

## Heavy traffic on the road to Bali

Hong Kong investors are high on the list of expats looking to buy homes in an idyllic holiday destination.

**Marian Carroll in Bali, May 2004**

As Bali continues to reinvent itself as an upmarket tourist destination, expats from around Asia are fuelling a surge in the luxury villa market and driving land prices to historical highs.

Hong Kong-based expats are among the leading buyers of vacant lots in fast-growing southwest Bali, where the trend to build a holiday house that can double as an investment is also generating interest from entrepreneurs and corporate high fliers in Singapore, Indonesia, Australia and Japan.

"There is a new-found confidence in Bali; politically and economically, it's more stable now," said Dermot Monaghan, sales manager and partner of property company **Elite Havens**, which represents 55 villas.

Property prices were rising by about 25 percent per year in prime locations and were expected to double over the next three to five years, developers said.

Bali fell to its lowest ebb last year with the economy and investments being hard hit, and tourism dropping, chilled by the Kuta bombing in October 2002 and the Sars outbreak last year.

Developers said Bali was attractive because it had an international airport and increasingly better infrastructure, was non-Muslim and was still cheap compared with other resort islands such as Thailand's Phuket and Koh Samui. The highest growing areas are Canggu, Semer, and Umalas on the west coast, north of the upmarket Seminyak area, which is about 4km from Kuta.

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Elite Havens partner**

Australian Tim Roberts, a Hong Kong-based pilot with Cathay Pacific, paid US\$300,000 for a 2,000 square metre block of beachfront land in Seminyak four years ago, and was recently offered \$550,000 to sell it. "But my wife and I are not interested in selling. It's a long-term life decision. We ultimately plan to live in Australia and spend a few months each year in Bali. The villa will be a sanctuary where we can go to just chill out," he said.

Nils Wetterlind, managing director of Tropical Homes, set up last October to develop Bali's first eco-friendly villa project, Temple Hill, said the interest in villas was evenly split between "an investment decision and a love for Bali."

About 80 per cent of the 16 villas overlooking Jimbaran Bay have been sold less than three months into construction, for an average price of US\$450,000.

Several other villa projects are also in the pipeline, among them a complex of 26 one-bedroom villas in the Seminyak area that will target Hong Kong buyers. The project is still under negotiation between **Elite Havens** and a Hong Kong financial group.

“The villa market has really taken off over the past six months.” Mr. Monaghan said. “We receive at least two calls a day from potential buyers looking to spend an average of US\$300,000 on the land and \$180,000 to do up a villa for commercial use.”

Developers said there were no signs the growth would slow soon because there was still a shortage of well-built villas in good locations with proper legal structure.

However, the surge of interest from expats had boosted demand for western builders and architects in Bali, as buyers sought the same standard of quality they would get in their home country.

John Lincoln, who set up his one-man firm Lincoln Architects in 2000, said demand for his services had more than doubled over the past year. “Clients like the fact there’s an expat to design and supervise the entire project from start to finish,” he said.

Greater legal certainty is also reassuring foreign buyers, who are not allowed to own land in Indonesia but can set up a structure whereby they nominate an Indonesian to own the land on their behalf.

**Elite Havens** partner Dan Brooks said: “There used to be a question as to how legally binding this arrangement was, but it is now codified in Indonesian law and is watertight.”

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#### **TIPS FOR BUYERS**

- Seek legal advice from a reputable law firm to conduct due diligence, partly to make sure the person selling the land actually owns it;
- Use an experienced agent to guide you through the deal. Do not try to handle it yourself;
- Employ an architect independent of the builder to ensure integrity of design;
- Even if you do not intend to rent the property out, design it to commercial standard (make all bedrooms equally attractive) in case you one day change your mind or decide to sell;
- Do not be in a rush;
- Arranging home mortgage is not easy. Buyers arrange finance elsewhere, or simply use spare cash.