

MAZARI
VILLAS

Bali Property Market Guide

A FOREIGN INVESTOR'S STARTING GUIDE TO
UNDERSTANDING BALI'S REAL ESTATE MARKET



Your Bali story starts here.



When our Founder, Angela, started her Bali story, property ownership was less clear-cut.

Beyond practical hurdles like finding a trustworthy developer who won't cut corners and getting the right advice on legal ownership as a foreigner, there was also a more fundamental question: How can she invest in Bali while preserving the beauty she fell in love with?

Angela saw a gap in the market that other property developers overlooked – the need for high-ROI homes rooted in being good neighbors to the Balinese and preserving the island's natural beauty. So Mazari Villas was born.

This guide is designed to help fellow conscientious investors start their Bali journey on the right foot.

Join us in creating a lasting, positive impact on Bali while securing your piece of paradise.

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Section I

Property Ownership Rights of Foreigners in Bali, Indonesia

Understanding the legalities of owning a Bali property

Bali, Indonesia is a tropical paradise that attracts millions of tourists each year. With its beautiful beaches, lush jungles, and vibrant culture, it's no wonder many foreigners are interested in purchasing a property in Bali as an investment asset, a second home or both.

In this section, we'll take a look at the ownership options available for foreigners who want to invest in Bali's real estate market.

To better understand property ownership in Indonesia, let's first examine how property ownership generally operates on a global scale. Across the world, the two most common forms of property ownership are freehold and leasehold.

Freehold ownership grants absolute and indefinite ownership of a property or a piece of land, while leasehold ownership provides the owner with the rights to the property for a fixed period of time, which can range from a few years to several decades. Many countries have both forms of property ownership.

In the UK, for instance, leasehold ownership is very common, particularly for flats and apartments where the freehold of the property is owned by a landlord. Under a leasehold arrangement in the UK, a leaseholder owns the rights to a property for 99 to 125 years. Leasehold ownership is also present in the US, although it is less common than in the UK, and leasehold rights can range from a few years to several decades.

Freehold ownership is what most people expect when they purchase a property. However, because leasehold rights can extend over several decades, some leaseholders can mistake leasehold ownership for freehold ownership.

Now, turning to property ownership in Indonesia. Freehold and leasehold ownership are both common forms of property ownership in Indonesia, in addition to a third form of ownership that shares similarities with leasehold ownership. However, there are limitations on which ownership rights foreigners are permitted to acquire. In the following sections, we will explore these three forms of property ownership in Indonesia.

1. Freehold or “Hak Milik”

In Indonesia, freehold ownership rights are restricted to Indonesian citizens only. To circumvent this restriction, many foreigners have acquired freehold property using an Indonesian nominee who acts on their behalf to obtain the freehold title. However, this approach should be avoided since the nominee legally holds full ownership of the property and has the power to claim the property at any time.





2. Leasehold or “Hak Sewa”

Leasehold ownership in Indonesia is available to both Indonesian citizens and foreigners. Foreigners can even acquire leasehold properties without any residency status in Indonesia. This arrangement involves an Indonesian freehold landowner leasing their land or property to a buyer, who pays the landowner for the initial lease period and each time they wish to extend the lease. Leasehold rights in Indonesia are executed before a notary and have strong legal protection for the leaseholder. During the leasehold period, the leaseholder has virtually the same rights as a freehold landowner, including the ability to sell or bequeath the leasehold right as an inheritance.

In Bali, leasehold agreements are typically for 25 to 30 years and can be extended by purchasing additional years from the freehold owner. While there are no legal restrictions on the duration of leaseholds, it is common practice to extend them to maintain the duration at 25 years.

Some leaseholders aim to extend their leases every few years, while others top up the leasehold duration back to 25 years only when they are ready to sell the leasehold property to capture its full value in the selling price.

One major advantage of leaseholds in Indonesia is their affordability, with typical prices ranging from a third to a fourth of the cost of a freehold property. This makes leasehold ownership an attractive option for investors seeking higher ROI while enjoying most of the benefits of freehold ownership. As a result, leasehold ownership is the most popular form of property ownership among foreigners in Indonesia.

