



CONSUMERS ASSOCIATION OF SINGAPORE

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MEDIA RELEASE

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Warning to be Cautious on Foreign Property Investments

In 2013 and 2014, the Consumers Association of Singapore (CASE) received 13 complaints from consumers regarding their purchases of foreign properties. Most of the complaints involved consumers who had invested in foreign properties but were unable to get back their promised returns or pay outs. Many of them were lured into making the foreign property purchase by promises of high rental yields or high capital growth. However, after making the investment, many of the consumers were unable to obtain any update on their investment and in some cases, have lost contact the property investment company. Some of the cases involved a loss of large sums of moneys of more than \$100,000 by the consumer.

Overseas property purchases by Singaporeans have increased significantly in recent years with a large number of foreign properties being advertised and marketed in Singapore. Singaporeans are also reported to be one of the top real estate buyers in Asia. Investing in an unfamiliar foreign market holds high risks, such as foreign currency fluctuations, property market trends, sovereign risks and interest rate risks. Some of these deals have turned sour when prices declined sharply resulting in investors losing a large sum of their money. There are also reported cases where the developer of foreign properties became insolvent and was unable to continue with the development resulting in a total loss of the investment by the consumers. The recent warning by analysts from Maybank about the glut of homes in the Iskandar region is a timely reminder to consumers about the potential high risks involved in investing in overseas properties.

“CASE is very concerned about the recent proliferation of advertisements on foreign property investments. Such advertisements often make positive claims about the investment value of the properties and the potential returns, but they seldom clearly disclose the risks and the legal and regulatory framework involved in foreign markets which are very different to Singapore”, said Mr Lim Biow Chuan, President of CASE. *“Investors should remain cautious about these high risk investments and keep in mind their financial needs and commitments as well as the risks involved.”*

“We strongly urge the relevant authorities to review existing legislation to ensure that developers who sell their foreign properties locally abide by the same minimum standards in information disclosure that local developers have to meet. They should commit to truthful and honest claims and not make misleading or false representations to investors in order to sell their properties”, he adds.

To ensure that investors are able to make a well-informed investment decision, CASE proposes that developers selling foreign properties in Singapore provide informative fact sheets to investors so that they are better able to understand what they are getting into when signing the contract. The fact sheet should include among other things, the financial standing of the developer, clear and comprehensible information about the developer's obligations and the investor's obligations and a proper valuation of the property.

CASE would like to provide the following advice for investors:

- Weigh the commercial risks involved before investing in high-risk, large sum investments such as foreign properties. If you are not prepared to take such high risk, you should stay clear of such investments.
- Always do your research on the foreign property before embarking on the purchase. Check whether there is over supply in the market or if there is government approval for the project, etc.
- Check on the financial reliability of the developer as well as the reputation of the company marketing the properties. A positive track record of the developer helps to minimise risks that the developer would become insolvent and cease the development of the property.
- Be prepared to hold on for a long period of time before you see any return on the investment. This makes investment in foreign properties unsuitable for people who may have other needs for their cash which may be tied up for a period of time in the foreign property.
- Do not commit to a purchase based on advertisements with attractive promises of high yields and guaranteed returns without doing the necessary homework.
- Read and understand the terms and conditions of the contract carefully. If the documents are written in a language you do not understand, ask for a translated copy of the contract. If you are in doubt on any matter, always get advice from appropriate experts such as a lawyer.
- Note that the applicable laws in other countries may be different from Singapore and the process of dealing with disputes can be complicated and cumbersome. The process may take years to come to a conclusion (if ever there is a conclusion) and the cost of pursuing your dispute may be rather high.
- Investors that have a dispute with the investment company or developer should seek legal advice.

Lim Biow Chuan
President
Consumers Association of Singapore (CASE)