

Buying Right in Bali

10 tips



01.

Decide why you're buying

What's your primary motivation? Lifestyle or investment?

If it's a little of both, which is more important? Understand why you are buying and you will make better choices.

Be clear, especially if you're planning to build, because your desires and needs will drive a range of other important choices such as location, and the property's size, number of bedrooms, configuration and facilities.

02.

Understand the importance of location

If you're buying for predominantly lifestyle reasons, then naturally you should choose a location that

matches your tastes and preferences.

If utter seclusion – miles from anywhere – is your thing, that's fine, but if renting your home when you're not in residence is important, remember that the vast majority of holiday-makers prefer to be close to shopping, restaurants and nightlife.

Should you wish to maximize rental potential, it's our experience that the Greater Seminyak Area (Seminyak, Petitenget, and Batu Belig) and a little further North towards Canggu (Berawa,



Echo Beach) are the islands most popular rental locations.

Seminyak of course has its up-market boutiques, nice beaches, sophisticated restaurants and nightspots such as the W Hotel, KuDeTa, Potato Head and the Mozaic Beach Club. However with infrastructure quickly developing around the Canggu Club and into the Echo Beach areas, villas are more moderately priced compared to Seminyak, and the potential for an equal or better ROI is realistic.

Other notable districts continuing to rise in popularity and attracting considerable investment include the Bukit (the area south of the airport) with its majestic cliffs, Bali's east and northern coasts which are now easily accessible via the Sunrise Bypass, and Nusa Lembongan island which is just a half hour boat ride from Sanur.

03.

Decide whether to build

Many people relish the challenge of building their own place in Bali and there are some fabulous plots of land on which to do it.





If you're considering building, once again be very clear about what your primary motivation is. If investment is king, then the size and type of place you build will be driven by its rental potential.

That potential is going to be dictated by appearance, size, functionality, features, and then later its quality of staffing and rental pricing. Think carefully about what your plans are. Will they appeal to the rental market?

If your plot of land is substantial, you may consider building two (or more) smaller houses on the property. Each should be completely self-contained and offer separate garden, swimming pool, entrance way and staff area. This will give you greater rental and owner use flexibility.

Another alternative for larger properties, especially those that are further from town, is to build a "destination" villa.

This is a villa with such a high-level of facilities and comfort – and with a top end food and beverage services – that guests don't feel the

need to routinely leave the property and begrudge its distance from other local attractions. Large villas are also ideal as function venues— such as weddings, birthdays and corporate events— which can be an important driver for occupancy and hence rental return, and this should be included into your architectural mandate.

Not only are functions excellent sources of additional revenue, they are useful in exposing



your property to a wide range of potential guests, and generating word-of-mouth referrals. If you decide to build and investment is your main consideration, it is wise to involve a professional property management and rental team before the architect's pencil has even touched paper. That way you can determine proper service facilities, market appeal, and hear about the tweaks that can make it both a great vacation home as well as a great investment.

By doing this, you'll ensure that your property is built to maximize its rentability right from the start – a much more desirable state of affairs than a villa built with no thought of its commercial viability, which then has to be retro-fitted or substantially altered to suit the rental market. You'll be surprised how often this happens!

04.

Considerations of stand-alone villas vs. an estate property

People who purchase in Bali for lifestyle reasons along with investment often prefer the independence and privacy of a stand-alone property. These villas are not restricted in owner usage and there are plenty of reputable management companies on the island who can oversee the property and rentals while the owners are away.

On the other hand, many villas are alternatively part of estate developments.

This means that they are one of a number of other villas which share certain facilities and services in common. These might include room service, restaurants, car parking, security, housekeeping, maintenance, and recreational amenities such as tennis courts and spas.

Established estates are popular with purchasers



because their managing companies are generally experienced and the systems and facilities are tried and tested.

In addition, operational costs, which the purchaser pays for on a periodic basis, are potentially lower because of the economies of scale created by sharing services.

05.

Know what's involved if buying "off the plan"

Many properties in Bali are offered "off the plan."

In other words, they have not yet been built. By contracting to purchase and pay by installments, in effect, you're funding the continued construction of the development.

There are inherent risks in this type of offering, and you should take the utmost care in satisfying

yourself of the bona fides of the developer before committing yourself.

Some tips we suggest are that buyers' deposits are held in escrow by the transaction Notary along with the Hak Milik title being purchased; ensure that construction milestones are with the title being purchased; ensure that construction milestones are reached before progress payments are made; and make certain that contractors and developers meet their tax and licensing obligations before.

06.

Review ownership options

Only Indonesian nationals may own a freehold title.

If you are not Indonesian we suggest speaking with a third party legal/investment consultant and/or lawyer on which options are available for you.

