A recent report from CBRE highlighted for trends:<sup>13</sup>

- ▶ A tightening of hybrid work policies, with more of a push for in-office work
- ▶ Cautious leasing strategies in the near term, but expansions expected in the long-term
- ▶ An increased focus on green buildings
- ▶ A focus on strategies to refine the workplace and build in flexibility

## WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

This will be an evolving sector for the foreseeable future and an important one for real estate professionals to monitor. Analysts predict that tenants will gain the upper hand as supply outpaces demand, requiring flexibility and a strategic approach from both landlords and tenants. Close monitoring of this area at the outset of this transition could provide real estate opportunities.

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<sup>13</sup> CBRE. (2023, June 29). "2023 Asia Pacific Office Occupier Sentiment Survey." <https://www.cbre.com/insights/reports/asia-pacific-major-report-2023-asia-pacific-office-occupier-sentiment-survey>

## Trend 9: Very Young to Very Old

The populations of Asia/Pacific countries range from some of the world's oldest to the world's youngest. Japan, Hong Kong, South Korea, Thailand, and China rank among the oldest populations with a median age of 40+ years. According to the World Health Organization, the Asia/Pacific region is expected to have a faster-paced aging society compared to the rest of the world, especially in low and lower- middle income levels. At the other end of the spectrum, three of the most populous nations are also the youngest: Philippines, India, and Indonesia.

**Figure 1.6** Youngest to Oldest Median Age and Pop. Growth Rate (%)<sup>14</sup>

Country	Median Age	Growth Rate %
Philippines	25.7 years	+1.56%
India	29.8 years	+0.72%
Indonesia	31.5 years	+0.73%
Malaysia	31.8 years	+0.99%
Vietnam	33.1 years	+0.89%
United Arab Emirates	35.8 years	+0.60%
New Zealand	37.9 years	+0.95%
Australia	38.1 years	+1.13%
Singapore	39.4 years	+0.87%
China	40.2 years	+0.23%
Thailand	41.5 years	+0.17%
South Korea	45.5 years	+0.21%
Hong Kong	47.2 years	+0.12%
Japan	49.9 years	-0.43%

### 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 puts pressure on government programs to provide pensions and health care. An aging population does create demand for retirement housing and health-care facilities. Additionally, a burgeoning youthful population can also have a negative impact when the economy cannot produce jobs quickly enough and demand for housing outstrips supply.

<sup>14</sup> Source: Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

## Trend 10: Internet and Mobile Connected

China has over 1 billion internet users. The Asia/Pacific region as a whole has about 2.6 billion online users. By comparison, U.S. internet users number about 323 million.

Asia/Pacific internet users are also avid participants on social media sites. Meta (Facebook) is the most popular social media site throughout Asia/Pacific, although its usage in China is banned. China's restriction of foreign media platforms and censorship of nongovernment material has been named the "Great Firewall of China." China has a mix of domestic social media apps, but WeChat is currently the most popular, boasting about 1.3 billion users. Other popular sites include LINE in Japan and Taiwan, and KakaoTalk in South Korea.<sup>15</sup>

Throughout the region, stories about internet growth rates are being replaced by stories about mobile growth and rapidly changing consumer online behavior. Asia/Pacific is considered one of the fastest-growing areas for mobile internet use.

### ► Be Aware of Wire Fraud

The internet has also resulted in serious crimes within our industry. Real estate wire fraud is one of the most prevalent cybercrimes in the U.S. This includes business email compromise/email account compromise (BEC/EAC). Hackers create fake email accounts that mimic the actual account and send a directive to wire the funds to a fraudulent account. Once the transfer takes place, the money is gone and there is no recourse for getting it back. It is important that you educate your client and take steps to prevent fraud. Clients should verify all wiring instructions before transferring funds. Inform the client that it is rare to receive last-minute changes to wiring instructions, and if this occurs, they should verify validity of the instructions with the bank.

## WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

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

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<sup>15</sup> Digital Marketing. "Most Popular Platforms Social Media in APAC in 2024." <https://www.digitalmarketingforasia.com/most-popular-platforms-social-media-in-apac-in-2024/>

## Trend 11: 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. The 2019 uprisings in Hong Kong demonstrated the citizens' focus on democracy. Millions marched in the street to demand full universal suffrage, amnesty of arrested protesters, and an independent inquiry to investigate police brutality. The protests largely failed, however, as China has been steadily clamping down on Hong Kong's freedoms. There have been ongoing concerns that China is seeking a similar plan for Taiwan.<sup>16, 17</sup> Malaysia and Indonesia are also going through a period of political turmoil and social unrest. Real estate professionals will need to monitor these situations closely.

The Asia/Pacific region, like the rest of the world, is prone to violent terrorist attacks. 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. But the countries in this region run the spectrum in terms of the impact of terrorism, according to the Global Terrorism Index. Some countries, such as India and the Philippines, run a higher risk, while other countries, such as Japan and Australia, run a lower risk. For context, of the 163 countries ranked in this index, with 1 being the most impacted by terrorism and 81 being the least impacted, the United States ranked relatively high risk at 30 as of 2024.<sup>18</sup>

### WHAT DOES THIS MEAN FOR REAL ESTATE PROFESSIONALS?

Real estate professionals need to be aware of the geopolitical climate of each country that they might be doing business in and its 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.

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<sup>16</sup> Lindsay Maizland and Clara Fong (2024, March 19). "Hong Kong's Freedoms: What China Promised and How It's Cracking Down." Council on Foreign Relations. <https://www.cfr.org/background/hong-kong-freedoms-democracy-protests-china-crackdown>

<sup>17</sup> Lindsay Maizland. (2024, February 8). "Why China-Taiwan Relations Are So Tense." Council on Foreign Relations. <https://www.cfr.org/background/china-taiwan-relations-tension-us-policy-biden>

<sup>18</sup> Institute for Economics and Peace. (2024). Global terrorism index. Vision of Humanity. Retrieved from <https://www.visionofhumanity.org/maps/global-terrorism-index/#/>

## Trend 12: 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 multinational companies and their expat executives, management, and employees from all over the world are moving into the Asia/Pacific region and opening up their Asia/Pacific manufacturing centers. Of the 10 most expensive cities for expats, the two highest are in Asia, Hong Kong and Singapore.<sup>19</sup> Thailand continues to establish itself as a manufacturing hub in the oil and petroleum industry, and Singapore is looking to become a key educational center. Moreover, with 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.

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<sup>19</sup> "Cost of Living City Ranking 2024." Mercer. <https://www.mercer.com/insights/total-rewards/talent-mobility-insights/cost-of-living/>



## 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 course, 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 actions, however unintentional, break the unwritten rules of personal or business conduct. Sharing a cultural heritage and, if possible, understanding the 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 become an expert, 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 section, we present a broad framework to help navigate high- and low-context cultural settings in the Asia/Pacific region. We will then look at some social norms in the region, and conclude with a brief look at some religious and belief systems of Asia/Pacific countries. But please keep in mind that 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- and Low-Context Cultures

The concept of high- and low-context cultures offers a good way to think about cultural characteristics because, it allows us to generalize (without stereotyping) about a group's outlook, attitudes, relationships, mores, and ideas. As a real estate professional, it's important that you're able to navigate, and also bridge, the various cultures you will encounter during the course of doing business. As you well know, relationships are a vital part of any successful real estate business, so having an acute awareness of cultural backgrounds, differences, and context will empower you to make and maintain those relationships more effectively.<sup>21</sup>

Generally speaking, high-context cultures are more collectivistic in nature, valuing the group over the individual. These cultures often rely more on closer interpersonal relationships and on implied, nonverbal communication in interactions and transactions. Countries with collectivistic norms that tend to value the group over the individual, such as Japan and China, would be considered high-context cultures. In contrast, low-context cultures are more individualistic in nature, valuing the individual over the group, such as the United States and Australia.

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<sup>21</sup> Stouffs, K. (2015, January 26). High and low context cultures—Developing cultural fluency. National Association of Realtors®. Retrieved from <https://www.nar.realtor/global/high-and-low-context-cultures-developing-cultural-fluency>

Low-context cultures rely more on explicit communication and formal contracts in interactions and transactions. See Figure 1.7 for more detail on high-context versus low-context cultures.

**Figure 1.7** High-Context vs. Low-Context

High Context	Low Context
▶ Business conducted through development of relationships.	▶ Relationships are not needed to conduct business.
▶ Nonverbal and indirect communication is important.	▶ Content of communication, precise verbal agreements, and facts are important.
▶ Relationships are the basis of contracts.	▶ Contracts are binding and exist apart from personal relationships.
▶ Time is fluid and schedules are flexible.	▶ Rank is respected but subservient to facts and agreements.
▶ Hierarchy and elderly are respected.	▶ Time is a commodity and schedules are carefully observed.
▶ Exchange of favors creates reciprocal obligations.	▶ Most Western countries, as well as Australia and New Zealand, will be lower context.
▶ Most countries in Asia and along Pacific rim will be higher	

Understanding the cultural distinctions of each country can help inform how you market properties, promote your services, and interact with clients as well as other real estate professionals. Cultural distinctions impact buyers' and sellers':

- ▶ Approach to the property transaction
- ▶ Expectations of working with a real estate professional
- ▶ Frequently asked questions
- ▶ Transactional process norms and etiquette
- ▶ Professional and personal relationships
- ▶ Response to diversity, equity, and inclusion measures
- ▶ Response to marketing approaches

## Social Values

Although 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. In 2024, for example Singapore had a savings rate of 60%, which ranked fifth in the world of countries with the highest savings rates.<sup>22</sup> For context, the savings rate in the United States was 2.9% in July 2024.

Economists cite several reasons for Asia's household savings rates: 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 nonfinancial assets, such as undeveloped land or gold, may appreciate in value but do not create economic activity.

### ▶ Individual vs. Group

In Asian cultures, an individual's status is determined by generation, sex, and age within the family, the family's status in the community, and their 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 the Asia/Pacific region, business and personal relationships can be intertwined. Often personal familiarity and a certain degree of trust must be developed before business can be conducted. In short, if there is no relationship, there will likely be no business. If a relationship is established, competence in real estate practice is assumed.

Experienced international real estate professionals develop client contacts before seeking properties. In international business, it is preferable to "control the client" instead of the product, because without a good client relationship, nothing will happen.

<sup>22</sup> Jahn, M. (2024, February 7). 10 countries with the highest savings rates. Investopedia. Retrieved from <https://www.investopedia.com/articles/personal-finance/022415/top-10-countries-save-most.asp>



## Religions and Beliefs

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

**Figure 1.8** At-a-Glance: Asia/Pacific Religions (by Percentage)<sup>23</sup>

Country	Buddhist	Taoist	Hindu	Muslim	Christian
<b>Australia</b>	2.4	—	2.7	3.2	42.6
<b>China*</b>	18.2	—	—	1.8	5.1
<b>Indonesia</b>		—	1.7	87.4	10.4
<b>Japan†</b>	95	—	—	—	1.1
<b>South Korea</b>	16	—	—	—	23
<b>Hong Kong*</b>	27.9	—	1.4	4.2	12
<b>India‡</b>	—	—	79.8	14.2	2.3
<b>Malaysia</b>	18.7	1.3	6.1	63.5	9.1
<b>New Zealand</b>	1.1	—	2.7	1.3	37.3
<b>Philippines</b>	—	—	—	6.4	82.7
<b>Singapore</b>	31.1	8.8	5	15.6	18.9
<b>Taiwan*</b>	35.3	33.2	—	—	3.9
<b>Thailand</b>	92.5	—	—	5.4	1.2
<b>UAE</b>	3.2	—	6.2	74.5	12.9
<b>Vietnam</b>	5.8	—	—	—	7.1

— Denotes negligible amount or data not available

\* Many citizens here combine the traditions of Confucianism, Buddhism, and Taoism.

† Combined with Shinto

‡ 1.7% Sikh

<sup>23</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

## Numerology

The practice of numerology, or viewing the relationship between numbers and coinciding events, 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 ingrained as to be regarded as common wisdom even by nonbelievers. For instance, in East Asian nations, the number 4 is considered 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  $1 + 4 = 5$ .

### NUMEROLOGY: AT-A-GLANCE

#### ► Lucky/Auspicious Numbers

- » **2:** Good things come in pairs
- » **5:** Associated with five loves, five colors, five directions, five metals, and five elements
- » **3 and 8:** Signify growth and prosperity
- » **6:** An auspicious number for business
- » **7:** Symbolizes togetherness
- » **Double-digit numbers:**  
Like 88 are lucky. Thus, it's no coincidence the Beijing Olympics opened at 8:00 p.m. on August 8, 2008 (8/8/08).

#### ► Unlucky/Inauspicious Numbers

- » **4:** Signifies death/misfortune
- » **5, 6, and 7:** Can have unlucky connotations in certain combinations
- » **13:** Unlucky because 1 and 3 add up to 4
- » **10:** Single-digit numbers signify loneliness and separation

## Fêng-Shui

Fêng-shui, meaning wind and water, is the ancient Chinese art of arranging buildings, objects, and space to achieve harmony and balance in order to promote peace and prosperity. This art form 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.

The goal is to achieve 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, then the owner and occupants may suffer bad fortune.

▶ **Elements of good fêng-shui Include:**

- » 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 ancestors' possessions and sharing their stories
- » Bamboo lifts energy upward
- » Stoneware pots strengthen ties to Mother Earth

▶ **Elements of bad fêng-shui Include:**

- » 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. Predating the development of both Christianity and Islam, Confucianism teaches its followers that the knowledge of the natural order of the universe and the moral order of society accomplish the greatest good. Therefore, the society and the individual should strive for harmony and order. All people are equal in dignity and worth. Approaching others ritualistically, according to traditional relationships, bestows dignity; failure to do so causes loss of face.

Many people in China, Hong Kong, and Taiwan follow Confucian precepts while many people in Korea, Japan, and Vietnam mix the tenets with local beliefs and other religions.

### ► Personal and Professional Conduct in Confucianism

- » 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

### ► Five Principle Relationships in Confucianism

#### 1. Ruler and Ministers:

The ruler inspires others by setting an example of correct social behavior, good-heartedness, justness, and dignity.

#### 2. 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.

#### 3. 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.

#### 4. Brothers:

As future head of the family, the oldest son provides a model for the younger brothers, who must accept the oldest son's position in the family.

#### 5. Community Members:

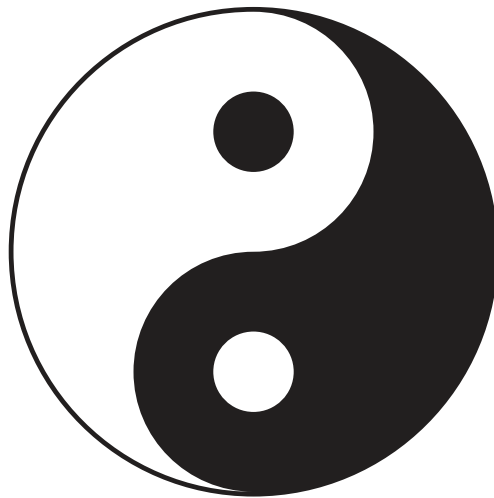
Do not do unto others what you would not want them to do unto you.

## Taoism

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

Rejection of formal knowledge in favor of sense and instinct brings oneness with the universe and peace of mind. The follower seeks their 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 nonaggressive, accepting of change, and content with what one has.

**Figure 1.9** Yin-Yang Symbol



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

### THE TAO OF PARADOX<sup>24</sup>

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.

## Islam

Among the countries of Asia, Islam is most prevalent in Indonesia and Malaysia. Islam believes in 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. Islam has more than 1.8 billion believers worldwide, making it the world's second largest religion after Christianity.

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.

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

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<sup>24</sup> Wing, R. L. (1988). *The art of strategy: A new translation of Sun Tzu's classic*. Doubleday.

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.

## 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. In recent years there has been an increase in the number of U.S. banks offering this type of financing.

## Shinto

Shinto is native to Japan, where it was an official state religion. Today, about 89 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.

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.

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 like an anniversary; people may visit a Shinto shrine to mark an important event in life, such as a marriage or birth of a child.

### ► The Four Affirmations of Shinto

1. **FAMILY** including ancestors
2. **RESPECT** for nature
3. **CLEANLINESS**
4. **HONOR** for the spirits—known as matsuri

## Buddhism

Buddhism originated in Nepal around 500 BCE by Gautama Buddha and spread throughout India, Japan, Laos, Cambodia, Thailand, Myanmar, and Vietnam. Meaning awakened or enlightened, Buddhism stresses personal 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—the possibility of human perfection from the pain of life. The wheel-like dharmachakra symbolizes this cycle of rebirth.

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

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 of the shrine.

## Hinduism

Hinduism maintains that every living thing has a pure self that 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.

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

**Figure 1.10** Hindi Aum Symbol



Hindus value fulfillment of duty, acceptance and patience, respect for all living things, and individual responsibility for all acts. Most Hindus, but not all, are vegetarians, and many also avoid alcoholic beverages. Some eat poultry and fish but never beef, because the cow is a sacred animal. Cows wander freely through the streets of 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.

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. Sikhism has about 26 million followers, 75% 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. Some use this as a middle name, while others use it as their last name. Sikh men traditionally cover their heads with a pag (a turban).

### Discussion Questions:

Answer the below questions regarding religion/spirituality and discuss your answers with the class.

- ▶ **How might values of the various religions in the Asia/Pacific region impact interactions with Asia/Pacific real estate buyers and sellers?**

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- ▶ **Do you know of any aspects of these religions not mentioned here that would be important for real estate professionals to know?**

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## 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. Do you...**

- » Have a special interest in any Asia/Pacific country or cultures?
- » Enjoy visiting particular Asia/Pacific countries in your personal travels?
- » Have family connections in an Asia/Pacific country?
- » Speak language(s) like Mandarin Chinese, Tagalog, or Japanese?

## 20 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. 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.
3. Research international student enrollment at colleges and universities.
4. Attend trade fairs, expositions, and international congresses in Asia/Pacific countries as well as those in your own country.
5. Contact foreign chambers of commerce for information.
6. Talk to foreign bankers who do business with your firm.
7. Ask for contacts from family members, friends, and people you meet through your spheres of influence.
8. Ask clients for references and referrals.
9. Meet public officials within your area of expertise.
10. Visit and perhaps join industrial, trade, and employers' associations.
11. Attend lectures and seminars on Asia/Pacific business and real estate.
12. Attend meetings of local Asia/Pacific business and real estate organizations.
13. Sponsor and participate in a real estate seminar for international clients and customers—inbound or outbound.
14. Attend and sponsor cultural and social events for the local Asia/Pacific community.
15. Participate in trade missions (for a guide to trade mission planning and participation, go to <https://www.nar.realtor/global>).
16. Participate in social media networks.
17. Publish or contribute to a blog about Asia/Pacific real estate business in your market area.
18. Download NAR's International Business Report for your state.
19. Confer with NAR President's Liaison regarding real estate market conditions and opportunities for a specific country. NAR's President's Liaisons are real estate agents with firsthand market knowledge and experience who can provide guidance and insight for fellow real estate professionals. Go to <https://www.nar.realtor/global/global-alliances>.
20. Subscribe to online newspapers, magazines, and research reports that focus on your country of interest.

## Asia/Pacific Real Estate Expositions and Events

NAR Global 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 it does not endorse all of the listed events. Events in which NAR participates or supports are noted.

Find information on upcoming global events at <https://www.nar.realtor/global/global-events>.

### EFFECTIVE EXPO ATTENDANCE

#### ▶ **Before:**

**Prepare a brief (1-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 learned earlier, in Asian cultures your demeanor, attire, and manner of exchanging business cards are seen as indicators of how you do business. Be mindful of cultural beliefs, values, and norms as you initiate relationships.

#### ▶ **After:**

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

## 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. Browse some of these listed here:

- ▶ **MIPIM Asia**  
[www.mipimasia.com](http://www.mipimasia.com)
- ▶ **China's Leading Luxury Property Show**  
<https://www.lps-china.com/>  
<https://shanghai.lps-china.com/>
- ▶ **International Council of Shopping Centers—  
Retail Real Estate World Summit**  
[www.icsc.com/](http://www.icsc.com/)
- ▶ **AREAA National Convention**  
<https://areaa.org/>
- ▶ **Shanghai International Property & Investment Immigration Expo**  
<https://www.chinaopiexpo.com/>

## Tips for Becoming a Global Business

A common theme expressed by real estate professionals who have built global businesses is that you just need to get out there.

- ▶ Participate in events that involve your market niche.
- ▶ Join social clubs hosted by expats of foreign countries.
- ▶ Make your online presence more global by demonstrating knowledge of your niche market. Not an expert? Invite guest bloggers who have market knowledge of property values, mortgage rates, current trends, etc.
- ▶ Network with fellow professionals by sharing important industry news about market opportunities.

It will all take time, knowledge, networking, and experience to build that global presence. Once you have that, business follows.

## Tap Into Association Resources

Your own state or local real estate association may have a global council or committee. Getting involved with this group will put you in touch with real estate professionals who share your interests and are already involved in global real estate. Your association's international group can be an information source for other global real estate connections such as seminars, courses, trade missions, and real estate expos.

Finally, remember NAR's global resources. You can reference these for information on foreign chambers of commerce, overseas private investment corporations, embassies, and more.