3. Right to Use or “Hak Pakai”

Hak Pakai is another ownership right available to foreigners in Indonesia—it is virtually identical to another form of ownership known as the Right to Build (“Hak Guna Bangunan” or HGB). To keep things simple, we will only refer to Hak Pakai in this section.

When a freehold property is sold to a foreigner, it must be converted to Hak Pakai ownership and if the Hak Pakai property is sold back to an Indonesian, it reverts back to freehold ownership. Hak Pakai ownership shares similarities to leaseholds as ownership is not indefinite and must be extended. This title grants ownership rights for an initial period of 30 years and can be extended for 20 years, and then renewed for a maximum period of 30 years, corresponding to a total ownership period of 80 years.

When an Indonesian sells their freehold land or property as Hak Pakai, they are effectively giving up all rights to that property. As a result, extensions of a Hak Pakai ownership are done through the government by submitting an application to the National Land Agency and paying the appropriate extension administration fees – unlike in leasehold extensions where the leaseholder pays the freehold owner for extensions. Hence, extensions of Hak Pakai are administrative processes with the government and unlike leaseholds, are not dependent on negotiating with a freehold owner or on the market price of the land at the time of extending.

However, acquiring property in Indonesia through Hak Pakai can be a more arduous and costly process for foreigners due to several factors:

- Foreigners need to establish an Indonesian limited liability company (known as a PTPMA) in order to obtain the Hak Pakai property. This form of ownership cannot be obtained under a foreign individual's name, unlike leaseholds.
- A minimum investment of 10 billion IDR (approximately USD \$660,000) is required for the foreign-owned PTPMA.
- Maintaining the PTPMA in Indonesia involves ongoing compliance administration and costs that are legally required for companies.
- Purchasing land or property under the Hak Pakai title tends to be 3-4 times more expensive than purchasing a leasehold, resulting in longer payback periods.

Despite these challenges, some foreigners still find the predictability offered by Hak Pakai ownership extensions to be a viable option.



No matter which ownership method you select, the value of working with a professional who can provide guidance throughout the process cannot be overstated. Many foreign buyers who attempt to purchase land and property in Indonesia without proper due diligence fall prey to common pitfalls. Beyond ownership rights, there are numerous other factors to consider, such as land zoning and permitted activities, to ensure that the property can be used for its intended purpose. At Mazari Villas, we not only ensure a seamless and stress-free purchasing process, but also guide and advise you on all aspects of your investment asset, so you are fully informed.

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Section II

The Bali Property Market Post-Pandemic Recovery of Key Bali Locations

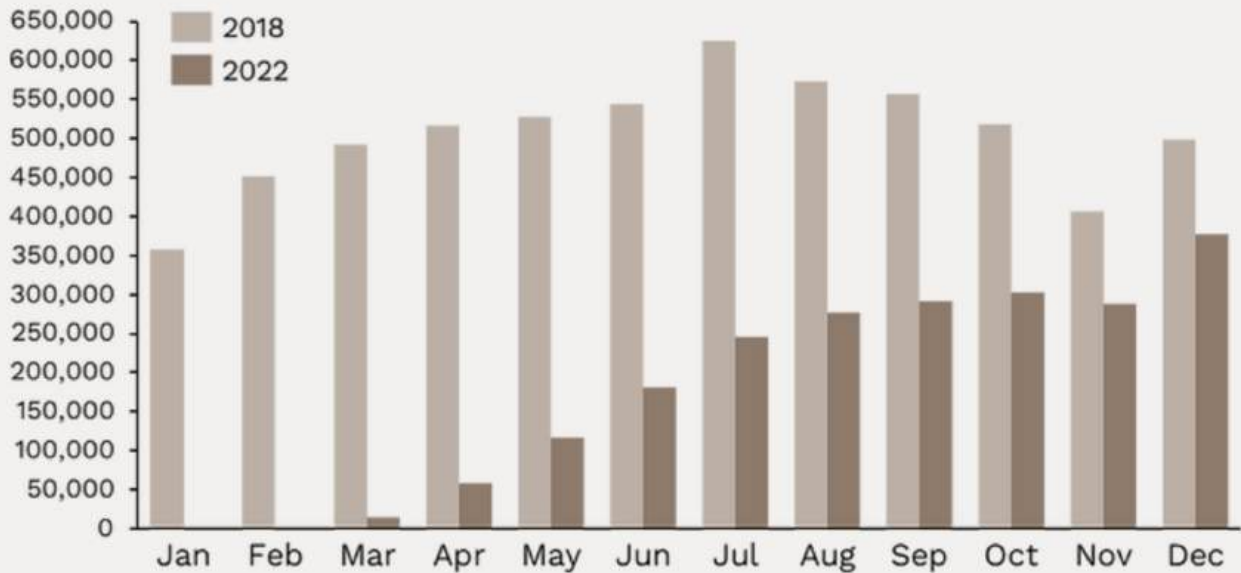
What the data says on Bali's post-pandemic recovery