Leasing from the Indonesian owner for an agreed



period of time is easy to arrange, but once your lease term is up, the property – and any improvements you might have made to it – reverts to the owner. The term of lease is critical in terms of possessing a transferable asset that will appreciate with time and be attractive to others in terms of on-selling.

In addition, when you come to extend your lease (if it doesn't contain fixed terms for extension stating pricing and length) you may face a crippling rent increase unless the utmost care is taken in quantifying the extent of any rise when the initial contract is drafted.





In many very developed areas, such as the district of Seminyak, it may be very difficult to find a freehold title. Always remember that value is relative to the comparable market. In locations that offer many properties for sale in freehold, the market will view a leasehold as less desirable and this should be reflected in its value at purchase and definitely at its time of resale.

07.

Ensure that you deal with experienced, reputable property professionals

There are literally dozens of real estate offices in Bali – the vast majority having sprung up in the last few years.

When it comes to buying property in Bali, there is no substitute for experience and a first-class reputation.

Elite Havens in association with Knight Frank is Bali's acknowledged leading real estate firm. Its partners are regularly quoted in international media about the Bali property market, and Elite

Havens is always ready to provide references from individual and corporate clients located within Indonesia and abroad whose investments we have structured and properties we manage.

We are now celebrating 13 years of commitment to this market. We will not compromise our reputation, and we will not cut corners nor work with unethical people.





08.

Do your homework

Once you have found something you like, whether it's land, an "off the plan" villa, a place in a managed estate, or an existing free-standing home, you need to perform rigorous due diligence. With any property purchase in Indonesia, you must use a Notary who is essentially a government agent working for both parties to process the information relating to the sale. However we also suggest retaining 3rd party legal professional to analyze the information processed by the Notary and guide the sale in a buyer's best interests.

It is important to do due diligence on all the legal aspects of your purchase – from the most basic considerations such as whether the vendor actually has the right to sell the property, through to all tax implications, licensing requirements, government fees and other governmental factors.

Basic due diligence is as follows:

- certificate of title(s)
- land and building tax receipts
- identity card of land title holder and spouse
- family card of title holder
- tax file number of title holder
- any encumbrances by foreign parties
- building permit
- construction tax payment receipt
- deed of separation of marriage (if Indonesian married to a foreigner)
- any other agreements related to the property (if any) such as nominee agreement, mortgage paper, will or other statements /agreements

However there is more to due diligence research than just the legal details. In the case of an existing house or villa, you should also satisfy yourself that you are aware of the physical condition of the buildings; the relationship with the Banjar (the local community council); access to fresh water; electrical systems; drainage and waste disposal systems; noise or other impediments to peaceful living; security issues; and existing management contracts.

For land, you will also want to know about road access; drainage; soil stability; potential site works problems; building restrictions; and commercial or governmental developments planned for the area that might impinge on the property.

We also suggest you have the following inspections completed before buying:

- architectural
- structural
- mechanical, electrical and plumbing
- pests
- landscape
- geological of cliff properties or wet land areas, as well as an erosion/sea wall inspection for waterfront properties





09.

Get independent advice

Elite Havens actively encourages its clients to get independent advice before committing to a purchase. It is best to seek legal counsel to get familiar with title options and legal mechanisms for purchase before choosing the property.

Owing to our long standing presence in the market, Elite Havens can provide you with the following guidance:

- independent legal and investment advisors who can carry out the due diligence process on your behalf;
- reputable notaries licensed by the Indonesian government to undertake real estate transactions;
- experienced and trustworthy contractors and builders for both developing a property as well as inspecting an existing property.

10.

Consider the benefits of a property management company

If return on investment or high service levels, is important to you, a professional property management company such as Elite Havens' associate firm, BHM (Bali Homes Management) which operates some the island's leading villas, adds considerable value to any property. A property management company's responsibilities can be divided into two major functions – operations and marketing & distribution. The operational aspects of managing your home include staffing, accounting, training, local relations, guest hospitality, maintenance and security, amongst a variety of other functions.

Just as demanding is the marketing & distribution of your villa. Our sister company, Marketing Villas Ltd, has quickly become Bali's leading marketing and distribution agency.

In selecting a management company, especially if it tied to the purchase of a villa within an

estate, you should look for a company with proven track record in promoting multiple-room accommodation (a specialty market in the travel industry) as well as the ability to organize staff and deliver service to agreed standards. Promises are easy to make; but actually fulfilling them is what matters. Review management contracts carefully to determine what control you can exercise over the management company once it starts working on your behalf.

BHM's standards of guest hospitality equal or exceed those of 5-star hotels, and its success in guest acquisition is the benchmark by which other Bali villa management companies are judged.

BHM, in conjunction with Marketing Villas Ltd, offers both full service marketing and operational contracts, or for those who pursue their own operational solutions - marketing & distribution as a separate service.

Purchasing a property takes a relatively short time, while a management solution should last the course of ownership. Examine your options carefully before entering into a relationship.

