



Asia-Pacific Updates

Reloc8 — A Regional Relocation Resource

Welcome

Welcome to the latest edition of the Reloc8 Newsletter and thank you for taking the time to read our writings. I always find it interesting myself to find how much divergence there is between the various cultures and practices in the region. This edition's topics are no different.

In these trying economic times we have tried to focus a bit more on things that affect the corporate pocket book and certainly one of the largest pieces of the budget is expatriate housing. Perhaps this is the time to try to ease that rental burden a wee bit. But it may not be as easy as it looks. Take a look at our regional survey and judge for yourself.

We have also looked more extensively into the topic of tenancy management which again means very different things to different people in our region. Here too it becomes apparent the value of a regional resource such as Reloc8 to guide one through this vast and diverse Asian Pacific area of our planet

And if you ever have any questions - please let us know. We are always happy to help.

Sincerely,

Kenneth Arbour
Reloc8 Asia Pacific President



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Housing Market Update

Demand has slowed in all areas but rental levels are being maintained in the mid-price ranges and only showing major signs of reduction in the more expensive properties at present.

Homes at \$2,000+ pw are remaining on the market for many weeks and in the \$2,000 - \$4,000pw range rents are being reduced by up to 10-15% from last year. Supply has increased in this area as vendors unable to sell their houses are making them available for rent.

Rental prices in the mid range have not changed dramatically and in some areas are still achieving rents slightly higher than last year.

The sales prices have fallen in the outer suburbs and this is being reflected in the rental market more than 20 kms from the Sydney CBD where rental prices have dropped by up to 5% from 2009.



Housing Market Update

Against the background of a slowing global economy and the tightening of expat housing allowances by companies wishing to control costs, the high-end residential leasing market in Beijing and Shanghai suffered a decline at the end of 2008 and early 2009.

Average rents for high-end apartments, serviced apartments and villas decreased by over 7% for Beijing and close to 2% for Shanghai

Tenancy Management in Australia

In Australia the majority of leases are in the individual's name and often the transferees take responsibility for dealing directly with the real estate agent on any issues during the term of the lease. They are given a considerable amount of information and advice as part of their destination services so they can do this.

Tenancy management on behalf of a company is also not very common throughout the assignment, but quite a few companies ask for assistance at the commencement with lease negotiation and application; with renewal during the assignment and with vacating the premises at the end of the tenancy.

The most common problems that can be alleviated by tenancy management are those relating to real estate agents and repairs. Agents can be slow to respond and if tenants are not fully aware of their rights they may find it difficult to achieve results.

Tenancy management services include

- Negotiate lease terms in accordance with company policy (Diplomatic clauses, options, rent reviews, etc)
- Lodge formal application
- Check lease documentation and arrange execution, payment of bond, rent in advance, lease preparation fee
- Assist with set-up of direct debits for monthly payments of rent
- Collect keys
- Ingoing condition report and inventory where applicable
- Connection of utilities and services
- Co-ordination of any initial work to be done on property
- Liaison with agent regarding maintenance and repairs throughout the term of the lease
- Advise on resolution of disputes (e.g. repairs required; improvements not delivered as agreed, etc)
- Advice on option renewal, rent review
- Assist with lease renewal negotiation
- Monthly reports on status of leases

Tenancy Management in China

In major cities such as Beijing, Shanghai and Guangzhou, Destination Service Providers and Realtors provide quite a comprehensive range of tenancy management services. The range of services offered by these providers varies however, with some only providing basic services (such as apartment maintenance and repairs) and some providing a full-set of comprehensive services from pre-move in through to the return of the tenant's deposit.

Full-service tenancy management providers start their work as soon as a property has been decided upon, beginning with connection of utilities (gas, electricity, water) and telecommunications (telephone, Internet), advising clients on registering with the local police (a legal requirement for foreigners in China) and their obligations under the lease agreement. They also represent the client in the handover (as well as verifying the current condition of the property – photos taken where necessary).

