



Becoming a Landlord in Thailand

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Becoming a Landlord in Thailand

The number of foreign nationals owning properties in Thailand is continually growing. The majority of these properties are being used as a primary residence by long-term residents but there is also a significant number of expats buying properties for rental income in Thailand. Thai property can potentially yield strong rental returns particularly in main cities such as Bangkok or Chiang Mai and in well developed tourist destinations such as Hua Hin, Phuket and Pattaya.

Many property owners are turning to rent in these areas in order to maximize their property's true worth and also to take advantage of the rapidly developing rental markets.

Ideal Rental Properties

Unlike the major cities such as Bangkok, rental properties in tourist areas are targeted towards short to medium term rents with variable rates depending on the season. In Bangkok, properties typically rent out to the expat community looking for medium to long term stays. Here, studios or one bedroom units in the CBD area are most sought

after usually by international companies looking to house their foreign employees. Two to three bedroom units on the periphery of the CBD are also popular among foreign nationals with families.

Properties that are highly sought after in tourist areas, however, have a historical tendency to be more lavish as those on holidays tend to spend more. They will be looking at luxurious condominiums, serviced apartments or a quiet but grand villa overlooking the seaside. They will also expect amenities to be equally extravagant with at least a swimming pool, gym and an

entertaining area.

It is, therefore, important to know what sort of rental property you are prepared to invest in. It is often a good idea to do some homework as to the rental value of the area you wish to invest in general and compare this with other areas in the region. Location is obviously important but there are other factors which are equally significant such as the number of bedrooms, access to transport or shops, price per square meter, facilities available, maintenance fees on the property, just to name a few.

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- **US Tourist Visa**

Rental Properties and Legal Matters

Now that all the hard work has been done and you are the proud owner of a lucrative investment property in Thailand, there are still a few more legal matters that should be brought to light. Renting can either be a straightforward process or it can be an absolute nightmare. Many countries around the world have developed laws to regulate the, at times, strenuous relationship between the landlord and the tenant. It provides measures of protection and certainty for both parties to make rental arrangements as fair as possible.

At the present moment, Thailand does not have a Landlord and Tenant's regulation per se and does not really have a system which regulates this need. As such, the laws governing this area are ad hoc at best with contract laws offering the best protection for either side in the arrangement. The general laws of Thailand regarding landlords and tenants are largely pro-landlord. Very little legal protection is afforded to tenants. This is due again to the lack of laws and ministerial regulations governing the renting of properties. Due to this, contracts have a tendency to be more biased towards the stronger party, and in most cases, the landlords as property owners are usually the stronger party. This may seem like good news to landowners but

they may still experience difficulties with tenants because it is sometimes difficult to enforce legal obligations due to a lack of enforcement rights and lengthy procedural rules.

Therefore, even as a landlord and holding some legal superiority in contract agreements, it is often best to make a contract as fair and reasonable as possible. Not only will this reduce future problems with the tenants but it also serves as a good start to a long term business relationship with them. Renting can become quite a gruesome process and making things fair right from the start goes a long way in making the process a lot more satisfying for all involved.

A Quick Checklist for a Fair Rental Agreement

There are no standard contracts for rental agreements in Thailand. It is possible to purchase a pro forma one page contract from the local stationery store but this is sometimes only available in Thai and it is, in many ways, quite inadequate. This is especially the case if you are renting to a foreign national who are

expecting something a little more comprehensive, particularly if large sums of money is involved. Therefore, some salient points which should be added in a rental contract include the following:

Deposits

Thailand, unlike the UK and other jurisdictions, does not have a tenant deposit protection scheme. Deposits, however, are covered on a general basis by the Civil and Commercial Code of Thailand. Therefore, it is important to draft the conditions of the return on the contract explicitly. The normal period for the return of the deposit is one month after the termination of the lease. Any unpaid utilities can be taken out of this amount as well as any damages outside of normal 'wear and tear'. If damages are taken out, a specification of the damage and its cost should be outlined by the landlord and reviewed by the tenant.

Period of Rent

Ensure that both parties are aware of the duration of the rent. Any rents over three years must be registered as a lease under the Civil and Commercial Code at the Land Office and subject to registration fee and stamp duty.

Extension of Rental Agreement

Once the rental period comes to an end, there should be an option clause for the tenant to continue rent if they wish by giving notice. A contingency clause should also be added to outline the landlord's rights should there be no notice given. Rental reviews are not common in Thailand but is becoming increasingly popular, particularly for commercial properties.

Use of Premises

Make sure that the contract states what the premise can be used for. If it is merely for residential purpose, then it should state so. This normally means that tenants are still allowed to set up a home office but are not able to have a company registered to the property's address.

Rights of Termination

List out all the conditions where either party can terminate the contract e.g. a fire, natural disaster, failure to pay rent or failure to fix the air conditioner. Ensure that a reasonable notice clause is also added along with remedies available to the aggrieved party. Consider arbitration or other forms of dispute resolutions.



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Maintenance and Miscellaneous Fees

Make clear which parties are responsible for the maintenance of the property. It is common for landlords to be responsible for major repairs beyond reasonable wear and tear.

Insurance

Landlords usually take out insurance on the structure of the building itself. Tenants should be responsible for their own home and contents insurance.

Final Word

Despite having a watertight agreement with your tenants, there is still no guarantee that any number of things can go wrong. As mentioned earlier, enforcement and due process can be like an unruly tiger in a cage. Everything seems well when the cage is locked but once its opened, then it can get quite out of hand. Nevertheless, all good investments require a slight degree of risk; otherwise we would be better off keeping our money in the bank or under the mattress for that matter. The trick is, of course, to make calculated risks. Thailand is rapidly developing and although it is still early to see the effects of the latest election result, the economy is steadily progressing. This, in turn, affects consumer confidence which, in turn, traditionally means higher rental yields.

Our Hua Hin office is located at Market Village and is open 7 days a week. You can call us in Hua Hin at 032-526—286 or in Bangkok 02-253-8 100. Please visit Siam Legal on the web at: www.siam-legal.com/realestate where you can read over 15 related articles regarding the legal procedures for real estate transactions in Thailand.



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