

# AN ANALYSIS OF THE LEVEL OF MATURITY IN SOUTH-EAST ASIAN PROPERTY MARKETS

HENRY CHIN  
Deutsche Bank, London

and

PETER DENT  
Oxford Brookes University

## ABSTRACT

*Previous literature has argued that mature markets should have the ability to accommodate a full range of use and investment objectives, with the provision of a sophisticated property profession and its associated institutions and networks. As a consequence, maturity level can be seen to influence office investment activities. South-East Asian cities present an interesting array of property markets at various stages of evolution. Where each city is now and where it is heading is the result of a complex mix of underlying factors. This paper attempts to apply the methodology which has been developed in the European context to the South-East Asian market.*

**Keywords:** Maturity, case study, mature markets, emergent markets, South-East Asia

## INTRODUCTION

In order to understand fully any property market, it is necessary to consider the nature of that market and its evolution, as well as economic conditions. In terms of analysing economic conditions, analysts usually look at national level, regional level and also urban economies. However, most of these analyses tend to ignore the cultural or institutional framework and concentrate on the demand and supply conditions in the three sub-markets: user, investment and development (Keogh 1991). This research, firstly, reviews the relevant previous work on property maturity and then examines the level of maturity in five selected South-East Asian cities.

# THE LITERATURE ON PROPERTY MARKET MATURITY

Market maturity studies can help in an understanding of how markets will emerge, mature and perform in the future (Lee 2001). This research also argues that the issue of maturity has important implications for the type of real estate products that might be appropriately offered to the market, city by city. Market maturity can, therefore, give a useful framework to examine property market performance.

Keogh et al (1994) consider that the concept of market maturity is too complex to provide a simple definition of comparative property market activity. As such, there is no single standard route to achieve maturity, because different markets have different characteristics. However, they do identify certain characteristics which may help to define the level of maturity of a particular property market. These are summarised in Table 1.

**Table 1: Key characteristics of property maturity**

<b>Principal Characteristics</b>	<b>Rethinking Characteristics</b>
<i>Accommodation of full range of use and investment objectives</i>	<i>The wider business of a full range of use and investment objectives Investment culture</i>
<i>Flexible market adjustment in both long and short term</i>	<i>Overshooting Market decision rules</i>
<i>Existence of a sophisticated property profession with its associated institutions and networks</i>	<i>Problem of over-specialisation Knowledge base</i>
<i>Market openness in spatial functional and sectoral terms</i>	<i>Market distortions Destabilisations</i>
<i>Standardisation of property rights and market practices</i>	<i>Role for local real estate culture</i>

Source: Keogh et al. (1994)

In Seek (1996b), he states that market evolution is a continuous pattern, and follows “S” shaped patterns of development. This is explained by rapid growth in early stages followed by a slowing down as maturity approaches. In his research, maturity is the ultimate goal of the property market. In his studies, a typical property market is likely to go through many imperceptible stages of development. This will almost certainly include an initial phase, an overbuilding phase, a maturing phase, a mature phase and, finally, a post mature phase. However, it may be more appropriate to adapt the idea of market maturity as “a relative rather than an absolute achievement since the future revolution of the property market process may render obsolete our current perception of maturity” (Keogh et al. 1994). Seek (1996b) also believes that different markets will follow a

common evolutionary process from early development through immaturity and finally to maturity albeit at different rates.

Keogh et al's work has been regarded as the most comprehensive treatment of market maturity (Lee 1999, 2001, Armitage 1996, Lim 2000). Still, even in their study, there are no clear explanations to define the scale of their criteria ("low", "moderate", "high", "limited", "extensive" etc). Therefore, it would be useful to set a scale to examine the market, such as 1 to indicate least developed and 10 to indicate most developed. This could facilitate understanding. In addition, market maturity should be considered as a holistic process rather than isolating specific characteristics in each of the markets.

### **Relevant market maturity studies in South-East Asian office markets**

There are relatively few market maturity studies which address the maturity of South-East Asian markets. Those studies that have been undertaken do, however, provide some insights into the risks and opportunities of markets in the Pacific Rim region (see for example, Schultz, 1990 and Koh, 1995). Whilst this research identifies the opportunities and risks of different levels of market maturity, there is still no clear definition of maturity nor is there an indication of ways to assess that maturity. It is evident from the research, however, that investors still focus their principal analysis of investment opportunities on the general economic indicators. Their interest and understanding of the specific factors influencing property performance appear to be very much secondary in that decision making process. Whilst, for example, Seek (1996b) proposes that the Asia Pacific region is characterised by a diverse group of economies at varying degrees of maturity, concluding that Bangkok, Kuala Lumpur and Jakarta are perceived as being more mature than Taipei and Seoul, the supporting evidence for this is not clear. High economic growth is cited as the main indicator of maturity but, in these cases, this seems to be achieved through low labour costs (Kotler et al. 2000). In the longer term, this is unlikely to be sustainable and the more modest growth taking place in Taipei and Seoul would appear to provide a more stable market position. However, these results are questioned by Kotler et al. (2000). They claim that those 'more mature' cities were not only characterised by high economic growth in the 1990s, but also by their low cost and level of labour whereas Taipei and Seoul have, almost certainly, gone past that stage.