## 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.

NAR's Global Network of Cooperating Associations includes nearly 100 organized real estate associations in 77 countries. Every year, NAR hosts thousands of global real estate professionals as well as delegations and individuals at national meetings. To learn more, go to [www.nar.realtor/global/global-alliances](http://www.nar.realtor/global/global-alliances).

## Keeping Current

An effective networking system also includes an up-to-date information file with market-specific dossiers.

► **A networking information system should include:**

- » Market information
- » Prospects and clients
- » Reminders
- » Maps
- » Spheres of influence
- » News and trends
- » Magazines, journals, books, and newspapers
- » Local contacts
- » Social networking sites

## CIPS Network

The Certified International Property Specialists (CIPS) Network supported by the National Association of REALTORS® provides a ready-made network for making referral contacts. The network includes over 4,400 real estate professionals around the world. Network members belong to one of the cooperating associations in the countries with which NAR maintains formal ties.

CIPS Network members share your awareness of global business opportunities and want to expand their business networks too. REALTORS® who have earned this designation are consumers' best and most trusted resource for navigating the global market. Once you have earned your CIPS designation, you will also have access to an international referral form that you can use for transactions. Visit <https://www.nar.realtor/global/global-resources>.

## Exercise: 5-Minute Strategy Session

Take 5 minutes to reflect on each of the four categories and then share and compare notes in small groups.

### SOCIAL MEDIA:

- ▶ **What social media do you follow to network and stay current on news and trends?**

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### KEYWORDS:

- ▶ **What keywords do you set for Google alerts?**

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### EVENTS:

- ▶ **What events do you participate in to build your network?**

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### WEBSITES:

- ▶ **What websites do you visit to stay up to date on Asia/Pacific real estate?**

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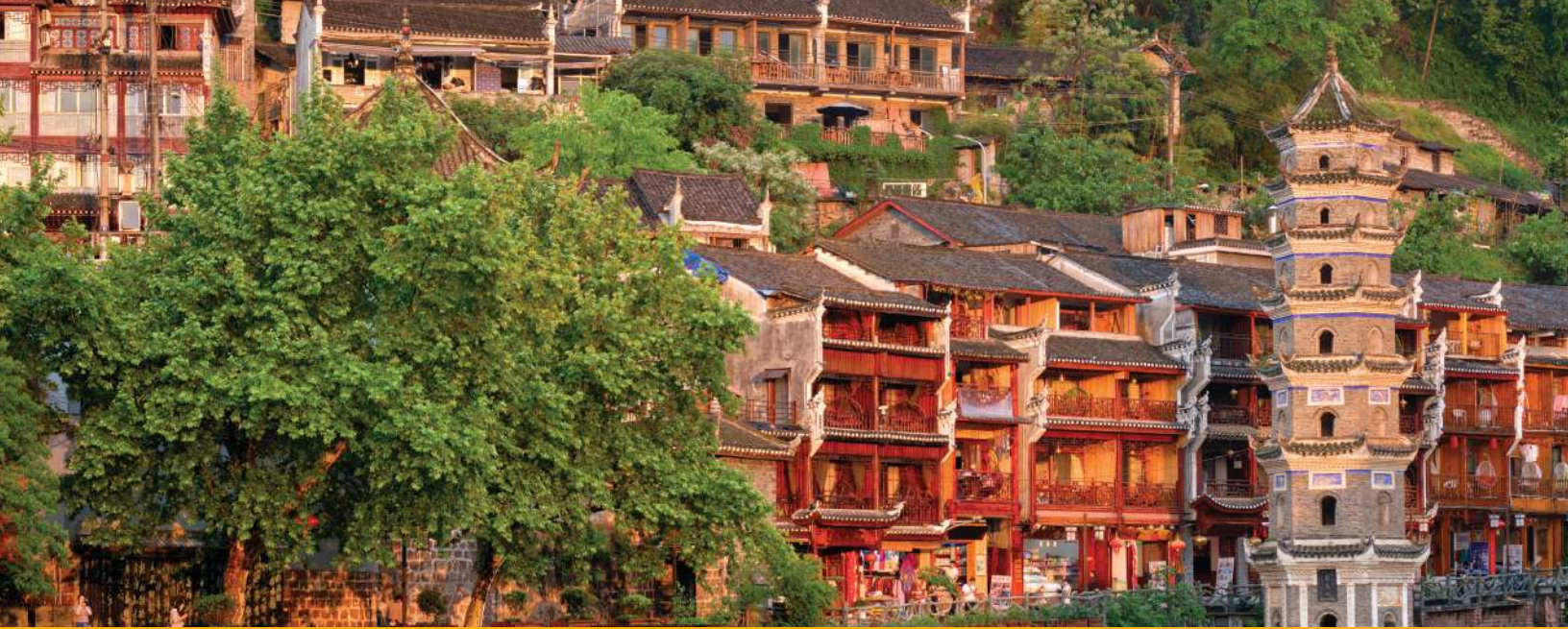
## Key Points Review

- ▶ The Asia/Pacific is a vast region encompassing a wide variety of cultures, traditions, and ways of doing business.
- ▶ The region is home to 60% of the world's population.
- ▶ Asia/Pacific increasingly produces a higher percentage of the world's high-net-worth individuals.
- ▶ The new Regional Comprehensive Economic Partnership is considered the largest free trade agreement in history.
- ▶ Religion plays an important role and can affect business practices.
- ▶ China is the largest foreign buyer of U.S. existing homes in terms of dollar volume.
- ▶ Seniority, family loyalty, relationships, and saving face are all favored in business.



# 02

## THE REAL ESTATE MARKET IN CHINA



## Module 2: The Real Estate Market in China

### AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Summarize the geographic, demographic, and regional market trends of China and their importance in making real estate investments.
- ▶ Explain how the real estate market functions in China and how conditions impact real estate opportunities, both in China and abroad.
- ▶ Describe the business culture in China as well as strategies for effectively navigating cultural expectations and norms.

### Geography and Population

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 15 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.

Most of China's 1.4 billion people live in the eastern half of the country. Large portions of the west are uninhabitable. 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. See Figure 2.1.

Even though it is nearly as wide as the United States, one time zone spans all of China. Figure 2.2 on the following page shows how Beijing time aligns with the major western markets.

**Figure 2.1**  
Map of Mainland China



**Figure 2.2**  
Comparative International Times to China (9AM–5PM)

Beijing	London	New York	Los Angeles
9:00 am–5:00 pm	2:00 am–10:00 am Same Day	9:00 pm–5:00 am Previous–Same Day	6:00 pm–2:00 am Previous–Same Day

## Provinces and Self-Governing Regions

China's 23 provinces are subdivided into prefectures and prefecture-level cities. See below for a list of all 23 provinces. 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), as mentioned earlier. The autonomy and independence of these regions can be controversial. Tibet's independence, for example, has been a long-standing source of tension with China.

### CHINA'S 23 PROVINCES

- ▶ Anhui
- ▶ Fujian
- ▶ Gansu
- ▶ Guangdong
- ▶ Guizhou
- ▶ Hainan
- ▶ Hebei
- ▶ Heilongjiang
- ▶ Henan
- ▶ Hubei
- ▶ Hunan
- ▶ Jiangsu
- ▶ Jiangxi
- ▶ Jilin
- ▶ Liaoning
- ▶ Qinghai
- ▶ Shaanxi
- ▶ Shandong
- ▶ Shanxi
- ▶ Sichuan
- ▶ Taiwan<sup>25</sup>
- ▶ Yunnan
- ▶ Zhejiang

### MAJOR CITIES IN CHINA

- ▶ Shanghai
- ▶ Beijing
- ▶ Guangzhou
- ▶ Shenzhen
- ▶ Chongqing
- ▶ Wuhan
- ▶ Tianjin
- ▶ Foshan
- ▶ Dongguan
- ▶ Hong Kong

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<sup>25</sup> While Taiwan considers itself its own country, the government of China claims it as a province.

## Special Economic Zones (SEZs) & Free Trade Zones

Seven areas designated as special economic zones, or SEZs, are located in coastal areas in close proximity to key trading partners: Shenzhen, Zuhai, and Shantou (in Guangdong Province); Xiamen (in Fujian Province); and the entire province of Hainan; Tianjin; and Pudong (Shanghai).

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 gateways for advanced technologies.

## Taiwan

The political status of Taiwan also remains an ambiguous issue for China. The Chinese government views mainland China and Taiwan as one country, with Taiwan as a province. Taiwan, however, considers itself a separate country. Relations between the two can be contentious.

Tensions have been higher since 2022 as speculation has mounted that the Russian attack on Ukraine might embolden Beijing to attack Taiwan in an attempt to “reunify” the country. Lawmakers in the U.S. have remained concerned about China’s plans and how a potential conflict could inflame geopolitical tensions and harm the world economy.<sup>26</sup>

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<sup>26</sup> Kine, Phelim. (2024, March 23). “Worries about potential China-Taiwan conflict spur state legislation.” Politico. <https://www.politico.com/news/2024/03/23/worries-about-potential-china-taiwan-conflict-spur-state-legislation-00148579>

## The Economy

### China's 14th Five-Year Plan

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 implement plans to accomplish Five-Year Plan goals. The current plan promotes spreading the benefits of economic development to a greater number of the Chinese people.

The 14th Five-Year Plan is effective through 2025. This plan has a greater emphasis on quality and sustainability. It plans to begin proactively building a net-zero-carbon economy that it hopes to achieve within 30 to 50 years. The four focal points are increasing digitalization, continuing to open up the economy and financial markets, expanding support for less developed regions, and green, sustainable development in all endeavors.

**Figure 2.3**

Chinese Economic Sectors by GDP and Workforce Composition<sup>27, 28</sup>

Sector	GDP %	Workforce Composition %
Service	54%	48.1%
Manufacturing/Industry	38%	29.1%
Agriculture	7.5%	22.8%

<sup>27</sup> Ross, S. (2024, May 20). The 3 Industries Driving China's Economy. Investopedia <https://www.investopedia.com/articles/investing/091515/3-industries-driving-chinas-economy.asp>

<sup>28</sup> Textor, C. (2024, June 28). Distribution of workforce across economic sectors in China 2013–2023. Statista. <https://www.statista.com/statistics/270327/distribution-of-the-workforce-across-economic-sectors-in-china>

## ENVIRONMENTAL INITIATIVES

Rapid industrialization and urbanization have created an environmental crisis in China. Air and water pollution have long been major problems. Today, as the world's top producer of greenhouse gas emissions, China is focusing on how to reduce its carbon footprint by transitioning to more renewable energy sources. Impending climate change will also play a role.

► **In response, Beijing has proposed:**

- » Achieving carbon neutrality by 2060.
- » Developing renewable energy sources that account for 25% of total energy consumption by 2030.
- » Reducing carbon intensity.
- » Installing solar and wind power generators.

► **China's 14th Five-Year Plan sets specific goals and guidelines for:**

- » Support green production and industries.
- » Ban commercial logging in national forests.
- » Improve air, soil, and water quality.
- » Create real-time systems to monitor environment.
- » Introduce stricter water resource management systems.
- » Build more urban public transportation.
- » Promote green vehicles and increase production of electric bikes.

Preliminary reports on the focus for China's 15th Five-Year Plan highlight a focus on modernization and green and low-carbon initiatives as well.<sup>29, 30</sup>

## OPENING UP ECONOMY

► **As part of the initiative to open up China's economy, this 14th plan will:**

- » Speed up reforms that began in the 13th plan.
- » Continue to increase transparency.
- » Continue reforming the systems for trading stocks and bonds.

<sup>29</sup> NDRC. (2022, November 21). "China to further promote green growth in building materials." [https://en.ndrc.gov.cn/news/pressreleases/202211/t20221121\\_1343311.html](https://en.ndrc.gov.cn/news/pressreleases/202211/t20221121_1343311.html)

<sup>30</sup> China.org. (2023, December 19). "NDRC begins preliminary study of 15th Five-Year Plan." [http://www.china.org.cn/business/2023-12/19/content\\_116888488.htm](http://www.china.org.cn/business/2023-12/19/content_116888488.htm)



## China's Boom Towns

- ▶ **Shanghai—Tier 1 (pop. 22 million)**  
Largest city in China, financial center, auto and chemical manufacturing, container port
- ▶ **Shenzhen—Tier 1 (pop. 10 million)**  
High-tech manufacturing, electronics
- ▶ **Beijing—Tier 1 (pop. 12 million)**  
National capital city, governmental, diplomatic, Communist Party center
- ▶ **Chongqing—Tier 2 (pop. 7 million)**  
Confluence of the Yangtze and Pearl Rivers, heavy industry (iron, steel, autos)
- ▶ **Tianjin—Tier 2 (pop. 11 million)**  
Textiles, machinery
- ▶ **Nanjing—Tier 2 (pop. 7 million)**  
Petrochemicals
- ▶ **Guangzhou—Tier 1 (pop. 11 million)**  
University mega-center (200,000 students), biotechnology, logistics, auto manufacturing
- ▶ **Chengdu—Tier 2 (pop. 7 million)**  
Logistics, electronics, auto manufacturing, Chengdu Giant Panda Research Base

## Investments in China

In 2021, China became the top recipient of foreign direct investment (FDI) as investments by foreign companies increased by 4%. However, in 2023 FDI into China decreased for the first time in a decade, placing the United States back on top. Analysts attribute the decline to the significant slowing of the Chinese economy post-Covid and perceived political risks.<sup>31</sup> Hong Kong is typically the largest investor in China. Other countries that invest in China are Singapore, Japan, the United States, South Korea, and Germany.

China also ranks first in the world in foreign reserve holdings with \$3.28 trillion. 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. At that time, the CIC had \$200 billion of assets under management. Currently, the CIC has more than \$1 trillion of assets under management. The corporation invests a portion of those funds in areas such as “real estate, hedge funds, infrastructure, and private equity for more stable returns, as it reduces exposure to volatile public markets.”

<sup>31</sup> Liu, Tracy. (2024, July 2). “Foreign investment in China falls for past year as economy struggles.” Voice of America. <https://www.voanews.com/a/foreign-investment-in-china-falls-for-past-year-as-economy-struggles/7682513.html>

**ADDITIONAL SOURCES OF INFORMATION FOR INVESTORS:**

- ▶ **Ministry of Commerce of People's Republic of China**  
<http://english.mofcom.gov.cn>
- ▶ **Jones Lang Lasalle Asia/Pacific Property Digest**  
[www.us.jll.com](http://www.us.jll.com)
- ▶ **China Market Access/Bloomberg Professional Services**  
<https://www.bloomberg.com/professional/solution/china-access>

**The Rising Renminbi—Currency Trends**

Renminbi and yuan are interchangeable terms for the Chinese currency. The renminbi is the official currency of the People's Republic of China, and yuan is the unit in which renminbi transactions are denominated and also refers to the currency in general.

Is the renminbi (or yuan) the world's next reserve currency? Will it replace the U.S. dollar as the leading reserve currency?

China rivals the U.S. as the world's largest economy. There is no mistaking that 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, the country's currency lacks worldwide acceptance and is not traded freely.

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

So, when will the renminbi achieve hard-currency status? The International Monetary Fund awarded the renminbi status as a reserve currency, and in 2016, it added the renminbi to its Special Drawing Rights basket. Still, before the renminbi can function as a global currency, it must first be successful as a reserve currency.

**Three key indicators for the renminbi to achieve hard-currency status are when:<sup>32</sup>**

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

Note that none of these indicators reveal the extent of China's trade with other countries or its investments abroad.

**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, which is part of its 14th Five-Year plan. 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.

If the renminbi achieves full hard-currency status, it will reshape the world's financial markets and create 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.

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<sup>32</sup> Amadeo, K. (2022, March 15). How the yuan could transition from a reserve to a global currency. The Balance. <https://www.thebalance.com/yuan-reserve-currency-to-global-currency-3970465>

## The Real Estate Business in China

### Conditions and Policies

Following years of a dramatic housing boom, the real estate market came to an abrupt halt just before the pandemic hit, and has continued to struggle in the years since. Housing prices have fallen steadily since 2021, and saw their biggest drop in nearly a decade in May of 2024. Sales of new property during this same time period fell 28%. The decline in property prices poses a risk to the broader economy that has also been slowing.

The Chinese government has been putting forth a series of measures to stop the fall, spur demand, and stabilize the economy, including buying unsold homes, dramatically cutting the interest rate and mortgage rates, reducing the minimum down payments to purchase a home, and freeing state-controlled commercial banks to increase lending.<sup>33, 34</sup> Some analysts worry that these measures, if they work, are still band-aids that will continue to add to China's already large debt burden and long-term instability, calling instead for reforms in financial markets, land allocation, and urbanization policies.<sup>35</sup>

Given that China's 14th Five-Year Plan emphasizes the resolution of economic disparities and inclusive growth for all citizens, 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.

### Real Estate Transaction Process

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

1. The Chinese government controls the real estate market through regulations, taxes, incentives, and penalties.
2. All of the land is owned by the national government, which grants use of it through long-term leases. There is no private property. Leases for up to 70 years are often granted for residential property.
3. 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.

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<sup>33</sup> Bradsher, Keith. (2024, September 24). "China Cuts Interest Rates and Mortgage Down Payments." The New York Times. <https://www.nytimes.com/2024/09/24/business/china-cuts-mortgage-rates.html>

<sup>34</sup> He, Laura. (2024, May 17). "China unveils 'historic' rescue for crisis-hit property sector as home prices slump again." CNN. <https://www.cnn.com/2024/05/17/economy/china-rescue-measures-housing-market-intl-hnk/index.html>

<sup>35</sup> Yixiao Zhou. (2024, August 5). "Rescue measures won't fix the structural problems in China's property market." East Asia Forum. <https://eastasiaforum.org/2024/08/05/rescue-measures-wont-fix-the-structural-problems-in-chinas-property-market/>

## FINANCING

In China, mortgage loans are available for 5, 15, and 30 years, although many home buyers still prefer to make payment in cash. Age limits are a distinct feature of mortgages in that the term usually does not extend beyond the borrower's 65th birthday. Government lending regulations mandate minimum interest rates equivalent to 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.

China passed a new Foreign Investment Law (FIL) that took effect on January 1, 2020. The goal of the law was to "improve the business environment for foreign investors and ensure that foreign invested enterprises participate in market competition on an equal basis."<sup>36</sup> The law streamlines a number of previous laws and is clearly an effort to make it easier to do business in China. Investors will want to carefully analyze the aspects of this law with respect to their individual transactions.

## 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:

1. Allocated land can be used only for a specific purpose; it cannot be sold, transferred, pledged, or mortgaged.
2. Granted land can be used for residential or commercial purposes. It 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.

While women's property interests are protected in theory, in practice, women in rural China lose their rights to land at marriage, divorce, and widowhood. A 2019 reform was put in place to help strengthen women's land rights. Women will now be registered on land certificates. The reform also clarifies that both spouses in the household own land, protecting women in case of divorce. However, loopholes and inconsistent implementation of the law at the local level still persist, as women continue to struggle for their rights.<sup>37</sup>

<sup>36</sup> Zhou, Q. (2019, October 17). China's new foreign investment law: A backgrounder. China Briefing. Retrieved from <https://www.china-briefing.com/news/china-new-foreign-investment-law-backgrounder/>

<sup>37</sup> Wang, Vivian. (2024, September 8). "In Rural China, 'Sisterhoods' Demand Justice, and Cash." The New York Times. <https://www.nytimes.com/2024/09/08/world/asia/china-women-land-rights.html>

## Rental Property

Chinese rental law, regulated by local governments, has traditionally favored the rights of landlords over those of tenants. In 2021, China looked to revamp this previously-ignored market with two incentives: a tax break and the launch of real estate investment trusts (REITs). It is believed that an increase in urban populations will help the rental market surge. China's total rental population is expected to exceed 240 million in 2023.

The rental market in China has been historically very low, but the sharp increase in housing prices in recent years drastically outstripped incomes.

In short, many young people simply can't afford to buy a new home. As the government implements its new incentives, this sector will be an important one for investors to watch.

### CAN FOREIGNERS OWN REAL ESTATE IN CHINA?

While China has opened its real estate market, foreigners must meet certain criteria to purchase a personal residence; they cannot own residential property for investment purposes.

#### Other important factors to note:

- ▶ Foreigners may purchase homes if they can prove that they have worked or studied in China for more than a year.
- ▶ Foreigners may not own more than one house.
- ▶ 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 do 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 than residential.
- ▶ Foreigners may own one nonresidential property as a place of business but only in the city in which the business is registered.
- ▶ There is no private ownership of land—foreigners can only obtain rights to use land. Land lease of up to 70 years is typical for residential purposes.
- ▶ If a property is held for less than 5 years, the seller must pay a 5.5% 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.

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% on China-sourced income or worldwide income if headquartered in China.

Changes to the laws are made frequently, so it is important to always check with a legal representative to verify current regulations related to FIEs. In 2024, for example, China passed the new Company Law, which alters, among other things, the legal landscape for capitalization, corporate governance, and equity transfer. Additional legal guidance will be required in the months and years ahead to align with new requirements as China implements the law.

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: lack of transparency, inconsistent enforcement of laws and regulations, and corruption. Contradicting regulations from the local and the central government also creates confusion for foreign investors. As China is a high-context culture, the practice of *guanxi*—social networks and relationships that facilitate business—are predominant.

