

Singapore investors still waiting to be paid by EcoHouse

By **CHAN YI WEN**

SINCE September 2011, multinational property development firm EcoHouse Group has attracted more than 1,500 local investors, with a total investment sum of S\$65.55 million, to its Brazilian property development projects.

Based in Natal, Brazil, EcoHouse was founded in the UK in 2009 by Anthony Armstrong Emery after the Brazilian federal government launched *minha casa, minha vida*.

EcoHouse is one of the few foreign developers to be authorised by the Brazilian government to develop houses for the initiative, which qualifies the company to receive government subsidies and tax incentives. In return, EcoHouse agrees to offer homes for sale at a pre-agreed, competitive price for Brazilians.

Enter Singapore investors

The largest country in South America and Latin America, Brazil is almost 17,000 km from Singapore. So how did millions of dollars flow from this city-state into a country so far away?

According to EcoHouse's website, its community homes are financed through private investors. In return, investors receive short-term returns of up to 20 per cent a year.

In September 2011, EcoHouse started selling investments in its Brazilian housing developments to local investors. For a minimum investment of S\$46,000 (£23,000) per housing unit, EcoHouse offered a 20 per cent fixed rate of return for a 12-month contract.

To date, EcoHouse has offered a total of three different developments to local investors: Arco Iris, Casa Nova, and Bosque. Arco Iris's developments have been completed but Casa Nova's and Bosque's developments are still ongoing.

On Oct 1, 2012, local investor Wendy Kwek co-invested in one unit of EcoHouse's Casa Nova development project with her husband, Poh Wai Leong. On Oct 1, 2013, exactly 12 months later, Ms Kwek's contract had matured. Fast forward to today, more than five months after her contract's indicated maturity date, Ms Kwek has not received any cash payments from EcoHouse.

In November 2013, investors were informed that the Casa Nova and Bosque projects would be delayed. Investors were offered the option to ex-

tend their contracts for two more years under a "Deed of Modification" (DOM). If they signed the DOM, EcoHouse will pay them 20 per cent of their total investment sum upfront, and the remainder two years later. Otherwise, investors will be compensated with late fees at one per cent per month. The late fees will be accumulated and paid as a lump sum with the principal and 20 per cent return. EcoHouse has not committed to a specific payout date yet.

Ms Kwek did not sign the DOM as she "did not want to alter any of the original contract".

Clause 8.8 of Ms Kwek's contract with EcoHouse states: "Time shall be of the essence hereof."

"The contract was worded to safeguard investors," she said, adding that many investors want the specific date of payouts from EcoHouse.

Retiree Ng Chai Chew, 65, is in the same position. He invested in one unit of Casa Nova in September 2012 and through a co-investment with other investors, invested in half a unit of Bosque in November 2012. So far, he has not received any cash payments for his investments.

Mr Ng said: "I have not received a single cent from them."

He, too, did not sign the DOM.

"They wanted me to extend but I did not agree to it. I met up with other investors but heard that they have not promptly received their payments either. I wanted the contract to mature and to stop all investments with EcoHouse as soon as possible."

According to Mr Ng, the personnel at EcoHouse's Singapore office whom he had been liaising with, Jeremy Chan, has left the company.

On Sunday, March 16, 2014, there was only one employee displayed on the EcoHouse website - Simon Dawson, sales network manager. Mr Dawson was not available for comments when BT called for a phone interview.

EcoHouse's response

With regard to delayed payments to local investors, which are caused by construction delays, Deen Bissessar, EcoHouse's global chief of operations said: "Like any business, there are circumstances beyond our control which can influence our plans and project delivery forecasts."

He acknowledged that all current investors are experiencing a delay in receiving their capital and returns but explained that the original deal is that the property must be built and then

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— Deen Bissessar, EcoHouse's global chief of operations

sold in order for the investor to receive their capital and profit. He emphasised: EcoHouse has a construction delay of several months and nothing more.

The phrase "time is of the essence" is a common term used in legal contracts around the globe, and is intended to portray the view that both parties mean to complete their contractual requirements within the specified timeframes, says Mr Bissessar. "While by itself the phrase can mean that once the specified time periods have been lapsed the contract can be considered in breach, it must always be taken in context, and when the contract provides for circumstances where one party is unable to meet its obligations, as the EcoHouse contract does, it must adhere to (the terms of the contract) and the relevant compensation comes into effect.

"For one, we have extended repayment periods with goodwill payment offers. In addition, we have invested heavily in new construction methods, bolstering available manpower which remains an important issue in Brazil as the country races to finalise construction projects linked to the staging of the World Cup in June-July."

According to Mr Bissessar, the company has recently undergone a top down audit of the business and have concluded that they could have been more pro-active and responsive to queries from their clients. Currently, a complete staff overhaul is taking place and EcoHouse is in the process of recruiting personnel.

EcoHouse acknowledges that there is an inherent element of risk in

their investments but it has been "minimised to the point where the worst case scenario is that the investor will own and control an asset with a value exceeding the amount invested . . . with any property investment, it is important to buy a property where demand outweighs supply".

By building in a market where demand outweighs supply by more than eight million homes, EcoHouse says it is giving each investor the best possible chance to sell. "Where else in the world are there eight million homes needed that end-buyers can secure with 100 per cent financed mortgages? The answer is nowhere."

As valuable as Mr Bissessar says the investments are, the *minha casa, minha vida* scheme may not last indefinitely. In December 2013, Mr Emery told the *Financial Times* that time is probably running out for the government scheme because of the direction of the economy.

He said: "I think we have a three-year window as foreign developers. We have to ramp up construction capacity, build these units as quickly as possible and get them signed off in the short space of time we have."

Why are so many Singaporeans investing in foreign real estate?

In a nutshell, with high levels of savings, robust economic growth in the past few years and a fairly tight employment market, all that money sitting in household's balance sheets needs to find a home, said Tay Kah Poh, associate professor of international real estate at the National University of Singapore.

According to Prof Tay, paltry bank deposit interest and volatile stock markets have encouraged many Asians to favour real estate investments. But domestically, he says, the various government curbs have strangled volumes, and markets such as London, Sydney, New York and Malaysia, where Singaporeans are likely to buy property are no longer cheap, even when taking into account favourable exchange rates. "Hence, we have seen Japanese properties, Philippine properties, and, of course, Brazilian properties, being marketed here in Singapore."

But ultimately, Prof Tay cautioned: "Exotic markets inevitably carry exotic risks. One should always be cautious before taking the plunge into unfamiliar territory."

The writer is a BT intern and a final-year finance major at NUS Business School