Throughout the term of the lease, several services may be provided to make the tenants' lives easier, including:

- Handling and resolving all complaints

in Q4 2008 compared to Q3 2008. Serviced apartments experienced the highest drop in rents and occupancy rates, while villas saw a lesser decline due to relative scarcity and relatively stable demand from expat families.

Figures are not yet available for Q1 2009, but anecdotal evidence from realtors suggest that there has been a decline in Beijing of between 15% - 25% in rental costs since the Olympics, but there hasn't been any sign of continuing slippage in the past month. Once summer comes, however, we anticipate a further decline in villa prices, as more families leave China, not to be replaced. The good news for prospective and existing tenants is that there is now more room for negotiating better packages and lower rents both for new leases and for renewals.



Housing Market Update

Amid the buzz of a global slump in the real estate market due to a slowdown in the global economy, changes in property rentals in India have been marginal.

Although many companies are following the 'wait and watch' policy and relocating fewer employees than in the last fiscal year the real estate market in India has been affected only slightly. Whilst the supply and demand for premium properties remains unchanged, mid-level housing rentals have declined by 10–15%. Negotiation margins for these properties have increased considerably as landlords are displaying greater flexibility in negotiating on the inclusions (furniture, white goods, etc.) than before.

Whether or not the rental prices in India continues to remain more or less unaffected in the face of the economic downturn remains to be seen. Meanwhile, taking a cue from the global trends in the rental / real estate market, brokers as well as landlords in India are thinking of ways and means to offer buyers more value for money.

- Arranging and managing all necessary repairs, maintenance, and renovations (Especially important when landlord is residing out-of-town or is non-responsive)
- Collecting notices on necessary payments and forwarding them to client contact to arrange payment
- Collection of official payment receipt and forwarding to client contact
- Assistance in case the property ownership changes during the lease term
- Tracking the lease term and informing the client 3 months prior to expiration to see if they would like to renew or not

At the end of a lease (whether that be due to completion or termination) tenancy management providers are able to assist the client by carrying out a final walkthrough to ensure all damages and repairs are finalized, the client is compensated for any damages from the landlord (if any exist), utilities are disconnected, deregistration with the property management office occurs, final utility bills are paid, keys are returned and security deposit is returned.

The most important thing about tenancy management in China is to be in constant communication with the client to ensure that their needs are being met through monthly status updates. Overall, tenancy management services make life much easier for expatriates and take the difficulty out of managing what can sometimes be a frustrating process in China.

The situation varies in 2nd and especially 3rd tier cities, where the concept of Tenancy Management is poorly understood, including by landlords, there may not be a professional and reliable real estate provider and the caliber and experience of local tradesmen is less than would be expected in a 1st Tier city let alone a Western capital. Special arrangements may be possible in these cases for dedicated support in Tenancy Management from a reliable Destination Services provider.

Tenancy Management in India

The concept of tenancy management is not fully accepted by corporations in India and this service is still in its nascent stage. Organisations tend to nominate a representative to handle the odd tenancy management issue. The exceptions would be where the properties are in remote locations where the landlords do not live in the same city or where the relocating assignee is from the top two tiers in the company's hierarchy.

In India, a typical Tenancy Management Service would incorporate:

- Inventory check-in
- Coordinating of monthly rent payment
- Coordinating utility bills payment
- Monthly inspection of rental property
- On-going inter face with landlords/suppliers/rental companies for maintenance of air-conditioners, household appliances and furniture during the warranty/rental period as the case may be
- Assistance with earlier termination of lease contract
 - Tracking of lock-in period
 - Tracking of notice period
 - Coordination of written notice issued from tenant/client to landlord.
 - Tracking of lock-in period for rental contracts on air-conditioners, household appliances and furniture
 - Coordination of written notice to the various rental companies



Housing Market Update

Rents in Tokyo have fallen 10 to 20% since October 2008. Since prices have fallen many expatriates are moving to take advantage of the lower prices, either by moving from a suburban to a more central location, or upgrading centrally. Many are also renegotiating their rents downward but such reductions are usually in the 5 to 10% range as property owners are quite aware of the costs of relocation including household goods moving, realtor's fees, periods of double rent, etc. Some owners are increasing commissions to realtors to encourage them to reduce their fees or offering outright to pay some moving expenses. But these are usually only for the larger high rise apartment complexes.



Housing Market Update

The recent global economic crisis has led to a downturn in the amount of foreign investment coming into Korea. As a result of this, the number of expatriates being sent to Korea has also reduced compared to previous years (with a significant number departing early). This has in turn led to a reduction in demand for expatriate housing.

It would be reasonable to assume that rental prices are declining, however so far prices have been stiff. This is in large part due to limited supply of housing meeting

Tenancy Management in Japan

The full range of tenancy management services in Tokyo are generally divided into separate responsibilities being handled by different service providers. For example, care of the premises in which the expatriate lives is usually taken care of by a management company employed and paid for by the property owner. In some cases, particularly with smaller owners, this may be the real estate company that found the tenant their home. But nevertheless, the care of the premises is usually problem-free for the tenant. He/she only needs to inform the management company when something is broken or not working properly or anything involving the building and its utilities. All communication between the owner and the tenant during the tenancy regarding the structure and facilities is conducted through these management company intermediaries.

The initial lease agreement and rent negotiations, any subsequent lease renewals, and the termination of the lease and recuperation of the deposit are usually handled by orientation companies (DSP's) who act on behalf of the tenant or lessee. Most such negotiations are usually through the realtor who found the home. Most leases automatically renew so there is usually not a lot to be done there, unless the tenant wishes to renegotiate the rent or request renovations of some kind. Rental payments and utility payments are usually made directly by the lessee's company, though often these services are being subcontracted out to third parties.

The most serious problems, which are fortunately rare, usually involve the restoration of the premises after the termination of the lease. Pets in particular can cause damage that is not normally covered by normal wear and tear (such as torn wallpaper or scratched floors) and can lead to serious claims sometimes. Most times though, owners are relatively lenient in judging damages, as difficult owners will be avoided by reputable tenants and realtors alike.

Tenancy Management in Korea

Tenancy Management is a relatively new concept in Korea. Traditionally the tenant has managed this themselves and this is still what most locals do. Due to logistical, cultural, and language barriers, most expatriate families employ tenancy management service providers in this area. Real estate agents do provide some of these services, but their scope is usually quite limited. Reloc8 Korea provides a comprehensive range of Tenancy management services, including the following:

- Advise clients on terms of leases, including responsibilities of both parties
- Inspection of the property before moving in and production of inspection report (pictures are taken where necessary as evidence of state of property)
- Ensure that property is in condition outlined in lease and that any necessary repairs are made
- Prepare manuals for installed home appliances in English
- Assist client in carrying out check-in procedure at the property
- Arrange installation of Internet, telephone, gas, cable TV
- Arrange contractors to carry out any necessary repairs
- Arrange payments between tenant and landlord
- Collect utility bills and arrange payment for them
- Manage all communication with landlord
- Production of 'house card' (with map and address for taxi drivers and visitors) and deliver this to the client
- Inspection of property when moving out and handover of keys

the standards of expatriates. If the economy continues downwards, it is reasonable to expect drops of between 10-20% starting with medium and small-sized apartments.



Housing Market Update

Due to the global economic crisis, fewer companies are sending expatriate employees to Malaysia leading to a growing surplus of vacant expatriate housing in the KLCC and Mont Kiara areas (many of these properties are new).

Realistically, rental prices of condominiums have decreased by between 10-20% since December 2008, especially in the areas mentioned above. With the same budgets, expatriates can now get bigger and newer condominiums. However, due to low supply, the prices of gated communities in the same areas have not really decreased. There may be a small reduction of 5% of rental as compared to previous years but in most cases, prices have not changed much.



Housing Market Report

Many houses that were on the market for sale are now being rented due to lack of interest from the market. This in turn is increasing the supply of properties in the rental market. In Auckland this increased supply has reduced demand. In Wellington however, the opposite has happened and the

We also provide a number of miscellaneous services in response to client needs in order to make their life easier.

