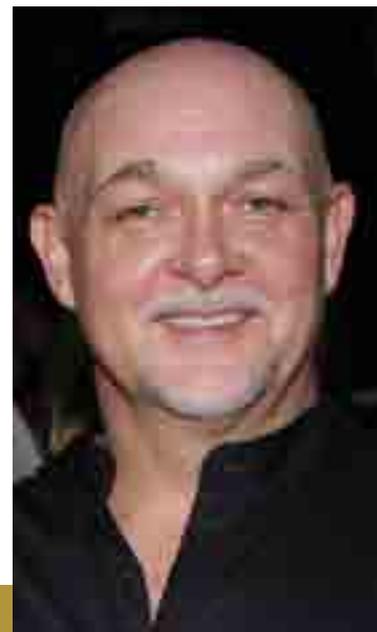


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Lies, damn lies, then there's the pineapple index

By BART WALTERS

Correct me if I'm wrong, but the vast majority of our readers have one thing in common; they all have at one time or another pondered, dreamt about or investigated owning property in a country that is not their own. Purchasing property on foreign soil is a desire many people share. It can be exhilarating, fulfilling and terrifying all at the same time. Visions of life in a tropical paradise dance precariously with fear mongering risk demons.

In the age of the World Wide Web, information on just about any global property imaginable abounds. And that's part of the challenge isn't it? What is important? What is irrelevant? What is pure bull*&%@! How does one sort it all out? From Andorra to Uruguay, opportunities exist in property markets at many different

levels. For me, the logical first step is to pare the field down a bit and then look at the pertinent facts.

I suppose a prospective investor could select by data that is relevant to their desires. Let's say your main priority is buy-to-let. That is to say, you want to purchase property to rent out for a profit.

One of the coldest

If you were to select the country with the highest buy-to-let income you'd find yourself flying to Ulan Bator, the capital city of Mongolia. It should be noted that besides being the buy-to-let champion, this remote city also boasts one of the coldest average temperatures on earth.

If you want to choose the country with the highest ranked health care system (according to the World Health Organisation), you'd be on a

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What if we narrowed our search for global property Nirvana to only countries that grow pineapples?

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plane to France or Italy. If you want to own in the country with the lowest crime rates your top three choices are Iceland, India and Azerbaijan. I'm sure they are nice people, but none of these places are what I had in mind.

So, let's rearrange our priorities another way. Most people who visit and return to Thailand love the mild weather and tropical atmosphere. We are like the Caribbean of Asia. What if we narrowed our search for global property Nirvana to only countries that grow pineapples?

Pineapples are only grown in Tropical or Sub-tropical climates, usually with generous seasonal rainfall. The top five pineapple producing countries are The Philippines, Brazil, Costa Rica, Thailand and China. (Don't worry; I didn't know China grew pineapples either). The first four I have

BUY-TO-LET STATISTICS

	Price per sqm	Average monthly rent	Gross Annual Rental Yields
Philippines	3,204 US\$	2,761 US\$	8.62%
Brazil	3,836 US\$	2,191 US\$	5.71%
Costa Rica	1,642 US\$	1,147 US\$	8.39%
Thailand	3,300 US\$	2,143 US\$	6.49%
Indonesia	1,781 US\$	1,819 US\$	10.21%

COST OF TRANSACTIONS

	Buy/Sell costs	Rental income tax	Capital Gains Tax
Philippines	.18%	5.13%	32%
Brazil	.12%	15%	15%
Costa Rica	.11%	25%	0%
Thailand	.07%	3.8%	37%
Indonesia	.26%	20%	20%

For both charts the prices are taken from the city centre of the largest business centre in the respective countries

Source: *Global Property Guide*

personally visited and could easily see myself interested in investing there. Warm weather, nice people, good food ... what's not to like? I've been to China as well. I cannot imagine investing or living there. So, to keep it competitive, we'll drop China out and move number six up into our index ... Indonesia.

The Philippines, Brazil, Costa Rica, Thailand and Indonesia – all pineapple producing nations; all tropical paradise in their own right; all with property for sale. Let's compare shall we ...

There's an old saying, "there are lies, damn lies and then there are statistics". My Economics professor used to say, "Embrace the numbers, they have stories to tell". Curiosity gets the best of me ... I want to know the story these numbers are telling.

Even if you never plan to buy a property to rent it out, buy-to-let statistics are great indicators of actual market value. A cursory look at the buy-to-let chart on the previous page indicates both Costa Rica and Indonesia stand out as their property is cheaper to buy and returns significantly higher gross rental yields.

The big reveal

However, the big reveal comes with the Cost of Transaction table alongside it.

Indonesia's buy/sell costs (sometimes referred to as "round trip cost") are noticeably higher compared to the other pineapple republics. What's more, Indonesia taxes rental income at 20 per cent as well and a similarly stiff capital gains tax.

Costa Rica has no capital gains tax, but a progressively nasty rental income tax. The Philippines has relatively low round trip costs and rental income tax, but really take a bite out of any capital gain at sale with a whopping 32 per cent.

