

Frequently Asked Questions

GENERAL

Why build in Umalas?

The criteria when searching for a Wabi location was to find a site that offered outstanding natural beauty and one that could support superior investment return. With Bali firmly in a property boom, investment return is no longer just a story of rental yields but how to achieve strong capital gain. Wabi provides each purchaser with an individual freehold title which is the key to realizing strong capital gain.

From the perspective of rental yields most short-term stay clients are looking for a villa within 15 minutes drive of the Seminyak/Oberoi area. Umalas adjoins Seminyak and so is ideal as a rental location.

Why was this particular land chosen?

The Wabi site has several attractive attributes:

- The site straddles a small tree-lined river which is home to many small birds whose chorus complements the sound of water running over river stones. These natural aesthetics are the very essence of the meaning of the word Wabi.
- Clever architecture in conjunction with the land's gentle fall allows each villa to have its own unique view of rice fields and mountains to the north while maintaining complete privacy.
- The area has strong rental demand: several luxury villas are within a radius of one and a half kilometers and all enjoy high occupancy rates.

What are the advantages of buying in a resort like Wabi Umalas? Why not just build a villa myself?

Months of work and many professional consultants have been needed to conceptualize how Wabi Umalas will look, feel and be. The efforts required in architectural design, government licensing and permits, construction and MEP are staggering and this comes before ongoing operational management which is a job not to be under-estimated. In contrast to doing all this work yourself, Wabi offers a complete "turn key" solution. Each Wabi villa is individually designed so have the characteristics of a stand-alone villa but with all the added benefits of common services and facilities.

Why are most villas in the resort two-bedroom?

The simple answer is that smaller villas are more popular with short-term stay clients so have higher occupancy and yields

But how about for those owners wishing to bring along their family or friends? Is this two-bedroom concept appropriate?

Our solution to this is one which fits commercial attractiveness with these occasional needs. All owners receive a substantial discount for use of other villas when needing to accommodate a larger group. Remember also the AV room in each villa has the flexibility to function as an additional bedroom complete with adjacent bathroom.

MANAGEMENT

When will the management company start operating?

The management company, P.T. Wabi, has been certified by the Indonesian government with all necessary licenses. Following completion of construction there will be a 2-month startup period after which the management company will commence routine daily operations.

To provide owners and rental clients with a high standard of service PT Wabi has subcontracted both resort management and rental marketing to BHM (Bali Homes Management). BHM is a professional villa management company with an outstanding track record of managing and marketing some of the most famous private villas on the island. For more information on BHM visit their website: www.BHMVillas.com

What is included in the management services?

BHM is a professional management company dedicated to providing services on par with major hotels. Management services include:

- General Manager and Assistant Manager
- Guest relations
- Food & Beverage services
- Laundry and dry-cleaning services
- Housekeeping
- Gardening
- Maintenance
- 24 hour Security
- Finance and accounting
- Staffing
- Local community relations
- Marketing
- Reservations and booking services

What are the operating costs of my villa and what are my management fees?

Each villa owner is responsible for a proportion of the total operational expenses. This proportion aligns with the number of bedrooms in the villa therefore as an example from a total of 22 bedrooms in the resort a 3-bedroom villa would attract 3/22 of the operational costs.

In addition to basic operational costs the Wabi has a two-tier management fee. The first tier is a fixed monthly fee equal to USD200 per 2-bedroom, USD275 per 3-bedroom and USD350 per 4-bedroom villa. The second tier is a variable management fee equal to 10% of rental income. Both these fees are subject to 10% VAT.

By way of indication the investment return assuming 65% occupancy and rental rates as shown above would be USD 33000-38000 p.a. for a 2-bedroom or USD 50000-55000 p.a. for a 3-bedroom villa. These returns are net of all expenses including fixed and variable management fees.

Why use this method? I hear some other villa resorts just charge fixed fees.

The developers determined this to be the best and fairest method as owners only pay the actual amount of what it costs to operate their villas. As actual operating costs can move up and down based on factors such as occupancy level, utility rates/consumption and wage levels it's impossible to predict with complete accuracy several years into the future. Typically resorts that do charge only a fixed fee are run by people with less operational experience and unfortunately the end result is they either start downgrading services and maintenance or alternatively start making cash calls on the owners. With the Wabi method owners are neither overcharged nor undercharged.

How do we know the management company is working to maximize investment yields?

