

# TURNING THE GREY MARKET INTO GOLD

Smart investors should be looking into how to take advantage of the expected influx of retirement-home seekers in Thailand *By Antony Picon*



ILLUSTRATION: PIYAPAN DISSANEWEET

**T**he retirement of baby boomers throughout the Western world is of personal interest to me. Not that I am retiring anytime soon. My age places me in what is generally considered the last year of the baby boom, the period from the end of World War II to 1964. As a consequence, I can now spend the rest of my working life witnessing the monumental changes about to happen, even in Thailand.

According to the United Nations Department of Economic and Social Affairs, between 2010 and 2030 around 54 million additional people in Europe will be over 60, and in the United States the number is 34 million. However, Thailand will witness one of the greatest population shifts, with the number of over-60s doubling in the next 20 years with an addition of nearly nine million people in that category. Therefore the global focus on retirement also concerns Thais and will have a major impact on the property market.

However, developers will probably focus

first on the foreign market with high-end products. So what considerations should be made in terms of investment, both from a standpoint of a developer and private investor wishing to invest in his or her future in Thailand?

One interesting observation on the retirement market is just how young it can be. Retirement is being seen more as a process than an event. People in their forties are already investing in retirement homes in well thought out plans that take into account the stages of life — from prime of life to probable infirmity.

This, coupled with an increasingly healthy older population, means that a property development itself should look like any other, with an emphasis on catering to a vibrant, active lifestyle as opposed to a waning one.

The housing units also should look the same as any others, but with certain features such as wheelchair access subtly integrated into the design. Units should allow for adap-

tation to meet the particular needs of the buyer at the onset of construction, but also the ability to reconfigure at a later stage to cope with changes in the resident's lifestyle over the years. That is why after-sales service is a key component in the retirement development mix.

Good quality care must be available on the premises at all times as many residents will require varying levels of support, but it is essential to keep this and other support services in the background, as the image of the community in the eyes of the residents is paramount. Ageing affects us all, but avoiding its trappings is recommended. The main benefit should be in the form of wellness with facilities such as swimming pools, steam rooms and spas that are appropriate for young and old alike. Social areas including a restaurant and places to sit are recommended for a sense of community.

The location of the development should be considered carefully. Normally resort settings are the most popular, with Pattaya, Hua Hin, and Chiang Mai at the forefront. Each of these cities has its advantages. Pattaya has a host of attractions, but perhaps most important is an already significant expat community for socialising. Chiang Mai offers cooler climes and is especially popular with Japanese expats, but can be too isolated for some. Hua Hin is proving to be a prime location for high-end developments in the hills overlooking the coast. These locations provide a more tranquil atmosphere but with access to the town and golf courses.

Provision of international hospitals is a key requisite for many retirees due to the expected future deterioration of health. People on the path to retirement would be wise to investigate locations throughout Thailand to find a place where they feel comfortable.

Choosing the wrong location can be a costly and time-consuming mistake. Therefore, renting a property may be a good way to start the process of retiring in another country.

The phasing of a project can be problematic and should be well planned. It often proves difficult to sell all land plots, and once the initial homes have been constructed, a slow take-up ensues, which means construction work will be ongoing for a long period of time. This is a depressing prospect for residents who must spend their latter years in "paradise", but surrounded by concrete and construction workers.

An effective rental system should be put in place for owners to not only maximise their investments but also to ensure that a living community is established rather than a ghost town. Many retirees will choose not to invest in property but rather rent for greater flexibility.

In some locations it may be wise for retirees to seek out areas where there are clusters of people who speak their language. This is not much of a concern in Pattaya, where there are plenty of opportunities to mingle with whomever one chooses. In more isolated areas such as Chang Mai and the hillsides of Hua Hin, the development of clustered communities might create long-term difficulties, as residents can often feel constrained by living exclusively among their own countrymen. However, in many high-end developments, residents come from many nationalities and backgrounds. Most of the buyers are international in outlook and prefer to be around people of different cultures and this proves to be an attraction in its own right.

Board of Investment incentives are provided for retirement homes providing certain care facilities. This can mean foreign developers having 100% freehold ownership of the land and while this cannot be ascribed to individual buyers, it does allow for a more reliable leasehold structure to be set up.

Buyers might be wise to look for properties with a condominium component along with villas. This allows for more attentive care for those requiring it. A buyer could invest in both a villa and a condominium, choosing to rent out the condo unit while residing in

the villa. In later life, the buyer may choose to sell the villa and live in the condominium as he or she ages and requires more attention. Ongoing flexibility in ownership and residential requirements will also be a significant factor in the long-term success of a project.

The dramatic growth in Thai retirees over the next two decades also offers significant prospects. Many question whether Thais are willing to break with the extended family idea, but this is largely governed by economics; witness the past year of condominium unit sales to first-time buyers in Bangkok. Sons and daughters cannot simply give up careers to act as caregivers, better this be done by professionals.

However, proximity will also be a serious consideration and Hua Hin and Cha-am are likely to be the main focus for Thai retirees in dedicated retirement homes due to the coastal location and short distance from Bangkok, allowing families to visit their relatives at the weekend. Pattaya and Khao Yai could also factor in as options for retirees in the future. This will also spur the second home market.

The retirement property market will undoubtedly be one of the growth stories in the next 20 years. Thailand is a prime location due to its renowned hospitality, relative safety, abundant facilities, familiarity with the country and low cost of living. Negatives such as a limited leasehold period and one-year visas could hamper the retirement market but the country still attracts expatriates in droves. The nascent retirement market has yet to take shape. The "hardware" of the real estate needs to fit in well with the "software" of the medical, care and wellness concepts but eventually strong brands could emerge that will allow people to retire in full confidence that their later years will be their most restful but also rewarding. ■

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