Like many destinations popular with tourists, Bali's rental market was heavily affected by the restricted travel and border closures of the COVID-19 pandemic. Bali, a resilient market that has a history of quickly bouncing back after sudden shocks, has rebounded exceeding pre-pandemic levels by mid-2023.

The number of international arrivals to Bali dropped down to zero as the world shut down. Since Indonesia fully reopened its borders in February 2022, international arrivals have been steadily rising.

However, the short-term rental market in Bali paints a very different picture. Unlike monthly arrival data, property demand in Bali has recovered to close to or past pre-pandemic levels – a dynamic driven by the fact that Bali is

experiencing a growing number of foreigners visiting for longer, months at a time or permanently relocating to Bali.



The number of international tourist arrivals to Bali in 2018 and 2022

Source: Bali Central Bureau of Statistics

Government initiatives to attract more long-term visitors with new visa options is contributing to this trend. As people visit for longer, the accumulative number of visitors is driving the higher demand for properties to levels not seen before in Bali.

Property demand and recovery since the pandemic has not been uniform across the different locations of Bali. Seminyak for example, a prime location for tourists but less favored by long-term visitors and foreign residents, has rebounded but is still below pre-pandemic levels.



Villa booking demand in Seminyak Jan 2019 to Jan 2023

Source: AirDNA

The demand for property rentals in Ubud has recovered more quickly than in Seminyak, likely due to its popularity among long-term visitors attending wellness and spiritual retreats, in addition to traditional tourists.



Villa booking demand in Ubud Jan 2019 to Jan 2023

Source: AirDNA

In Canggu on the other hand, property demand both for rental and purchase have exceeded pre-pandemic levels as it is highly favored by longer term travels and residents. However, as Canggu grows increasingly crowded with hordes of new residents, domestic and international tourists and expats, many are turning their attention to other areas. The Bukit Peninsula, especially Bingin, is rising as a popular alternative to Canggu, thanks to its stunning landscapes, low density and the concentration of many of Bali's best beaches.



Villa booking demand in Canggu Jan 2019 to Jan 2023
Source: AirDNA

Though the current total demand in the Bukit area is still below that of Canggu, the comparatively low supply of properties means that the Bukit market has also recovered to exceed pre-pandemic levels with plenty of room for growth.



Villa booking demand in Bukit Jan 2019 to Jan 2023
Source: AirDNA



While the Bukit region has been a popular tourist destination for some time, boasting various attractions such as luxurious beach clubs and the iconic Uluwatu temple, it is primarily dominated by hotels and resorts, with a limited supply of modern, private villas. However, with the increasing preference for private accommodations over hotels, and with more foreigners relocating to Bali, the Bukit area, led by Bingin, has emerged as a fast-growing location on the island.

Overall, Bali is expecting the number of international arrivals in 2023 to exceed pre-pandemic levels as traditional tourism fully returns. The combination of increased tourism and rising number of long-term travelers and expats is expected to further accelerate the rate of development of emerging areas like Bingin and the broader Bukit area.

Section III



Where to Invest: The Key Bali Locations Every Potential Investor Should Know About

Invest in a location most suited to you

Rental properties in Bali generate anywhere from 10% to 20% annual return on investment (ROI) which equates to a payback period of 5 to 10 years. Many factors will affect the earning potential or ROI of a property such as the amenities, design, build quality and of course, the location.