Armitage (1996) also provides an overview of market status in South-East Asian cities, but provides no conclusions regarding the development stage. Additionally, this work does not provide any definitions of what is meant by "good", "poor", "medium", "high", etc.

Lee (2001) investigates the risk of investing in property markets in the Asian region. He divides risk into investment risk, currency risk, political risk and institutional risk. In terms of institutional risk, he assesses the level of market maturity, the level of transparency and corruption levels within each country. In his research, he takes transparency as an issue independent of maturity. He adapts the five criteria of the level of transparency which were classified by Gordon (2000). These are:

- presence of public and private performance indices;
- quality of market fundamental research;
- availability of reliable financial statements;
- alignment of interests among directors, managers and investors; and
- taxes, penalties and restrictions on cross-broader transactions.

In the results from this research, there appears to be a close relationship between the level of maturity and the level of transparency. For example, China and Vietnam are both in an emerging situation with low levels of transparency. Taiwan has moved from early development to rapid development towards maturity, but still with a low level of transparency. Hong Kong and Singapore are nearly established markets with high levels of transparency and Taiwan, Malaysia and Thailand are countries with emergent markets. Again, Lee provides no objective criteria to judge levels of maturity, such as scales of 1 to 10. There is also no detailed examination of each market.

Research undertaken by Jones Lang LaSalle (2004) has produced a global transparency index covering legal institutions and property institutions. There are 5 tiers of sub-groups among the 50 countries: highly transparent (1); transparent (2); semi-transparent (3); low transparency (4); and opaque (5). None of the South-East Asian countries are listed in Tier 1. Hong Kong comes highest, ranking at number 7 (Tier 2), followed by Singapore, Malaysia, Taiwan and Thailand (see Table 3). Table 2 indicates that most of the cities were in the same situation as 2001, except in the case of Malaysia.

**Table 2: Real estate transparency index: 2004**

<b>Country</b>	<b>Transparency Index</b>	<b>Rank</b>	<b>Tier</b>	<b>2001-2004 Change</b>
<i>Hong Kong</i>	1.50	7	2	Same
<i>Singapore</i>	1.55	9	2	Same
<i>Malaysia</i>	2.30	20	2	Improved
<i>Taiwan</i>	3.10	27	3	N/A
<i>Thailand</i>	3.44	36	3	Same

Source: Jones Lang LaSalle (2004)

This research provides an overview of the level of real estate markets in the five countries. However, the results of Malaysia, Thailand and Taiwan might have been different if the research had been undertaken at city level. It is also evident that the higher the transparency level, the higher the maturity level of property market. These findings are consistent with Lee (2001).

The World Economic Forum (2004) produces a competitiveness survey covering 120 countries in the world by comparing their macroeconomic environments, public

institutions and technology. This index focuses on business competitiveness within a country level rather than specifically property market maturity or the general institutional environment in a city level. Although this index gives an overall competitiveness ranking (Taiwan: 5<sup>th</sup>; Singapore:6<sup>th</sup>; Hong Kong: 24<sup>th</sup>; Malaysia: 29<sup>th</sup>; Thailand 32<sup>nd</sup>), it would be difficult to take it further as a property market maturity assessment, because no property market institutions have been measured in the report.

