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Overseas developers come calling

Investors are spoilt for choice, but read the fine print, analysts warn

By Rachel Scully

THE CHEDI ANDERMATT RESIDENCES, SWITZERLAND: The property in the heart of the Swiss Alps comprises 50 hotel rooms and 119 freehold residences. Prices for one-bedders start at US$2 million (S$2.5 million). -- PHOTO: THE CHEDI ANDERMATT RESIDENCES

Enticing offers in European real estate

Investors here who are tempted to buy property abroad are spoilt for choice.

Offerings from Britain and Australia have already been marketed here for several years. Iskandar is fast shaping up to be a hot spot.

With many Asian investors flush with cash, many developers are making a pitstop in Singapore on their marketing journey. Offerings are becoming more exotic with even shares in hotel resorts as far afield as France or Switzerland on sale.

At a property show at the Singapore Expo recently, condo units and land plots in south Indian cities such as Chennai and Hyderabad were on sale.

Two out of the 86 units in the ready-to-occupy project in Chennai, Kgeyes Eternity, were sold to buyers last weekend. Units - with a size of 1,182 sq ft and 1,466 sq ft - are priced at an average of 15,000 Indian rupees (S$319) psf.

Other unusual upcoming property offerings include those near city fringe tech clusters such as the West Loop in Chicago.

Units there can be leased out to employees of major companies such as Google and Boeing, which have or intend to set up offices in the area.

Some investors here do well when they buy property in overseas markets. But analysts warn that anyone thinking of taking the plunge should read the fine print carefully as they would lack familiarity with these foreign markets and property rules over there.

International Property Advisor chief executive Ku Swee Yong said buyers should be wary of projects offering attractive deals such as steep discounts, rental guarantees and low down payment options.

"While buyers think that these are real bargains, most of the time the costs have already been imputed into the property price," he said. He urged buyers to work with a trusted agent before making an overseas purchase.

R'ST Research director Ong Kah Seng said: "If the city is a secondary, non-emerging area in the country, tenants are likely to be foreigners who work in that city and would be able to afford rentals far from main city locations.

"And if the property is rented to different parties on very short, random and ad hoc leases such as holiday homes, chances are the property will be subjected to more wear and tear as well as maintenance fees over time."

He also reminded investors to ensure that property transaction contracts and title deeds are translated professionally into English.

Keeping in mind those warnings, here is the lowdown on three overseas projects that have been marketed to retail investors here recently.

Villages Nature, Paris

This is a 50-50 joint venture between Euro Disney S.C.A. and reputable French property developer Pierre & Vacances Center Parcs.

The car-free eco-tourism resort, due for completion in 2016, is 6km south of Disneyland, Paris, in France.

At its pre-launch in Singapore and Asia last month, buyers could choose among 1,730 freehold cottages and apartments. The project will be open for public sales in Europe next month.

The saleable area - which excludes the balcony in France - is priced from 452 euros to 519 euros (S$754 to S$865) psf. The price tag for a one-bedder starts from 270,000 euros.

All units come with additional terrace or balcony space. Unit sizes range from one-bedders at 640 sq ft to three-bedroom cottages at 1,163 sq ft. Buyers will receive guaranteed rental income on a quarterly basis at 4 per cent of the property purchase price regardless of whether the unit is occupied.

The management company bears the cost of lettings and management charges, utilities, insurance, cable television subscription and Internet as well as rental and contents insurance.

However, owners need to pay a property tax of 1.39 euros psf per year and an additional 300 euros for accounting fees annually.

French properties are for investors seeking a long-term secure investment, says Ms Florence Ang of Premiere Realty, the local marketing agent of the development.

She added that the expected capital appreciation ranges from 8 to 10 per cent per year based on the average in Paris over the last decade.

"However, a capital gains tax of 48.3 per cent is imposed for the first five years, so investors will not gain much if the property is sold too soon," she said.

In fact, capital gains tax applies for the first 22 years of ownership, but after five years, progressive allowances are provided to reduce the taxable portion.

The developer has a partner mortgage broker in France which can assist customers with financing options. Interest rates on the loans are fixed at 4 per cent for a 20-year term loan. Alternatively, local buyers with spare cash can exchange their Sing dollars for euros with the partner brokerage.

Customers are required to pay 1 per cent of the purchase price to reserve a unit. Upon confirmation of the contracts from the French notaries, a subsequent 4 per cent of the purchase price is payable. Progressive payments will be collected during the term of construction.

Since its pre-launch, more than half of the units have been sold to institutional and retail investors worldwide.

The Chedi Andermatt Residences, Switzerland

Set in a picturesque region at the heart of the Swiss Alps, Andermatt is a small alpine town at the base of Gemsstock mountain between Milan and Zurich.

Comprising 50 luxury hotel rooms and 119 freehold residences, the project is being developed by Egyptian Orascom Development Holding and managed by General Hotel Management, a Singapore-based company.

Buyers can choose from any one of the 119 units made up of 64 hotel-residences, 42 apartments and 13 penthouses.

The fully furnished one- and two-bedders range from 1,184 sq ft to 3,294 sq ft while the penthouses go from 2,379 sq ft to 7,050 sq ft.

Prices for the one-bedders start at US$2 million (S$2.51 million).

Buyers who take part in the rental programme will have their units offered as hotel suites by the hotel operator - and can expect 2 per cent net yield before taxes.

If the suite is rented out, the gross rental return will be split between the operator and owner. Otherwise, buyers are free to occupy their own units and treat them as a holiday residence.

Buyers should note that the rental management agreement is not a lease, but a service agreement with the hotel operator.

The Chedi Andermatt is the first flagship property of the overall Andermatt Swiss Alps development.

An improvement to infrastructure in the area is expected over the next decade, says a spokesman for the project.

The annual capital appreciation is expected at 3 to 5 per cent over that period, he adds.

Capital gains are subject to Swiss capital gains tax of about 11 to 31 per cent depending on the size of the gain and the holding period of the investment. The longer the property is held, the lower the tax rate. Arrangements have been made with Swiss banks such as Julius Bar to provide financing to buyers.

Buyers have to put down a 3 per cent reservation fee of the total purchase price, which is refundable within eight weeks from signing the reservation fee.

A processing or handling fee is also chargeable. Thereafter, payments will be made in two tranches.

Buyers of the hotel-residences will get their units in November, while those who purchased the apartment-residences will get theirs by the end of next year.

German Heritage Building in Mainz, Germany

The development is a former United States army barracks located a 25-minute train ride from Frankfurt.

This is one of the many projects that Dolphin Capital Asia (DCA), a marketing firm, has on offer.

It works with its partner German developer, Dolphin Capital, which sources for heritage building projects in "good to excellent locations" to purchase and fix up.

"Many ancient monuments in Germany have been ruined and defaced by acts of war," says a spokesman.

In line with Germany's Urban Planning Law, one of its objectives is to ensure that historic monuments are conserved.

Developers like Dolphin Capital will refurbish these heritage buildings and turn them into luxury apartments while maintaining their external facade, before selling the apartments.

Singapore buyers can put in a minimum of $50,000 to buy a "fraction" of the building and the aim is to exit with a profit once the apartments are all sold.

Dolphin Capital Asia notes that "due to the nature of the investment, the developer bears all the tax implications in Germany".

However, buyers are advised to consult their tax advisers on their tax exposure.

The spokesman says that Dolphin Capital accepts investments in euros, US dollars, British pounds, Singapore dollars and Japanese yen.