Indonesia seems to take a handful of money out of the owner's pocket at every opportunity.

Brazil is expensive to buy, has the lowest return and also put their hand in your pocket whenever possible. Thailand's capital gains tax is misleading. The rate actually goes down after a five year hold.

I'd say Thailand wins the buy-to-

FREEDOM, COMPETITION AND RIGHTS

	Economic Freedom	Economic Freedom + 5 years	Competitiveness	Property Rights Index
Philippines	36.19	-1.05%	4.68	30
Brazil	56.34	-45.60%	4.32	50
Costa Rica	67.34	+14.38	4.27	55
Thailand	64.73	+14.31	4.52	45
Indonesia	55.97	+40.71	4.38	30

let battle. Round trip costs are the lowest as are rental income taxes. If you are a buy-to-let purist and not a real estate "flipper", for sure Thailand wins.

Economic freedom

Statistics also exist for property issues one wouldn't normally attach a number to. Economic Freedom can be measured ... did you know that?

Above you'll see our five pineapple republics measured on how conducive their economy is to growth.

The higher score is better. Here are the ratings:

- Free 80 - 100;
- Mostly Free 70 - 79.9;
- Moderately Free 60 - 69.9;
- Mostly Unfree 50 to 59.9; and
- Repressed 0 - 49.9.

Perhaps more telling is the Economic Freedom index five year projection.

Here are the rating categories for this figure:

- Greatly Improved - 10+
- Improved - 0-9
- Neutral - 0 or no change
- Worse - -(1) - (-9)
- Much Worse - 10 or more

Source: *The Heritage Foundation and the Wall Street Journal.*

Country competitiveness

How competitive a country is can be measured as well.

The Growth Competitiveness Index (GCI) aims to quantify the quality of the macroeconomic environment, the state of a country's public institutions, and its level of technological readiness.

Higher competitiveness scores are more desirable:

- Very High 5.51 to 7
- High 4.51 to 5.50
- Moderate 3.51 to 4.50
- Low - 3.01 to 3.50
- Very Low 0 to 3.00

Source: *World Economic Forum.*

Property Rights Index

A subcomponent of the Index of Economic Freedom, the property rights index measures the degree to which a country's laws protect private property rights, and the degree to which its government enforces those laws.

Higher scores are more desirable, i.e. property rights are better protected. Scores are from 0 to 100.

The index also assesses the likelihood that private property will be expropriated and analyzes the independence of the judiciary, the existence of corruption within the judiciary, and the ability of individuals and businesses to enforce contracts.

Source: *The Heritage Foundation and the Wall Street Journal.*

Bumpy road

Mash all these numbers together and conclude that The Philippines could be a bumpy road. Rated lowest in economic freedom and going backwards. Their competitive edge is great (probably because of political stability and an English speaking workforce), but prospective property owners need to take a look at that sub-par property rights index rating.

Brazil also looks headed for trouble. For property owners there are plenty of rights and protection, but rampant inflation and economic volatility will make life in Brazil

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CURRENCY +/- VALUATION INDEX

Philippines	.55
Brazil	1.09
Costa Rica	.73
Thailand	.54
Indonesia	.74

less desirable over the next five years. This is bad news for property owners who live there and those who want to sell. Indonesia looks like they are on the upstroke in terms of economic freedom, but lag far behind in property rights.

Again Thailand looks pretty stable. The Economic Freedom Index looks good and getting better. Competitiveness is middle of the field as are property rights.

However, I'd say Costa Rica wins this test. It leads the field in Economic Freedom and is expected to get better. Their competitiveness is within range of the others and they top the property rights index. When it comes to economic peace of mind and investor's rights, I'll take Costa Rica with Thailand placing a close second.

Currency +/- Valuation Index

The Currency +/- Valuation Index is a good cost of living indicator. The figure shows how much how much a bundle of goods and services costing US\$1 in the US would cost in other countries (similar to The Economist's Big Mac Index).

Source: IMF World Economic Outlook Database.

Brazil is victim to its own overheated economy and runaway inflation. A basket of goods that cost you \$1 in the US cost \$1.09 in Brazil. Neither Latin American country can compete with The Philippines and Thailand in this comparison. Cost of living for the Southeast Asian neighbors is very favorable.

All these statistics are great to the cold hard investor, but what about people who actually envision living in the country they want to invest in? The differences between some countries may not be demonstrable on a chart or

HEALTHCARE STATISTICS

	Physicians per 10,000	Life expectancy
Philippines	11.53	71.7
Brazil	12	72.4
Costa Rica	13.2	78.8
Thailand	4	70.6
Indonesia	1	70.7

graph, but telltale statistics exist for us to ponder.

A few years back, I spoke at a conference put on by International Living, an American publisher focusing on the expat market. After finishing my dog-and-pony show on Thailand, I was barraged by questions from interested expat wannabes. The top two questions were: 1) is it safe? and 2) how's the healthcare? So let's sort our fabulous 5 out with regard to those questions.

Healthcare statistics

Healthcare statistics can be a tricky thing. Causal links can be drawn where no cause exists. Which stats indicate a good health care system? And what is the ultimate indication that a country is in better health than others?

