

Invest



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StanChart chief investment strategist shares his 2016 market outlook. B16

Foreign developers out to woo Singapore buyers

In the second of a two-part series on investing in property overseas, The Sunday Times asks experts about the potential rewards of investing in global cities such as London, New York and Perth.



Joyce Lim

With so much wealth being created in Asia, it is no wonder foreign property launches are gathering pace in this part of the world.

Some developers are even starting their campaigns in this region first, as New York firm Extell Development Company did last month.

It began selling its 80-storey condominium One Manhattan Square in China, Taiwan, Hong Kong, Singapore and Malaysia before launching it in the United States. The units were priced at between US\$1 million and US\$3 million (S\$1.4 million and S\$2.1 million).

Property cooling measures continue to weigh down on Singapore's residential sector, with apartment prices falling 4.3 per cent year on year in September.

Meanwhile, prices of property in Australia, Britain and the US have been rising over the years, according to the Knight Frank Global House Price Index for the third quarter of this year.

Australia recorded an annual price growth of 9.8 per cent in the 12 months to Sept 30. In the US, the rise was 4.9 per cent, and in Britain, it was 3.7 per cent.

The index is compiled quarterly with official statistics where available and weighted by gross domestic product.

London real estate firm Strawberry

Star Group's chairman Santhosh Gowda said: "The London property market offers higher returns than any city as of now. Many prestigious developers are unveiling their projects in London, Singapore and Hong Kong as all these locations are very important from the investors' point of view."

Strawberry Star set up an office in Singapore this year – an indication of how important Singaporeans' investment in London's property market is – to provide sales, lettings and management services to foreign investors, added Mr Gowda.

Global management firm JLL, which is partnering Extell to market One Manhattan Square, said that in the US, Asian investment in the residential property market has doubled since 2010, making up 35 per cent of foreign purchasers.

Mr Gowda said that at least half of property investors in London are foreigners, many of whom are from the Middle East, Hong Kong and Singapore. He pointed out that the first six months of this year saw foreign investors acquiring properties worth £1.8 billion (S\$3.8 billion) in Central London alone.

Johns&Co, which specialises in London property, said 25 per cent of luxury new builds in London are purchased by Singaporeans. One of its projects, Providence Tower, which is priced at between £330,000 and £1.7 million, saw 75 out of its 360 units sold to Singaporeans. That amounted to nearly \$60 million of investments, said client relationship manager Duncan Peacock, who is based in Singapore.

Analysts said the lure of property overseas for Singaporean investors is driven partly by the declining prospects for real estate here. Ac-



Global management firm JLL, which is partnering Extell to market One Manhattan Square (above, left), says that in the US, Asian investment in the residential property market has doubled since 2010. Johns&Co, which specialises in London property, says 25 per cent of luxury new builds in London are purchased by Singaporeans. One of its projects, Providence Tower (above, right), saw 75 of its 360 units sold to Singaporeans. PHOTOS: COURTESY OF JLL AND JOHNSS&CO



Comparative price of an apartment in selected global cities

Buying a 120 sq m apartment...

Primary markets	London	Hong Kong	New York city	Paris	Singapore	Tokyo	Shanghai
S\$ per sq m	48,895	32,304	26,194	26,075	21,595	15,270	9,816
Rent per month (S\$)	5,702	9,106	10,230	7,529	6,134	7,665	2,607
Gross rental yield	3.21%	2.82%	3.91%	2.89%	2.83%	5.02%	2.66%

Data updated on a regular basis; last update: Nov 30, 2015

Source: GLOBAL PROPERTY GUIDE ST GRAPHICS

According to a Colliers International survey, Singapore is the top investor from Asia investing in Britain and Australia.

Mr Gowda who expects British prices to keep rising next year, said: "We estimate the growth rate of housing in 2016 to be between 6 and 7 per cent as more buy-to-let investors purchase new homes before a revision of the stamp duty takes place next April."

He noted that "Asian investors look for off-plan new-built residential developments", adding that areas of London that are undergoing regeneration have seen new schemes launched every month.

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Knight Frank Global House Price Index, Q3 2015

	12-month % change (Q3 2014-Q3 2015)	6-month % change (Q1 2015-Q3 2015)	3-month % change (Q2 2015-Q3 2015)
Hong Kong*	16.7%	5.5%	1.9%
Australia	9.8%	6.3%	4.7%
US	4.9%	4.3%	1.1%
Britain	3.7%	1.9%	1.0%
Japan	-0.7%	-0.3%	0.0%
China	-2.0%	0.9%	0.7%
France*	-2.9%	-1.3%	-0.1%
Singapore***	-4.3%	-2.3%	-1.5%

NOTE: **Island-wide price index for non-landed private properties *Provisional data

Source: KNIGHT FRANK ST GRAPHICS



Miss Vanessa Chan of JLL says investors should note the legality and tax matters surrounding a country's residential market.