## Real Estate Professionals in China

China is an open-listing real estate market that does not have a national MLS system. Sellers list properties with neighborhood firms because it is common practice for buyers to visit the neighborhood they want to live in. These agencies post listings on their office windows and their online sites.

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

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 real estate industry grew alongside China’s housing boom in the 2010s. Today there are approximately 70,000 agencies employing 600,000 people. The real estate market in China has been referred to as the most important sector in the world economy. Goldman Sachs estimated that at its peak the Chinese real estate market was \$52 trillion, twice the size of the U.S. real estate market.<sup>38</sup> This is why its continued collapse will have profound effects in the global economy.

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<sup>38</sup> Feng, Rebecca. (2024, April 24). “The Folly of China’s Real-Estate Boom Was Easy to See, but No One Wanted to Stop It.” The Wall Street Journal. <https://www.wsj.com/real-estate/china-real-estate-bubble-bust-35a2b7db>

## CHINESE BUYERS ABROAD

China's increasing wealth and rising middle class means 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 Chinese investment 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. As we saw in Module 1, the highest percentage of international students studying in the United States are from China.

### Investment Visa Programs: EB-5 Reform and Integrity Act (RIA) of 2022

Investment Visa Programs have become increasingly popular with wealthy Chinese buyers. The EB-5 Immigrant Investor visa is available to immigrants seeking to invest in a U.S. business in a Regional Center, public or private, that promotes economic growth in a defined geographic area. The program lapsed in mid-2021 as legislators couldn't agree on terms, but it was reauthorized through 2027 in early 2022. Some of the changes are noted below, but for a full accounting of the EB-5 Reform and Integrity Act of 2022, please visit: <https://www.uscis.gov/eb-5>.

- ▶ The minimum investment amount increased from \$500,000 to \$800,000 in Targeted Employment Areas (TEAs). Note that a TEA refers to an area of high unemployment or a rural area.
- ▶ The minimum investment amount in non-TEAs increased from \$1,000,000 to \$1,050,000.
- ▶ Beginning January 1, 2027, and every 5 years after, the investment limits will be increased.
- ▶ The commercial enterprise, which can be either a new business or an investment in a troubled business, must benefit the U.S. economy by providing goods and services to U.S. markets.
- ▶ The new program does include grandfathering provisions to protect existing investors.

## Reciprocal China–U.S. Visa Policy

The countries signed a 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.

Visit the State Department website to view the most up-to-date information on the visa policy: <https://travel.state.gov/content/travel/en/us-visas/Visa-Reciprocity-and-Civil-Documents-by-Country.html>.

## 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.

## China’s Growing Wealth

Despite its recent housing downturn and economic slowdown, China’s economy has created a class of very wealthy, high-net-worth individuals (HNWIs). As we saw in Module 1, Asia will be home to an increasingly sizeable percentage of HNWIs. China currently ranks second, behind only the United States, for the number of HNWIs.<sup>39</sup>

With this many HNWIs, the percentage of overseas investment has increased, with Hong Kong, U.S., Australia, and Canada as top destinations. The millionaires’ reasons for investing overseas? To diversify investment risks, capture market opportunities of overseas investments, and migrate.

In 2023, nearly half of Chinese investors purchased real estate in two states: California and Florida. Texas, Colorado, and New York comprised another 20% of investments.<sup>40</sup> The most attractive and active markets are those that already have a large concentration of Chinese population and are 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.

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<sup>39</sup> High Net Worth Individuals by Country 2024. <https://worldpopulationreview.com/country-rankings/high-net-worth-individuals-by-country>

<sup>40</sup> Nonresident Investor. (2023, December 18). “The Ultimate Guide for China Citizens Buying Real Estate in the USA.” <https://nonresidentinvestor.com/chinese-buying-us-real-estate/>

It is fairly common for wealthy Chinese buyers to take 1-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 real estate professionals 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 REAL ESTATE PROFESSIONALS?**

- ▶ Wealthy Chinese buyers looking abroad for investment opportunities represent a reliable stream of business.
- ▶ Establishing and maintaining a robust referral network creates opportunities 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—along with demonstrating professionalism, reliability, and trustworthiness garners repeat and referral business.
- ▶ Children of wealthy Chinese families sent abroad for higher education may stay on to establish careers and build businesses.

**Discussion Question:**

Based on our exploration of the Chinese real estate market in this section, what do you see as the biggest opportunities? What do you see as the biggest risks?

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## Exercise: Get the Latest...

Take 10 minutes to explore the links listed in each category below. Respond to the questions at the end.

### ► Real Estate Associations and Events

- » **China Real Estate Association:**  
[www.creaausa.org/](http://www.creaausa.org/)
- » **Real Estate Services – Hong Kong Trade Associations:**  
<https://research.hktdc.com/en/article/MzMONjIwMTc4>
- » **Chinese Institute of Real Estate Appraisers and Agents:**  
<https://www.iaao.org/wcm/membership>
- » **MIPIM Asia Summit:**  
[www.mipim-asia.com](http://www.mipim-asia.com)

### ► News, Business, and Data

- » **China Daily:**  
<https://www.chinadaily.com.cn/>
- » **Xinhua News:**  
[www.xinhuanet.com/english/](http://www.xinhuanet.com/english/)
- » **China Digital Times:**  
[www.chinadigitaltimes.net/](http://www.chinadigitaltimes.net/)
- » **The State Council The People's Republic Of China:**  
<https://english.www.gov.cn/>
- » **China Council for the Promotion of International Trade Beijing:**  
<http://english.ccpitbj.org/>
- » **National Bureau of Statistics of China:**  
[www.stats.gov.cn/english](http://www.stats.gov.cn/english)

### ► NAR Global Alliances

- » <https://www.nar.realtor/global>
- » <https://www.nar.realtor/global/global-ambassador>

**What is one contact or event that you think would be useful for your business?**

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**What is one fact or news event you discovered that could prove helpful in gaining insight into the real estate market?**

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## Business Culture in China

### Developing Connections—Guanxi

Westerners tend to think in terms of forging a good deal, but the Chinese think in terms of fostering a good relationship. 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 must be reciprocated in the future.

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. Business will come after the relationship is established.

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, especially considering anti-money laundering laws in some countries. Make sure the relationship is fully developed and trust is established before touching upon this sensitive topic.

## Understanding Name Conventions

Chinese names are given with the family name, or surname, 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 like 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 by 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.

## Diversity, Equity, and Inclusion 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 both 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.

Other diversity, equity, and inclusion efforts are gaining importance in China. However, the definition of "diversity" and what it means for a company to pursue being "inclusive and equitable" can vary from place to place. For example, inclusion efforts tend to place greater emphasis on the tolerance of differences rather than the more Westernized-approach of celebrating differences.

## Business Meeting Introductions

Arrive on time or slightly early for meetings. 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. Do not hug, put your arm around the shoulders, or pat the back of someone you are meeting, as all are too casual and familiar for a business meeting.

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 not to show excessive emotion, the Chinese may seem a bit solemn 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 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 handshakes and often a celebratory banquet.

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.

## Business Meeting 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.

Again, it is usual for 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, causing a loss of face. Silence could also mean the participants need more time to consider a proposal or confer with their colleagues. There may be periods during which one participant will dominate the discussion without appearing to say anything substantive; such remarks, as well as tone of voice and posture, may convey subtle signals. Remain patient and try to listen to the subtext.

## 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 an 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 a contract as the end of negotiations. Signing a contract signals progress 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 want to start with a boilerplate contract and modify it several times until a mutually agreed contract emerges. However, 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. Remember, *guanxi* is an essential ingredient in Chinese business success.

## Interpreters

It is a wise to hire your own interpreter. Confer with the interpreter prior to the meeting and familiarize the person with the purpose of the meeting. Also 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 they have 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.

## Business Dining

Dining and entertaining guests at a banquet builds relationships—the *guanxi*—that are vital to successful business. Note that at these occasions, business may or may not be discussed. Also, spouses are not included during these business/entertainment events.

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. Either immediately or after a course or two has been served, the guest should respond with a toast—to friendship, mutual benefit, cooperation, or the wish to return hospitality. 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.

## Business Taboos in China

- ▶ 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 considered rude.
- ▶ Placing chopsticks vertically in a rice bowl is equivalent to wishing death upon 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 also considered unlucky.
- ▶ A gift of a green hat signifies marital infidelity.
- ▶ Never refer to Tibet or Taiwan as independent states or countries; again, 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, may stir up long-standing rivalry between the two cities.

## Holidays in China

- ▶ **New Year's Day**  
January 1
- ▶ **January–February (Peak Travel Time)**
- ▶ **Spring Festival\***  
Last day of the final lunar month & first 2 days of the new lunar month
- ▶ **Women's Day—Half-day holiday for women**  
March 8
- ▶ **Qingming Festival—A day for honoring ancestors**  
April 5
- ▶ **Labor Day (Peak Travel Time)**  
May 1
- ▶ **Youth Day—Half-day holiday for people aged 14–20s.**  
May 4
- ▶ **Dragon Boat Festival\***  
5th day of the 5th lunar month.
- ▶ **Army Day— Half-day holiday for active army**  
August 1
- ▶ **National Day**  
October 1
- ▶ **Mid-Autumn Day & Moon Festival\***  
5th day of the 8th lunar moon.

\* Denotes movable date based off lunar calendar

## Commemoration Days

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



## Key Points Review

- ▶ China's Five-Year Plans direct all aspects of economic development. The 14th plan is now in effect through 2025.
- ▶ China became the top recipient of foreign direct investment in 2021. However, in 2023 FDI into China decreased for the first time in a decade, placing the United States back on top and signaling a slowing Chinese economy that is making investors more cautious.
- ▶ The real estate market has been a severe downturn since 2021. The Chinese government has implemented a series of measures to stop the slide, boost demand, and stave off damage to the broader economy.
- ▶ The Chinese government controls the real estate market. There is no private property, only leased property.
- ▶ Foreigners must meet certain criteria to purchase a personal residence.
- ▶ China has a large group of high-net-worth individuals (HNWIs), who are active buyers in the U.S. real estate market.





# 03

## THE REAL ESTATE MARKET IN JAPAN



## Module 3: The Real Estate Market in Japan

### AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Summarize the geographic, demographic, and regional market trends of Japan and their importance in making real estate investments.
- ▶ Explain how the real estate market functions in Japan and how conditions impact real estate opportunities.
- ▶ Describe the business culture in Japan as well as strategies for effectively navigating cultural expectations and norms.

### Geography and Population

A chain of islands in the North Pacific forms the country of Japan. The major islands are (from 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. See Figure 3.1.

The climate of Japan is quite varied, with the northernmost islands being colder with snowy and icy winters, more temperate in the central zones, and somewhat tropical in the southern islands. Japan is affected by monsoons and is susceptible to severe rain and typhoons in the summer and fall seasons.

The majority of the population (92%) live in urban areas. Tokyo is Japan's largest metropolitan area and includes four prefectures: Yamanashi, Saitama, Chiba, and Kanagawa. Prefectures refer to regional or local government subdivisions. The urban employment area, including towns within commuting distance, is home to approximately 38 million people—about 30% of Japan's population of 124 million. The table shows how Tokyo time aligns with the major western markets around the world.

Figure 3.1 Map of Japan



Figure 3.2 Comparative International Times to Tokyo, Japan (9AM–5PM)

Tokyo	London	New York	Los Angeles
9:00 am–5:00 pm	1:00 am–9:00 am Same Day	8:00 pm–4:00 am Previous–Same Day	5:00 pm–1:00 am Previous–Same Day

## The Economy

Japan is among the world's largest economies. Japan is one of the 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 70% of the country's economic output. The small agricultural sector is highly subsidized and protected, with crop yields among the highest in the world.

**Figure 3.3** Japanese Economic Sectors by GDP<sup>41</sup>

Sector	GDP %
Service	73.35%
Industry	23.55%
Agriculture	3.1%

Almost all controls on the flow of capital and financial transactions have been lifted, making Japan one of the easiest countries in the world for doing business. Like many countries around the world, the pandemic stifled Japan's economy. High inflation then further dampened consumer demand in 2022 and, after a brief rebound in early 2023, slowed again through the first half of 2024. Residential and nonresidential investment both lagged in the first quarter. However, with inflation abating along with the consumer price index, analysts expect the Japanese economy to stabilize show modest growth moving forward through 2026.<sup>42, 43</sup> This is something to closely monitor in the coming years when venturing into the Japanese real estate market to assess both risk and potential opportunity.

<sup>41</sup> O'Neill, A. (2024, July 4). Japan: Distribution of the workforce across economic sectors from 2012 to 2022. Statista. <https://www.statista.com/statistics/270161/economic-sector-distribution-of-the-workforce-in-japan/>

<sup>42</sup> Wolf, Michael. (2024, July 19). "Japan economic outlook, July 2024." Deloitte. <https://www2.deloitte.com/us/en/insights/economy/asia-pacific/japan-economic-outlook.html>

<sup>43</sup> Bank of Japan. (2024, July 31). "Outlook for Economic Activity and Prices (July 2024)." <https://www.boj.or.jp/en/mopo/outlook/gor2407a.pdf>

## Energy and Resources

Japan lacks most natural mineral and fossil fuel resources, importing nearly 90% of its energy requirements. After the shutdown of its 54 nuclear reactors following the devastating 2011 Tohoku earthquake and tsunami, Japan became even more dependent on foreign sources for petroleum and minerals needed for modern industrial production.

Residents became uneasy about nuclear energy following this disaster, and currently less than 5% of Japan's electricity is sourced from nuclear power plants. There are nine operational nuclear power plants, which are being gradually phased out.

Japan has shifted to natural gas, oil, and renewable energy since 2011 with oil being the primary energy source. Renewable energy is quickly growing as an alternative fuel source, as Japan has set ambitious goals to be a leader in this space. It's currently ranked 27 out of 120 countries on the Energy Transition Index (ETI), and its Green Transformational Policy, adopted in 2023, has established a goal to be carbon neutral by 2050.<sup>44, 45</sup>

## Trade

Regarding trade, Japan almost singlehandedly helped bring to life the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (formerly the Trans-Pacific Partnership). After the U.S. withdrew from the TPP in 2017, the 11 remaining nations—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam—negotiated the CPTPP. The countries' representatives signed the pact in Chile in March 2018.

In 2021, four other economies formally applied to join the CPTPP—the United Kingdom, China, Taiwan, and Ecuador. Japan has called for the U.S. to join this new agreement, but it has yet to do so.

Japan received much of the credit for seeing the CPTPP to fruition, and furthermore, for signaling to the globe that it wants to continue to be active in international business. The Japanese government continues to seek ways to liberalize key sectors and promote greater cross-border trade and investment flows. Japan is also a part of the Regional Comprehensive Economic Partnership Agreement (RCEP), which was ratified by all participating countries in 2022, making it the largest trade agreement in history.

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<sup>44</sup> Asian Insiders. (2024, March 5). "Renewables in Japan: Powering the Future." <https://asian-insiders.com/2024/03/05/renewables-in-japan-powering-the-future>

<sup>45</sup> Haig, Ken. (2024, September 27). "Japan is leading Asia's renewables revolution." Nikkei Asia. <https://asia.nikkei.com/Opinion/Japan-is-leading-Asia-s-renewables-revolution>

## Keiretsu

A unique aspect of Japanese corporate life is the keiretsu. Translated literally as “headless combine,” 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 keiretsu are Mitsubishi, Sumitomo, Fuyo, Mitsui, Daii-Ichi Kangyo, and Sanwa. However, the keiretsu system is a major obstacle to foreign direct investment (FDI). Currently, they employ 18 million people which is one third of all Japanese employees. Historically, Japan has been resistant to FDI, but seems to be making a pivot. In 2023, the government set a goal of 100 trillion yen in FDI by 2030 to spur economic growth and innovation.<sup>46</sup> It will be important to monitor to what degree Japan adjusts this system to encourage more foreign investors.

## Japan’s National Debt

At 264%, Japan has the highest national debt as a percentage of GDP in the world.<sup>47</sup> Until recently, 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 in recent years, 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 it is held by Japanese corporations, insurance companies, pension funds, and private savers. Investors will want to keep an eye on how the debt affects the economy in the years ahead.

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<sup>46</sup> Ministry of Foreign Affairs of Japan. (2024, August 14). “Foreign Direct Investment in Japan.” <https://www.mofa.go.jp/policy/economy/japan/invest/index.html>

<sup>47</sup> World Population Review. (2024). Debt to GDP ratio by country 2024. Retrieved from <https://worldpopulationreview.com/country-rankings/debt-to-gdp-ratio-by-country>

## The Real Estate Business in Japan

### Current Conditions

Japan's housing market is stable. Housing prices have seen modest growth in recent years, despite a lagging economy. Demand, however, has been weaker and new construction has been slowing down. Not surprisingly, housing prices in the Tokyo metro area increased the most, with existing condo prices up nearly 8% and new condo prices up a more modest 3.5% in May of 2024. Detached house prices declined 2.2%.<sup>48</sup>

Japan is the one country in Asia where foreigners can buy freehold land. Foreign buyers come from surrounding countries, but there is also growing interest from the United States, Australia, and Western Europe. It is anticipated that the Japanese residential market will continue to grow.<sup>49</sup>

Real estate practitioners should also 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 in senior housing and nursing home properties is becoming more popular.

#### ► “Ghost Villages” and Housing Surplus

In Japan's rural areas there are millions of abandoned homes known as akiya, and the communities where they are found are referred to as “ghost villages.” A recent housing and land survey recorded over 8 million akiya. Some regional governments are offering renovation subsidies and tax relief measures to entice homeowners. The problem, however, is that Japan's population is not only older, it's shrinking. By some estimates, Japan's population could decline by as much as a third over the next 50 years, thus adding to the country's housing surplus.<sup>50</sup>

#### ► 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 those 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 have common interests and goals.

<sup>48</sup> Delmendo, Lalaine. (2024, August 19). “Japan Residential Real Estate Market Analysis 2024.” Global Property Guide. <https://www.globalpropertyguide.com/asia/japan/price-history>

<sup>49</sup> CBRE. (2023, August 10). “Why Japan remains an attractive real estate investment destination.” <https://www.cbre.co.jp/en/insights/reports/why-japan-remains-an-attractive-real-estate-investment-destination->

<sup>50</sup> Delmendo, Lalaine. (2024, August 19). “Japan Residential Real Estate Market Analysis 2024.” Global Property Guide. <https://www.globalpropertyguide.com/asia/japan/price-history>

## Secondhand Housing

In sharp contrast to the United States' housing market, 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 mean 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.

## Land Lease

Scarcity of land shapes the real estate market in Japan's cities. The population density of Tokyo ranks highest among Japan's prefectures—over 6,000 persons per square kilometer. More than 37 million people live in Tokyo metro area.

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

Land prices have increased for three straight years in the wake of the pandemic. Overall land prices rose 1.4% between July 2023 and July 2024. For the first time in over three decades, land prices even increased outside of the three major metro areas of Tokyo, Nagoya, and Osaka.<sup>51</sup>

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.

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<sup>51</sup> The Japan Times. (2024, September 17). "Japanese average land price rises for third consecutive year." <https://www.japantimes.co.jp/business/2024/09/17/economy/japan-land-prices/>

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 multifamily 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 traditionally high and the typical home is rebuilt after 20–30 years.

## 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.

Foreigners are allowed to own both land and buildings, and properties can be bought, sold, and inherited freely among foreigners. Taxes paid by foreigners are the same as those paid by citizens.

### Real estate may be owned as:

- ▶ Fee simple
- ▶ Land lease, fixed term
- ▶ Severalty
- ▶ Real Estate Investment Trusts
- ▶ Joint venture
- ▶ 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 cosigner 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 permanence. A foreign borrower may have a better chance of obtaining a loan from a private mortgage company than a bank. In addition, it is typical for the borrower to pay 10%–28% of the purchase price in a down payment.

## 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 by a real estate agent. 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).

A typical lease period is 2 years. In order to rent a property, advance payments equivalent to 5–7 months' rent are quite common; some payments are refundable or applied toward rental and others are nonrefundable. These advance payments might include:

- ▶ **Multiple Months' Advance Rent**
- ▶ **Lock Exchange Fee**
- ▶ **Renters/Fire Insurance**
- ▶ **Security Deposit:**  
A refundable security deposit of 2–3 months' rent to cover nonpayment or damages.
- ▶ **Key Money:**  
A nonrefundable payment to the landlord of 1–2 months' 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.
- ▶ **Lease Renewal Fee:**  
1 month's rent.

Japanese landlords are not obligated to renew a lease. 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.

Average rents are the highest in Tokyo and the metro area around it. A standard studio rents for about \$600 a month, while a full family-sized apartment is about twice that a month in 2024.<sup>52</sup>

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<sup>52</sup> GaijinPot Blog. (2024, May 2). “How Much Is the Average Rent in Tokyo?” <https://blog.gaijin-pot.com/how-much-is-the-average-rent-in-tokyo/>

## Real Estate Professionals in Japan

In Japanese, the word “takken” refers to a real estate broker license. 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
- ▶ 2 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

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 the original title deed, 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.

### Discussion Question

Having now explored Japan’s real estate market, what aspects do you find present the biggest opportunities, as well as the biggest risks, for your business? Share your thoughts with classmates.

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## Exercise: Get the Latest...

Take 10 minutes to explore the links listed in each category below. Respond to the questions at the end.