**Table 3: Summary of characteristics of a mature market**

- *Offers a sophisticated and sound financial structure*
- *Accommodates a full range of use and investment objectives*
- *Provides the extensive property information and property intermediaries with high level of property professionals*
- *Offers a wide range the investment opportunities*
- *Provides a liberalised financial market environment*
- *Updated and well-developed public infrastructure*
- *Low risk and return*
- *Provides high quality property products*
- *Provide the accurate financial and market information*
- *Standardisation of property rights and market practice*
- *Flexible market in both the short and long run*
- *Stable economic environment*
- *Stable development environment*
- *Large pool of skilled workers*

## RESEARCH METHODOLOGY

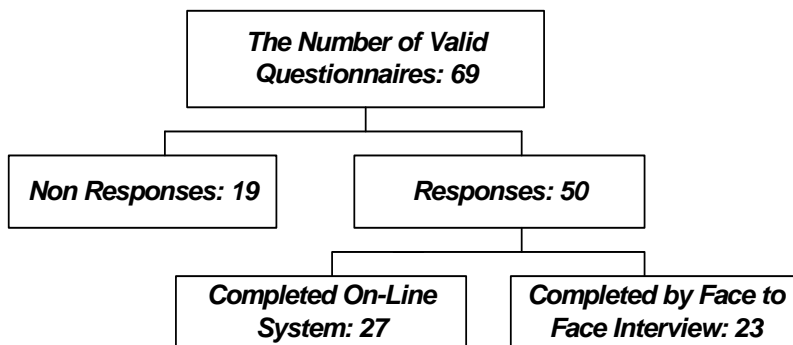
The aim of this research is to discover the level of the property maturity. Accordingly, a questionnaire was designed to obtain fair and objective views from property researchers across the region. The research department of each major property consulting firm were the main targets for this survey. The individuals in research departments have daily exposure to the market conditions, and are familiar with the current situation and changes in the target cities. The majority of respondents to this survey (68%) were at the level of ‘Head of Research’ or ‘Director of Research’ in their organisations, and typically had more than 10 years experience of property markets. 20% of respondents were at the level of ‘Senior Researcher’, with five or more years experience, and the remainder were at ‘Researcher’ level, with three or more years experience. Many firms also have good international connections, are influential in the market and have knowledge of global research standards which would benefit this comparative study.

The survey was carried out between January 2003 and March 2003, and face to face interviews were conducted during this period in Hong Kong, Bangkok, Kuala Lumpur, Singapore and Taipei.

The total valid sample was 69. Within the total, 19 of 69 (27.54%) did not respond after three attempts at contact. A total 50 of 69 (72.46%) responded either by email (27 of 50) or face-to-face interview (23 of 50).

**Figure 1: Sample structure**

---



---

## THE ANALYSIS OF PROPERTY MARKET MATURITY IN SOUTH-EAST ASIA

Respondents were asked to evaluate different elements of markets in order to assess the maturity of the subject property market. These questions were developed out of Keogh and D'Arcy (1994) which examined the maturity level of selected European prime office markets. In addition, the quality of property product, market information standardisation and availability, and presence of property intermediaries were also included. These had been used by Lee (2001).

In order to provide a clearer picture of the similarities and differences between countries, each characteristic was assessed on a scale of 1 to 5, where 1 meant "very well developed" or "very mature" and 5 meant "very limited development" or "very immature". The characteristics were defined for this study as follows:

*Market openness* can be measured by various dimensions: spatial, functional and sectoral, but essentially a very open market should become as open as a local market for national and international participants (Keogh et al. 1994).

*Property professional level* relates to perceptions of the level and quality of market information, transaction data and development activity (Armitage 1996). Where the property professional level is high, the quality of service and analysis will be more sound and balanced. In such circumstances, clients would expect more detail and depth of analysis in the industry. This may give foreign investors more confidence to invest in the local market.

*The presence of property intermediaries* indicates a level of sophistication in a market. The brokering of property through intermediaries from the financial, accounting or specialised property sectors is an indicator of the level of maturity in a market.

*User and investor opportunities* relates back to the level of market openness in general and refers to the ability of both local and international players to participate in the market (Armitage 1996).

*Realistic market values and market stability.* Basically, market value should reflect the conditions of demand and supply at any point in time. Investors and developers should therefore be able to predict undersupply or oversupply situations.

*Property investment flexibility.* One of the principal characteristics of the mature market is being able to adjust itself in both the short term and long term (Keogh et al. 1994). In other words, a mature market should be able to exhibit a fluidity of function between different actors and sectors. In addition, a mature market should also offer a high level of capital liquid.

*Market information aspects.* A mature market should be able to offer extensive information flows (including information standardisation, availability and quality) which will enable high level of research activities (Keogh 1994, Armitage 1996).

*Development stability.* Development projects rely on finance; therefore, the level of development stability will depend on the level of stability in a country's financial systems. A mature market should offer a sound environment in order to maintain the stability of the development process (Keogh et al. 1995, Armitage 1995).

*The urban design and quality of property products* give investors their first impression of a city and provide an image of the level of maturity.

Using this categorisation, the overall results of the survey help to provide an impression of the level of maturity in each of the five cities as shown in Table 4 below.

