



"You do not have to be better than anyone else, just be a bit better again than you were yesterday". Among all of the notes that I wrote, the December issue has been my favorite. Because every December is a 'brooding edition', comparing achievement throughout the year with the targets I have set before in January. Often enough I regret the set goals, think that I should have done better, be more diligent, more consistent, more this and that - and then I will make a commitment and set the new targets for the coming year (which would possibly result into blaming myself again at the end of next year :) Let's see how you and I can do better: To be able to meet the targets or expectations relating to the property industry in the coming year, it is important to understand the current Indonesian macroeconomic condition and the anticipated developments in the coming year. As active practitioner

in property matters, I am happy to share with you what I can see. Although we cannot be 100% accurate because of the dynamic situation and those changes which can come up rapidly, here is some general guidance: Throughout 2014, the market showed deceleration. In fact, property prices since June 2014 - December 2014 did not go up further, due to weakening market activity. Domestic buyers fell away. The main cause here is the increase in bank interest rates, which rose sharply indeed. (6% in 2012 to 9.5% in 2014 for home loans). Also, the General Bank of Indonesia Policy requires the LTV (loan to value ratio) to be a maximum of 60% for the first home loan, 50% for the second home loan and so on. With this rule, there is no point for investors to buy the next property through bank loans because the deposit which needs to be paid will be too high. It is different to early 2011 when the maximum LTV was 80-90%. (Some banks even proposed 100% or no deposit). Local investors rely on bank loans for the purchase of their property. Because of the above they largely disappeared in 2014, which consequently weakened the market.

Now, what about 2015? The same story will go on. The market is likely to be slow. See also the latest press release from Bank Indonesia:

http://www.bi.go.id/id/publikasi/perbankan-dan-stabilitas/kajian/Documents/KSK_23_September%202014_rev.pdf Indonesian banks LDR rate (Loan to Deposit Ratio) showed an increasing trend to a level of 90% (even at 92 % in November 2014). This means the banks liquidity demands are tighter. As a result the banks will try to withdraw funds from the public by raising their deposit interest rates. The increase in deposit rates will automatically raise the interest rates on loans and the pressure on the property market will be even higher. As a result, the market will have to deal with another weakening factor. Which means, selling property will become more challenging again.



However, there is always reason to be positive. I remember the word for crisis in Mandarin is wei ji. The word WEI comes from WEI XIAN which means danger. In crisis there is danger. As opposed to JI, as part of the word HUI JI, which means opportunity. Thus, in crisis there is danger and at the same time also an opportunity. I think this is good thinking about how to interpret and determine strategies of anticipation. Therefore, which opportunities can we grab from the weakening market? Many! For investors now is the good time to buy property because there are increasing numbers of motivated sellers (surely continuing throughout the coming year). For sellers, which are the odds? If they want to find the opportunities (including property agents and developers), now is the time to look towards the foreign market. The Rupiah which is substantially weaker against the US dollar lets the price of the

properties in Bali "drop dramatically". (E.g. if the price of one plot is 1 billion Rupiah, the exchange rate last year was 9,000 / 1 USD = USD 111,111, while the current exchange rate is 12,200 / 1 USD = USD 81,967, a drop of 26%!!) Foreigners buying property in Bali can by today for considerably less. It will be one of my strategies to actively invest in 2015 in property. For example, today I am developing a property project geared to attract foreign buyers. Look as reference and for details here : www.dusunubud.com. So, which is your intention and strategy for 2015? Whatever your plans are, be sure to keep growing. We do not have to be better than anyone else, just be better than we were yesterday. A happy and prosperous New Year to you good people!