### ► Real Estate Associations and Events

- » **Real Estate Companies Association:**  
<https://fdk.or.jp/en/code.html>
- » **Association of Real Estate Agents of Japan:**  
[www.frk.or.jp/index\\_e.html](http://www.frk.or.jp/index_e.html)
- » **All Japan Real Estate Association:**  
[www.zennichi.or.jp/english/](http://www.zennichi.or.jp/english/)

### ► News, Business, and Data

- » **Japan Times Online:**  
[www.japantimes.co.jp/](http://www.japantimes.co.jp/)
- » **Asahi Shimbun:**  
[www.asahi.com/english/](http://www.asahi.com/english/)
- » **Japan Inc.:**  
[www.japaninc.com](http://www.japaninc.com)
- » **Japanese Chamber of Commerce:**  
Chapters in most U.S. metro areas
- » **Ministry Of Land, Infrastructure, Transport & Tourism:**  
[www.mlit.go.jp/en](http://www.mlit.go.jp/en)
- » **Statistics Bureau, Ministry Of Internal Affairs & Communications:**  
[www.stat.go.jp/English](http://www.stat.go.jp/English)
- » **Japan External Trade Organization:**  
[www.jetro.go.jp/en/](http://www.jetro.go.jp/en/)

### ► NAR Global Alliances

- » <https://www.nar.realtor/global>
- » <https://www.nar.realtor/global/global-ambassador>

**What is one contact or event that you think would be useful for your business?**

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**What is one fact or news event you discovered that could prove helpful in gaining insight into the real estate market?**

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## Business Culture in Japan

### Developing 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 of each participant, and friendship creates extensive obligations. Therefore, both the short- and long-term effects of an action should be evaluated before implemented.

Similar to the Chinese, 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 partner.

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 IN JAPAN

#### Values that characterize Japanese relationships are:

▶ **Amae:**

Used to describe people's behavior when they desire to be loved, taken care of, and dependent on another person.

▶ **Hada to Hada:**

Literally meaning "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) & 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.

## Gift Exchange

Exchanging gifts is an important tradition in Japanese business, especially at the initial meeting. White flowers and potted plants should be avoided. Anything in a set of four is deemed unlucky and the number nine also has negative connotations. Avoid holiday cards printed in red, as red is the color used for funeral notices.

Gourmet food items or fine whiskeys are considered appropriate. High-quality writing utensils or business card holders are also acceptable. Gifts should always be presented and received with both hands.

## Business Meeting Introductions

When working with Japanese buyers, it is important to be on time, to be dressed appropriately, and to go through the proper channels. Initial contact should always be in person.

Hierarchy is very important. 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 degrees 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.

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 that person to rise before standing.

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, your company, and the product. Distribute translated handouts, including copies of charts and graphics. After a meeting, send a letter confirming your understanding.

► **Understand Name Conventions**

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.

► **Using Business Cards**

Called meish, business cards are a personal extension and must be treated with respect as outlined below:

1. Present your card with both hands, bowing slightly.
2. Present the card with the written (Japanese) side up and facing the receiver.
3. Accept a business card with both hands and read it slowly; acknowledge it with a slight bow and comment favorably.
4. 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 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 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.

## Business Meeting Demeanor

The Japanese strive for group harmony in business, family, and social relationships, and they 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 that 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. Silence is valued more than an excessive amount of talking. It is thought to convey wisdom and emotional self-control.

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, as does laughter directed at a colleague. Consider this famous saying that demonstrates the power of Japan's group culture: "A single arrow is easily broken, but not 10 in a bundle."

## Negotiations and Contracts

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 nonthreatening manner. In the event of a deadlock, always maintain the appearance of harmony.

Instead of a contract, the Japanese may prefer a brief agreement that 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.

## Intermediaries

Intermediaries must be carefully selected because the prospect's opinion of you and your firm will be influenced by their 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 Taboos in Japan

- ▶ 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 hands in pockets; it 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; avoid gifts in sets of 4 or 9.
- ▶ 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.

## Beyond Business: General Social Etiquette

Tipping is not customary in Japan. A gratuity may be included in a restaurant bill, but you are not expected to tip a server, cab driver, valet, concierge, 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 host. 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.”

When entering a home, remove your shoes. 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 washroom; a different set of slippers should be waiting by the door. Clearly, slip-on shoes are advantageous.

## Holidays in Japan

- ▶ **Shogatsu—  
New Year Celebration**  
January 1–3
  - » Peak travel time. Most offices are closed December 29–January 3.
- ▶ **Coming of Age—For those celebrating a 20<sup>th</sup> birthday in the year**  
2nd Monday of January
- ▶ **National Foundation Day**  
February 11
- ▶ **Doll Festival—A celebration for girls, but not a national holiday**  
March 3
- ▶ **Spring Equinox\***  
March
- ▶ **Showa Day—Birthday of former Emperor Showa**  
April 29–May 5
- ▶ **Constitution Day**  
May 3
- ▶ **Greenery Day**  
May 4
- ▶ **Children’s Day—Celebrates all children, but focuses on boys**  
May 5
- ▶ **Ocean Day**  
3rd Monday in July
- ▶ **O-Bon\***  
Mid-August
  - » A three-day Buddhist festival honoring ancestors, while not national holiday, many offices close.
- ▶ **Respect for the Aged Day**  
3rd Monday of September
- ▶ **Autumn Equinox\***  
September



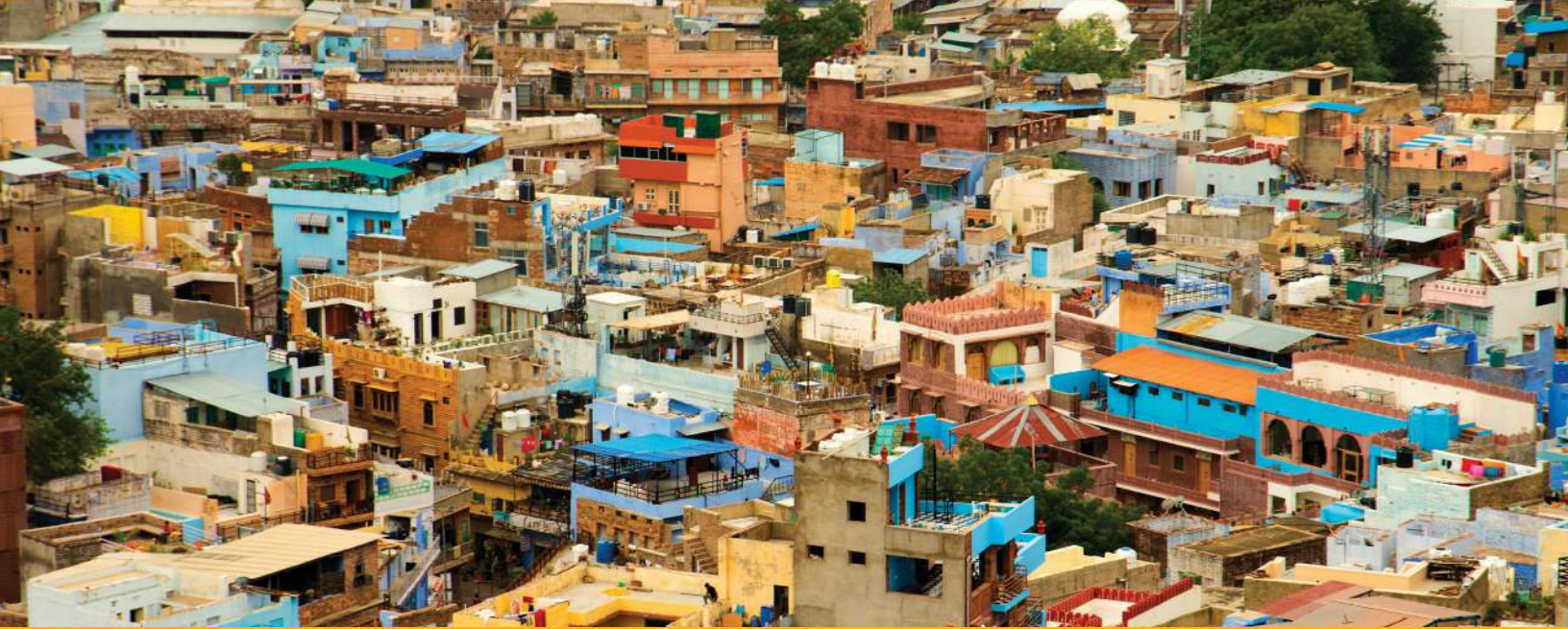
## Key Points Review

- ▶ The among the world's largest economies; however, it is resource-poor and relies heavily on other countries for fuel and commodities. It is investing heavily in renewables.
- ▶ Japan's national debt is the second highest in the world and is something for investors to monitor in the years ahead.
- ▶ Secondhand homes are undesirable and are rebuilt in 20–30 years. There are millions of abandoned homes called “akiya” that create ghost villages in rural areas. A declining population is leading to a housing surplus.
- ▶ There are no restrictions on foreign buyers purchasing land or buildings.
- ▶ Building relationships is an important aspect of the business culture.



# 04

## THE REAL ESTATE MARKET IN INDIA



## Module 4: The Real Estate Market in India

### AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Summarize the geographic, demographic, and regional market trends of India and their importance in making real estate investments.
- ▶ Explain how the real estate market functions in India and how conditions impact real estate opportunities.
- ▶ Describe the business culture in India as well as strategies for effectively navigating cultural expectations and norms.

### Geography and Population

India is the seventh largest country in the world, with a land size of about 3.28 million square kilometers (1.2 million miles). India has 29 states and seven union territories. In 2014, the state of Hyderabad was divided into Telangana and Andhra Pradesh, the latter of which alone has a population of 1.25 million. India borders six countries: Bangladesh, Bhutan, Myanmar, China, Pakistan, and Nepal. Pakistan and China both claim and control areas of the northern state of Jammu and Kashmir. See Figure 4.1.

India's most distinct climatic feature is the monsoon—a period of torrential downpours that supplies more than 80% of the country's 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.

Figure 4.1 Map of India



Figure 4.2 Comparative International Times to Delhi, India (9AM–5PM)

Delhi	London	New York	Los Angeles
9:00 am–5:00 pm	3:30 am–11:30 am Same Day	11:30 pm–7:30 am Previous–Same Day	8:30 pm–4:30 am Previous–Same Day

At 1.4 billion, India ranks as the most populous country in the world. Median age is about 28 years. All of India is in one time zone. Figure 4.2 shows how Delhi time aligns with some major world markets.

Of India's 22 nationally 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.

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. With the support of India, armed conflict in 1971 transformed East Pakistan into the separate nation of Bangladesh. Discussions between India and Bangladesh continue over water rights, divided villages, illegal cross-border trade, and migration. In recent years, there have been some signs of positivity in the relationship between these two countries, such as symbolic visits of national leaders, new rail and road links, and security cooperations, but tensions between the two nations still persist.<sup>53</sup> Real estate practitioners should be mindful of this history in any business dealings.

**Figure 4.3** Major Cities of India

City	Population	Significance
<b>Delhi</b>	33 million	India's national and political legislative site
<b>Mumbai</b>	21 million	Formerly Bombay, home to Bollywood
<b>Bangalore</b>	14 million	India's Silicon Valley
<b>Kolkata</b>	15 million	IT, real estate, financial services, corporate HQs, and tourism
<b>Hyderabad</b>	10 million	Software, call centers, business process outsourcing, film production (Tollywood)

<sup>53</sup> Council on Foreign Affairs. (2024, April 9). "Conflict Between India and Pakistan." <https://www.cfr.org/global-conflict-tracker/conflict/conflict-between-india-and-pakistan>

## The Economy

Like many other countries, India experienced economic decline during the pandemic, but unlike many other countries, India's economy has flourished in the years since. For three consecutive years, India's economic growth outpaced analysts' expectations, ending fiscal year 2023-2024 with 8.15% growth. Expectations for 2025 are again high, with analysts projecting growth in the range of 7%.<sup>54</sup> India is a younger, emerging economy in the free market, however, so it needs to be monitored more closely.

Services, India's leading growth area, produce about half of the GDP, but they employ only about a third of the workforce. In comparison, agriculture employs 47% of the workforce but produces only 16% of GDP.

**Figure 4.4** Indian Economic Sectors by GDP and Workforce Composition<sup>55</sup>

Sector	GDP %	Workforce Composition %
Service	50%	31%
Industry	25%	22%
Agriculture	16%	47%

## India's Middle Class

India is the world's fastest growing economy, and India's middle class is the country's fastest growing segment of the population. It's increased by approximately 6% annually over the past two decades and, by most metrics, now comprises approximately a third of the Indian population, with analysts projecting it to be 38% by 2031 and 60% within the next two decades.<sup>56</sup> In short, this demographic will comprise a huge and growing consumer class with increasing spending and buying power.

<sup>54</sup> Majumdar, Rumki. (2024, August 5). "India economic outlook, August 2024." Deloitte. <https://www2.deloitte.com/us/en/insights/economy/asia-pacific/india-economic-outlook.html>

<sup>55</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook>

<sup>56</sup> The Economic Times. (2023, July 9). "How the middle class will play the hero in India's rise as world power." <https://economictimes.indiatimes.com/news/economy/indicators/how-the-middle-class-will-play-the-hero-in-indias-rise-as-world-power/articleshow/101608682.cms>

## Infrastructure

India struggles with severe infrastructure issues. Infrastructure development generally lags behind business development. Clogged airports, traffic jams, and power outages often disrupt daily life. Enclaves such as technology campuses and upscale, gated communities offer a buffer zone. But many citizens complain that predictable events, like monsoon rains, bring the infrastructure—roads and power in particular—to a shuddering halt.

In 2021, the government pledged US\$1.35 trillion to be directed toward infrastructure improvements. This includes a focus on logistics to integrate transportation and improve supply chains. India's prime minister has also pledged to decrease energy imports to attain carbon efficiency goals. The goal is for the country to become energy independent.<sup>57</sup> Since making this ambitious pledge, the government has stuck to hitting these targets in the years since, dedicating 3.4% of its GDP for its fiscal budget ending in March 2025.<sup>58</sup>

## 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, causes respiratory problems for residents, and corrodes buildings. Moreover, as a result of pollution, the country's tap water is not potable, so the risk for waterborne diseases is quite high.

India is a water-stressed country. Providing clean drinking water to the more than 190 million households by the end of 2024 through its Jal Jeevan Mission has been an ambitious goal of Prime Minister Modi. As of September of 2024, 150 million homes are now reported to have access to clean drinking water. The project is likely to fall short of its initial target, but much progress has been made.<sup>59</sup>

The pressure to feed and house over 1 billion people leads to increasing loss of arable land, urbanization, desertification, and salination of soil and groundwater. The ability for India to modernize its infrastructure and control environmental concerns due to urbanization will have a direct impact on the real estate market in the years to come.

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<sup>57</sup> Chaudhary, A. & Ghosh, S. (2021, August 15). India aims to spend \$1.4 trillion building infrastructure. Bloomberg. <https://www.bloomberg.com/news/articles/2021-08-15/india-aims-to-end-energy-imports-boost-infrastructure-spending>

<sup>58</sup> Reuters. (2024, July 23). "India keeps infrastructure spend target unchanged at record 11.11 trillion rupees for 2024-25." <https://www.reuters.com/world/india/india-budget-india-keeps-infrastructure-spend-target-unchanged-record-1111-trln-2024-07-23/>

<sup>59</sup> UNOPS. (2024, September 20). "Ground Breaking Insights from India's Jal Jeevan Mission." <https://www.unops.org/news-and-stories/news/groundbreaking-insights-from-indias-jal-jeevan-mission>

## Anti-Corruption Movement

Corruption and bribe-taking, known as “leakage,” are unfortunate perennial drains on Indian business, government, courts, and everyday life. Political corruption has not only stirred domestic worries, it has also tarnished the country’s image among international investors. India has lost hundreds of billions of dollars in the past to illegal capital flows, such as tax evasion, corruption, bribery, and kickbacks.

“Benami” transactions refer to an unethical 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. In 2016, the Benami Transaction Bill was amended in the light of increasing concerns over money laundering and black money funneling. With more rigid rules and stiffer penalties, this bill is meant to bring much needed transparency in the industry and improve buyer confidence. But the law is complicated, and experts suggest that it’s important to know precisely how the law does and does not work when conducting any real estate deals in India.

These legislative changes haven’t corrected corrupt practices overnight, but the government continues to be more proactive in addressing the issue, and progress has been made. In 2018, for example, the government amended earlier corruption legislation to include payment of bribery as a criminal act, whereas previously only receiving a bribe was criminalized. India ranked 63rd for ease of doing business in 2020 (the last year the survey was conducted), a marked contrast from just 3 years earlier when it was ranked 100.

## The Real Estate Business in India

After the initial housing market slowdown at the start of the pandemic, the real estate market in India has shown steady growth since 2021. There has been an urgent demand for residential spaces and overall the sector is strong. Housing prices were expected to increase by another 6% in 2024 from the prior year, and there was a 10% increase in residential sales.<sup>60</sup>

This growth is expected to continue in the coming years as home buyers search for larger residences, more amenities, and attractive pricing. The luxury housing market is predicted to be in even greater demand. The government has also put plans in place to incentivize the sale of real estate in the affordable housing sector.

### Top 10 Cities for Real Estate Investment<sup>61</sup>

- |                |              |
|----------------|--------------|
| 1. Navi Mumbai | 6. Chennai   |
| 2. Pune        | 7. Hyderabad |
| 3. Mumbai      | 8. Noida     |
| 4. Thane       | 9. Ahmedabad |
| 5. Bangalore   | 10. Kolkata  |

#### Other trends to watch include:

##### ► Real Estate Investment Trusts (Reits) and Commercial Real Estate:

Historically, real estate assets were kept out of the financial market and were not a full-fledged investment option. However, changing demographics have created a growing demand for quality real estate, and REITs were introduced in 2019 to promote investor interest. There are now several REITs to invest in India, a few notable ones are Embassy Business Park, Mindspace Business Parks, and Brookfield India. The opening of the commercial real estate market to investors shows India's interest in growing this sector. Careful analysis of an REIT investment is important as returns can fluctuate.

<sup>60</sup> Nussupbekova, Tamila. (2024, October 7). "India's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/asia/india/price-history>

<sup>61</sup> Kadam, S. (2024, October 4). 10 best cities in India for real estate investment in 2024. [homebazaar.com](https://www.homebazaar.com/knowledge/10-best-cities-in-india-for-real-estate-investment-in-2021/). <https://www.homebazaar.com/knowledge/10-best-cities-in-india-for-real-estate-investment-in-2021/>

► **Affordable Housing:**

India is in the midst of an affordable housing crisis, as more people want out of multifamily housing and into a home of their own. The government passed the Housing for All (by 2022) plan, which focused on prefabricated construction for rapid building. As of the final quarter of 2024, the initiative has only achieved about 67% of its goal, and there are still large economic disparities in housing between India's wealthy and impoverished populations.<sup>62</sup> This sector will be an important one to watch for investors in the years ahead.

► **Senior Living:**

While India is still a relatively young population, the overall population is aging at a rapid pace. Demographic estimates indicate that it will house approximately 20% of the world's total population aged 60+ by 2050, and some analysts project that the sector could increase five-fold by the end of the decade.<sup>63</sup> This projection, along with a changing sentiment toward the concept of senior living, indicates a great deal of opportunity for this property-specific niche.

## Home Ownership

India has one of the highest homeownership rates in the world. The most recent census shows overall rate of homeownership in urban and rural India combined is 86%. By comparison, the U.S. rate of homeownership stands at around 65%. Many homeowners in India have never had a mortgage or do not have an outstanding mortgage.

The household savings rate in India has historically been high relative to the rest of the world, and these rates are a direct indicator of home ownership. Culturally speaking, homeownership is valued and seen as a symbol of status and family stability. These values paired with an expanding middle class with increasing purchasing power can lead to opportunities in the real estate market.

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<sup>62</sup> Chintan Patel and Vaibhav Jain. (2024, March 26). "In Modi govt's 'housing for all': 83% homes not for landless poor, lopsided growth." News Laundry. <https://www.newslandry.com/2024/03/26/in-modi-govts-housing-for-all-83-homes-not-for-landless-poor-lopsided-growth>

<sup>63</sup> Badal Yagnik and Vimal Nadar. (2024, May 13). "Indian senior living market has the potential to grow 5x times from current levels to touch ~USD 12 billion by 2030." Colliers. <https://www.colliers.com/en-in/news/press-release-senior-living-to-grow-5x-by-2030-to-touch-usd12-billion>

## Real Estate Transaction Process

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. Nonresident Indians (NRIs), Person of Indian Origin (PIOs), and nonresident foreigners may not buy agricultural land, plantation property, or a farmhouse. However, through prior ownership and/or inheritance, an NRI or PIO may sell it to a resident citizen of India. Noncitizen foreigners must obtain prior RBI permission to transact such a sale. A more complete discussion of NRIs, PIOs, and nonresident foreigners is found later in this module.

### MORTGAGE FINANCING

Typical home loan terms involve a down payment of 15–20% 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 typically 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 Indian numbers 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 4–7%. Easily accessible online stamp tax calculators can assist in estimating the amount of tax.

