

3 Solid Tips on How to make a Profound Real Estate Investment in Bali

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Over the years I have seen many foreign property investors having a weak knowledge of Bali and subsequently making bad investment decisions. So, here are some tips to make sure that you will make a sound Bali real estate investment:

Cheaper is not always better-

When it comes to investments many people still believe Bali to be a third world island, and expect prices for real estate in Bali to be extremely low. Although they definitely are low, it is not uncommon for foreign property investors to buy a property in Bali mainly using a low sales price as a buying criterion. In reality though, Bali has a well running economy and the domestic market is strong. Properties in the prime

areas are not that cheap anymore, but still do offer excellent and solid long-term investment potential.

Like anywhere else in the world, location of a property is fundamental for making a good property investment. A property in Bali that enjoys a good location is guaranteed to produce stable rental incomes, and will also be easy to re-sell in the future. Due to lower land costs, a property in a less popular area might sell for 20-30% less, but most likely will be a bad investment as it will not generate any rental income and will be difficult to resell.

Understand that in today's market- fortunate exceptions aside- you get what you pay for. So be prepared to pay a bit more, to get a deal that will return your investment and more!

There is more to Bali than beaches

Although it makes perfect sense to want to invest in beachfront property in Bali. It is also true that when it comes to choosing a property people forget for example that while there are many beaches in Bali many of them don't have a sandy appearance and have no or very little infrastructure.

In most of the popular tourist areas in Bali, very few beachfront properties are for sale, as there is virtually no more beachfront land available for creating new real estate developments. However, many of the properties a bit off the beach are providing still excellent rental income depending on your target group.

For investment purposes, it only makes sense to buy a property in an area with an influx of clients, whether it is for rental or re-sale purposes. Of course depending on your target market, very few clients are interested in renting or buying a property in a location with no infrastructure like bars, restaurants and other amenities, which are necessary for enjoying a vacation. In case of wanting to rent your property out, ask yourself: what target group am I building for? Families? Couples? Elderly? And what facilities and surroundings will they need? Hence, for making a good investment: choose the location wisely and in line with your investment goals.

Forget about payment terms

During the booming years a few years back, when investors bought overseas property for flipping*, a lot of attention was given to payment terms. Good payment terms can indeed provide more leverage and potentially a greater ROI, but by making this a top criterion for making a Bali property investment, is a sure way to get the fundamentals wrong.

Remember this: the only way to make a profit on real estate investment in Bali is to find a buyer who is prepared to buy the property from you, for more money than you initially paid for the property. If the location is not right for the new buyer, or the build qualities are not what the new clients expects, it won't matter what your payment terms might have been when you bought the property. There is a difference between actually making a profit, and only making a profit on paper.

Summary

Properties in Bali in prime locations are still very cheap compared to most other countries, and the more the Indonesian economy grows, the more rental rates and subsequently rental returns will increase for Bali properties in good locations. Bali real estate can provide excellent and solid long-term investment potential, but it is imperative to base a purchase decision based on an understanding of the real market dynamics in Bali. Talk to one or more professionals, before you make your decision.

Our team of western and local professionals is happy to assist in finding an investment suitable for you. We work with selected expert legal advisers and with leading Notary Offices with a longstanding reputation for excellence in property transactions. This is our prerequisite for utmost legal safety for all our clients.

You will see, I, or any of our staff will genuinely enjoy to give you guidance and advice. More effective again- if you could come in person. It will be a visit well worth your while. Promise!

We are indeed much looking forward to the occasion and privilege of hearing from you. Yours Sincerely,

Ramon Genz
Ubud Property

*For more information on different kinds of investors, please see our previous News Letter by Dani Sulistyono.