Buying An Overseas Property

With the recent measures by the government to cool the local property market, Singaporeans may be setting their sights overseas. Unlike local properties, buying overseas properties is not straightforward. You should not commit to a purchase, based on attention-grabbing advertisement headlines or hearsay at some property investment talks, without doing your homework.

Consumers should do their due diligence prior to buying an overseas property. You should consider the following:

(a) What are the reasons for buying? Is it for short or long-term investment or personal stay?

(b) Perform your financial assessment to find out your affordability and payment capability before making a decision, such as the amount of cash outlay you have to pay upfront, legal fee, stamp duties, taxes and maintenance fee, the amount of money that the bank can lend you, the amount of instalment over how long a period, etc. All these conditions vary from country to country.

Foreign estate agents who wish to market overseas properties in Singapore will need to comply with the regulatory requirements which include getting a licence before they can engage in estate agency work in Singapore. If you are served by a salesperson, do check that the salesperson is listed on the Council for Estate Agencies' (CEA) Public Register at www.cea.gov.sg. Clarify with the salesperson who he is representing as his client and what services he is rendering in the transaction.

If the properties are marketed by the overseas developers using their own staff, it is not under the purview of the Estate Agents Act and consumers are not able to seek CEA's assistance in any dispute.

Also check that the estate agent/salesperson:

(a) Has conducted necessary checks on the property and the developer to ensure it has good financial standing and proven track record.

(b) Has good product knowledge and is able to deliver professional information and advice to the consumers, such as the following:
- The project has approved building plan
- Lease period
- Taxation & levies – the different types, amounts and timing for payment
- Utility and maintenance services
- Insurance
- Dispute resolution avenues
- Relevant laws including rules and restrictions on foreign ownership.

(c) Is able to clearly explain all relevant forms and documents for the transactions and to assist you to enter into binding agreements.

(d) Is able to advise on all the types and amounts of payment at different stages and
(e) Has explained whether legal advice has been arranged or it has to be paid or sourced by the consumer himself.

In addition, you should not be taken in by claims in overseas property advertisements. If rates of returns, yields rates, or rate of capital gains are indicated, you should check on the basis and source of the claims. Any agreement on promotions and/or guarantees should be put down in writing/print to avoid disputes.

Case Study 1

A consumer who placed a deposit for an overseas property was told that it would have a panoramic view of an iconic building. Subsequently, he found out that there would be a new project in the area that would block his view of the iconic building. The salesperson who advised the consumer did not visit the site but had relied on information provided by the developer. The developer clarified that it was not aware of the upcoming new project.

Claims of impressive views are often not reliable. A visit to the site would be useful. You can also check with the land and planning authorities for the land use surrounding the property that you plan to buy. However, you should note that planning parameters for development sites may change over time.

Case Study 2

An overseas property was advertised in a local paper as "The Hottest Investment" and "Only $3,000 deposit, $27,000 to own a unit". When CEA sought clarifications from the estate agent, it explained that the claim "Hottest Investment" came from an in-house survey. As the results of such survey may be biased, it should not be considered as a credible source.

For the claim "Only $3,000 deposit, $27,000 to own a unit", the estate agent clarified that the $27,000 referred to the 10% purchase price downpayment only. The remaining 90% could be financed through loans. This means buyers could not own the unit just by paying $27,000. For the misleading claims, CEA had issued a Letter of Advice to the estate agent.