The age-old real estate investment mantra of "location, location, location" holds particularly true on the Island of the Gods. For anyone considering purchasing property in Bali, the first and most crucial consideration is the area in which to invest. Let's take a pit stop and explore some of the neighborhoods in Bali that every prospective investor should know about – these locations are popular among tourists and foreign residents alike.

1. Seminyak

Seminyak, one of Bali's original tourism hubs, offers a wide range of experiences to suit different budgets. Visitors can enjoy a luxurious experience with a plethora of upscale hotels, guesthouses, restaurants, bars, nightclubs, beaches, and shops. At the same time, the area caters to budget-conscious travelers with affordable accommodations, local eateries, and street markets.



Its central location attracts people from neighboring areas who come to experience its vibrant nightlife, beach clubs, and culinary scene.

Although Seminyak's popularity was eclipsed in recent years by neighboring Canggu, it remains a popular destination among international and domestic tourists. However, it is not a top choice for those seeking a permanent residence in Bali. As a primarily tourist-focused area, Seminyak was hit hard by the COVID-19 pandemic compared to Canggu, which has a larger population of foreign residents.

Still, Seminyak's heavy reliance on tourism makes it a promising location for investment properties intended for holiday rentals. As one of Bali's oldest developed areas, most properties in Seminyak are dated and not in line with current design trends. There is also a limited supply of modern villas for sale in the area, so prospective investors may need to purchase and renovate existing properties.

2. Canggu

Canggu, along with surrounding areas, Berawa and Pererenan which are collectively typically referred to as 'the Canggu area' is the most popular location in Bali.



The area started developing less than 10 years ago and quickly transformed into a vibrant, eclectic location, attracting visitors and new residents from all over the world. The area is home to an array of trendy beach clubs, cafes, bars, restaurants and many large supermarkets competing for business. It is a hotspot for surfers, digital nomads, and those seeking a more relaxed lifestyle. Given the high population of foreign residents, Canggu was the least affected by the COVID-19 pandemic among the prime tourist locations in Bali.

Real estate in Canggu has been a very active market in recent of years, with many new developments and luxury villas popping up to fill the demand for rental and holiday villas. The area has the highest property prices, and the rapid land appreciation has meant that developments tend to be on smaller plots of land with higher build density. As the area is almost completely developed, new developments tend to move further north or West of Canggu.

However, Canggu is also a victim of its own success, growing very crowded in a short time span

with infamously heavy traffic making it challenging to move around the area. While still the most in demand location on the Island, many residents and tourists seeking to avoid the crowds and traffic are turning to other locations on the Island offering more relaxed lifestyles.

3. Ubud

Ubud is a vibrant cultural and spiritual hub that draws yogis, writers, and artists from around the globe. Its reputation as a global destination for yoga, spiritual tourism, and holistic lifestyle was enhanced by movies like 'Eat Pray Love'. This area boasts rich cultural heritage, surrounded by lush rice fields, temples, and traditional Balinese villages. It is also an excellent place to explore the best local cuisine and connect with Balinese culture, with many families opening their homes to visitors. Although its location at the center of Bali means it is further from Bali's beaches, it offers stunning jungle views that are popular with nature lovers.

Ubud offers a calmer lifestyle than the bustling Seminyak or Canggu, catering to a different crowd. Still, you will find many trendy boutiques, retail stores, hotels, and restaurants at the center of Ubud. It is a popular location for unique boutique hotels, including stunning bamboo constructions perched atop sweeping jungle views. Though there is a sizeable option of private villas for sale, the market is smaller than in Canggu or Seminyak, with new developments located on the outskirts. Property prices are generally lower, and rental revenues are also lower, but investments still command attractive returns.

4. The Bukit Peninsula

The Bukit Peninsula at the southernmost corner of Bali is a large area with different neighborhoods that have risen to become popular destinations. It is a large and stunning rocky headland known for its rugged coastline, white-sand beaches and world-class surf breaks. It is home to the popular locations, Nusa Dua, Uluwatu and Bingin.

