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In Bali, rich foreigners are sparking a property frenzy, but who benefits?

Luxury property prices in Indonesia are rising faster than anywhere else in the world, according to a new report

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Foreign investors are flocking to buy property near Bali's beautiful beaches. Photograph: Patrick Frilet/Rex Features

They teeter along in stilettos and backless dresses, their partners in partially open buttondown shirts, and duck into restaurants serving champagne, truffles and peppercorn steaks. Afterwards, these crowds of upmarket Indonesians and expats will head to any number of bars along the bustling artery of this once sleepy seaside village of Seminyak, a now vibrant town on the island of Bali that 10 years ago was lined by rice

paddy fields and populated with farmers.

All along Jalan Laksmana, Seminyak's main thoroughfare, glass-fronted stores sell high-end surfer-inspired chic, such as £125 bikinis and organic wheatgrass shots, while restaurants cater to the many *bule* – foreigners – by offering Japanese, Italian and fusion Indonesian cuisine at candlelit tables with Ibiza-like club music on the sound system. Firms with names like Exotiq Property and Elite Havens detail beachfront villas running at £1.5m and higher, showcasing homes close to "the action" – Bali's famous hangouts like Ku De Ta and Potato Head, where languages overheard can range from French to Russian to Chinese.

Bali has long been famous as a playground for both the rich and the not-so-rich, easily providing both villas and backpacker hostels so that visitors can enjoy its white sandy beaches and turquoise waters whatever their budget. But now this island of 4 million is finding another kind of fame – as a major investment opportunity for the luxury property market.

Luxury property prices in 2012 jumped in Indonesia by more than anywhere else in the world, according to research by Knight Frank. The capital, Jakarta, saw an astonishing increase of 38% in luxury property prices from 2011, and Bali came in a respectable second at 20%, tying with Dubai.

While Monaco may still be the world's most expensive place to buy a residential property – homes there can cost up to \$5,920 (£3,960) per square foot – if Indonesia keeps up this pace, that could soon change. There are now more millionaires in Asia than anywhere else in the world, and in Indonesia, whose booming economy could surpass the UK's to become the world's seventh-largest by 2030, individuals' net worth has shot up 7% year on year.

What does that mean? In simple terms, says Zoe Rice of property firm Elite Havens' flagship Seminyak office – a low-slung, white-and-blue, beachhouse-themed property that looks as though it should be facing the Indian ocean rather than the village's busy square – property investment in Indonesia is simply "better value than keeping money in the bank".

Much of the growth underpinning Bali's healthy property market comes from domestic buyers, notably the wealthy players of Surabaya and Jakarta, says Rice. But there is also a steady stream of buyers from Australia, France and the UK, and Asian expats from Singapore and Hong Kong, who are keeping the market afloat. And they're not just purchasing second or third holiday homes: vacant land is the number-one choice for Indonesians, followed by hotels, condo-hotels and private villas. For foreign buyers,

purchases are of homes and villas for full-time residential use; a market report to be released this week by Elite Havens cites Bali's high tourist arrivals, healthy economy and shifting of government debt to investment grade as reasons why the island is "resilien[t] and [a] safe haven for investors in these globally turbulent times".

"Capital appreciation has been substantial [in Bali] in the past decade," says Rice. "There's been a dramatic increase in Seminyak, where land prices have almost tripled in the last two years because demand is so high and supply so low."

All this has not been lost on local people, many of whom have taken to nicknaming the island *kampung bule* – "whitey town" – because of the sea of foreigners swarming Bali's streets and beaches.

"Housing in Bali is expensive now because many *bule* live in their own private villas, and they buy with dollars and pay dollar prices," says 31-year-old Budi Susila, a taxi driver who spends his days transporting foreigners around the island. "That makes locals want to sell their land to *bule*, which makes more *bule* interested in moving here, which means that every year we lose more rice paddies and more greenery. The government gives permits very easily for new construction because they get money in their pocket."

Expat hotspot Seminyak has just lost its last rice paddy, says Rice, who claims that the central road that cuts through Legian and up to Seminyak was "lined left and right" with them a decade ago. Now the roads are choked with taxis, 4x4s and motorbikes manned by tanned blonds with surfboards in tow, who snake along many of the busiest areas in southern Bali in traffic so heavy that a 30-minute drive can easily turn into a two-hour one.

Non-beachfront land around the most sought-after areas, including Seminyak and Petitenget, is now worth 2.5bn rupiah per 100 square metres – £171,000 – with prices decreasing the further north and inland one travels, Rice says. But much of the attraction of buying land or property in Bali is being close to the action: Seminyak serves as the *de facto* centre of Bali's expat beachfront scene, as it is home to world-class restaurants, clubs and bars, where the rich and beautiful can chill out with bottles of champagne over views of Bali's famous sunsets. But even in Ubud, where organic markets and yoga studios rub shoulders with art galleries in what is deemed Bali's northern "cultural centre", land prices increased some 55% in 2012, according to research by Elite Havens.

In Jakarta, which saw a 38% jump in its residential luxury market prices last year, the story is a little different. There, buyers are investing primarily in flats in the central

business district in projects that developers are calling "critical housing" – prime property in an overcrowded metropolis of 12 million, says Knight Frank's Hasan Pamudji.

"The economy in Indonesia has been growing roughly 6% every year for the last few years, so there are more rich people in Indonesia now than ever," he says. "But middle and lower incomes have increased as well, which has increased the demand for property."

Although the city is home to extravagant, multimillion-dollar mansions lined by barbed-wire fences, it is flats, rather than houses, that are the new property of choice for those buying property in Jakarta because "they offer security, safety and easy transportation", says Pamudji. "Traffic congestion in Jakarta is very bad, so some buy condos close to their work or business, which saves them having to commute every day from the suburbs or further away."

Often these condos are the first investment for young couples or upcoming wealthy individuals, he adds, with the average price in downtown's "Golden Triangle" retailing at 30m rupiah – £2,050 – per square metre.

Back in Bali, development can be seen pretty much everywhere along the southern coast, with old buildings bulldozed to make way for new commercial properties, among them glittering cafes and restaurant ventures to cater to the ever-burgeoning market of wealthy clientele. In the upmarket beachfront Canggu area, Echo Beach is now home to an InterContinental hotel and the Sea Sentosa project, a resort that calls itself "the benchmark for unparalleled luxury", while a Sunset Road extension is planned to link the capital, Denpasar, with Bali's more western beaches.

But there has been so much development that the local government has recently placed a moratorium along the most congested beachfront areas and is encouraging growth in the island's more remote locations instead. Even there, however, investment can prove tricky, says Australian investment banker Richard Jenkins, who moved to Bali three years ago from northern Australia with his wife and two young children. Having bought a clifftop plot of land in Uluwatu, a windswept, still undeveloped area on the island's most southern tip, the Jenkinses planned to build their own house – but the permits were never forthcoming.

The family now want to move to a £1m property in Seminyak with three villas that they plan to renovate, turning two into holiday rentals.

"This is a good place to invest, definitely," says Jenkins. "There aren't that many places

to say that about in the western world. But while it is a positive real estate market, I do get the impression of a looming glut: there's just so much building here going on, and it's all for the tourist market."



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