### ▶ **Registration Fee:**

Registration of property ownership usually costs 1% of the property value, but it 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 taxes were recently reformed in July 2024. Effective July 23, 2024, the effective short-term capital gains rate (that is, any property held less than 24 months) is taxed at the individual's income level. Long-term capital gains rate is applied to a properties held longer than 24 months. The long-term rate has been reduced from 20% to 12.5%. There are certain exceptions and variations as to how these taxes will be applied during the transition period, so it's especially important to review the details with a tax and legal specialist for any near-term transactions.

### ▶ **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. With the help of the Digital India Land Records Modernization Programme (DILRMP), 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.

## Indians Abroad

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. Semi- and low-skilled workers migrate to the oil-rich Gulf States for jobs in the oil fields, construction, or domestic service. 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. Singapore also continues to be a popular destination for commercial business with an estimated 8,000 Indian businesses registering to do business there since 2000.

## NRIs, PIOs, and OCIs

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 the federal government—the Ministry of Overseas Indian Affairs—is devoted to nurturing this relationship. The government specifically recognizes three categories of overseas Indians:

▶ **Nonresident Indian (NRI):**

Generally speaking, an Indian citizen who resides outside the country for more than 182 days in a fiscal year.

▶ **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 prime sources 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.

It is important to note that all PIO cards are being accepted as valid travel documents only until December 31, 2024. By that time, PIO cardholders must convert to an OCI card.

## 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. They also provide an insulating layer between residents and harsher aspects of daily life. A quick Google 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.

## BANK ACCOUNTS FOR NRIs

For Non-Resident Indians, the types of bank accounts determine the flow of funds for real estate transactions. Capital gains may be credited to a nonresident ordinary (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 nonresident external (NRE) or foreign currency nonresident (FCNR) account; a declaration must be submitted to the Reserve Bank of India (RBI) within 90 days of the day of purchase.

**Figure 4.5** At-a-Glance: NRI Bank Account Types

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

## WHY IS THIS IMPORTANT FOR YOUR REAL ESTATE BUSINESS?

Indians move 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).

## 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.

### ▶ **Nonresident 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 5 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. There are four types of commercial real estate that are recognized in India: commercial office space, industrial floors, warehouses, and mixed use. Since the pandemic, there has been an increased demand for flexible co-working spaces with a focus on technology and health in commercial real estate. Considering that the IT boom is far from over, the trend toward outlying business parks with an emphasis on sustainability and design efficiency continues to be strong.<sup>64</sup>

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 Market

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 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.

In June of 2021, the government approved the Model Tenancy Act to establish a balance between a landlord's interest with those of a tenant. However, it is still the choice of each state and territory within India to repeal their existing laws. Unfortunately, the Act will not affect existing rent agreements.

Rent-control laws apply to leases of 12 months or more; therefore, landlords commonly offer leases for terms of 11 months with an option to renew. A refundable security deposit of 3 months' rent and advance payments of 6 or 11 months' rent are common practices. Stiff penalties, tripling or quadrupling the rent, may be written into leases to prevent tenants from overstaying. The need for apartments will continue to be present for university students and perhaps young professionals.

<sup>64</sup> Savills. (2024, August 7). "India's business parks evolve to stay on top." <https://www.savills.com/prospects/sectors-india-business-parks-evolve-to-stay-on-top.html>



## Exercise: Get the Latest...

Take 10 minutes to explore the links listed in each category below. Respond to the questions at the end.

### ► Real Estate Associations and Events

- » **National Association of Realtors® India:**  
[www.narindia.org/](http://www.narindia.org/)
- » **Pravasi Bharatiya Divas:**  
[www.pbd-india.com/](http://www.pbd-india.com/)
- » **Trade Fest:**  
<https://tredefest.io/en/selection/best-expos-exhibitions-fairs-in-india>

### ► News, Business, and Data

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>» <b>NRI Realty News:</b><br/><a href="http://www.nrirealtynews.com">www.nrirealtynews.com</a></li> <li>» <b>Times of India:</b><br/><a href="http://www.timesofindia.indiatimes.com/">www.timesofindia.indiatimes.com/</a></li> <li>» <b>The India Express:</b><br/><a href="http://www.indianexpress.com/">www.indianexpress.com/</a></li> <li>» <b>Associated Chamber of Commerce and Industry of India:</b><br/><a href="http://www.assochem.org/">www.assochem.org/</a></li> <li>» <b>International Trade Administration/U.S. Commercial Service India:</b><br/><a href="https://www.trade.gov/india">https://www.trade.gov/india</a></li> </ul> | <ul style="list-style-type: none"> <li>» <b>Ministry of External Affairs of India:</b><br/><a href="http://www.mea.gov.in/">www.mea.gov.in/</a></li> <li>» <b>National Informatics Centre, Government of India:</b><br/><a href="http://www.nic.in/">www.nic.in/</a></li> <li>» <b>National Portal of India:</b><br/><a href="http://www.india.gov.in/">www.india.gov.in/</a></li> <li>» <b>Reserve Bank of India:</b><br/><a href="https://www.rbi.org.in/">https://www.rbi.org.in/</a></li> </ul> |
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### ► NAR Global Alliances

- » [www.nar.realtor/global](http://www.nar.realtor/global)
- » [www.nar.realtor/global/global-ambassador](http://www.nar.realtor/global/global-ambassador)

**What is one contact or event that you think would be useful for your business?**

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**What is one fact or news event you discovered that could prove helpful in gaining insight into the real estate market?**

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## Business Culture in India

### Understanding Name Conventions

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, his 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.

### Business Meeting Culture

#### SCHEDULING

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 (April–June) and popular vacation times (December–January). Government offices are usually open Monday through Saturday; private businesses keep a 5.5-day workweek; and IT companies have increasingly adopted a 5-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. A local intermediary can also 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.

## INITIAL GREETING ETIQUETTE

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.

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 likewise introduce your team in order of rank or seniority. In the business setting, subordinates stand when a senior executive enters the room; 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, Gandhiji).

Business people commonly shake hands, while 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 not appropriate. 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.

## CONVERSATION STARTERS

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

## USE OF 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.

## FOOD AND REFRESHMENTS

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.

## BUSINESS DEMEANOR AND ATTIRE

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 should 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.

## Negotiations and Contracts

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.

Like the Chinese and Japanese, 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.

## Diversity, Equity, and Inclusion 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.

In addition, the Indian business sector is working to increase awareness of diversity, equity, and inclusion efforts. India Diversity Forum is a leading organization advocating for equity and inclusion in the workplace. A recent survey reported that approximately 70% of organizations across India are offering training in this sphere.<sup>65</sup> This percentage is likely to rise in the years to come.

## Use of Mobile Phones

Purchasing a prepaid SIM card is a good option. Travelers can also purchase inexpensive prepaid phones. Depending on your carrier, you may also be able purchase an international plan that works in India. Finally, using messaging apps, such as WhatsApp, WeChat, or Signal, might be the easiest and most secure way to communicate.

## Beyond Business: General Social Etiquette

### FOOD AND DIET

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 serve both vegetarian and nonvegetarian 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 nonvegetarians generally do not eat beef or pork. On special occasions such as 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.

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<sup>65</sup> IBEF. (2023, December 27). "Diversity, Equity, and Inclusion Landscape in India." <https://www.ibef.org/blogs/the-diversity-equity-inclusion-de-i-landscape-in-india>

- ▶ 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.

## TIPPING

Restaurants may add a 10% gratuity to the bill, which is generally an adequate tip; a 15% 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 overtip.

## Guests and Hospitality

Hospitality is a core value for Indians, regardless of religion or state, rural or urban. They go to great lengths 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 one that is too expensive 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.

## Business Taboos in India

- ▶ Never use the left hand for eating, offering a gift, or presenting a business card.
- ▶ Offering food 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; the same goes for folding your hands or placing your 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.

## Holidays in India

Listed here are holidays observed by the central government and the territory of Delhi. States and banks observe additional holidays.

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

\* Denotes movable date based off lunar calendar

\*\*Denotes movable date based of Islamic calendar



## Key Points Review

- ▶ India is the second most populated country in the world.
- ▶ India's economy has rebounded strongly in the wake of the pandemic.
- ▶ Providing clean drinking water to all and reducing inequality is a priority of the government but challenges persist.
- ▶ The expanding middle class in India presents opportunities in the real estate market in both the near and long term.
- ▶ The government recognizes three categories of overseas Indians: NRI, PIO, and OCI.
- ▶ The Model Tenancy Act was approved in 2021 to help establish a more balanced relationship between landlords and tenants.

# 05

## THE REAL ESTATE MARKET IN THE UNITED ARAB EMIRATES





## Module 5: The Real Estate Market in the United Arab Emirates

### AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Summarize the geographic, demographic, and regional market trends of the United Arab Emirates and their importance in making real estate investments.
- ▶ Explain how the real estate market functions in the United Arab Emirates and how conditions impact real estate opportunities.
- ▶ Describe the business culture in the United Arab Emirates as well as strategies for effectively navigating cultural expectations and norms.

### Geography and Population

The United Arab Emirates is actually located geographically in what we most often refer to as the Middle East. It borders the Gulf of Oman and the Persian Gulf, between the countries of Oman and Saudi Arabia. It's included in this course due to its proximity to Asia and often robust real estate market.

The United Arab Emirates (UAE) was created in 1971 after the merging of six states: Abu Dhabi, Ajman, Fujairah, Sharjah, Dubai, and Umm al-Quwain. A seventh state, Ras al-Khaimah, joined the federation in 1972. Sometimes referred to as simply Emirates, the UAE has a population of over 10 million, with a median age of 31.6. The three largest emirates—Abu Dhabi, Dubai, and Sharjah—are home to approximately 85% of the population, more than three-fourths of whom are Muslim.

The UAE is flat and mostly desert land (with some mountains in the east) and is slightly larger than the state of South Carolina. Frequent dust storms, a lack of natural fresh water, and beach pollution from oil spills are current environmental issues. Figure 5.2 shows how UAE time aligns with some major world markets.

**Figure 5.1** Map of the United Arab Emirates



**Figure 5.2** Comparative International Times to the United Arab Emirates (9AM–5PM)

Dubai (All UAE)	London	New York	Los Angeles
9:00 am–5:00 pm	6:00 am–2:00 pm Same Day	1:00 am–9:00 am Same Day	10:00 pm–6:00 am Previous–Same Day

## The Economy

The UAE is a member of the Gulf Cooperation Council (GCC). Founded in 1981, the GCC is a political and economic alliance of six Middle Eastern countries: the UAE, Saudi Arabia, Kuwait, Qatar, Bahrain, and Oman. The alliance was formed “to strengthen relations among its member countries and to promote cooperation among the countries’ citizens.”<sup>66</sup>

The UAE boasts an extremely open economy. The Heritage Foundation ranked the UAE the 22nd freest economy in the world. It is ranked first in the Middle East region, and its overall score is well above the world average.<sup>67</sup> In recent years, the UAE passed numerous laws that made it possible for foreign ownership of businesses and for long-term citizenship to be granted to foreigners.

The UAE, however, is heavily reliant on oil. It has one of the world’s largest crude oil reserves, and oil exports account for nearly a quarter of its GDP. The UAE’s dependence on oil will remain a long-term challenge. Plummeting global prices in crude oil during the pandemic exposed the UAE’s vulnerability, as its economy was hit harder than other countries in the region.

The UAE’s current Economic Vision 2030 focuses, among other things, on economic diversification and reducing its reliance on oil. It pledges “a greater focus on knowledge-based industries in the future” and “building an open, efficient, effective, and globally integrated business environment.”<sup>68</sup> The country recently announced 50 new economic initiatives to attract foreign investment and bolster UAE’s competitive rank. These include investments in technology and developing new visa standards to attract skilled workers. A new “green visa” provides more flexibility than the previous visas tied to employment and is meant to attract talent to the UAE.

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<sup>66</sup> The Editors of Encyclopedia Britannica. (2022) Gulf Cooperation Council. Encyclopedia Britannica. Retrieved from <https://www.britannica.com/topic/Gulf-Cooperation-Council>

<sup>67</sup> 2024 Index of Economic Freedom. (2024). Heritage.org. [https://static.heritage.org/index/pdf/2024/2024\\_indexofeconomicfreedom\\_highlights.pdf](https://static.heritage.org/index/pdf/2024/2024_indexofeconomicfreedom_highlights.pdf)

<sup>68</sup> Abu Dhabi economic vision 2030. (2019). U.AE. Retrieved from <https://u.ae/en/about-the-uae>

## The Real Estate Business in the UAE

The housing market in the UAE has been robust since the peak of the pandemic. The country boasts the strongest real estate market in the Gulf since 2021. The market has been especially strong in Dubai where housing prices rose 21% in the first quarter of 2024 from the year prior. Abu Dhabi experienced a more modest, but still strong, increase of 7% for the same period. Demand continues to surge, and analysts project this trend to continue for the foreseeable future.<sup>69</sup>

### Can Foreigners Own Real Estate?

#### DUBAI

In 2002, the Dubai government passed the Freehold Law (or Freehold Decree), which allows foreigners the right to buy, sell, lease, or rent property in Dubai without any special regulations or permissions. The demand for luxury real estate has seen especially strong growth.

**Foreigners may purchase real estate in one of two ways: freehold and leasehold.**

▶ **Leasehold:**

One may buy the right to occupy property from a freeholder for 99 years or fewer. The leaseholder gets rights to the property but not the land on which the property sits. At the lease's end, ownership reverts to the freeholder.

▶ **Freehold:**

One may buy the property and the land on which it sits. With a freehold contract, the Dubai Land Department (DLD) will register the buyer's name as "landowner" and grant the buyer a title deed for the property. Since these properties may be sold, rented, and inherited, they offer the homeowner more control.

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<sup>69</sup> Delmendo, Lalaine. (2024, May 24). "UAE's housing market growth accelerating." Global Property Guide. <https://www.globalpropertyguide.com/middle-east/united-arab-emirates/price-history>

## ABU DHABI

In 2019, the Abu Dhabi Real Estate law was amended to allow foreigners to own real estate on a freehold basis in designated Abu Dhabi investment areas. Some of the more popular investment areas include:<sup>70</sup>

▶ **Yas Island**

A man-made island popular for tourism.

▶ **Saadiyat Island**

▶ A robust luxury market.

▶ **Al Reef**

A mixed-use area geared more towards families.

▶ **Reem Island**

One of the earliest freehold zone is a blend of mixed-use and waterfront properties

▶ **Al Maryah Island**

Known for luxury waterfront properties and high-end restaurants

**When buying property in the UAE, foreigners should consider the following:**

- ▶ It takes approximately 30 days from the date the Agreement for Sale is signed.
- ▶ No residency is required.
- ▶ Original passport, however, is required.
- ▶ Typically, a 10% deposit needs to be paid up front.
- ▶ Fees will generally be between 7%–8%.

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<sup>70</sup> Property Finder. (2024, August 4). "Freehold Areas in Abu Dhabi." <https://www.propertyfinder.ae/blog/freehold-areas-abu-dhabi/>

## Real Estate Professionals in the UAE

In the UAE, real estate brokers act as intermediaries, introducing buyers and sellers; they also assist in processing transactions.

### **There are requirements for those who want to provide brokerage services for selling and/or renting real property:**

- ▶ Corporate entities may not enter as parties to the license.
- ▶ A party may not be less than 21 years of age.
- ▶ All parties must take a real estate qualification course (holders of university degrees) or a real estate diploma course (non-holders of university degrees). NOTE: In Dubai and Abu Dhabi, property professionals must undertake training and obtain a permit from the Department of Municipal Affairs in Abu Dhabi or the Real Estate Regulatory Agency in Dubai.
- ▶ In case of a non-UAE national manager, their residence permit must be sponsored by the firm.
- ▶ Certificate of Good Conduct issued by Dubai Police General Headquarters.

## Exercise: Get the Latest...

Take 10 minutes to explore the links listed in each category below. Respond to the questions at the end.

### ► Real Estate Associations and Events

- » **Innovation Experts Real Estate Institute:**  
<https://ierei.ae/>
- » **International Real Estate & Investment Show (IREIS) Abu Dhabi:**  
<http://realestateshow.ae/>
- » **Cityscape Global:**  
<https://cityscapeglobal.com/>

### ► News, Business, and Data

- » **Khaleej Times:**  
[www.khaleejtimes.com/](http://www.khaleejtimes.com/)
- » **Gulf News:**  
[www.gulfnews.com/](http://www.gulfnews.com/)
- » **American Chamber of Commerce Dubai:**  
<https://amchamdubai.org/>
- » **U.S./U.A.E. Business Council:**  
[www.usuaebusiness.org](http://www.usuaebusiness.org)
- » **National U.S. Arab Chamber of Commerce:**  
[www.nusacc.org](http://www.nusacc.org)
- » **Government of UAE:**  
<https://u.ae/en#/>
- » **Central Bank of the UAE:**  
<https://www.centralbank.ae/en/>
- » **UAE Embassy:**  
[www.uae-embassy.org/](http://www.uae-embassy.org/)

### ► NAR Global Alliances

- » [www.nar.realtor/global](http://www.nar.realtor/global)
- » [www.nar.realtor/global/global-ambassador](http://www.nar.realtor/global/global-ambassador)

**What is one contact or event that you think would be useful for your business?**

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**What is one fact or news event you discovered that could prove helpful in gaining insight into the real estate market?**

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## Business Culture in the UAE

### Understanding Name Conventions

Correct titles are important. For a man, the appropriate title is Sheikh (chief) or Sayed (Mr.). For a woman, it is Sheikha or Sayeda (Mrs.). Those in the UAE will usually address foreigners by their first names (e.g., John Smith will be addressed as Mr. John).

### Business Meeting Culture

#### SCHEDULING

The UAE relies heavily on personal relationships for doing business. Therefore, face-to-face meetings are preferred; phone calls and email may be considered impersonal. Make appointments roughly 2 weeks in advance, confirm them a few days before the actual meeting, and be punctual for all your appointments—even though punctuality is not considered a virtue in the Arab world and you may be kept waiting. Business meetings may happen over lunch or dinner in a hotel or restaurant; it's best to return the invitation.

Relationships are considered more important than schedules. It is not unusual for meetings to be interrupted or for your counterpart to accept a phone call or text during a meeting. Individuals who push back against these interruptions are viewed as putting business before relationships, which is frowned upon.

Finally, keep in mind a typical working week in the UAE: Sunday–Thursday from 9am–5pm within the private sector, and Saturday–Wednesday from 8am–2:30pm within the public sector.

#### INITIAL GREETINGS

In a group meeting, you should greet the most senior person first with the customary “As-salaam alaikum” (peace be upon you). One should then reply, “Wa alaikum as-salaam” (and upon you be peace).

At the start of a meeting, introductions usually begin with handshakes. But please keep in mind that you should shake your guests' hands with your right hand only; in Arab culture, left hands are reserved for personal hygiene and are considered unclean. Avoid shaking hands with a woman unless she first extends hers.

In UAE offices and in Arab homes, coffee and tea are often offered as a sign of hospitality. Refusing the beverage is considered rude. The protocol is to hold the cup in your right hand. If, after one serving you do not want any more, gently shake the cup to show you are done.

## BUSINESS CARDS

Printed in English and Arabic, business cards should be offered with the right hand (based on Middle Eastern notions about the left hand). Make sure all other presentation materials are clean and well produced.

## DEMEANOR AND ATTIRE

Showing the bottom of your shoes is considered an insult. It is best to avoid crossing the legs. Instead, keep feet firmly planted on the floor. Most Emirati men will wear a kandura, an ankle-length white shirt; most women will wear an abaya, a black garment covering the body. Western men should wear a suit, and Western women should dress conservatively, ensuring their attire covers both arms and legs.

## Understanding Wasta

Like Chinese *guanxi*, Arabic-based *wasta*—meaning “clout” or “connections”—denotes authority, power, and influence. It essentially means having a personal connection through family and friends to powerful people and places. While some interpret *wasta* as nepotism (since the concept is rooted in obligations to the family or tribe), others see having an influential business connection extraordinarily beneficial.

## Diversity, Equity, and Inclusion in Business

In the UAE, women hold various leadership roles in business and civic arenas. According to the UAE Embassy, more women than men now complete secondary education and enroll in university; women occupy approximately a third of higher leadership and decision-making positions in the UAE; and women account for 10% of privately-owned businesses. The UAE was ranked 22nd out of 177 countries around the world in the 2023 Women, Peace and Security rankings conducted by the Georgetown Institute.<sup>71</sup>

Unlike some of the other countries considered in this course, Emirati women enjoy the same legal status, claim to titles, access to education, right to practice professions, and the right to inherit property as men. But again, avoid shaking hands with a businesswoman unless she first extends hers.

## Guests and Hospitality

If a business transaction involves a visit to an Arab home, keep in mind the following: guests should remove their shoes upon entering the house, avoid crossing their legs when sitting (revealing one’s shoe sole is offensive), and bring a gift with a personal touch, but be sure it is not alcohol- or pork-related.

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<sup>71</sup> Women in the UAE. (2024). Embassy of the United Arab Emirates Washington DC. Retrieved from <https://www.uae-embassy.org/about-uae/women-uae>



## Key Points Review

- ▶ While the UAE is considered the Middle East, it is in close proximity to Asia and has a robust real estate market.
- ▶ UAE has passed laws in recent years making it possible for foreign ownership of business and for long-term citizenship to be granted to foreigners.
- ▶ The country's Economic Vision 2030 focuses on diversification and reducing reliance on oil. The UAE recently announced 50 new economic initiatives to attract foreign investment.
- ▶ The real estate market recovered quickly from the pandemic. The UAE market is strong and projected to be so for the foreseeable future, especially in Dubai and Abu Dhabi.
- ▶ Business is run in concurrence with the Islamic calendar with no business conducted from sunset on Thursday through Friday.