**Table 4: Market maturity assessment in five selected cities**

	<i>H.K</i>	<i>Singapore</i>	<i>K.L</i>	<i>Bangkok</i>	<i>Taipei</i>
<i>Market Openness</i>	1.5 (0.83)	1.6 (0.51)	3.4 (0.99)	3.4 (0.81)	3.5 (0.90)
<i>Property Services Professional Level</i>	1.4 (0.64)	1.6 (0.65)	2.8 (1.08)	2.8 (0.95)	3.1 (0.91)
<i>Presence of Property Intermediaries</i>	1.4 (0.56)	1.6 (0.77)	2.7 (0.88)	2.7 (0.87)	3.0 (0.82)
<i>User and Investors Opportunity</i>	1.8 (0.89)	1.8 (0.72)	3.2 (0.96)	2.7 (0.82)	3.2 (0.94)
<i>Market Value</i>	1.7 (1.06)	1.9 (1.21)	3.0 (0.95)	2.9 (0.89)	2.8 (0.95)
<i>Flexibility</i>	1.8 (0.94)	2.0 (0.95)	3.2 (0.93)	3.1 (0.92)	3.4 (0.99)
<i>Market Information Standardisation</i>	1.8 (0.83)	1.8 (0.83)	3.0 (1.00)	3.3 (1.11)	3.4 (0.96)
<i>Market Information Availability</i>	1.4 (0.56)	1.4 (0.58)	2.9 (0.91)	3.2 (0.92)	3.3 (0.96)
<i>Development Stability</i>	1.7 (0.70)	1.6 (0.73)	2.8 (0.96)	3.4 (0.80)	2.7 (0.75)
<i>Quality of Property Products</i>	1.5 (0.59)	1.5 (0.59)	2.5 (0.99)	2.8 (0.62)	2.5 (0.84)
<b>Average</b>	<b>1.58</b>	<b>1.67</b>	<b>2.71</b>	<b>2.96</b>	<b>3.09</b>
<b>Category</b>	<b>Mature</b>	<b>Mature</b>	<b>Emergent</b>	<b>Emergent</b>	<b>Emergent</b>

- *Parenthesis shows standard deviation*

From Table 4, it is apparent that Singapore and Hong Kong have the lowest scores for each criterion, suggesting that, overall, these two markets were seen as the most developed and having the most mature elements compared to the other three cities. For Kuala Lumpur, Taipei and Bangkok, scores range from 2.5 to 3.5. Most developed would appear to be the quality of the property product. This is supported by the high standard and innovative nature of accommodation being developed in these centres. Least developed is the openness of the markets themselves. This overview was followed by a much more detailed analysis of each of the criteria. Brief summaries of findings are set out below.

## **SURVEY RESULTS**

### *Market openness*

Since the early 1990s, the attitude of various South-East Asian governments to business regulation and foreign investment has become more liberal (Colliers Jardine 1997, Jarvis 2003, Berry et al. 1999). Once markets are open, opportunities are created and investors



are encouraged to invest. This stimulates the level of economic growth and provides a sound environment for the property market to flourish.

Hong Kong and Singapore were considered to be the most mature markets in this context (means of 1.5 and 1.6 respectively). However, there were still a number of respondents (ie 8%) who considered openness to be a feature of the Bangkok market. The majority of respondents considered Taipei immature in this aspect.

Hong Kong and Singapore both are in the top list of the freest economies according to the seventh annual Economic Freedom of the World Report. Hong Kong has been in first place in each report since the 1980s (Gwartney et al. 2003). The results from the survey are consistent with this view.

Traditionally, Hong Kong and Singapore are competitors in South-East Asia. The two cities have similar patterns in their growth and characteristics (Tse 1997, Walker et al. 1991). Hong Kong has been recognised as one of the most unrestricted trading areas in the world (Gwartney et al. 2003, Walker et al. 1990, Walker et al. 1991), and Singapore is also very free, but has stricter regulation (Jarvis 2003). This can be confirmed by the results of the present survey.

In Kuala Lumpur, Bangkok and Taipei, there are constraints on property asset holdings for foreign institutions which restricts freedom to a degree in these markets (Jarvis 2003, JLL 2002, JLL 2003, Lim 2000, Lim et al 2002, Armitage 1996). Most aspects of business are open to foreign investment in Malaysia and Thailand; however, local equity participation is required. In Thailand, property ownership by foreigners is restricted, as is repatriation of profits. In Malaysia, the restriction on foreign ownership is the same. Foreign investors have to form a joint-venture in order to obtain a licence to set up business in Malaysia. In Taipei, foreign participation in business also has to be approved. However, the government is gradually removing some business ownership restrictions (JLL 2002). There are also restrictions on foreign ownership of property and land.

