

Bali outstrips glamour destinations for villa investments

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This villa in Batu Belig is on sale for \$2.8 million. *Source:* Supplied

Bali is eclipsing glamour destinations such as Ibiza and Mustique when it comes to real estate investment performance.

With villas on the market for up to \$US11.5 million (\$16m), Seminyak remains the most popular precinct on the so-called island of the gods, earning villa owners gross revenues of \$US76,270 a year, outstripping returns from beachside Sanur (a favourite haunt of expats) and Ubud (home to yoga and spa lovers), according to research from Villa-Bali.com.

Given the cocktails, designer food and entertainment, one can live the glamorous rock star life in Seminyak, hopping from one trendy nightspot to another. It has led to enormous price growth and if the local government proceeds with a new international airport on Bali's north coast, connected to the south with a toll road, land prices around the airport will skyrocket.

Villa owner and development consultant John Blyther has owned Belong Dua, a traditional-style villa at Seseh, a small fishing village on Bali's southwest coast, since 2007.

"It is a labour of love if you like," says British-born Blyther, an architect. "I think sometimes these villas appreciate over time, but they were not necessarily developed from a hard-nosed spread-sheet perspective."

"That is the mistake some make if they look at owning a villa in Bali with a guaranteed short-term return. It is a little bit of a labour of love; if you invest well you do well because the capital value increases."

Blyther says short-term returns are possible but investors should not expect returns every year. "There has to be a love component. My wife is Balinese and that helps. I am very happy, I think the quality of life is very good."

Blyther, whose villa is managed by luxury villa rental agency Elite Havens, says he was attracted to Seseh as it is rare for a Balinese village to be so close to the beach.

Back in Seminyak, at properties such as The Layar, a designer complex of 23 villas managed by Elite Havens, it is typical for Asian owners to spend one month each year in a two-bedroom villa, renting out the six-star villa during the rest of the year to cashed-up holiday-makers from Australia, Singapore and, in a sign of the island's growing international status, the Middle East.

Despite Bali's strong villa rental market, Andrew Hay, Knight Frank's London-based global head of residential, says the Indonesian island is a tough place to do business. "But we love it," he adds.

Elite Havens and Knight Frank joined forces several years ago to operate Bali's largest villa management and sales company. "The leasing business is phenomenally successful but the sales market is pretty tough," Hay says. "The government has not been helping things in terms of people trying to work out what is happening next and whether they should invest."

"There has been a lot of rumoured anti-overseas investment legislation which has not come to fruition but the thought of it has scared people away."

Foreigners are not allowed to own real estate in Indonesia outright but they can co-own it with an Indonesian-born citizen. "There are a few British and Europeans wanting to invest," says Hay. "I have a client who has property in America, Europe and Bali, but investing in Bali is for the more adventurous."

Foreigners can hold long-term leases over villas and land, says Sydney-based property consultant and architect Rodney Jensen, a frequent visitor: "This means you have to sign up for 20 years or be married or on good terms with an Indonesian national. The biggest risk is the exchange rate ... the value of your investment depends on the exchange rate."

Seminyak-based Elite Havens director Matthew Georgeson says Bali's villa investment market is picking up. "We have seen a jump in the market due to Australian buyers lately," he says. "Australians make up 20 per cent of Bali's purchasers. I am surprised with the dropping Australian dollar there is this interest but the market has definitely bounced back."

The writer stayed in Bali with the assistance of Elite Havens

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