

How to become Rich (or richer) by investing into Bali property

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Since the last crisis in 2008 , property prices in almost all of Indonesia continued to increase. Bali noted amongst the highest gains. The important question now is -how do we take advantage of this situation in order to become rich, or richer ?

In the last edition we have discussed the reasons which stimulated the increase of property prices . Today we will look into how we take advantage of this development and make our fortune.

Basically, property investment should be treated the same as managing a business . There is some knowledge to be acquired to select successfully from the different ways leading to wealth. The better your knowledge, and the more expert you are on property issues, the greater is the profit to be gained. Which surely makes sense.



In order to clarify this a bit, we can group property investors into 4 levels :

1 . Speculators / Passive Investors

No special skills are required here . You only need to prepare liquid funds to buy the property . Property that can be purchased as per recommendation of property agencies, or a friend who has recently bought, also information from the newspaper about the developing areas, or based on feelings and instinct . The legal process can be submitted to a trusted notary. The next step is only waiting for the property prices to rise during an open period of time (which is a matter of course only)

2 . Buying 'stressed asset'

At this level the investors have learned that the profits should have been obtained when buying, not just when selling. The investors will be more selective, only buy properties below the market value (because they realize that their capital is limited, therefore they need to be selective in order to maximize the profit). Investors are seeking expertise in assessing property prices , how to find property for sale below market value, how to negotiate in order to get a good deal, how to conduct transactions safely but saving taxes, and apply simple strategies in marketing the property .

3 . Developer

The next level is to choose to be a developer. Commencing with a basic level is to buy a small parcel of vacant land, build on it (house, villa, shop, etc.) , and then put the property on the market . Or you can also buy a parcel of land , then sub divide it into smaller units and resell them with often an interesting markup possibility.

At this level the ability to learn needs to be stretched as the process is surely more complex. The developer must have the skill to capture market needs and -desires so that he could build property products which will be well received by the market . A developer must have financial resources management skill, cash-flow management skill, insight into taxation, licensing and legislation of local laws; have the ability to assess building quality, can create added value to the products, and fine tune the marketing skills.

4 . Developer & Property Manager

Here we are looking at the highest level. Again, more involvement is required. After the developed unit has been sold , it is withdrawn back to be managed as a commercial property which generates a continuous cash flow. An example is a condotel in Kuta area. Developers may be able to gain double profits, from the sale of property units and from the yearly profit shares of the villa management with the buyers. Buyers will be pleased that their property is well maintained, can be used as holiday home sometimes and potentially could generate rental income too.

Sounds interesting? Great, it gets better still.....

Well, for starters, the most important thing to do is to discover your purpose of investing in property. Which one of the above type of investors you wish to be? How big is the profit you want to get for which level of involvement? How rich do you want to be ? How much are you able to devote your time, focus and energy to learn ? How far would you go ? The rule is to 'be' , then to 'get' . . .

If your goal is quite simple, you just want your money to grow 200 % in 4 years time without giving too much effort to learn a lot about the property, be a speculator or passive investor. Best to work with a smart property agency in order to make your capital growing faster. The experienced property agent will help you to find property which has an above average value increase when compared to other properties.

Apart from the four levels of property investor above, actually there is one more which has not been discussed: The pure investor, - retire young and rich without need to sell the property, and even receive a monthly positive cash flow for living expenses and to buy other properties. Does this sound tempting? We will discuss the details in my next issue here.