



THAI
RESIDENTIAL



THE IMPORTANCE OF DUE DILIGENCE

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Introduction

Buying a property in Thailand should be a pleasurable and rewarding experience. And buying the right property is likely to give the owner many years of happiness in this incredible part of the world.

Sadly, sometimes people don't buy the right property, and things do not go as planned. This is typically because they did not carry out the necessary due diligence on the property or the developer, and sometimes they failed to understand the laws governing property purchases in Thailand.

Why We Are Phuket's No. 1 Trusted Real Estate Advisor

One of the main benefits of using Thai Residential when investing in Phuket property is that we take the time to ensure that any properties we offer are high-quality, safe and secure investments. We believe that due diligence is an intrinsic part of the sales process, so we endeavour to go that extra mile to ensure people can find homes and investment properties in Thailand without exposing themselves to any unforeseen risks.

If we don't recommend a specific project, either off-plan or completed already, there is usually a very good reason for that. The chances are that there were concerns about either the land title, the developer or the legal structure of the development itself. Thai Residential will only show you the very best resorts which have already been screened, vetted and filtered from the rest. The fact that we take the steps necessary to determine the best properties on the market does unfortunately mean that we have fewer properties to show you. But we offer you more

than just the very best properties — we offer you peace of mind.

You won't get that kind of assurance from any other real estate agent!

What is Due-Diligence?

Many people are not familiar with the term "due diligence". In the business world, especially when the purchase of any substantial asset is involved (e.g., a property or a company), it is essential that multiple layers of screening are carried out to ensure that the buyer is making a properly informed decision, based on all available information.

Due Diligence is defined as: "The steps and research taken by an individual or corporation as a prospective buyer in order to satisfy the full legal requirements and to obtain a comprehensive appraisal to establish the value, liabilities and financial potential of the asset, company or property in question."

In other words, buyers should do their homework, and not just rely on what they are told by the seller.

When purchasing a property in Thailand, there are many facets to the due diligence process. It does not simply begin and end with a review of the financial data, but rather is a series of enquiries which involve a thorough scrutiny of the property, and in some cases, the seller. The goal is, insofar as it is possible, to remove the investment risk from the transaction for the buyer.

Not until any potential risks or liabilities have been ascertained and mitigated can the buyer fully appraise the benefits of following through with the transaction. That is when the true value of the property as an investment may be dispassionately assessed.

Due-Diligence When Buying Property in Thailand

Impulsive buying decisions can and often do lead to disaster. It's one thing if the buyer is wealthy enough that the property is "just another investment". But if you are using the capital saved over a lifetime, or the proceeds from selling a family home in another country, then it is essential that your purchase is backed by as much information as you are able to gather.

Unless you have a fleet of luxury cars (or the money to buy them) buying a home or an investment property is likely to be the most important purchasing decision you will make in your life.

With this in mind, if you have decided to buy a property in Thailand, then you want to make sure you understand the market, the laws of the country, and the potential risks and pitfalls, rather than just focusing on the positive attributes. Thai Residential understands the importance of due diligence to the buyer, which is why we take the steps that we do to minimise the uncertainties for our clients. Not only do we pass on our knowledge to every potential buyer, we also encourage them to seek independent legal advice, so that they can make informed, practical and insightful decisions, and they know they are being protected by the laws of Thailand.

Due diligence isn't just important, it is essential.

See Through the Marketing Material

It is sometimes difficult for buyers to grasp anything beyond the marketing literature. And even though marketing material touting properties is available in many different languages, it is not always a true reflection (or translation) of the deal being offered.

In many countries, firms worry about reputational risk, or "losing face" as the result of bad publicity. This could stem from a poor customer service record, complaints brought against them, or even regulatory damages they have been forced to pay. Loss of reputation can lead to lost revenue and profit, which for listed companies could mean a decline in shareholder value.

Most real estate companies in Thailand unfortunately do not worry much about reputational risk, especially those selling mainly to foreigners. It is important therefore to see through the marketing, and do your own homework.

Why Due-Diligence Is So Important?

Many people buying property are enamoured by glossy brochures, dazzling development models, a professional appearance, and a smooth tongue (and, yes, sometimes the physical appearance of the staff).

A glitzy presentation, fancy showroom and special treatment help a buyer begin to take ownership in their mind. Even a well-crafted brochure can have that affect on some people. Marketing material has no other function than to create a desire for the product and, for the most part, it works. By confirming or verifying the accuracy of the information provided, the methodical and unemotional process of due diligence acts as reality check to ensure that emotion is not taking over your decision making process. Due diligence helps to quantify the risks associated with purchasing a property in an effort to ensure that you are not vulnerable to any inaccuracies or misleading claims. Without due diligence, you are relying solely on the emotions elicited by the seller's marketing prowess, which could cause you to lose on your investment.



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Thai Residential attempts to remove as much uncertainty from the buying process as we can, but no investigative or due diligence procedures can ever be 100% fool-proof.

This document should therefore in no way be read as an equivocal statement that Thai Residential is representing properties which are free of risk, only that we do

everything in our power to mitigate the risks associated with the purchase of Thai property

Thai Residential recommends that every buyer seek independent legal advice in Thailand before proceeding with any property purchase. Thai Residential: