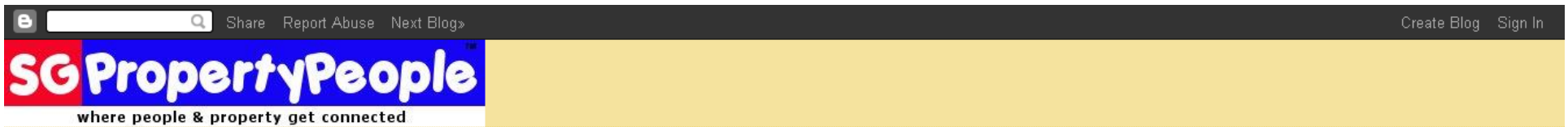


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Monday, February 7, 2011

ST : Property investors starting to look overseas

21 Jan 2011,
Property investors starting to look overseas

Interest in foreign markets on the rise in the wake of recent cooling measures, say experts

By Cheryl Lim

A PASSION by investors here for buying into Singapore's sizzling residential property market may be giving way to a foreign affair, say some property analysts.

They suggest that in the wake of the Government's latest round of property market cooling measures, some investors may turn their attention abroad instead.

A stronger Singapore dollar is giving them more buying power in many overseas markets.

Investors make up a sizeable part of the buying market here. Deterred by a far higher stamp duty on sellers and the need to stump more cash up front, these investors are looking to markets as far afield as Switzerland.

This is in addition to projects in foreign markets such as Australia, Britain and Malaysia, which have long been widely promoted in Singapore.

A recent spate of sales exhibitors here have been marketing projects in Japan, Switzerland and New York.

Buyers who leave a foreign property to be rented out by local professionals typically pay management fees of between 10 per cent and 40 per cent of total annual rentals.

DTZ's South-east Asia research head Chua Chor Hoon said a surge in interest here in such properties signals more opportunities for foreign developers in the Singapore market.

'Residential prices are at their peak and the Government has been intervening. So more Singaporeans are looking at non-residential assets or looking to invest in foreign properties,' she said.

Sales of such projects are small compared to launches of other local developments, but developers are promising rental yields of between 6 per cent and 9 per cent.

Developers of a Swiss project in the alpine town of Nendaz said while no sales were closed at its pre-sale cocktail session on Thursday, there has been 'strong buyer interest' in the development. Prices for a 592 sq ft chalet-style apartment start from 369,000 Swiss francs (\$493,000).

Investors were also keen on units at the Shiki Niseko ski resort in Japan. A sales exhibition held last weekend saw 100 walk-in participants. About 26 of the units were sold in Singapore, with 90 per cent of buyers purchasing for investment.

The freehold development features 69 fully furnished one-, two- and three-bedroom units and two-bedroom penthouses ranging between 632 sq ft and 1,636 sq ft, with prices starting from about US\$600,000 (\$773,000) for a one-bedroom unit.

One buyer, who declined to be named, bought units at both the Swiss and Japanese projects. He also has two London apartments for his children to live in.

Although he purchased those properties for personal reasons, he agreed that buying property overseas would be an attractive option for any investor.

'If you hold it long enough, property will appreciate... when we bought the London apartments, we never considered whether prices would appreciate. Now after 10 years, if we can sell it, the profit we'll make will be more than enough to cover my children's education fees,' he said.

But such rewards are not without risks. In 2001, about 90 Singaporeans paid \$16,000 for units at Villa Temasek development in Bintan, but the developer disappeared before work was completed.

And in 1996, more than 40 buyers in Singapore and Malaysia lost between US\$54,000 and US\$98,000 when an 816-unit condominium project in Bangalore was aborted.

DTZ's Ms Chua highlighted other risks including a drop in the property's value in Singdollar terms if the country's currency depreciates against the Singdollar.

She added that investors also should be aware of the various rules and restrictions overseas before signing any deal.

International property investment company IP Global's managing director Tim Murphy agreed and said property is like any other investment product.

Investors need to do research before ploughing their money into it, he said.

'People need to know what the cost and rental rates are going to be, they need to find out if they are getting the best mortgages. They should also be a bit sceptical of locations, they're not always fantastic,' he said.

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Posted by Donald Teo +65-96875964 at 2/07/2011
Labels: ST

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