Tenancy Management in Malaysia

Tenancy management in Malaysia is quite new and most corporations have their HR departments handle their own tenancy management, but it is not done very well. Some bigger corporations may outsource it to relocations companies set up by movers.

However these companies are not specialized in relocation services and do not have the expertise to handle tenancy management. Hence problems crop up when dealing with owners or hand over of premises. Some full time agents do handle tenancy management for their corporate clients where they are the sole agents. However, they may not handle the full range of services.

The full range of tenancy management consists of:

- Advise on terms of tenancy agreements and ensuring that the terms are adhered to
- Check in of premises
- Rental payments on behalf of tenant
- Arrange for the installation and payment of utilities, Astro, telephone & broadband lines as well as insurance coverage where applicable
- Arrange and coordinate with contractors for any repair and maintenance work including air-conditioning servicing, pest control, fogging, etc.
- Arrange payment to contractors
- All communication with landlords
- Renewal and termination of tenancies on behalf of tenant
- Coordinate with contractors for repair and cleaning of premises for handover purposes including settling of contractor bills. To check and ensure that everything is done to the satisfaction of the landlord
- Hand over of premises
- Recuperation of deposits

In order to be able to offer the above services, the company must have their own property management company or a regular team of trustworthy contractors together with a team of efficient administrators to coordinate appointments and check the premises and to handle paperwork (Reloc8 Malaysia is able to provide all of these services). The most important problem that companies encounter is the inefficiency and untrustworthiness of the contractors who are normally allowed to enter the premises without any supervision.

The charges for Tenancy Management, according to the market norm in Malaysia, are between 5-15% of the monthly rental amount.

Tenancy Management in New Zealand

Most property management companies in New Zealand are solely focused on providing reliable and effective management of residential properties. The majority do not sell real estate. Their emphasis is on securing quality tenants, delivering quality tenancy management services, and out of this, they are able to focus on strict rent.

Services provided include:

- Using multiple channels to market the properties, including direct marketing of promotional leaflets, listing on the web, and database marketing
- Handling prospective tenant enquires.
- Conduct property showings to all interested tenants

rental prices have increased in the past 12 months. Executive housing is at a premium in the Wellington area currently. Christchurch has remained steady for the past 12 months.



Housing Market Report

The flow of new supply onto the Metro Manila market has slowed significantly since the last quarter of 2008. This has countered falling demand from the reduced number of expatriate arrivals to leave rental prices relatively unchanged. In high-demand areas such as Pacific Plaza Towers, One Roxas Triangle and Rockwell Residentials (all high-end, bigger floor layout complexes) demand still exceeds supply.

More projects will come online in the next few years with a concentration of developments in Bonifacio Global City and other non-traditional business districts. Rents for luxury residential buildings have increased significantly in recent years.

The standards of luxury in the Philippines are being increased by a number of new properties opening in the CBD. There are also more old houses being renovated or replaced to meet the demands of foreign expatriates with higher budgets. These properties demand higher rents.

Due to the growth in business associated with Business Process Outsourcing (BPO) and call centers in the Philippines, there was a large increase in short-term assignments in the beginning of 2009 leading to increased demand for serviced apartments and properties offering short-term housing. Landlords are showing more of a tendency to target this group on 3 to 9 month leases, rather than targeting those on long-term assignments, which have slowed to a trickle in recent months.

- Thorough screening and checking of prospective tenants
- Tenancy agreements
- Bond management
- Arranging automatic payments of rents
- Providing the tenant with terms and conditions relating to their tenancy
- Complete property management to maximize tenant accountability and minimize property damage
- Property inspections on a regular basis
- Repair and maintenance management
- Financial management to ensure reliable rent flow
- Conducting regular rent reviews
- Monthly financial statements to client, reconciliation reports, annual financial reports in preparation for owners tax returns

Disbursements such as repairs and maintenance are not undertaken by the property management company; instead these are outsourced to third parties. If these services are required the client will be required to pay these tradesmen additionally.

Other disbursements include: credit checks, chattel photography and newspaper advertisements.

Tenancy Management in the Philippines

Tenancy management in itself is still not very well known in the Philippines. It is generally included as part of the ongoing support of the destination service provider (DSP) in a full service program.