Mr Santhosh Gowda of Strawberry Star Group says transport is a key factor when considering whether to buy a London property.



Mr Duncan Peacock of Johns&Co highlights stamp duty levy as one cost to look into when buying an overseas property.

Investing abroad: What you need to know about buying properties in London, New York and Perth

Q What due diligence should an investor undertake for overseas property investments?

A Ms Vanessa Chan, associate director of international residential property services at JLL, said investors must understand the legality and tax matters surrounding the country's residential market. They should also find out if there are restrictions imposed on foreigners to buy, sell or rent a property.

Other considerations include identifying the regeneration and government infrastructure around the area, along with checking the comparable prices through the land registry, said Strawberry Star Group chairman Santhosh Gowda, adding that transport plays a vital role in London property, whether for renting or selling.

Q What are the costs involved in buying an overseas property?

A Costs vary from country to country and city to city. In the US, a lawyer's fee is about \$5,000, letting and management fees are

about 0.5 per cent of the gross rent and a broker's fee ranges from 2 to 5 per cent, said Ms Chan.

Buying in London means paying stamp duty ranging from 2 to 12 per cent or more, depending on the property and its location.

From April 1 next year, an additional stamp duty levy of 3 per cent will be imposed on all second home and buy-to-let purchases, said Mr Duncan Peacock, the client relationship manager at London real estate firm Johns&Co.

Mr Peacock, who is based in Singapore, said potential investors should be reminded to further evaluate their investments.

Mr Gowda said the additional stamp duty levy will apply to properties in England, Wales and Northern Ireland but not Scotland, although he thinks the Scottish Parliament may introduce similar measures soon. "It appears that the purchase of an additional home will be liable for the additional tax irrespective of the location of a buyer's first home, thereby

bringing overseas investors into the scope of the tax," he added.

And the broker's fee would be about 2 to 3 per cent of the price of the property, plus a 20 per cent value-added tax.

The broker's fee is negotiable and will tend to be lower if only one agency is involved in the transaction, said Mr Gowda.

Foreign investors in Australia will need to pay an application fee before their applications are processed. The fee for a residential property valued at A\$1 million or less is A\$5,000 (S\$5,085).

Q Is now a good time to go in?

A The transaction cost for buying in London is still relatively low compared with other key cities, although the rate of capital appreciation may be slower than in the past five years, said Ms Chan.

On the other hand, New York is a "resilient market" and the growth forecast is still attractive. Meanwhile, with a weaker Australian dollar, properties in Australia

would be cheaper for Singaporeans. "Cities like Perth have undergone a price correction and the Western Australian government is spending high investments in infrastructure. It is a good time to consider Perth," added Ms Chan.

Q Should investors look at properties in established areas or go further out to the suburbs?

A Properties in established mature locations provide stability but lower rental yields and possibly slower capital growth, especially if prices have appreciated quickly over the past few years, said Ms Chan.

However, prices in mature locations tend to be more resilient in a downturn and international investors are typically more familiar with the traditional established locations. Properties in suburban areas tend to be more affordable with higher rental yields due to the lower price quantum, she added.

Mr Gowda noted how the suburbs are well-connected to central London so investments in London

offer quick returns and high margin of growth. For a more long-term investment, areas like Fulham and Putney in west London, Camden in north London and Newham in the east can be considered.

Q Which cities offer the most opportunity for growth – New York, London or Perth?

A London and New York City are traditionally the more established "safe havens" and offer more growth opportunity in the medium to long term, said Ms Chan.

She noted that the two cities have clear and secure real estate systems and regulations that provide liquidity, stability and transparency to investors.

Meanwhile, there have been mixed views on Australia, with some economists and analysts saying that prices have hit a peak and are expected to fall next year.

Q How long should you hold a property?

A Depending on your risk profile,

between three and five years, said Ms Chan. That would allow the net gain to be more attractive after deducting the costs, especially when capital gains tax in some countries is based on how long the property has been held.

Q What are the costs involved in selling an overseas property?

A When selling a property in the US, a foreign investor needs to pay gains tax and Foreign Investment Real Property Tax withholding tax, which is about 10 per cent of the gross sales price. Capital gains tax is between 15 and 20 per cent on the net gains on a federal level. But if the Singaporean investor recycles the gains by reinvesting in a US asset, he or she will be exempt from this levy, said Ms Chan.

In Britain, capital gains tax is 18 per cent or 28 per cent on the net gain. Australia treats net gains as taxable income in the fiscal year in which the property is sold. The top marginal rate of tax is 46.5 per cent.