### ***Property professional level***

The property professional levels in Hong Kong and Singapore are seen as the highest from the survey. This might be expected, given their sound financial structure, regulation, active foreign investment activities and demand, together with a well-educated labour force. In addition, the property professions were set up during the colonial period and follow the established British system. However, Malaysia was also a British colony, although the financial structure, activities and labour quality there are seen as less mature and open than Hong Kong and Singapore (Walker et al. 1991, Yu et al. 1997).

Some respondents pointed out that the quality of the property professionals has improved recently due to demands from foreign investors in the region, especially in Bangkok and Kuala Lumpur. Armitage (1995) also mentioned that the Valuers' Association of

Thailand is co-operating to expand the educational and professional base to meet international standards. This has slightly improved perceptions of its professional level.

The view on the professional level in Taipei tends to be poor. This might be explained by the fact that there is a lack of property professional regulations, qualifications and property professional institutions. There were no regulations for chartered surveyors until 2001. Before this, the only recognised licence for property regulation was the “Property Registered Certificate”. There is little research activity in the Taipei property market and this might also be due to a lack of any property professional course in Taiwan in the past. The situation has improved recently, with the introduction of a licence for chartered surveyors and membership of the World Trade Organisation (WTO). In addition, more polytechnics have begun to offer property or land management courses. The respondents stressed that the situation should continue to get better in the next few years as chartered surveyor licences become widely used.

### ***Presence of property intermediaries***

Hong Kong and Singapore were regarded as mature in this aspect (mean 1.4 and 1.6). Most respondents believed Bangkok, Kuala Lumpur and Taipei to be above the moderate situation (mean 2.7, 2.7 and 3.1 respectively).

The level of presence of property intermediaries in the five cities ranges between fair to well-developed. Singapore and Hong Kong are traditional world-class financial trading centres; therefore there are many international financial and property consultants and investment firms with branches or Asia headquarters in Hong Kong or Singapore (Walker et al. 1991, Jarvis 2003). This would lead to the expectation that the amount, size and quality of the property intermediaries are highest in Hong Kong and Singapore, and the perceptions of the respondents support this view. There are around 60 real estate consultancy firms operating and most of the leading international real estate services firms have established a presence in Singapore. Those firms have contributed to the high level of research activities and market analysis. Moreover, the presence of the firms has also enhanced the information availability and the potential for market efficiency (Keogh et al 1999).

In Bangkok and Kuala Lumpur, there are many leading property consultant companies which have local and regional branches, but they tend to have smaller scale operations than those in Hong Kong and Singapore. Many respondents in Bangkok and Singapore pointed out that property consultant firms withdrew from Bangkok after the financial crisis in 1997 because of the reduced demand from investors and general economic slowdown in the region. As for the Taipei market, it is evident that more international consultant firms have opened offices in Taipei since 2000. However, many respondents mentioned that local property consultants are still the dominant players there. Many respondents believed that membership of WTO would also encourage international property firms to set up branches in Taipei.

From the results of property professional level and the level of presence of property intermediaries, it is evident that the greater the presence of property intermediaries, the higher the property professional level.

### ***User and investor opportunities***

User and investor opportunities are widely open to local and foreign investors in Hong Kong and Singapore. In Case et al. (1997), the maximum return for the level of risk (close to the efficient frontier line) can be achieved by investing purely in the property market in Hong Kong. Bangkok, Kuala Lumpur and Taipei all have restrictions in many aspects, such as aliens' ownership and joint-venture business requirements which reduce the willingness of foreigners to invest.

### ***Realistic market values and market stability***

Asian markets are known to be volatile, indicating that market values change significantly from time to time. Hong Kong and Singapore are regarded as mature in terms of market value stability and reliability (mean 1.7 and 1.9). Some respondents in Singapore believed that the market value in Hong Kong and Singapore are not stable because of the property cycle, which is in itself a characteristic of a mature market. However, they mostly agreed that the market value in both cities is a good indicator of market condition.

Many respondents support this view. Nevertheless, there are a few respondents who considered Hong Kong as immature, because they believed that mature markets should be able to stabilise market value. In Singapore, market value is more stable than Hong Kong with its government interventions into the market. This may suggest that market value does not reflect the market conditions as quickly as Hong Kong. Also market information is widely open to the public in both cities. This also helps to ensure that the market value reflects reality.