The common practice in the Philippines is that whoever recommends the housing carries the responsibility of providing tenancy management for the assignee. Since home-finding is part of a DSP's services, tenancy management often becomes an extended service as part of the ongoing support given to assignees. Tenancy management in the Philippines generally includes the following services (with some exceptions):

- Act as an objective third party to help you manage any tenancy issues that may arise
- Offer expert guidance/support to ensure that problems are dealt with professionally and in a timely manner, resulting in minimal disruption to your daily living
- Provide assistance on the following areas:
- To answer general questions about tenancy related issues and to offer advice on whether the issue raised is the responsibility of the tenant or landlord
- Where the tenant has responsibility, the DSP will offer assistance in sourcing subcontractor(s) to help resolve maintenance issues, review and negotiate service fees quoted by subcontractors (i.e. local maintenance or repair company), organize and schedule maintenance subcontractors, send invoices for payment
- Where the landlord has responsibility, DSP will act as an intermediary between the tenant and the landlord to help resolve the issue(s) raised in a timely manner.
- Retain all documents and records of issues processed and resolved.

A common frustration encountered in the Philippines is that most contractors are not readily available to check on a reported problem when called. The quickest response time is within 24 hours from the time you reported a problem. Another source of frustration is that replacement parts often have to be imported (due to limited availability locally), which often takes a minimum of three weeks. If it is the landlord's responsibility to fix this, it can take even longer chasing down their approval.



Housing Market Report

The first sign of the rental market weakening was when rents stopped rising as seen in 2007 and beginning of 2008. The weakness continued to show in the second half of 2008 with rents adjusting downwards by 10% -15% on average. With the economic crisis deepening in the 1st quarter of 2009, rents are expected to fall further. A few factors responsible for the decline are the smaller number of expatriates relocating to Singapore and the increase in the supply of new properties mainly condos in the marketplace. The percentage decrease in rents is not uniform, with a smaller percentage for properties that are limited in supply or more in demand, like houses and apartments offering larger spaces and in better locations.



Housing Market Update

Since December 2008 we've been experiencing a growing number of early departures and a declining number of arriving expats. The Taiwan housing market has dropped off, however the leasing market has not been affected as much as the buy/sell market. A large reason for this is that the leasing market is quite centralized in the hands of a number of wealthy individuals who can control the market price to a significant extent (this is especially so in the more up-market areas). Many landlords in Taiwan are very stubborn in maintaining rents at current levels even if it means they have vacant properties.

Tenancy Management in Singapore

Tenancy management continues to be a huge burden for many HR personnel and destination service providers engaged to assist companies with large expatriate populations. Most properties, new and old, will have maintenance issues particularly with air-conditioners, appliances, electrical or plumbing system, etc. The task of managing the property is often a tedious process for the provider as well as the tenant. This is due to several factors, mainly:

- There is often a language barrier between the local contractors and the tenant and communicating problems to contractors and getting the items rectified can sometimes be challenging.
- Cultural differences in getting contractors to be punctual, or to keep appointments, or to notify any change in appointment time can cause much aggravation for the tenant who does not understand the local cultures.
- Getting landlords to pay for major repairs can also be a problem especially when the landlord is not residing in Singapore, or travelling or simply not responsive. This is sometimes true of tenants who are unwilling to pay for minor repairs as specified in all tenancy agreements.

The local practice of having two agents, one representing the landlord and the other the tenant, means an additional layer and hence slowing down the process. However, this is a standard practice and the protocol must be respected to maintain a good relationship between the tenant and the landlord. Additionally, the landlord's agent is not always proactive and can also be inefficient.

Tenancy management fees are usually between SGD350 (USD230) to SGD450 (300USD) per month per property depending on volume. Paying for this service relieves the HR personnel of time-consuming tasks of attending to problems as well as ensuring that their expatriate is well looked after during the term of the tenancy.

Tenancy Management in Taiwan

Tenancy Management is a relatively new concept in Taiwan. Most of the processes are managed by in-house HR personnel in coordination with the company's finance department. Normally, companies prefer to keep this process in-house to maintain better control of payments so that they are in-line with company accounting procedures.