The terms of contract are such that management compensation is predominantly performance-based with the objective to maximize owners' investment yields. In simple language the fixed fee is low while the variable fee is a percentage of rental income so the interests of the management company and owners are completely aligned.

BHM promotes property rental across a network of over 180 international booking agents. To complement this BHM has its own direct marketing strategies and places significant internet and print media advertising. With dedicated facilities and experienced booking and reservation staff working with this wider network, BHM can ensure they achieve strong occupancy levels whilst maintaining the integrity of room rates.

What is BHM's track record?

Famous for their management and marketing of private villas in Bali, BHM is associated with the top names on the island including The Istana, Villa Atas Ombak, Villa Aqau, Gajah Putih (and many more) all of which achieve high occupancies, are enjoyed by their owners and commercial guests, and are often written up in international publications. BHM also manage upscale resorts such as the Majapahit Beach Villas.

BHM's average occupancy level across all villas they manage was 71% in 2007 and 2006, 74% in 2005, 72% in 2004, and 55% in 2003 (noting in 2003 numbers were impacted heavily by the SARS scare in North Asia and 2002 Kuta bombing).

How have Financials been calculated?

Financials have been calculated conservatively and are based on real operating costs of existing villas in Bali. Agent fees and introductory discounting in Year 1 have also been incorporated.

How will the rental rates compare with other properties in Bali?

The rental rates are lower than luxury hotels and competitive with stand-alone villa pricing. Published rates vary by season and currently stand at USD350 to USD450 for a 2-bedroom villa, USD425 to USD575 for a 3-bedroom villa, and USD550 to USD700 for the 4-bedroom villa.

If I buy a villa, and never use it, will I get a better return?

Yes, owners will get a better return on their villa if they use it less than other owners. The income pool is divided among owners based not only on the number of bedrooms in each villa but also on the number of nights of personal use. On nights that owners use their villas they are removed from the rental pool.

Is there likely to be a cash call for renovations or infrastructure improvements?

Unlike many villas resorts there is provision for a sinking fund in the management contract. Starting in the second year, there is a deduction from owners' income which is placed in a special interest-bearing replacement and reserve account. The annual amount will be USD1000 for 2-bed villas, USD1400 for 3-bed villas and USD1600 for the 4-bed villa.

Monies that accrue in this account will be used as a renovation fund ensuring that Wabi Umalas is always in a good condition for the enjoyment of owners and commercial guests alike.

How do I receive income from rentals? How often am I paid and how is this calculated?

Income is calculated on a daily basis while accounting follows a monthly calendar. Owners' income will be distributed on a quarterly basis together with detailed accounting reports.

What charges do I have to pay if I stay in my villa? Am I allowed to transfer my right of stay to family or friends?

Owners are allocated thirty nights per year free of charge in their villas, and yes nights are transferable to family or friends (these nights are referred to as "Owner Occupied Nights" or 'OON'). If a villa owner wishes to stay longer than the allotted Owner Occupied Nights they pay a low fee equivalent to 10% of the listed rental rate

Why do I have to pay a charge when I use my villa over my allotted nights?

The low fixed fee in the contract means the management company must work hard to maximize rentals on behalf of owners in order to make its profit. This 10% charge is to compensate the management company for opportunity cost when a villa is removed from the rental pool beyond the calculated Owner Occupied Nights (30 nights per annum)

What additional benefits do I get as villa owner?

All villa owners receive a 20% discount on any F&B charge within the villa complex. If you invite additional guests but are unable to accommodate them in your own villa then a 20% discount on list rates is extended for the rental of other villas in the resort. Villas owners will also receive a membership at the Canggu Club as part of their villa purchase package. The Canggu Club membership can be enjoyed by the villa owner or paying guests during their stay.

What services and facilities does a membership at the Canggu Club offer?

Each Wabi Umalas owner receives a villa membership at the nearby Canggu Club. This class of membership allows you the owners to have full membership privileges and allows guests who stay in your villa to have use of the club during their stay. From a marketing perspective the association gives Wabi an added edge in rental appeal which will help boost rental yields.

An easy 10 minute walk or drive from Wabi Umalas, the Canggu Club spreads over 3.5 hectares of land and offers the following facilities:

- Outdoor Sports areas for soccer, cricket and other sporting events with floodlight fields
- 4 Tennis courts and three air-conditioned squash courts
- Poolside café and Juice bar, Tapper's Pub, Library and Lounge, Movie room
- Restaurant offering vast selection of international cuisine with AC and open
- Children's splash pool with water slides, Kinder crèche
- Full equipped Gymnasium. Aerobics rooms for Pilates, Yoga, etc.
- 25 x 13m six-lane swimming pool
- Steam and sauna rooms.