It appears that market information in Taipei is not transparent enough. Many respondents pointed out that it is not easy to obtain market assessed value through public information; property information being widely regarded as a business secret. This might cause delays in changes in the market's true value. From the comments that respondents made, the lack of chartered surveyor regulation in the past has caused problems in assessing market value.

In the Bangkok market, some respondents emphasised that there is a big gap between the value recorded by the government, and current market, value. Respondents also stressed that this situation has existed for many years, especially during the property boom period. To keep tax payments low in the Bangkok market, the actual transaction price is generally hidden. As a consequence, it is difficult to assess the market value from the government's data bank. Moreover, it is impossible for the general public to assess property value individually. This has to be done via property agents. These constraints make it difficult to assess market value in Bangkok (Armitage 1995, Armitage 1996). The situation in Bangkok might be explained by its unique culture, its lack of property market regulations

and well-trained surveyors. In addition, there are no laws regulating the valuer, which can be seen as adversely affecting the reliability of the market value (Arriyavat 1997).

In the Kuala Lumpur market, respondents believed that the market conditions are relatively transparent. However, its market value does not reflect its market conditions as quickly as in Hong Kong and Singapore. Many respondents stressed that the time lag to react to changes is far longer than both Singapore and Hong Kong.

### ***Property investment flexibility***

Hong Kong and Singapore were deemed to be mature markets in this respect (1.8 and 2.0 respectively). Bangkok, Kuala Lumpur and Taipei are all in the category of immature (mean 3.1, 3.2 and 3.4 respectively). Many respondents mentioned that property investment flexibility is generally not mature in the region, as there are certain restrictions for different aspects.

Many respondents pointed out that the liquidity of the property market and capital market are restricted in Kuala Lumpur, Bangkok and Taipei. This is principally due to the restrictions on currency transactions and foreign investments and the level of liberalisation of the financial markets. However, in the past 10 years, these three markets have improved their investment regulation in order to meet foreign investors' requirements and standards (Colliers Jardine 1997).

### ***Market information aspects***

In the market information standardisation aspect, Hong Kong and Singapore were deemed to be mature markets (mean 1.8 in both cases). Kuala Lumpur, Bangkok and Taipei are all again in the category between fair and immature (mean 3.0, 3.3 and 3.4 respectively).

Market information standardisation is one element of the quality of market information. Market information standardisation considers everything from the methodology of obtaining market information to the output of research reports. In Singapore and Hong Kong this can be explained by the high level of professionalism, market openness and presence of property intermediaries. All of these factors contribute to the high standards of market information. Apart from the information released from property firms, the two governments have specific departments dedicated to releasing market information in order to maintain standardisation. There would appear to be a correlation between the high presence of property intermediaries and the high level of market information standardisation and availability. This may be due to the strong presence of sophisticated international property consultancy firms with networks established throughout the region (Armitage 1995, Colliers Jardine 1997).

In the Bangkok and Taipei office markets, there are no organisations, rules or standards within the markets. Nor are there regular reports from government (Armitage 1996). This might cause consultant firms to use different ways of assessing information in these markets. Armitage (1996) also mentioned that poorly developed system of data

collection, access and dissemination are the institutional constraints in the Bangkok property market. These differences are present from the methodology to the standardisation of the reports.

### ***Development stability***

In this respect, Hong Kong and Singapore are seen as the most mature cities. This has mainly resulted from sound financial and banking systems. These facilities help to stabilise development activities. Many respondents praised the well-regulated banking and finance systems in both Hong Kong and Singapore.

In Taipei, development stability is rated as between mature and fair. This might be attributed to the well-regulated banking system. However, there were some local banking crises in early 2001 which caused delays in many projects (JLL 2002). This may downgrade its development stability. Development stability in Kuala Lumpur and Bangkok was described as poor. Many respondents mentioned that many developers have difficulties paying off their debts, which has caused delays in many development projects since 1997. This could also be explained by the high level of non performing loans (NPL) in both cities. They also stressed that the situation has not improved significantly since then, especially for the Bangkok office market. There are a significant number of half-built and empty developments across both cities.

### ***Quality of property products***

Although all five cities are seen to be of mature status in this aspect, there is still a gap between the top city (Singapore) and the bottom city (Bangkok) which might cause some disparity in market status.