# 06

## OTHER ASIAN COUNTRY PROFILES



## Module 6: Other Asian Country Profiles

### AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Summarize the geographic, demographic, and regional market trends of the profiled countries and how they influence real estate decisions.
- ▶ Summarize the housing market and real estate practices and policies of each profiled country.
- ▶ Describe the general business practices and cultural customs and norms of each profiled country.

**This module contains brief profiles, or snapshots, of other Asia/Pacific countries. Below are the countries we will take a look at:**

- ▶ Australia
- ▶ Hong Kong
- ▶ Indonesia
- ▶ Malaysia
- ▶ New Zealand
- ▶ Philippines
- ▶ Singapore
- ▶ South Korea
- ▶ Thailand
- ▶ Vietnam

**As you explore the profiles, consider the following questions:**

- ▶ How is the real estate market influenced by its geography, economic conditions, business policies, and cultural norms?
- ▶ What aspects of the real estate market invite investment? Which aspects might diminish investment?
- ▶ Projecting forward, do trends point towards this market becoming more or less favorable for investment?
- ▶ What are the specific rules and regulations affecting foreign ownership of real estate in this country?
- ▶ What are the latest social, political, and economic events that could be shaping and informing the real estate market?

## Australia

### Australia Quick Facts

- ▶ **Capital:**  
Canberra
- ▶ **Currency:**  
U.S. Dollar
- ▶ **Language:**  
English

### Geography and Population

Australia is one of the most urbanized countries in the world. Out of a population of approximately 27 million, more than 60% live in five large coastal cities. About 14% of Australians live outside of urban areas. Population concentration in coastal cities leaves a large part of the interior relatively unoccupied.

Australia has three time zones—Eastern, Central, and Western. Eastern and Western time zones differ from the Central zone by a half hour.

### Economy

Though the Australian economy has rebounded from the severe downturn of the pandemic, the economy has slowed through 2023 into 2024, despite a tamping down of inflation. Demand has slowed, however, and unemployment has ticked up. Analysts project the slowdown to persist through 2025.<sup>72</sup>

However, the country's banking system remains strong and the economy overall has strong fundamentals. In 2018, Australia signed on to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), and is illustrative of the country's open markets. Australia is ranked as one of the most economically free countries in the world, placing 13th out of 176 countries in the 2024 Heritage Foundation rankings.<sup>73</sup>

<sup>72</sup> KPMG. (2024, September). "Australia Economic Outlook Q3 2024." <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2024/australia-economic-outlook-q3-2024.pdf>

<sup>73</sup> 2024 Index of Economic Freedom. (2024). [Heritage.org. https://static.heritage.org/index/pdf/2024/2024\\_indexofeconomicfreedom\\_highlights.pdf](https://static.heritage.org/index/pdf/2024/2024_indexofeconomicfreedom_highlights.pdf)

**Figure 6.1**  
Map of Australia



**Figure 6.2**  
Comparative International Times to Sydney, Australia (9AM–5PM)

Sydney	London	New York	Los Angeles
9:00 am–5:00 pm	12:00 am–8:00 am Previous–Same Day	7:00 pm–3:00 am Previous–Same Day	4:00 pm–12:00 am Previous–Same Day

**Figure 6.3**  
Australian Economic Sectors by GDP and Workforce Composition<sup>74</sup>

Sector	GDP %	Workforce Composition %
Service	64.2%	75.3%
Industry	27.4%	21.1%
Agriculture	2.4%	3.6%

<sup>74</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

## The Real Estate Business in Australia

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?

Australia's 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](http://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—i.e., 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 they 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 nonresidential 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 were recently dismissed. While many support the concept of national licensing standards, 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. At the time of listing, the seller may pay a fee to cover marketing and advertising expenses.

## CURRENT TRENDS

Strong demand and limited supply continue to drive housing prices up, an imbalance that's not likely to be remedied soon. Housing prices jumped nearly 10% by August 2024 from the year prior. Increase varied across major metro areas. Perth saw by far the highest growth in median house values at 29.35%, Brisbane at 17.04% and Adelaide at 15.84% followed. Melbourne, Canberra, and Hobart, on the other hand, saw little or no increase in prices. Overall, the buyer sentiment in the country remains modest, and analysts think the increasing fees in some states may curtail foreign investment in the near term.<sup>75</sup>

## Business Culture in Australia

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 is acceptable. Gifts are opened when received. Good conversation starters are travel, hobbies, and sports—particularly cricket, tennis, water sports, Australian-style football, and rugby.

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<sup>75</sup> Nussupbekova, Tamila. (2024, September 25). "Australia's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/pacific/australia/price-history>

## Get the Latest...

- ▶ **Australia News:**  
» [www.theaustralian.com.au/](http://www.theaustralian.com.au/)
- ▶ **Australia Real Estate News:**  
» [www.realestate.com.au/news/](http://www.realestate.com.au/news/)

## Cooperating Association

- ▶ **The Real Estate Institute of Australia (REIA)**  
» [reia.asn.au/](http://reia.asn.au/)

## Holidays in Australia

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

- ▶ **New Year's Day**  
January 1
- ▶ **Australia Day**  
January 26
- ▶ **Labor Day (Date Varies Among States)**  
March/May/October
- ▶ **Good Friday And Easter**  
April/May\*
- ▶ **Anzac Day**  
April 25
- ▶ **Queen's Birthday**  
2nd Monday Of June
- ▶ **Christmas**  
December 25
- ▶ **Boxing Day**  
December 26

\* Denotes movable date based off lunar calendar

# Hong Kong

## Hong Kong Quick Facts

- ▶ **Capital:**  
Victoria
- ▶ **Currency:**  
Hong Kong Dollar
- ▶ **Language:**  
Chinese & English

## Geography and Population

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. Figure 6.4 delineates these areas. It has a very dense population, with approximately 7.5 million people in a relatively small land mass.

### ▶ 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 such as 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 the title. The status of land leases is unknown past the July 2047 expiration of the Basic Law.

Political tensions have risen, as mentioned earlier in the course, as residents of Hong Kong want greater autonomy and fear encroachment of the mainland Chinese government. The connection between the two became even more apparent as Hong Kong invoked an emergency ordinance during the pandemic to "draw on the mainland's support." Developments on this front are something to monitor closely when considering any real estate transactions.

## Economy

Hong Kong has a free market economy that relies heavily on the services sector, most notably trade and finance. The economy grew a solid 3.2% in 2024. This growth comes despite the continued political crackdown from China, which continues to tamp down on any dissent, most notably through the 2024 Safeguarding National Security Ordinance enacted under Article 23 of Hong Kong's Basic Law.<sup>76, 77</sup> Thus far, the economy hasn't been seen substantial adverse effects, but this is something to monitor closely in the years ahead.

<sup>76</sup> Economist Intelligence. (2024). Hong Kong Economic Forecast. <https://country.eiu.com/Hong%20Kong>

<sup>77</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

**Figure 6.4**  
Map of Hong Kong Special Administrative Region



**Figure 6.5**  
Comparative International Times to Hong Kong (9AM–5PM)

Sydney	London	New York	Los Angeles
9:00 am–5:00 pm	2:00 am–12:00 pm Same Day	9:00 pm–4:00 am Previous–Same Day	6:00 pm–1:00 am Previous–Same Day

**Figure 6.6**  
Hong Kong Economic Sectors by GDP and Workforce Composition<sup>78</sup>

Sector	GDP %	Workforce Composition %
Service	91%	70%
Industry	6.3%	19%
Agriculture	0.1%	3.8%

<sup>78</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

## The Real Estate Business in Hong Kong

Because of its historically open business environment, huge population, and land scarcity, 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. This proved true even during pandemic. While the market saw a brief decline, it is now stronger than ever.

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 nonpermanent residents and adjusted rates on the seller's stamp duty—were introduced in 2012 to further suppress property speculation.

In 2018, Hong Kong lawmakers passed an amendment bill designed to help people looking to purchase new homes sell their existing ones. In this tax relaxation, homeowners get 12 months of holding period before a 15% stamp duty is applied.

**Figure 6.7** Hong Kong Special Stamp Duty (SSD) Rates:

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

The Hong Kong Special Administrative Region (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

Without regulatory impediment, foreigners can buy apartments and condos and rent out the units as well as invest in real estate. 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. As China continues to apply more restrictions on Hong Kong, and U.S.-China tensions continue, policies surrounding foreign ownership of real estate in Hong Kong is something to monitor closely.

## 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.

## CURRENT TRENDS

The housing market in China is currently in a downturn. Despite a chronic supply shortage, demand has been weakening as interest rates have been rising. Housing prices have been falling relatively steadily in the post-pandemic environment. The price index fell 13% in the first quarter of 2024 from the previous year. The drop marked the ninth consecutive quarter of year-on-year decline. Despite the recent decline, Hong Kong remains the world's most unaffordable market—the twelfth year in how it has held this ranking.<sup>79</sup>

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<sup>79</sup> Delmendo, Lalaine. (2024, May 6). "Hong Kong's housing market conditions continue to deteriorate." Global Property Guide. <https://www.globalpropertyguide.com/asia/hong-kong/price-history>

## Business Culture in Hong Kong

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.

For the most part, the behavior and protocol that apply to doing business in China also apply 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.

### Get the Latest...

▶ **Hong Kong News:**

- » [www.hongkongnews.net/](http://www.hongkongnews.net/)
- » [hongkongfp.com/hong-kong-news/](http://hongkongfp.com/hong-kong-news/)

▶ **Hong Kong Real Estate News:**

- » [www.squarefoot.com.hk/en/news/](http://www.squarefoot.com.hk/en/news/)

### Cooperating Association

▶ **Society of Hong Kong Real Estate Agents**

- » [www.hkrealtors.com](http://www.hkrealtors.com)

## Holidays in Hong Kong

- ▶ **New Year's Day**  
January 1
- ▶ **Lunar New Year**  
January/February (3 days)\*
- ▶ **Ching Ming Festival\***  
April
- ▶ **Labor Day**  
May 1
- ▶ **Buddha's Birthda\***  
May\*
- ▶ **Dragon Boat Festival**  
June\*
- ▶ **Hong Kong SAR Establishment Day**  
July 1
- ▶ **National Day Of The PRC**  
October 1 (2 days)
- ▶ **Chung Yeung Day— Honors Elders and Ancestors**  
October\*
- ▶ **Christmas**  
December 25
- ▶ **Boxing Day**  
December 26

\* Denotes movable date based off lunar calendar

# Indonesia

## Indonesia Quick Facts

- ▶ **Capital:**  
Jakarta
- ▶ **Currency:**  
Rupiah
- ▶ **Language:**  
Indonesian

## Geography and Population

A chain of 17,000 islands—7,000 inhabited—make up the country of Indonesia. Most of the population of 283 million live on the five largest islands of Java, Sumatra, Borneo, New Guinea, and Sulawesi. The capital city of Jakarta 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. Figure 6.8 indicates the location of these islands.

The country's 34 provinces are subdivided into administrative areas of regencies, cities (kota), subdistricts, 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.

**Figure 6.8** Map of Indonesia



**Figure 6.9**

Comparative International Times to Jakarta, Indonesia (9AM–5PM)

Jakarta	London	New York	Los Angeles
<b>9:00 am–5:00 pm</b>	<b>3:00 am–11:00 am</b> Same Day	<b>10:00 pm–6:00 am</b> Previous–Same Day	<b>7:00 pm–3:00 am</b> Previous–Same Day

▶ **Many, but One**

Indonesia's national motto, "Bhinneka tunggal ika"—or 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. Indonesia is the world's most populous Muslim nation.

▶ **Emerald of the Equator**

Indonesia's tropical forests shelter the greatest biodiversity 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.

In order to maintain these ecosystems, sustainability will continue to be a focus in years to come. ESG factors are one of the main talking points for all sectors of real estate development. A long-term goal of the Widodo administration had been to achieve net-zero carbon emissions by 2060. Prabowo Subianto was elected president in 2024. The hope is that his administration will reenergize the country's commitment to reach this goal.<sup>80</sup>

▶ **Colonial Ties**

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.

## Economy

Indonesia's national leaders are extremely intent on fostering economic development that nurtures sustainable growth and provides stable employment. It is also the largest economy in Southeast Asia and was ranked 53rd out of 176 countries on the Heritage Foundation's 2024 Economic Freedom Index. The country's economy has been growing steadily since the pandemic, and the World Bank predicts solid continued growth of approximately 5% annually through 2026.<sup>81</sup>

It is, however, an unfortunate fact of Indonesian business that bureaucratic bottlenecks, arbitrary enforcement of regulations, and corruption sap economic growth and discourage investors. A foreigner seeking to establish a business presence in Indonesia must obtain the guidance of a trusted local real estate professional and attorney.

<sup>80</sup> Yustika, Mutya. (2024, February 13). "The dark cloud over Indonesia's pledge to achieve net-zero emissions by 2060." Institute for Energy Economics and Financial Analysis. <https://ieefa.org/resources/dark-cloud-over-indonesias-pledge-achieve-net-zero-emissions-2060>

<sup>81</sup> The World Bank. (2024, June 24, 2024). "Indonesia Economy Projected to Remain Resilient." <https://www.worldbank.org/en/news/press-release/2024/06/24/indonesia-economy-projected-to-remain-resilient>

**Figure 6.10**Indonesian Economic Sectors by GDP and Workforce Composition<sup>82</sup>

Sector	GDP %	Workforce Composition %
Service	42.9%	47%
Industry	40.2%	21%
Agriculture	12.5%	32%

## The Real Estate Business in Indonesia

The real estate market in Indonesia is notable for its stability. Rarely are there large fluctuations in the market, and this proved true even with the pandemic. Demand was steady, as were prices. This same trend has persisted in the wake of the pandemic through the first half of 2024.

### 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. A new policy passed in 2021 expanded foreign ownership of apartments to permit ownership of the title outright, but only in specific economic zones. The Indonesian government also made the process to purchase property less onerous by requiring only a passport or visa.<sup>83</sup> 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 it 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 then grants irrevocable power of attorney to sell, lease, or mortgage it as 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.

Unfortunately, the system as it currently exists still has the potential for corrupt and deceitful practices; a reputable, trusted real estate professional and attorney are essential. Indonesian real estate professionals warn that the court system lags in fairly adjudicating property disputes.

<sup>82</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

<sup>83</sup> Delmendo, Lalaine. (2024, March 6). “Indonesia’s housing market remains stable.” Global Property Guide. <https://www.globalpropertyguide.com/asia/indonesia/price-history>

## REAL ESTATE LICENSING AND BROKERAGE PRACTICES

While there are business licenses and permits that must be acquired to own a real estate agency, there is no professional licensing requirement to be a broker or real estate agent. Real estate salespeople represent either the buyer or the seller, but not both.

## CURRENT TRENDS

The two most popular destinations for business are Jakarta and Bali. There are many expats living and working in these cities, and they typically find housing in gated, secure communities. Tourism is beginning to soar once again since the collapse of the industry during the pandemic. Tourism surged in 2023, approaching pre-pandemic levels. The trend is expected to continue and will benefit the property markets, especially Bali.

## Business Culture in Indonesia

### BAPAKISM

Bapakism (“father-ism” in Bahasa) 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 exactly—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.

### UNDERSTANDING NAME CONVENTIONS

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.

### BUSINESS MEETING CULTURE

Aim for punctuality, but allow for *jam karet*—rubber time—that characterizes the Indonesian approach to appointment schedules. In other words, time is flexible and a slower pace is the norm. Indonesians see this waiting time as an opportunity to enjoy the moment. Time does not equal money as it does for Westerners, because relationships are more important.

Face-to-face interaction is much preferred over email or phone. 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.

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.

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.

Contracts are viewed as guidelines, not statements of duties and responsibilities; insisting on a contract too early in a business relationship communicates lack of trust. Consensus among peers produces decisions—also a process that cannot be rushed.

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.

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.

## DEMEANOR AND COMMUNICATION

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, there are 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 out someone 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 a severe 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 tends to pause respectfully for a moment or two before answering. What might seem to a Westerner like awkward silence is time in which the Indonesian considers an appropriate response. Therefore, remain silent, wait patiently for the response, and do not try to fill 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, pants for women.

## **SOCIAL ETIQUETTE AND HOSPITALITY**

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; 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% gratuity to the bill; if it has not been added, leave a 10% 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. 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.

Finally, never touch an Indonesian's head; the head is the seat of the soul.

## Get the Latest...

- ▶ **Indonesia News:**
  - » [www.thejakartapost.com/news](http://www.thejakartapost.com/news)
  - » [www.indonesianews.net/](http://www.indonesianews.net/)
- ▶ **Indonesia Real Estate News:**
  - » [www.gapurajakarta.com/](http://www.gapurajakarta.com/)

## COOPERATING ASSOCIATION

- ▶ **Asosiasi Real Estate Broker Indonesia (AREBI)**
  - » [www.arebi.co.id/](http://www.arebi.co.id/) (mixed language)

## Holidays in Indonesia

Holidays, reckoned by the Western, lunar, and Islamic calendars, reflect Indonesia's diversity. Provinces, as well as ethnic and religious groups, observe holidays and festivals in addition to these national observances.

- |   |   |
|---|---|
| ▶ <b>New Year's Day</b><br>January 1                    | ▶ <b>Ascension of Christ</b><br>May/June*                             |
| ▶ <b>Chinese New Year</b><br>January/February (3 Days)* | ▶ <b>Lailat Al Miraj—<br/>Ascension of the Prophet</b><br>July**      |
| ▶ <b>Nyepi</b><br>March/April*                          | ▶ <b>Indonesian Independence</b><br>August 17                         |
| ▶ <b>Hindu New Year</b><br>March/April                  | ▶ <b>Eid Al-Fitr—End of Ramadan</b><br>September/October*             |
| ▶ <b>Mouloud—Birth Of The Prophet</b><br>March          | ▶ <b>Eid Al-Adha—Feast of the<br/>Sacrifice</b><br>October/November** |
| ▶ <b>Buddha's Birthday</b><br>April/May*                | ▶ <b>Islamic New Year</b><br>November/December**                      |
| ▶ <b>Good Friday</b><br>May*                            | ▶ <b>Christmas</b><br>December 25                                     |
| ▶ <b>Waisak Day</b><br>May                              |   |

\* Denotes movable date based off lunar calendar

\*\*Denotes movable date based of Islamic calendar

# Malaysia

## Malaysia Quick Facts

- ▶ **Capital:**  
Kuala Lumpur
- ▶ **Currency:**  
Ringgit
- ▶ **Language:**  
Malay

## Geography and Population

The far-flung former British colonies of Sabah and Sarawak joined together in 1963 to form the Federation of Malaysia. A member of the original Federation, Singapore 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 (see Figure 6.11). If compressed into one land mass, Malaysia would equal roughly the land area of Norway or the U.S. state of New Mexico.

Malaysia’s governing structure combines constitutional monarchy, hereditary sultans, and a bicameral parliament. The king is elected from among the nine sultans of the peninsular Malaysian states for 5-year terms. The king also is the leader of the Islamic faith, the state religion. Hereditary sultans govern all but two of the country’s 13 states. Each state establishes its own regulations.

Kuala Lumpur is the capital city with a population of approximately 8.5 million. Peninsular Malaysia is home to more than two thirds of the country’s approximately 32 million inhabitants. Approximately 60% of the population are Malay Muslims, with large minorities of ethnic Chinese and Indian communities.

**Figure 6.11** Map of Malaysia



**Figure 6.12**

Comparative International Times to Kuala Lumpur, Malaysia (9AM–5PM)

Kuala Lumpur	London	New York	Los Angeles
9:00 am–5:00 pm	2:00 am–10:00 am Same Day	9:00 pm–5:00 am Previous–Same Day	6:00 pm–2:00 am Previous–Same Day

## Economy

Malaysia is a net exporter of oil and gas; consequently, global oil prices impact the country's revenues. The government relies heavily on state-owned oil producer, Petronas. 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.

There has been some political turmoil of late, with the prime minister stepping down in February of 2020 and a new prime minister, Muhyiddin Yassin, stepping in the following month. In August of 2021, yet another new prime minister was introduced. Ismail Sabri Yaakob was named into the position after Yassin resigned amidst infighting within his political coalition, but his tumultuous tenure lasted only 15 months. Anwar Ibrahim was elected as prime minister in November 2022 on a platform focused on the economy, but this tenure has also been plagued by continuing cultural and political tensions.<sup>84</sup> Political rifts remain among parties, and this could continue to exacerbate religious and ethnic tensions in the country. It will be important to monitor the situation closely.

**Figure 6.13**Malaysian Economic Sectors by GDP and Workforce Composition<sup>85</sup>

Sector	GDP %	Workforce Composition %
Service	53.5%	53%
Industry	37.7%	36%
Agriculture	7.7%	11%

Government planning, through a series of Five-Year Plans, greatly influences Malaysia's economic priorities. For example, the 12th Five-Year Plan (2021–2025) intends to boost economic fundamentals by cultivating “new sources of growth, including Industrial Revolution 4.0, digital economy, aerospace industry, integrated regional development, as well as growth enablers such as sustainable energy sources and infrastructure connectivity. Finally, like several countries featured in this course, Malaysia is a part of the CPTPP trade agreement and expects to benefit in the years to come from export access into other markets, thus boosting its produce such as palm oil, rubber, and electronic products.

