



START LOW, AIM HIGH

With the Bali's property market boiling in prime locations like Seminyak where prices rival those in Australia's big cities, you could be forgiven for thinking a slice of the action has moved beyond the reach of the small investor. Not so. The one-bedroom villa market is thriving and offers modest entry level prices and strong return-on-investment potential.

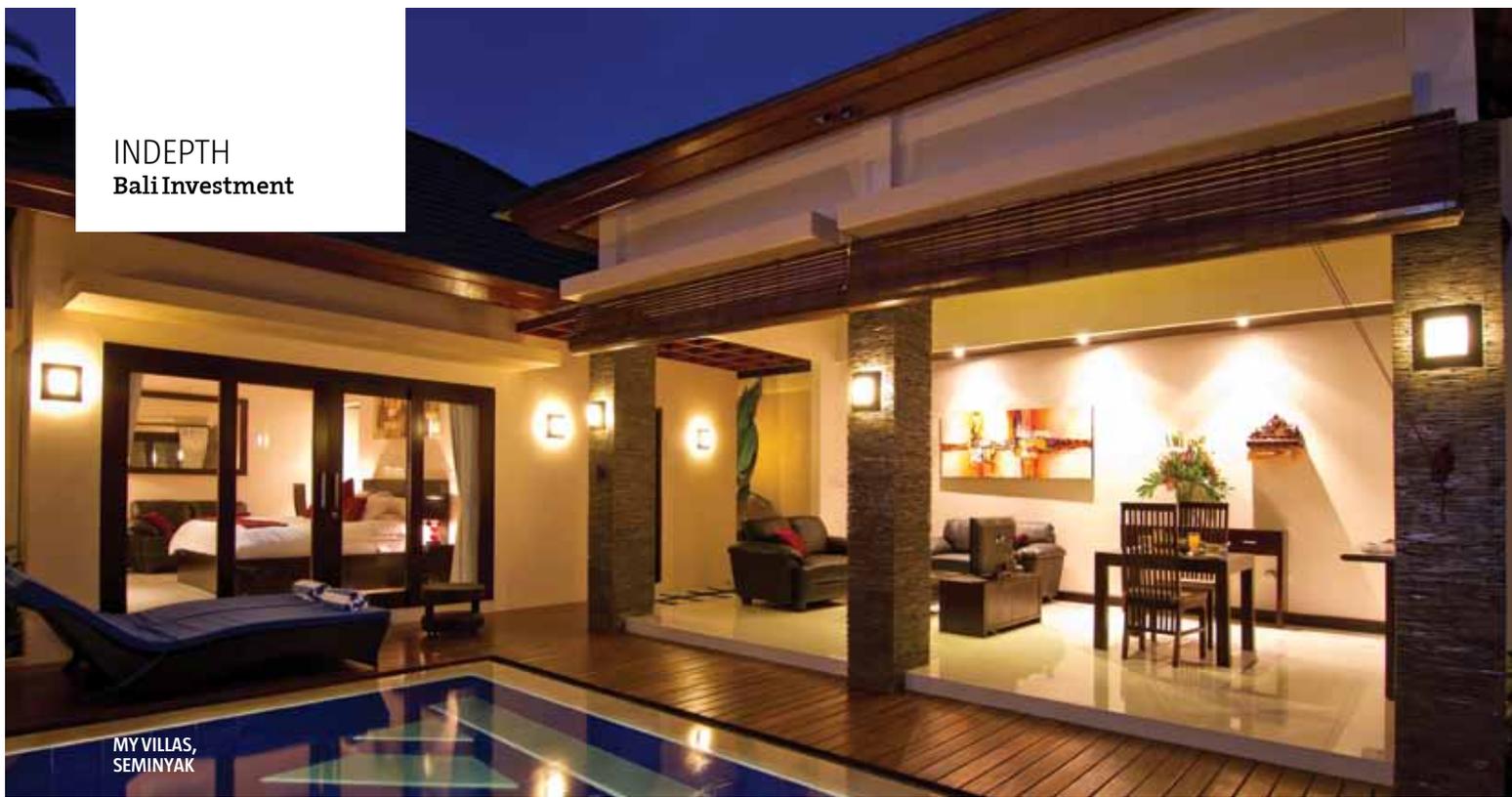
| By THOMAS JONES

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INDEPTH Bali Investment



MY VILLAS,
SEMINYAK

In real estate circles, the Bali market is something of an anomaly. Land prices in Seminyak have rocketed skyward in recent years, rising over 300 percent since 2006 for leasehold titles, and upwards of 700 percent for freehold. No, those are not typing errors, and they are only averages, proving that Bali is one of the hottest markets in the world right now.