Am I able to occupy the villa on a full-time basis?

Yes you can occupy the villa on a full-time basis if you so choose

What happens if I want to stay in my villa and it is already booked?

Owners must respect existing bookings. As long as another villa is available the management will offer you this as an alternative. A booking of this type will be treated in the same manner as if an Owner was staying in their own villa provided it has the same number of bedrooms.

Remember if you book further in advance we can more likely arrange you stay in your own villa

What happens if I own a two-bedroom villa and wish to stay in a three or four-bedroom villa?

Stays in the larger villas will be at the discretion of management to ensure owners receive their desired personal use. Consideration will be given on a case-by-case basis.

Am I able to decorate my villa according to my own taste?

Villas may not be decorated according to personal taste as the complex needs to have a degree of uniformity throughout in order to have commercial appeal in particular with wholesale booking agents. Operationally there are also cost advantages in more efficient housekeeping and maintenance services.

Do I have a storage area where I can leave my personal items?

Yes. Each villa has its own lockable air-conditioned space for Owner's storage.

Is the property insured by the management company?

As part of its duties the management company will ensure the property is fully insured.

What if someone stays in my villa and there is property damage or theft?

Prior to use of a villa all guests sign a waiver for damages and give credit card authorization to cover possible damages.

LEGAL

What is included in the purchase price?

The turn-key package for your villa includes;

- Enclosed air-conditioned bedrooms each with ensuite including bathtub and outdoor shower.
- Two open-air living rooms (one upstairs, one downstairs).
- Air-conditioned or open audiovisual lounge convertible to an extra bedroom (with adjacent bathroom).
- A fully equipped kitchen.
- Private 15 meter pool and Bale pavilion.
- Full furniture package.
- The villa plot as a freehold land title.
- Use of common areas.
- Membership to the Canggu Club.

Is the sale price fixed or is there a chance of increase during the construction period?

Once an agreement is made to purchase a villa there is no chance that the sale price will increase during the construction process. The sale price, as agreed in the Sale & Purchase Agreement, is what you are required to pay in order to receive your villa package. The developer however maintains the right to increase the price of any unsold villa.

What is the ownership structure and what are the advantages of this structure?

Wabi Umalas is formed on several freehold titles. Each of these individual titles (called Hak Milik) will be transferred to the new Owner in whatever legal form of ownership they so desire together with a full service management package and rights to use common areas and facilities. The developers suggest foreign purchasers to use the Hak Pakai atas Hak Milik form of title as it provides a direct legal title while preserving the underlying Hak Milik title. In this case the Hak Pakai is effectively a right of use for 100 years (and thereafter extendable) however it is not a simple lease in that it is a recorded certificate issued by the Lands Department. As stated this method preserves the underlying Hak Milik which, as is the case in any country, is the most valued form of title because the owner benefits from appreciation in land values. The title is easily transferable and bank mortgage financing may be available from banks for pre-qualified purchasers.

Once I have decided to buy, what is the payment schedule?

Payments of Development Fees are scheduled across the construction period in accordance with the achievement of specific milestones. Payments are scheduled as follows:

First Payment: US\$ 6,000 Deposit upon the signing of a Reservation Agreement.

Second Payment: 30% of the Development Fees (less the First Payment) within 30 days of execution of this Agreement or upon the attendance of the purchaser or his appointed designee before a Notary for the execution of the Preliminary Agreement for Grant of Hak Pakai / Agreement Binding for Sale & Purchase (as the case may be), the Management Agreement and associated documents (whichever is earlier).

Third Payment: 30% of the Development Fees upon construction being certified as 30% complete by the Building Architect.

Fourth Payment: 30% of the Development Fees upon construction being certified as 60% complete by the Building Architect.

Final Payment: 10% of the Development Fees upon the Villa being certified as Practically Completed by the Building Architect and payable immediately prior to Closing.

How long will the construction process take and when will it finish?

Two display villas are complete. The main project will commence after Lebaran and be finished in 12 months. The resort will be operational within the 4th quarter of 2009.

Am I free to sell my villa at any time?

Yes. As the owner of the property you are free to sell your villa at any time.

Can I leave the property to my family?

Yes. Owners can leave the property to their family however it is suggested they obtain independent legal advice on wills and estate planning in order this is done in a tax efficient manner.