<sup>84</sup> Said, Imran. (2024, April 8). “Malaysia's Anwar Ibrahim Faces the Demons He Helped Unleash.” <https://thediplomat.com/2024/04/malysias-anwar-ibrahim-faces-the-demons-he-helped-unleash/>

<sup>85</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

## The Real Estate Business in Malaysia

Overall, Malaysia's property market had been declining for years preceding the pandemic and then plunged further during the pandemic. In the years since, housing prices had been increasingly modestly year over year, but slowed again in 2024, even though demand remained high and new construction had picked up.

### 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. Foreigners may own any type of property, including up to two residences, with the exception of the following:

- ▶ Properties valued less than RM1 million (approximately US\$238,000—check the current exchange rate for exact cost)
- ▶ Low- and medium-cost residential units as defined by state authority
- ▶ Properties on Malay Reserve Land (MRL)
- ▶ Properties allocated to Bumiputera (indigenous Malays) as determined by state authority

Also, in Selangor, foreigners can't purchase landed properties unless they are 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.

Since 2022, Real Property Gain Tax is no longer imposed on property sold by individual owners starting after the fifth full year of ownership. The gain tax has been gradually decreased over the past decade as a way to stimulate current buyers to purchase a new home.

### MALAYSIA MY SECOND HOME (MM2H)

The lush tropical beaches, a cosmopolitan capital city, and 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. In June of 2024, the government relaxed some of the requirements for this program, such as lowering the age minimum (age 25 down from 35) and the length of time visa holders were required to stay in the country (60 days down from 90). It also created a three-tiered system to give investors more options.<sup>86</sup>

<sup>86</sup> Delmendo, Lalaine. (2024, October 4). "Malaysia's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/asia/malaysia/price-history>

## 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 3 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.

## CURRENT TRENDS

Real estate investors will find the most expensive real estate in Kuala Lumpur. The average home price in Kuala Lumpur in 2024 was US\$188,324. Three other cities with high-end properties are: Selangor, Sarawak, and Sabah.

## BUMIPUTERA

A uniquely Malaysian phenomenon, Bumiputera describes a set of laws and customs meant to provide native Malays with preferential treatment in employment, business, housing, and education. Translated literally as "son of the earth," Bumiputera is 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 Bumiputera 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 Bumiputera 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 Bumiputera 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.

## Business Culture in Malaysia

### UNDERSTANDING NAME CONVENTIONS

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 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 highly 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 MEETING CULTURE

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, so 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.

Proper business card protocol is to present and receive a card with 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.

Be prepared for prolonged negotiations. Malaysians view contracts as a set of guidelines and may expect to renegotiate if conditions change.

In a business setting, gifts are not expected and are probably best avoided in order to steer clear of the perception of bribery.

## **DEMEANOR AND COMMUNICATION**

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.

## **SOCIAL ETIQUETTE AND HOSPITALITY**

A 10% 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, individuals and families almost always stay within the group.

Hospitality is an important value for Malaysians, so they commonly invite business contacts to their homes. Unannounced visits are common, and during major festival periods Malaysians may hold open houses with all invited and expected to drop in.

If you are 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 two customs: (1) not opening a gift (always handsomely wrapped) in front of the giver, and (2) giving and receiving a gift with the right hand. Gifts of sweets, pastries, or chocolates are usually appropriate gifts, or bring 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.

## Get the Latest...

- ▶ **Malaysia News:**
  - » <https://www.malaymail.com/news/malaysia>
  - » <https://www.malaysianews.net/>
- ▶ **Malaysia Real Estate News:**
  - » <https://www.edgeprop.my/news>

## Cooperating Association

- ▶ **Malaysian Institute of Estate Agents (MIEA)**
  - » [www.miea.com.my](http://www.miea.com.my)

## Holidays in Malaysia

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 through the year over the span of several years.

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▶ <b>New Year's Day</b><br/>January 1</li> <li>▶ <b>Chinese New Year</b><br/>January/February (2 days)*</li> <li>▶ <b>Maulidur Rasul—Prophet's Birthday</b><br/>January/March**</li> <li>▶ <b>Labor Day</b><br/>May 1</li> <li>▶ <b>Wesak—Buddha's Birthday (Birthday Of The Paramount)</b><br/>May*</li> <li>▶ <b>Leader</b><br/>June 6</li> <li>▶ <b>National Day</b><br/>August 31</li> </ul> | <ul style="list-style-type: none"> <li>▶ <b>Hari Raya Puasa—End Of Ramadan</b><br/>September/October (2 days)**</li> <li>▶ <b>Deepavali—Hindu Festival Of Lights</b><br/>October*</li> <li>▶ <b>Hari Raya Qurban—Sacrifice Of Abraham</b><br/>October/November (2 days)**</li> <li>▶ <b>Awal Muharram—Islamic New Year</b><br/>October/November**</li> <li>▶ <b>Christmas</b><br/>December 25</li> </ul> |
|---|--|

\* Denotes movable date based off lunar calendar

\*\*Denotes movable date based of Islamic calendar

## New Zealand

### New Zealand Quick Facts

- ▶ **Capital:**  
Wellington
- ▶ **Currency:**  
New Zealand Dollar
- ▶ **Language:**  
English

### Geography and Population

With a population of nearly 5.3 million people, the island nation of New Zealand consists of two main islands, North Island and South Island, plus a handful of outlying islands (see Figure 6.14). Its capital city, Wellington (424,000 pop.), 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 approximately 1.8 million, about a third of the population. Christchurch, the largest city on the South Island, has a population of 408,000. New Zealand place names show a combination of British colonial influence and the native Maori culture.

### TWO DISTINCT CULTURES

New Zealanders refer to themselves as Kiwis, after the country's national bird. Maoris are the indigenous people of New Zealand. They refer to New Zealanders of European descent as Pakeha. Once the dominant group, the Maoris now number about 900,000. 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.



## Economy

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 U.S., 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. New Zealand was one of the first countries to champion the Trans-Pacific Partnership (TPP), now called the CPTPP. New Zealand has opened its economy so much that in 2020 it was ranked as the easiest country in the world for doing business—the 4th year in a row it received this designation before the survey stopped being conducted by the World Bank. The country was ranked 6th out of 176 countries in the Heritage Foundation's 2024 Economic Freedom Index.

As pandemic lockdowns eased, New Zealand found itself trying to regain a foothold following hard hits to its retail, manufacturing, and construction sectors. Inflation and the subsequent interest rate hikes to tamp it down has also slowed growth. GDP was expected to come in at 1.1% in 2024, with slightly more robust growth in 2025.<sup>87</sup> Despite the economic slowdown, New Zealand's economy is stable and safe overall.

**Figure 6.16**

New Zealand Economic Sectors by GDP and Workforce Composition<sup>88</sup>

Sector	GDP %	Workforce Composition %
Service	67.1%	72.7%
Industry	19.0%	20.7%
Agriculture	5.8%	6.6%

<sup>87</sup> International Monetary Fund. (2024, March 19). <https://www.imf.org/en/News/Articles/2024/03/19/mcs-new-zealand-staff-concluding-statement-of-the-2024-article-iv-mission>

<sup>88</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

## The Real Estate Business in New Zealand

As the average price of a home in New Zealand is still very high, and difficult for the average citizen to purchase. But after years of surging housing prices, they have been declining in the years since the pandemic. Rising interest rates and a sluggish economy have fueled the decline. Auckland tends to have the most expensive market, while West Coast and Southland have cheaper housing prices.

### FOREIGN OWNERSHIP OF REAL ESTATE

In 2018, the New Zealand government banned “foreign speculators” from buying homes. Here is the Prime Minister, Jacinda Ardern, on the matter: “We are determined to make it easier for Kiwis to buy their first home, so we are stopping foreign speculators buying houses and driving up prices.”<sup>89</sup>

There are some exemptions. Resident visa holders are exempt, as are citizens of Australia and Singapore. Other possible exemptions include the following for foreign investors:

- ▶ Developing the land and adding to New Zealand’s housing supply.
- ▶ Using the land for nonresidential purposes or a residential purpose relating to a core business purpose (for example, accommodating pilots at a remote airport).
- ▶ Holding an appropriate visa and showing commitment to reside in New Zealand.

For more information on this, go to: <https://www.live-work.immigration.govt.nz/live-in-new-zealand/housing/buying-or-building>.

### 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.

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<sup>89</sup> Nelson, E. (2017, November 1). New Zealand is banning foreigners from buying houses. Quartz. <https://qz.com/1117242/new-zealand-is-banning-foreigners-from-buying-houses-from-early-2018>

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 supervises agents' sales activities. Real estate agents generally represent the seller or landlord; they seldom represent the buyer.

## Business Culture in New Zealand

### INITIAL CONTACT AND INTRODUCTIONS

New Zealanders are quite egalitarian and do not rely 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 they place great value on hospitality and assuring a guest's comfort. A formal Maori introduction ceremony, a Pōwhiri, is a complex ritual involving formal introductions, speeches, and singing. An invitation to a Pōwhiri 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 two or three songs representing your home country. For the Maoris, singing strengthens friendship bonds and communicates conviviality.

### BUSINESS MEETING CULTURE

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 minutes early. Meetings begin with some small talk and then get down to business. New Zealanders appreciate brevity and direct communication. Present your proposal in a straightforward manner along with supporting data.

New Zealanders do not generally conduct protracted negotiations or haggle over details or price. A concise, straightforward approach is best. The Kiwi business culture is basically European in approach, but definitely relaxed and low-key. Dress, including business attire, tends toward casual.

### SOCIAL ETIQUETTE AND HOSPITALITY

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” (bring your own beer). This may also mean bring meat for the barbecue grill. Check with the host when the invitation is received.

## Get the Latest...

- ▶ **New Zealand News:**
  - » <https://www.nzherald.co.nz/>
  - » <https://www.rnz.co.nz/news/national>
- ▶ **New Zealand Real Estate News:**
  - » <https://www.interest.co.nz/property>

## Cooperating Association

- ▶ **Real Estate Institute of New Zealand (REINZ)**  
<https://www.reinz.co.nz/>

## Holidays in New Zealand

- ▶ **New Year's Day**  
January 1
- ▶ **Waitangi Day (National Day)**  
February 6
- ▶ **Good Friday And Easter Monday**  
April/May\*
- ▶ **Anzac Day**  
April 25
- ▶ **Queen's Birthday**  
1st Monday In June
- ▶ **Labor Day**  
4th Monday In October
- ▶ **Christmas**  
December 25
- ▶ **Boxing Day**  
December 26

\* Denotes movable date based off lunar calendar

# Philippines

## Philippines Quick Facts

- ▶ **Capital:**  
Manila
- ▶ **Currency:**  
Peso
- ▶ **Language:**  
Filipino & English

## Geography and Population

The 7,000 islands (2,000 inhabited) of the archipelago of the Republic of Philippines cluster into three main groups: Luzon, Visayas, and Mindanao. In 1898, the United States gained possession of the territory as a Spanish/ American War treaty concession. Although the Philippines gained independence on July 4, 1946, it celebrates Independence Day on June 12—the 1898 date of the Declaration of Independence from Spain. Remnants of 16th-century Spanish colonization linger in place names, devotion to the Roman Catholic Church, and the people’s surnames. The population of the Philippines is approximately 119 million.

**Figure 6.17** Map of the Philippines



**Figure 6.18**

Comparative International Times to Manila, Philippines (9AM–5PM)

Manila	London	New York	Los Angeles
9:00 am–5:00 pm	2:00 am–10:00 am Same Day	7:00 pm–3:00 am Previous–Same Day	4:00 pm–12:00 am Previous–Same Day

## Economy

The economy of the Philippines has been strong in recent years. Even with the effects of the pandemic, the economy grew quicker than expected in the immediate aftermath and has been strong ever since. In the first half of 2024, the economy grew 6%, and analysts forecast similar growth through 2025.<sup>90</sup>

More than half of the Philippines' exports—e.g, sugarcane, rice, fruits, electronics, garments, copper, limestone—go to China, the United States, Singapore, and Japan.

Infrastructure, though some improvements have been made, continues to impede development outside of the major metropolitan areas. The country's "Build! Build! Build!" program was launched in 2017 to develop infrastructure programs and make the country more enticing to foreign investment. With the election of Bongbong Marcos in 2022, this program was replaced by the Build Better More (BBM) infrastructure program. There are currently approximately 200 projects underway through this program.

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

**Figure 6.19**Philippines Economic Sectors by GDP and Workforce Composition<sup>91</sup>

Sector	GDP %	Workforce Composition %
Service	62.4%	56.3%
Industry	28.2%	18.3%
Agriculture	9.4%	25.4%

<sup>90</sup> International Monetary Fund. (2024, October 3). <https://www.imf.org/en/News/Articles/2024/10/03/pr-24355-philippines-imf-staff-concludes-visit>

<sup>91</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

Over 2 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. Although scattered throughout the world, many also live in the U.S. 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, and religion (Christianity).<sup>92</sup>

## The Real Estate Business in the Philippines

Housing prices had been rising for most of the past decade, but that ended in 2019 as the U.S.–China trade war escalated. As COVID quickly followed, the housing market continued to decline, and housing prices plummeted. Bolstered by the strong economy, the housing market has recovered in the wake of the pandemic, but the recovery has been modest and somewhat uneven. The market overall, however, remains stable.<sup>93</sup>

### FOREIGN OWNERSHIP OF REAL ESTATE

Foreigners may not own land, but they may own condominiums, provided that no more than 40% 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.

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

Corporations with fewer than 40% controlling foreign ownership and a minimum of five 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.

### REAL ESTATE PROFESSIONALS IN THE PHILIPPINES

The national government requires licensing of real estate salespeople. 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 salesperson 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.

<sup>92</sup> Philippine Statistics Authority. (2024, September 13). “Survey on Overseas Filipinos.” <https://psa.gov.ph/statistics/survey/labor-and-employment/survey-overseas-filipinos>

<sup>93</sup> Delmendo, Lalaine. (2024, April 22). “Philippines housing market continues to recover.” Global Property Guide. <https://www.globalpropertyguide.com/asia/philippines/price-history>

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.

## CURRENT TRENDS

Investors might want to consider one of these prime real estate locations:

- ▶ **Quezon City**  
Lower property prices than other cities
- ▶ **Makata City**  
Known as the “Wall Street” of Manila
- ▶ **Mandaluyong City**  
Transportation hub

## Business Culture in the Philippines

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. 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.

## UNDERSTANDING NAME CONVENTIONS

Many Filipinos have Spanish-sounding surnames that evoke colonial times. Spanish colonizers required adoption of surnames for identification and tax purposes, so these family names continue.

## BUSINESS MEETING CULTURE

Face-to-face meetings are preferred because they provide an opportunity to form and affirm personal relationships. Business-relationship building may involve invitations to breakfast, lunch, dinner, banquets, or evening social events during which business will likely not be discussed.

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.

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, arrive on time for an appointment. Remain for a period of social conversation at the end of the meeting.

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.

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 perhaps 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 AND COMMUNICATION**

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 they cause loss of face. Consequently, communications tend to be indirect. An answer of “yes” and a responsive smile may mean that a statement was heard or understood but 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 AND HOSPITALITY**

Bayanihan, the spirit of kinship and camaraderie, embodies the concept of hospitality—a core value for Filipinos. If invited to a home, bring an elegantly wrapped gift (sweets or flowers but no chrysanthemums or white lilies as these are associated with funerals). 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. Arrive 15–30 minutes after the scheduled start time is 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 note and perhaps a fancy fruit basket as an extra thank-you gift.

## Get the Latest...

- ▶ **Philippines News:**
  - » <https://www.pna.gov.ph/>
  - » <https://www.philippinesnews.net/>
- ▶ **Philippines Real Estate News:**
  - » <https://www.lamudi.com.ph/journal/>

## Cooperating Association

- ▶ **Chamber of Real Estate and Builders Association**
  - » CREBA Center, 3rd Floor, CREBA Bldg.  
Don Alejandro Roces Ave., Corner South “A” St. Quezon City 1109.  
Philippines
  - Phone:** 632-8373-2270
  - Website:** <https://creba.ph>

## Holidays in the Philippines

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

- |   |  |
|---|--|
| ▶ <b>New Year’s Day</b><br>January 1                    | ▶ <b>Ninoy Aquino Day</b><br>August 21**       |
| ▶ <b>Edsa People Power Anniversary</b><br>February 25** | ▶ <b>National Heroes Day</b><br>August 31      |
| ▶ <b>Araw Ng Kagitangan—Fall Of Bataan</b><br>April 9   | ▶ <b>Bonifacio Day</b><br>November 30          |
| ▶ <b>Maundy Thursday and Good Friday</b><br>April/May*  | ▶ <b>Christmas Day</b><br>December 25          |
| ▶ <b>Labor Day</b><br>May 1                             | ▶ <b>Rizal Day</b><br>December 30              |
| ▶ <b>Independence Day</b><br>June 12                    | ▶ <b>Last Day Of The Year</b><br>December 31** |

\* Denotes movable date based off lunar calendar

\*\* Usually declared a holiday yearly by government

# Singapore

## Singapore Quick Facts

- ▶ **Capital:** Singapore City
- ▶ **Currency:** Singapore Dollar
- ▶ **Language:** Malay, Mandarin, & English

## Geography and Population

In 1965, Singapore split from the British-formed Federation of Malaysia and became an independent city state. It occupies the southernmost tip of the Malay Peninsula, and its 700 square kilometers of area houses a population of 6 million.

Singapore's 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, which make up three-quarters of the population, Malay, and Indian.

**Figure 6.20** Map of Singapore



**Figure 6.21** Comparative International Times to Singapore (9AM–5PM)

Singapore	London	New York	Los Angeles
9:00 am–5:00 pm	2:00 am–10:00 am Same Day	9:00 pm–5:00 am Previous–Same Day	6:00 pm–2:00 am Previous–Same Day

## Economy

The economy of Singapore rebounded quickly in the immediate wake of the pandemic, but was slowed by geopolitical tensions and elevated inflation. But GDP increased to 2.1% in 2024, up from 1% the year prior, and analysts project sustained moderate growth in 2025 as inflation continues to come down.<sup>94</sup> More broadly, Singapore has been one of the most prosperous of the Asian countries, and its citizens enjoy personal incomes on a par with European countries. In 2024, it was ranked first in the world in the Heritage Foundation's Economic Freedom Index.

Singapore is a regional financial and technology center. More than 30,000 Americans live there, and over 4,000 American businesses operate there. Its strategic location on major shipping lanes makes 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, and management.

**Figure 6.22**

Singapore Economic Sectors by GDP and Workforce Composition<sup>95</sup>

Sector	GDP %	Workforce Composition %
Service	72.4%	73.7%
Industry	22.4%	25.6%
Agriculture	0%	.7%

## The Real Estate Business in Singapore

Like the economy more broadly, the housing market in Singapore is expected to see moderate growth in prices through 2025. The first quarter of 2024 saw prices increase a solid 4.88%, but that's a sharp decline from the 11.44% increase from the year prior. Taking the longer view, residential housing prices rose 47% between 2016 and 2023, before the more recent slowdown. Although demand has slowed, the real estate market overall remains stable.<sup>96</sup>

### 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). Foreigners may purchase private apartments and condominiums. However, this only includes Executive Condominiums (ECs) that are at least 10 years old. Foreigners may not purchase Housing Development

<sup>94</sup> International Monetary Fund. (2024, May 16). <https://www.imf.org/en/News/Articles/2024/05/16/pr24166-singapore-imf-staff-completes-2024-article-iv-mission>

<sup>95</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

<sup>96</sup> Delmendo, Lalaine. (2024, May 31). "Singapore's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/asia/singapore/price-history>

Board (HDB) flats. In 2023, the Singapore Ministry of Law and the Singapore Land Authority made some refinements to the RPA that modify what's defined as residential vs. commercial property. These changes also affect how Stamp Duty taxes are applied.<sup>97</sup> Investors should consult with a tax and legal specialists to assure compliance with all changes to the law.

## STAMP DUTY TAXES FOR SELLERS AND BUYERS

Taxes are high for foreigners buying real estate in Singapore. The Singapore government introduced special stamp duties in 2011 and adjusted them in 2021, and then again in 2024 to 60%. See below for rates.

### ▶ **Seller's Stamp Duty**

*Computed on the higher of market value or sales price.*

#### » **Holding period of:**

- **1 year or less:** 12%
- **2 years:** 8%
- **3 years:** 4%
- **4 years:** No stamp duty

### ▶ **ADDITIONAL BUYER'S STAMP DUTY**

*Computed on the higher of market value or purchase price.*

#### » **Applies to foreigners, permanent residents who already own one property and citizens who already own two properties.**

- **Foreigners:** 30%
- **Residents and citizens:** 5%–30%

## 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.

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<sup>97</sup> Ministry of Law. (2023, July 19). "Refinements to the 'Schedule of Non-Residential Properties' under the Residential Property (RP) Notification." <https://www.mlaw.gov.sg/news/press-releases/2023-07-19-refinements-to-the-schedule-of-non-residential-properties/>

## Business Culture in Singapore

### UNDERSTANDING NAME CONVENTIONS

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.