While three- and four-bedroom villas are selling for upwards of US\$450,000; for less than US\$300,000 you can still invest in a managed estate with one-bedroom villas offering some of the best returns on the island. Savvy international investors can therefore take their first steps into the wonderful world of owning a Bali portfolio without risking sleepless nights.

"In order to maximise each component of your investment: return, usage, access and security, you need to buy in a well-

priced estate with flexible management," advises Patrick Clancy, a senior sales agent with Exotiq Property Bali. "There are low risk investments in estates run by professional teams who take care of all marketing, management and maintenance and still pay out high dividends that fluctuate around ten percent per annum."

Based on average returns, Clancy says intelligent buyers can expect to make back their initial investment on Bali within 10 years, and can then enjoy another 10, 15 or 19 years of profit on top of that.

"With property prices going the way they are in Seminyak, it could well be fifteen percent or more. It's a win-win situation," he says. "All you are effectively doing is taking US\$250,000 or so out of your bank account, where it's earning 2.5 percent, and



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placing it into a piece of real estate where it's making in excess of ten," he adds. "What makes it even better is that while the bank gives you a toaster every year, a villa investment gives you four, five, or even six weeks a year to come and stay."

One example of such a development is My Villas, a boutique villa estate comprising eight, one-bedroom, private pool villas and a two-bedroom villa located just off fashionable Dyana Pura Street, 800 metres to Seminyak Beach. One of the villas is currently on the market for US\$269,000, ready for rental, with just over 28 years remaining on its lead and a 30-year extension agreement in place. In the first nine months of operation the one-bedroom owners at My Villas have enjoyed returns over 10 per cent with occupancy levels of 68 percent. Solid evidence for any investor who wants to improve on what a savings account will pay.

"Right from the outset, our goal was to produce the highest level of returns for our owners," says Aaron Young, the developer of My Villas. "This covered every aspect of our planning, including the number of villas, construction, design and location. Anyone who has looked at purchasing a villa in Bali will know that a major concern is the quality of construction. Constant ownership costs and revenue lost through having to repair water leakage or other construction issues, can spoil what would otherwise have been a great investment."

Another example of a villa development on Bali that's doing well for its buyers can be found in the Oberoi Road area - home

to the island's best restaurants, fashion boutiques, and beach venues, not to mention a fine beach located about 100 metres off in a quiet side street.

The project, Disini Villas, is a quality boutique resort of 22 one-bedroom pool villas offering full five-star service to its guests. As such, it's a functioning, well located operation running at 81 percent occupancy with an average stay of 2.5 nights, all of which means it earns owners an average return of around 10 per cent per year on their investment.

Initially sold off plan in 2006 for US\$144,000, there is one unit currently listed on the market at US\$250,000 with 18 years left to run on its lease and a guaranteed option to extend for a further 25 years that has been set at a fixed price. That's a 43-year investment with historically proven returns, one that is definitely drawing solid interest.

"Buying leasehold is one thing on Bali," says Clancy. "People have a hard time getting their head around having to take up a lease extension because they feel they are paying for the land twice at an undetermined 'market value'. That's not an entirely accurate way of valuing leasehold property in Bali. You only pay for the value of the land, so even when the market price rises to, say IRP 20 million (US\$2,000) per are (100 sqm), that's still only US\$90,000 dollars extra for the 30 years, or US\$3,000 a year. With a villa in an well managed villa estate you stand to make US\$3,000 a month on rentals alone. That's a good investment." ■

DISINI VILLA

