

IN DEPTH
Bali Apartments

RISE OF THE BALI LOW-RISE

BY THOMAS JONES

Apartments have always been an effective arrow in the property developer's quiver for several reasons; they are quick to build, cost effective, and when professionally managed they offer a great low-cost investment for a large market of novice buyers.



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THE DEMAND HAS COME FROM THE INDONESIAN MARKET.

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In the past, an abundance of cheap land and a desire for the tropical villa lifestyle were the two main drivers behind the predominantly Australian and European expat market on Bali. In recent years, however, the island's property market has become a victim of its own popularity, and in areas like Seminyak and Jimbaran it is no longer economically viable to put a single-level dwelling on a plot of land. The only way left is up, and Bali is now in the throes of a condotel boom, one that shows no sign of abating.



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Demand from a burgeoning wealthy class of Indonesians, in combination with rising land prices, is fuelling a high-rise building boom (maximum six storeys based on the customary law that no structure should be higher than a coconut tree). Scores of new condotels are under construction, bringing thousands of new rooms onto the market, putting plenty of dollars into local pockets, and allowing tower cranes to dominate a once sedentary skyline.

Recent legislation changes in Indonesia have made it easier to facilitate the ownership of strata title property, which has allowed Indonesians to finance these properties with relatively low levels of cash input. Middle-class investors are looking to the property market for the first time and the easiest investment for the vast majority is a low entry point condotel or low-cost apartment.

Fortunately, there are now some excellent quality investments on the market. These properties have been well thought out and marketed by experienced

and genuine developers and offer guaranteed returns, and they are proving very attractive to would-be investors across all markets as a low-stress investment. Economies of scale keep prices relatively low, and ROIs run at around eight percent per annum. Where condotels are managed by international hotel chains with proven track records, there is steady capital appreciation, the apartments are well maintained, and the owner generally gets 21 days personal usage each year.

“Although we are starting to see interest coming from Australia and other Asian destinations, generally the demand has come from the Indonesian market, which is due to the vast number of Indonesians and their increasing wealth,” says Siti Salmah Purba, owner and director of Exotiq Property Jimbaran. “The growing tourism market and increasing numbers of arrivals to the island are also providing a great source of customers looking for reasonably-priced apartment accommodation near the beaches.”

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The combination of increasing visitor numbers and rising wealth in Indonesia has fuelled all sides of the apartment market. Some wealthy investors have opted to invest in high-quality, high-priced developments, while others have become developers themselves, selling on to the growing middle class. But by far the biggest demand is in the lower price bracket.

“There tend to be two types of investors at the moment,” says Purba. “Those who want to see a profitable return on their investment as a purely financial decision and those who want to have both a great investment but also a place they would actually use for vacations and to spend time with family.”

The first type of investor is often more interested at an entry level of between USD60,000 and USD150,000, while the second type is after something bigger and more luxurious, between USD150,000 and USD400,000.

“A simple comparison would be the Harris hotel brand, which is marketing to a lower-end budget, and say Konderatu Suites in Jimbaran which offers a more luxury four-star component with all the add-ons,” adds Purba.

It’s not all smooth sailing, however. The frenzy of building that is taking place runs the very real risk of creating a glut.

“As you drive around south Bali areas like Seminyak and Kuta it’s obvious that the condotel market is strong,” says Purba. “However, if it’s not regulated, this will result in an oversupply of two- to three-star complexes that will make the market so competitive that eventually shortcuts will have to be made to keep profits going – generally maintenance and staff layoffs suffer first.”

Purba, however, still believes that demand will be sustained for four and five-star developments as these are extremely expensive to develop and thus only possible for larger, more reputable developers and management companies with a vested interest in their success.

“Bali and its neighbouring islands have and will always be a destination that attracts a global audience,” he says. “I believe that by regulating the minimum size of land that is required to build a condotel, Bali will create demand for those that can afford the luxury of a holiday in prime, high-demand areas, thus ensuring that the local environment is partially protected and that the value of properties is retained inside the so-called golden belts.” ■

BALI APARTMENTS TO CONSIDER



Ayana Residences

At the top end of the market, Ayana Residences offers a collection of luxury apartments spread over 6.5 hectares and located within the grounds of the five-star Ayana Resort and Spa on Bali's Bukit peninsula. Prices start from USD500,000 up to USD2.9 million for a penthouse.

www.ayanaresidences.com



Konderatu Suites

A colonial era inspired complex of 76 poolside apartments in Jimbaran consisting of studio units and one- and two-bedroom apartments. A full range of facilities onsite includes restaurants, a convention centre and a wedding chapel. Offered either freehold or on a 100-year lease with a guaranteed ROI of 8 percent for the first three years and ranging in price from USD150,000 to USD400,000.

www.konderatusuites.com



Double Six

A five storey hotel development right on Bali's very popular Double Six Beach offers 146 one- and two-bedroom units of varying sizes and layouts, including eight penthouses, ranging from USD295,000 up to USD3 million. Full management and extensive facilities, offered leasehold with a guaranteed 6 percent ROI.

www.bali66.com

Advice for investors

- Most of the condotel developments are trying to sell off plan. Before engaging in any such investment do your background checks on the brokering firm, the developers and management companies assigned to manage the property.
- If purchasing a resale property, check out who is managing the resort and what their history is. Has the maintenance been kept up? How many times have the apartments been re-sold? Also check on guarantees behind any fixed financial returns.
- The real estate industry is not regulated in Bali as it is in other countries. Real estate agents with no qualifications have the opportunity to earn substantial commissions, and while there are a number of excellent, reputable agents, some are in it for a quick buck. A reputable agent will likely have a long history in the industry.