### BUSINESS MEETING CULTURE

Try to arrange appointments at least 2 weeks in advance. The most formal method is a written request for an appointment, but Singaporeans are accustomed to communications by phone and email.

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.

Introductions proceed by order of rank, from the eldest and most senior to the youngest. Young Singaporeans accustomed to Westerners shake hands with everyone. For more conservative and older businesspeople, 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.

Singaporeans 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.

Business cards should be handled with great respect, as this transaction 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.

## DEMEANOR AND COMMUNICATION

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.

Despite the preference for indirect communication and preserving face, Singaporeans are keen negotiators, and you should expect tough, lengthy negotiations.

Although an egalitarian society, strong hierarchical relationships are the norm in the family, schools, and 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 AND HOSPITALITY

Acceptable social etiquette depends on ethnicity. Refer to the information on gift giving in the earlier section on Malaysia. 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.

### Get the Latest...

#### ▶ **Singapore News:**

- » <https://www.singaporenews.net/>
- » <https://www.straitstimes.com/singapore/amaravati-city-joint-project-officially-terminated-mti>

#### ▶ **Singapore Real Estate News:**

- » <https://www.edgeprop.sg/property-news>

### Cooperating Association

#### ▶ **Institute of Estate Agents (IEA)**

- » [www.iea.sg](http://www.iea.sg)

## Holidays in Singapore

- ▶ **New Year's Day**  
January 1
- ▶ **Chinese New Year**  
January/February\*
- ▶ **Good Friday**  
April/May\*
- ▶ **Vesak—Buddha's Birthday**  
May\*
- ▶ **National Day**  
August 9
- ▶ **Hari Raya Puasa—End Of Ramadan**  
September/October\*\*
- ▶ **Deepavali**  
October\*
- ▶ **Hari Raya Haji—Feast Of The Sacrifice**  
October/November\*\*
- ▶ **Christmas Day**  
December 25

\* Denotes movable date based off lunar calendar

\*\*Denotes movable date based of Islamic calendar

## South Korea

### South Korea Quick Facts

- ▶ **Capital:**  
Seoul
- ▶ **Currency:**  
Won
- ▶ **Language:**  
Korean

### Geography and Population

South Korea occupies the southernmost tip of the Korean Peninsula. It is one of the world’s largest economies. China and Japan are neighboring countries, but South Korea borders only North Korea, where there is ongoing political tension. The demarcation line, sometimes referred to as the demilitarized zone (DMZ), divides south from north (see Figure 6.24). The dialogue between North and South Korea remains tense—both countries have displayed military missile tests in recent years.

**Figure 6.23** Map of South Korea



**Figure 6.24**

Comparative International Times to Seoul, South Korea (9AM–5PM)

Seoul	London	New York	Los Angeles
9:00 am–5:00 pm	1:00 am–9:00 am Same Day	8:00 pm–4:00 am Previous–Same Day	5:00 pm–1:00 am Previous–Same Day

South 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. South Korea's over-65 population will reach 40% by 2050, making it one of the world's oldest countries.<sup>98</sup> Providing support and services for a large elderly population will present a future economic challenge, and perhaps also an area of real estate opportunity.

## Economy

A trillion-dollar economy, South Korea 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. South Korea has enjoyed low unemployment, an export surplus, and a fairly equal distribution of income.

While the pandemic slowed the economy dramatically, and the country has struggled with inflation in its wake, the economy continues to grow at a modest pace, with analysts predicting growth at around 2.5% for 2025.<sup>99</sup> The country ranks 14th (out of 176) in the Heritage Foundation's 2024 Economic Freedom Index. The government is also considering tax reforms to further spur the economy.

**Figure 6.25**South Korean Economic Sectors by GDP and Workforce Composition<sup>100</sup>

Sector	GDP %	Workforce Composition %
Service	58.4%	70.6%
Industry	31.6%	24.6%
Agriculture	1.6%	4.8%

<sup>98</sup> Quick, M. (2019, October 14). South Korea's population paradox. BBC. <https://www.bbc.com/worklife/article/20191010-south-koreas-population-paradox>

<sup>99</sup> The Korea Times. (2024, July 17). "ADB raises Korea's 2025 growth forecast to 2.5%." [https://www.koreatimes.co.kr/www/biz/2024/10/602\\_378804.html](https://www.koreatimes.co.kr/www/biz/2024/10/602_378804.html)

<sup>100</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

**Figure 6.26** Major Cities in South Korea

City	Population
<b>Seoul (Capital)</b>	9.6 million
<b>Busan</b>	3.4 million
<b>Daegu</b>	2.4 million
<b>Incheon</b>	2.8 million
<b>Daejeon</b>	1.5 million

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. Like Japanese keiretsu, chaebols involve interlocking relationships, but differ in key ways: chaebols are family-dominated companies, with relationships often reinforced by marriages, and they do not hold reciprocal shares in banks.

## The Real Estate Business in South Korea

The housing market has been sluggish in recent years. High borrowing costs and tight credit conditions added to the slowdown. The first half of 2024 essentially saw housing prices remain flat. The market for newly built apartments, however, jumped considerably, especially in Seoul where price per square meter increased 27% in July 2024 from the year prior. In recent years, the government has been closely monitoring “overheated speculative zones” comprised of Seoul, and the areas of Gwacheon and Sejong City with plans to intervene to curtail prices.

### FOREIGN OWNERSHIP OF REAL ESTATE

Foreign ownership of real estate encounters few restrictions in South 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 whether 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.

## 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):**

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 of between 25%–80% 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.

## Business Culture in South Korea

Confucian principles shape much of South Korea's business culture. Strict hierarchy, respect for seniority and elders, and group harmony characterize Korean business behavior. Although South Koreans share many attitudes and behaviors with other Confucian-based cultures, such as Japan and China, they are not the same. In fact, a history of conflict makes South Koreans react quite emotionally to discussions of Korea's relations with Japan.

## UNDERSTANDING NAME CONVENTIONS

Traditionally, Korean names are given with the family name first followed by a given name that is shared by all siblings, and then a distinguishing first name. There are no middle names. When addressing another, use the person's title followed by last name.

## BUSINESS MEETING CULTURE

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.

Experienced business travelers report that South 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.

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.

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.

## **DEMEANOR AND COMMUNICATION**

Demeanor during business meetings is formal. 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.

South Koreans, like other Asian peoples, value face-saving behavior. But, in South 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.

South Koreans share two key Asian traits: the reluctance to say no and an admiration for calm, professional demeanor. 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.

## **SOCIAL ETIQUETTE AND HOSPITALITY**

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 show 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 such as 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. Do your best, as a refusal to participate tends to be considered 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 of 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 will likely kill a deal and lose a client.

## Get the Latest...

- ▶ **South Korea News:**
  - » [www.koreaherald.com](http://www.koreaherald.com)
  - » <https://www.9news.com.au/south-korea>
- ▶ **South Korea Real Estate News:**
  - » <https://seoulhomes.kr/>

## Cooperating Association

- ▶ **Global Real Estate Association Of Seoul (GRAS)**
  - » <http://graskorea.org/eng/company/doc02.asp>

## Holidays in South Korea

- |   |   |
|---|---|
| ▶ <b>New Year's Day</b><br>January 1                  | ▶ <b>Memorial Day</b><br>June 6                         |
| ▶ <b>Lunar New Year</b><br>January/February (3 days)* | ▶ <b>Liberation Day</b><br>August 15                    |
| ▶ <b>Independence Day</b><br>March 1                  | ▶ <b>Autumn Festival</b><br>September/October (3 days)* |
| ▶ <b>Children's Day</b><br>May 5                      | ▶ <b>National Foundation Day</b><br>October 3           |
| ▶ <b>Buddha's Birthday</b><br>May*                    | ▶ <b>Christmas</b><br>December 25                       |

\* Denotes movable date based off lunar calendar

# Thailand

## Thailand Quick Facts

- ▶ **Capital:**  
Bangkok
- ▶ **Currency:**  
Baht
- ▶ **Language:**  
Thai

## Geography and Population

Thailand has the distinction of being the only Southeast Asian country never to come under foreign colonial rule. Thailand shares borders with Myanmar, Cambodia, Laos, and Malaysia (see Figure 6.28). With a population of 70 million, its size is about twice the size of the U.S. state of Arizona. Its bustling capital city of Bangkok is home to about 12 million people.

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.

## Economy

Thailand has a well-developed infrastructure and has had a relatively open economy. It ranked 20th in 2020 (the last year the World Bank released this report) for ease of doing business.

The pandemic caused Thailand's GDP to fall by 6.1% in 2021. A large part of this fall was the result of the sudden shutdown of the tourism sector that accounts for nearly one-fifth of the country's GDP. But as tourism has picked up in the wake of the pandemic so has the economy. The economy grew 2.4% in 2024, and growth is expected to hit around 3% in 2025.<sup>101</sup>

Similar to South Korea and Taiwan, Thailand has a rapidly aging population that poses economic challenges in the long term.

**Figure 6.27**

Thailand Economic Sectors by GDP and Workforce Composition<sup>102</sup>

Sector	GDP %	Workforce Composition %
Service	58.5%	51.5%
Industry	32.9%	16.7%
Agriculture	8.6%	31.8%

<sup>101</sup> The World Bank. (2024, July 3). "Thailand Economic Monitor July 2024: Unlocking the Growth Potential of Secondary Cities." <https://www.worldbank.org/en/country/thailand/publication/temjuly2024>

<sup>102</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook/>

Figure 6.28 Map of Thailand



Figure 6.29

Comparative International Times to Bangkok, Thailand (9AM–5PM)

Bangkok	London	New York	Los Angeles
9:00 am–5:00 pm	3:00 am–11:00 am Same Day	10:00 pm–6:00 am Previous–Same Day	7:00 PM–3:00 AM Previous–Same Day

## The Real Estate Business in Thailand

Thailand's real estate market has been showing modest growth after an extended slump in the immediate wake of the pandemic. Bangkok region outpaces the rest of the country, as does new construction projects. As the tourist economy as picked up once again, so too has foreign demand for condos, with a 25% increase in 2023 from the year prior. In addition, political tensions resulting from the restriction of citizens' fundamental rights of free expression continue to hamper the country.<sup>103</sup>

### FOREIGN OWNERSHIP OF REAL ESTATE

Foreigners cannot own land in Thailand, only condominiums and apartments. Additionally, 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 30 years with an option to renew for an additional 30 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% 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 of land (but not coastal property) 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 foreign 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.

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<sup>103</sup> Nussupbekova, Tamila. (2024, September 2). "Thailand's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/asia/thailand/price-history>

## Business Culture in Thailand

The predominant religion in Thailand is Buddhism, with almost 95% of the population observing its traditions. Buddhism sets the tone for hierarchical relationships in both family and business.

### UNDERSTANDING NAME CONVENTIONS

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.

### BUSINESS MEETING CULTURE

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 people to seniors and elders, an action usually returned by the senior person.

Punctuality is expected. Following introductions, remain standing until told where to sit. Hierarchical culture dictates the places of honor and position within the group.

Relationships develop slowly and may take several meetings. Rank is 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 a list of meeting attendees and their titles in advance.

Business cards are presented and accepted with both hands. Text should face the recipient. Accept an offered card respectfully, study it briefly, and then place it carefully in a card case.

### DEMEANOR AND COMMUNICATION

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 their quality.

## SOCIAL ETIQUETTE AND HOSPITALITY

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, yes, but one still practiced and appreciated.

Meals are served buffet style 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.

### Get the Latest...

▶ **Thailand News:**

» [www.thailand-business-news.com/](http://www.thailand-business-news.com/)

» [www.bangkokpost.com](http://www.bangkokpost.com)

▶ **Thailand Real Estate News:**

» <https://thethaiger.com/property>

### Cooperating Associations

▶ **Real Estate Sales and Marketing Association (RESAM)**

» [www.resam.or.th](http://www.resam.or.th)

▶ **Thailand Real Estate Brokers Association (TREBA)**

» [www.treba.or.th](http://www.treba.or.th)

## Holidays in Thailand

- ▶ **New Year's Day**  
January 1
- ▶ **Makha Bucha Day**  
February 9
- ▶ **Chakri Memorial**  
April 6
- ▶ **Songkram Festival (3 days)**  
April 13–15
- ▶ **Coronation Day**  
May 4
- ▶ **Visakha Bucha Day (Buddha's Birthday)**  
May\*
- ▶ **Vassa (Buddhist Lent)**  
July\*
- ▶ **Queen's Birthday**  
August 12
- ▶ **Chulalongkorn Memorial Day**  
October 23
- ▶ **King's Birthday/Father's Day**  
December 5
- ▶ **Constitution Day**  
December 10
- ▶ **Christmas Day**  
December 25
- ▶ **Last Day Of The Year**  
December 31

\* Denotes movable date based off lunar calendar

# Vietnam

## Vietnam Quick Facts

▶ **Capital:**  
Hanoi

▶ **Currency:**  
Dong

▶ **Language:**  
Vietnamese

## Geography and Population

Vietnam experienced French colonization in the 19th and early 20th centuries. The Vietnamese won independence from France in 1945. What's known as the Vietnam War began in 1955. It was a war officially fought between North and South Vietnam. However, it is considered by many to be a proxy war between the Soviet Union and the United States, whereby pro-communist Soviet Union supported the North Vietnamese and pro-democracy United States supported South Vietnam. The war ended in 1975 with the fall of Saigon in South Vietnam. Residual effects of this conflict remain in the culture of the country to this day.

The country is about the size of Norway and has a population of approximately 99 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 8 million and the southern city Ho Chi Minh (HCM) City (formerly Saigon) has 9 million residents.

Vietnam's long coastline includes several major seaports: Cam Ranh, Da Nang, Hai Phong, Ho Chi Minh City, Hong Gai, Qui Nho'n, and Nha Trang (see Figure 6.30). A network of inland rivers offer more than 11,000 miles of navigable inland waterways.

Figure 6.30 Map of Vietnam



Figure 6.31 Comparative International Times to Hanoi, Vietnam (9AM–5PM)

Hanoi	London	New York	Los Angeles
9:00 am–5:00 pm	3:00 am–11:00 am Same Day	10:00 pm–6:00 am Previous–Same Day	7:00 pm–3:00 am Previous–Same Day

## Economy

Over the last 50 years, 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% of the 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 1 million people every year.

**Figure 6.33**

Vietnam Economic Sectors by GDP and Workforce Composition<sup>104</sup>

Sector	GDP %	Workforce Composition %
Service	42.5%	34%
Industry	37.1%	25.7%
Agriculture	12%	39.3%

With a series of economic plans, Vietnam has shown strong growth over the past decade. In its latest Five-Year Plan for 2021–2025, the government is targeting 7% growth. The economy has largely achieved this goal so far, with GDP growth hitting 6% in 2024 and analysts predicting slightly higher growth for 2025.<sup>105</sup> The plan includes the following: continued economic restructuring, improving infrastructure, enhancing digital capabilities, and taking steps towards a green transition.

## The Real Estate Business in Vietnam

The Vietnam housing market has benefitted in recent years from cutting back regulations and a subsequent influx of foreign investors. Vietnam has become a somewhat trendy destination for the very wealthy. Increasing wealth within Vietnam is also fueling the market. The real estate market remains healthy. In Hanoi, for example, apartment prices increased 10% in the first quarter of 2024 from the year prior, though the market in Ho Chi Minh is more subdued. Overall, demand is picking up and the real estate market is expected to remain stable.<sup>106</sup>

<sup>104</sup> Central Intelligence Agency. (2024). The World Factbook. <https://www.cia.gov/the-world-factbook>

<sup>105</sup> Asia Development Bank. (2024). "Economic Forecast for Viet Nam." <https://www.adb.org/where-we-work/viet-nam/economy>

<sup>106</sup> Delmendo, Lalaine. (2024, July 8). "Vietnam's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/asia/vietnam/price-history>

## FOREIGN OWNERSHIP OF REAL ESTATE

In an effort to strengthen the real estate market, the Vietnamese Government introduced the Vietnamese Law on Residential Housing (LRH) in 2015, which allows foreigners to buy houses in Vietnam as long as they have a valid visa. Other parameters of the law:

- ▶ There's no cap on the number of properties you purchase.
- ▶ Foreigners cannot own land.
- ▶ Foreigners cannot purchase more than 250 houses in a ward.
- ▶ Foreigners are restricted to buying a maximum of 30% of the units in condominiums and cannot own more than 10% of the properties in a landed project (e.g., terraced houses, detached houses, semi-detached houses, or strata-landed houses).

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 conversion 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% on the profit or 2% on the selling price. The sale of a personal residence is exempt from the transfer tax. There is a 10% 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. 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 7 days before the properties are listed. The law also requires certification of real estate professionals. It should be noted that there are many instances of unscrupulous real estate practitioners. It is imperative to work with a local legal representative when conducting business.

## Business Culture in Vietnam

Although officially atheist, Vietnamese culture and society are strongly influenced by Buddhist tradition. They stress duty, loyalty, honor, respect for age and authority, and family devotion. Life revolves around the extended family, and senior members make decisions.

### UNDERSTANDING NAME CONVENTIONS

Naming tradition is similar to Chinese custom with a surname first followed by a first name.

### BUSINESS MEETING CULTURE

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 use first names.

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 conclusion is made.

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.

Gift giving is not expected. If given, gifts 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 AND COMMUNICATION

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 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 AND HOSPITALITY

If invited to a Vietnamese home, a gift of sweets, flowers, a fruit basket, or spirits is appreciated but 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.

### Get the Latest...

- ▶ **Vietnam News:**
  - » <https://vietnamnews.vn>
  - » <https://hanoitimes.vn>
- ▶ **Vietnam Investment Review—Property:**
  - » [www.vir.com.vn/property](http://www.vir.com.vn/property)

### Cooperating Association

- ▶ **Vietnam Real Estate Association (VREA)**  
[vnrea.vn/](http://vnrea.vn/)

### Holidays in Vietnam

- ▶ **New Year's Day**  
January 1
- ▶ **Tet Festival**  
January–February\*
- ▶ **Vietnamese New Year**  
January–February
- ▶ **Gio To Hung Vuong**  
April 5
- ▶ **Fall Of Saigon**  
April 30
- ▶ **National Day**  
September 2

\* Denotes movable date based off lunar calendar

## Course Summary Discussion Questions

Answer these final questions to reflect on and apply the knowledge you learned in this course.

- ▶ **Now that you have been through the course, what countries present the best real estate opportunities in the Asia/Pacific today? Why?**

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- ▶ **What challenges do you anticipate based on what you have learned today?**

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- ▶ **What action steps do you plan to take immediately to get started in the Asia/ Pacific market?**

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- ▶ **What additional information do you need to take those steps?**

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# 07

RESOURCES



## Resources: Helpful Tools & References

When you're searching for additional information on any of the countries we've just studied, this website listing is a good place to start. Use it, along with the numerous websites provided throughout this course for each specific country, to gain the additional knowledge you need to work with your clients in the Asia/Pacific.

### Websites

- ▶ **National Association of REALTORS®**
  - » [www.nar.realtor/global](http://www.nar.realtor/global)
  - » [www.nar.realtor](http://www.nar.realtor)
- ▶ **CBRE**  
<https://www.cbreglobalinvestors.com/insights>
- ▶ **CIA World Factbook**  
[www.cia.gov](http://www.cia.gov)
- ▶ **Currency Exchange**  
[www.xe.com](http://www.xe.com)
- ▶ **Cushman Wakefield**  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)
- ▶ **Deloitte International Tax Source**  
<https://dits.deloitte.com/>
- ▶ **The Economist**  
[www.economist.com](http://www.economist.com)

- ▶ **Global Environment Facility**  
<https://www.thegef.org>
- ▶ **Global Property Guide**  
[www.globalpropertyguide.com](http://www.globalpropertyguide.com)
- ▶ **Institute of Real Estate Management**  
[www.irem.org](http://www.irem.org)
- ▶ **International Council of Shopping Centers**  
[www.icsc.org](http://www.icsc.org)
- ▶ **International Monetary Fund (IMF)**  
[www.imf.org](http://www.imf.org)
- ▶ **International Trade Centre**  
[www.intracen.org](http://www.intracen.org)
- ▶ **International Trade Data System**  
<https://www.census.gov/foreign-trade/aes/itds.html>
- ▶ **Jones, Lang, LaSalle**  
<http://www.jll.com/locations>
- ▶ **Journal of Commerce: Global Trade and Logistical Data**  
[www.joc.com](http://www.joc.com)
- ▶ **Organisation for Economic Co-Operation and Development**  
[www.oecd.org](http://www.oecd.org)
- ▶ **U.S. Department of Commerce International Trade Administration**  
[www.trade.gov](http://www.trade.gov)
- ▶ **U.S. Trade Representative Country Profiles**  
[www.ustr.gov/about-US/trade-toolbox/country-profiles](http://www.ustr.gov/about-US/trade-toolbox/country-profiles)
- ▶ **World Bank**  
[www.worldbank.org](http://www.worldbank.org)
- ▶ **World Chambers Network**  
[www.worldchambers.com](http://www.worldchambers.com)
- ▶ **World Trade Centers Association**  
[www.wtca.org](http://www.wtca.org)
- ▶ **World Trade Organization**  
[www.wto.org](http://www.wto.org)
- ▶ **World Travel & Tourism Council**  
[www.wttc.org](http://www.wttc.org)