After looking at several pages of categories for health care statistics, I chose the only two that really tell me anything.

It is pretty apparent to me from these numbers that more doctors per capita means longer life. Costa Rica wins hands down using these rudimentary stats. Thailand looks like a backwater pulling up the rear with Indonesia. But, some important information that doesn't show on the chart needs to be presented.

Since I live in Thailand, I know that there is a very big gap between the health care available to your average Thai and those expatriates can get. The care for us is good and affordable.

Bumrungrad International Hospital in Bangkok attracts more than half a million medical tourists a year. Maybe the WHO needs to take another head count on doctors per

10,000 to include the Farang corridor in Bangkok. I don't know if anyone goes to Costa Rica for affordable operations performed by skilled surgeons; but people sure flock over here for that reason.

Again, I'm a little suspect on the value of these statistics as indicators of good health care. The US has 26 doctors per 10,000 people with a life expectancy of 78.2 years. Yet, the poor quality of the health care in that country is one of the reasons I moved out. Not to mention how completely unaffordable medical care has become. Is it any wonder my current insurance policy covers me everywhere in the world except the US?

I am unable to declare a winner on this issue and will freely admit to being partial to my adopted country of Thailand. I personally rate Thailand's available health care very high. Associates living in the Philippines report similar feelings there. I suspect a study of health care costs as a percentage of personal income would reveal Brazil to be nearly as pricey as the US. However, the numbers available are misleading and make it hard to accurately compare the systems.

The same cannot be said of some statistics related to "safety". Again, there are categories upon categories for issues that relate to how safe a place might be to live. Here I only deal with two.

Clearly Brazil appears to be quite a bit more dangerous than any of our other Pineapple producing picks. Choosing to live in The Philippines may also put you in a high risk group. Thailand is sending mixed signals with the lowest murder rate, but one

“ I don't know if anyone goes to Costa Rica for affordable operations performed by skilled surgeons; but people sure flock over here for that reason. ”

SAFETY STATISTICS

	Murders per 10,000 population	Vehicle related deaths
Philippines	12.2	20
Brazil	25	19.9
Costa Rica	11.3	15.4
Thailand	5.3	19.6
Indonesia	8.1	16.2

Source: United Nations Office of Drugs and Crime.

of the highest incidences of vehicular death. If I had to guess, I'd say the number of motorbikes per capita is strongly associated with the number of people who die on the road.

These stats sit a little bit better with me. I've been to Brazil and it can be extremely dangerous. I try not to travel in countries where being kidnapped is a concern. Likewise for The Philippines; after more than a dozen trips, I still can't get over the guys with the sawed-off shotguns outside the grocery stores and ATMs. And just because Indonesia is in single digits on its murder rate, it's still 50% more than Thailand.

For safety, I can pick Thailand and argue the merits all day. In countries like Brazil and The Philippines I never feel safe. In Thailand I always feel safe. It's just that simple. Resolving to not get on

a motorbike has ensured I stay in a very low risk group indeed.

Summary:

So, if forced to make a property buying decision based only on the handful of charts we've looked at, which country would be crowned Pineapple Prince?

Brazil is expensive (inflation is higher than rental yields) and very dangerous. Who cares what the health care is like? Samba-land rates a dismal one pineapple.

The Philippines has high taxes, high buy/sell costs and is dangerous. But the health care is probably pretty good. They rate two pineapples.

Indonesia taxes property owners heavily and scores low on property rights, but appears to be blossoming as a real competitor in the region. It is more dangerous than Thailand,



Are two heads better than one? This pineapple could start a new round of stats.

BART'S PINEAPPLE INDEX RATINGS



but not nearly as much as the other three countries. Healthcare is an unknown, but with one doctor per 10,000 people and a life expectancy of 70 it clearly brings up the rear in this category. I'd say Indonesia at this point rates only two pineapples, but is on track to pick up a third in the next five years.

Costa Rica has treacherous rental income taxes, but no capital gains tax. Freedom, competitiveness and property rights are all positive factors for Costa Rica. Health care statistically is good, but it is mildly dangerous. Something that is not expressed in the statistics is the fact that Costa Rica is quite small both in land mass and population (4.3 million) with really only one big city. It does however boast coastlines on two oceans. The land of Pura Vida gets 3.5 pineapples.

Thailand is quite good for buy-to-let with low round trip costs and favorable taxes. It appears Thailand will stay on a positive track in terms of economic freedom and competitiveness. Health care is great and affordable. Thailand ranks as the safest of our group. Thailand edges out Costa Rica by half a pineapple with four.

And no one here is surprised that Thailand wins the Pineapple Race.

I can defend my ranking with the statistics shown here. It should however be noted ... I could easily dive back into the columns of columns of available statistics and come out with an entirely different conclusion. Lies, damn lies and statistics? Embrace the numbers ... they have a story to tell.

“ It should however be noted ... I could easily dive back into the columns of columns of available statistics and come out with an entirely different conclusion. ”

Bart Walters