High quality, centrally located office buildings are available in all five cities. In Hong Kong and Singapore, the qualities of property products have achieved international standards in terms of A class office buildings (Colliers Jardine 1997). There are many A class and intelligent buildings across these two cities. Land is scarce in Hong Kong and Singapore. This affects the character of business buildings, which tend to be taller and more efficient. From various property reports (JLW 1995, Knight Frank, Colliers Jardine 1997, JLL 2002), more than 50% of existing office buildings in the CBD areas are of "A" grade quality. An active building programme in the 1980s and 1990s has equipped Singapore with a substantial stock of high quality office buildings to meet international standards in the CBD area (JLL 1997). Strong demand was the main driver for the best CBD offices in the 1990s, with very low vacancy rates in A class buildings.

There are a mixture of A class buildings and old buildings existing in the prime office areas of Kuala Lumpur and Taipei (Colliers Jardine 1997). The overall level of the property products' quality is improving in these two cities (JLL 2001). Due to lack of modern amenities and increased congestion in old central areas, new CBD areas are emerging in these two cities with high quality property products, such as KLCC in Kuala Lumpur and the World Trade Centre and Taipei 101 in Taipei. Modern office

accommodation is readily available in the newly developed areas in both cities. Some respondents mentioned that the concept of property maintenance needs to improve.

There is no clearly identified CBD area in Bangkok and there are fewer A class buildings there, compared to the other cities (CBRE 2003). In addition, the buildings were mainly built in the late 1980s or early 1990s during the property boom.

## SUMMARY

To summarise, respondents were asked to evaluate the level of market maturity (Table 5) by marking mature market, emergent market or emerging market in order to confirm the consistency of the results. Hong Kong (100%) and Singapore (100%) are unanimously considered to be mature markets. Kuala Lumpur (78.95%), Taipei (61.29%) and Bangkok (60.00%) are emergent markets.

**Table 5: Level of market maturity: distribution of responses (%)**

	<i>Mature Market</i>	<i>Emergent Market</i>	<i>Emerging Market</i>
<b>Hong Kong</b>	100.00%	0.00%	0.00%
<b>Singapore</b>	100.00%	0.00%	0.00%
<b>K.L</b>	7.89%	78.95%	13.16%
<b>Bangkok</b>	8.57%	60.00%	31.43%
<b>Taipei</b>	16.13%	61.29%	22.58%

Table 6 identifies the variables that have been examined in order to complete this analysis. Whilst the results are clearly as expected, the exercise does offer an objective view on the data to support the current belief that both Singapore and Hong Kong have the characteristics of mature markets for investment. Alongside the evidence from this work, it is important to examine the institutional framework within which these markets work. The authors are currently completing a similar survey of this framework in the five cities.

**Table 6: Key points to analyse the property market maturity**

<i>Key Points</i>	<i>Variables to Examine</i>
<i>Economic fundamentals</i>	<i>Economic growth (GDP Growth)</i>
<i>Characteristics of local property markets</i>	<i>User and investor opportunities</i>
	<i>Flexibility in investment objects and in capital movements</i>
	<i>Market openness</i>
<i>The culture of the local property market</i>	<i>Role of property market culture</i>
	<i>Quality of property products</i>
<i>Market information</i>	<i>Information availability</i>
	<i>Information standardisation</i>
<i>Professional services</i>	<i>The presence of property intermediaries</i>
	<i>The level of property professional level such as professional institutions</i>
<i>Market stability</i>	<i>Development stability and standardisation</i>
	<i>Value stability and reality</i>

## CONCLUSION

To sum up, respondents felt that the property markets in Hong Kong and Singapore were relatively stable and they were largely considered to be mature markets. Both cities offer wide range of opportunities to investment activities and efficient operation of their property market. This confirms the requirements of the mature market provided by Keogh et al. (1994). They state that mature markets should be able to:

- accommodate the complex requirement for use and investment activities;
- offer extensive information flows and research activities;
- offer the open environment in spatial, functional and sectoral terms;
- present extensive property profession with its institutions and networks; and
- provide high level of capital liquidity.

These findings are also consistent with Lim (2000). He observed that Singapore is a mature market with a sophisticated financial structure. However, investment flexibility is the factor which is less mature in Hong Kong and Singapore in the analysis.

Kuala Lumpur, Bangkok and Taipei are all considered to be emergent markets. Each city has a relatively well regulated and developed property market, but with some degree of limitation in different aspects especially in the aspect of market openness. Respondents believed that the three cities are improving towards a mature level. Overall, respondents perceived that there is still a clear distinction between the mature group and the emergent group, particularly in the aspects of market openness; market information standardisation; market information availability and development stability. These distinctions could still cause some diversity of market movements and activities.

## REFERENCES

Armitage L. (1995), "*Internationalisation of Property Market Process: Emergence of the Bangkok Prime Commercial Office Market*", Paper Presented in the first Pacific Rim Real Estate Society Conference, Melbourne.