We have managed few cases requiring tenancy management on a long-term basis as the service is generally not outsourced in Taiwan. The outsourcing process is often quite complicated as a significant degree of effort goes into certifying the trustworthiness of the supplier and ensuring entries occur according to the company's requested timeline (which requires a significant amount of training). As far as we understand, there are currently no other relocation companies in Taiwan providing this full service.

The range of services that can be offered include:

- Assisting in negotiation on the terms of the tenancy agreement to ensure the clients' interests are fulfilled
- Check-in (walkthrough) of premises
- Setting up vendor forms on banking instructions for ongoing rental payments on behalf of tenant
- Setting up water, gas and electricity and arranging on-going payment
- Arranging installation of telephone, internet and on-going payment

Lease renewals are somewhat different, and there is room here to negotiate rent reductions. Some are often prepared to provide renovations to keep current tenants. It is sometimes possible to negotiate rental lower but often no less than NTD5k-10K/month (150-300USD). We have had mixed success in negotiating lower rental rates for clients.

We feel that across the market, the rate has dropped around 5%, but for more popular properties the price has remained relatively stiff. It all depends on the landlord. We expect this to remain unchanged for the 2nd and 3rd quarter of 2009.



Housing Market Update

We have seen a reduction in demand for expatriate single houses whereas the demand for first class apartments and condominiums in the inner city so far remains steady.

The package rent for single houses can now be negotiated down 10-20%, whereas the prices for new expatriate apartments and condominiums remain firm. The rents for older properties are coming down 10-15%. However, we expect the market to soften as the total number of expatriate arrivals falls during this year.

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- Arranging and coordinating all repairs with contractors, cleaning and maintenance work on behalf of the tenant, and the payment to the suppliers
- All communication with landlords
- Assisting in arranging lease renewals
- Arranging necessary repairs and renovations when lease renewals are done
- Disconnection of utilities/cable/internet connections upon check-out
- Hand over of premises
- Recovery of security deposit

Tenancy Management in Thailand

Tenancy management is a well-established service in Thailand with all major relocation companies offering the service.

This service is particularly important for properties which are owned by individuals (such as many houses and condominiums), and less in demand in apartment buildings and houses in compounds which are managed by a service company, which in effect offers the property management. Even in this case many clients still wish to have a tenancy management company look after their interests. This is particularly important since this service also includes lease renewals and terminations.

We offer a comprehensive tenancy management package, which includes the following:

- Act as a liaison for all reinstatement and repair works
- Act as a liaison with all parties concerned when there is a problem with the property
- Act as general trouble-shooter concerning properties and relationship between tenant, occupant and landlord
- Ensure the landlord is aware of their obligations
- Negotiations with the landlord if faults develop in the fabric, fittings, or appliances at the property
- Negotiations with the landlord over any extension or reduction to the term of the tenancy that may become necessary
- 24 hour help line
- Manage, track, administrate and support the lease tracking process, giving due notice to all parties concerned with the lease, including tenant, occupant and landlord
- Manage the lease renewal process, by giving due notice to the landlord on behalf of the tenant
- When required, re-negotiate the terms and conditions of the lease, including requirements requested by the tenant and occupant of the property
- Manage the departure process, by giving due notice to the landlord on behalf of the tenant
- Inspect the property together with the occupant prior to the departure, to prepare the property for the handover to the landlord
- General advice on damages to the property, especially how to minimize them as the end of the tenancy approaches and arrangement of professional cleaning after the tenant, occupant has vacated
- Arrange the final exit walk-through of the property, including hand over of the property to the landlord
- Document the hand over process, by obtaining the signatures of the tenant, occupant and the landlord on the hand over form
- Arrange closing of utilities and liaise payment of utility bills between tenant, occupant and landlord
- Negotiate reasonable compensation for damaged and missing items on behalf of tenant with the landlord
- Arrange the timely return of the security deposit to the tenant from the landlord.
- Give advice on disposal of personal assets
- Manage payments based on client's funds
- Monthly report