Armitage L. (1996), "*Constraints to the Operation of Commercial Property Market in South-East Asia*", Paper Presented in RICS Cutting Edge Conference, 1996, Bristol.

Arriyavat P. (1997), *Thailand*. In: Gelbtuch H., Mackmin D. And Milgrim M., ed. *Real Estate Valuation in Global Markets*, Appraisal Institute, Chicago, pp 301-309.

Berry J. and McGreal S. and Scales. P. (1999), *Pacific Rim Cities: the relationship between planning system, property markets and real estate investment*, In: Berry J. and McGreal S., Ed. *Cities in the Pacific Rim: Planning System and Property Markets*, E & FN Spon, London, pp. 1-21.

CBRE (2003), Bangkok Report.

Colliers Jardine (1997), *Asia Pacific Business Guide 1997*, Colliers Jardine Research, McGraw Hill, Hong Kong.

Gordon J.N. (2000), "*International Transparency in Real Estate Markets*", Wharton Real Estate Review, Fall, pp. 19-26.

Gwartney J. D. and Lawson R. A. (2003), *Economic Freedom of the World: 2003 Annual Report*, The Fraser Institute, Canada.

Jones Lang Wootton (JLW) Research (1995), *Report Property Market*, various issues.

Jones Lang LaSalle (JLL) Research (1997), *Asia Pacific Property Digest*, various issues.

Jones Lang LaSalle (JLL) Research (2001), *Asia Pacific Property Digest*, various issues.

Jones Lang LaSalle (JLL) Research (2002), *Asia Pacific Property Digest*, various issues.



Jones Lang LaSalle (JLL) Research (2003), *Report Property Market*, various issues.

Jarvis D. (2003), *International Business Risk: Handbook for the Asia-Pacific Region*, Cambridge University Press, Cambridge.

Keogh G. (1991), "Use and Investment Markets in British Real Estate", *Journal of Property Valuation and Investment*, 12 (4), pp. 58-72.

Keogh G. and D'Arcy E. (1994), "Market Maturity and Property market Behaviour: A European Comparison of Mature and Emerging Market", *Journal of Property Research*, 11 (3), pp. 215-235.

Keogh G. and D'Arcy E. (1999), *Singapore*, In: Berry J. and McGreal S., Ed. *Cities in the Pacific Rim: Planning System and Property Markets*, E & FN Spon, London, pp. 169-185.

Knight Frank Research, (1997) *Asia Pacific Property Review*, various issues.

Kotler P. and Kartajaya H. (2000), *Repositioning Asia: From Bubble to Sustainable Economy*, John Wiley & Sons, Singapore.

Lee S. (1999), *The European Real Estate Market*, Paper Presented at International Real Estate Society Conference, Kuala Lumpur, Malaysia.

Lee S. (2001), *The Risk of Investing in Real Estate Markets of the Asian Region*, Working Paper in Department of Land Management and Development, June, pp 30-59, The University of Reading

Lim C. L. (2000), *PhD Thesis: Property Investor Behaviour and Perception of Investment in Southeast Asia with Particular Reference to Singapore*, University of Ulster, Ireland.

Lim C. L., Adair A and McGreal S (2002), "The Perception of Real Estate Investment Opportunity in Southeast Asia", *Pacific Rim Property Research Journal*, Vol. 8, No. 3, pp 163 – 182.

Schultz C. (1990), "Emerging Markets: Opportunities, Risk in the Pacific Rim", *Pension World*, December, pp.10 – 13.

Seek N. H. (1996a), "Institutional Participation in the Asia Pacific Real Estate Markets: Are Benefits Worth the Risks?", *Real Estate Finance*, 12 (4) Winter, pp. 51 – 58.

Seek N. H. (1996b), “*Institutional Participation in Asia Pacific Real Estate Markets: Are the Benefits Worth the Risks?*”, Building Owner and Manager, July 1996, pp. 104 – 107.

Tse Y.C. (1997), “*An Application of the ARIMA model to Real Estate Prices in Hong Kong*”, Journal of Property Finance, 8(2), pp. 152 – 163.

Walker A and Chung L. W. (1990), *Hong Kong: Property, Construction and the Economy*, RICS, London.

Walker A. and Flanagan R. (1991), *Property and Construction in Asia Pacific: Hong Kong, Japan, Singapore*, Blackwell, Oxford.

Yu S. and Lee A. (1997), *Singapore*. In Gelbtuch H., Mackmin D. And Milgrim M., ed. Real Estate Valuation in Global Markets, Appraisal Institute, Chicago, pp 321-334.