NUSA DUA

Nusa Dua is a premiere tourist destination located on the eastern side of the Bukit Peninsula, with long stretches of white sand beaches with crystal clear waters. It is a pristine, carefully groomed exclusive location with a security check point to enter the area. The area is home to high-end international hotels, luxurious spas, fine dining restaurants, upscale shopping complexes, an exclusive golf course as well as world class convention centers used for international exhibitions and events such as the 2022 G20 Summit.

This location attracts travelers looking for a refined vacation experience centered on high-end resort living and idyllic beach retreats. As a result of the area's significant development and prevalence of premium resorts, investment opportunities for properties in the region are limited.

ULUWATU & BINGIN

Uluwatu, on the westernmost tip of the Bukit Peninsula and Bingin, on the northwestern corner are two towns within 10 minutes of each other. They share similar characteristics and are often collectively referred to as the "Uluwatu area"





Uluwatu has long been a highly sought-after destination by tourists. Perched on a cliff overlooking the ocean, Uluwatu Temple is one of Bali's most iconic landmarks and a long-time favorite with tourists who come to explore the temple's beautiful architecture and experience the famous Kecak Fire Dance at sunset. The stunning cliff top views and high-end resorts make Uluwatu a particularly popular location for weddings and honeymoons. Other famous attractions of the area include New Kuta Golf, a world-class championship course located at the heart of Bingin and known for its challenging layouts and stunning ocean views.

Both Uluwatu and Bingin offer a unique mix of surf culture, luxury resort living and casual laid-back lifestyle and as a result, attract a variety of travelers. Despite the presence of some of the most luxurious resorts and exclusive beach clubs, the overall ambiance of these areas has remained low key and low density with a natural and relaxing charm that stands in stark contrast to the busy atmosphere of Canggu.

Instead of the bustling nightlife scene found in Seminyak and Canggu, nightlife in Uluwatu and Bingin tends to be more relaxed and centered around sunset cocktails and live music at cliffside bars overlooking the ocean. Nevertheless, those looking for party scenes can still find them in venues like Savaya Beach Club, known for hosting some of the most famous parties in Bali.

In the past year, Bingin has taken the forefront as the corner of Bukit for modern private villas, pulling in both tourists and new Bali residents. It is evolving as a trendy location, popular among those wishing to avoid the crowds of Canggu in favor of a more relaxing lifestyle. Property investment opportunities are still limited compared to hotspots like Canggu, with few modern villas available to choose from. Investors seeking emerging and trendy locations with high potential for growth in a rapidly expanding market will find Bingin an attractive prospect.

Isabel's Story

An Australian's Journey as a First-Time Bali Property Investor

Isabel Whitaker, a 47-year-old chocolate shop owner from Oakdale, NSW, was searching for the perfect retirement plan. With property prices in Australia skyrocketing, Isabel knew she needed to look beyond her homeland for a solution that offered both affordability and the lifestyle she craved.

Bali, a destination she had traveled to her whole life, presented itself as the ideal choice.

Why Bali?

Isabel decided to invest in a three-bedroom villa at the luxury Mazari Villas development in Bingin, Bukit Peninsula, Bali. "Property prices in Australia are unaffordable. I was seeking a retirement plan that allowed me the flexibility of a holiday region such as Bali, a region I have traveled to my whole life, and the stability of a home in Australia to be close to my family," Isabel explains.

When considering her options, Whitaker opted for a lifestyle choice; "I want to retire and properties in Australia are unaffordable. I had a budget, and this was an excellent way for me to use my money and set up my retirement and tax-wise, it's better for me to invest in Bali than in any other region in the world."

A Strategic Investment

The Mazari Villas offered an attractive opportunity, with prices starting from as low as USD \$232,800 for a one-bedroom villa. With a 15% deposit and the remainder paid over a year, Isabel was able to make her dream of owning a property in Bali a reality. "It's likely that I will only use my three-bedroom villa for up to four weeks in the whole year, so I am relying on income from the holiday rental to provide me with the return on investment which has been estimated between 15-20% net per annum," she shares. The development's prime location in Bingin, a popular area for tourists and long-term residents alike, promises a steady stream of potential renters.

According to the Indonesian Government's Investment Coordinating Council, investment in Bali's real estate has grown by 28.5% in the past two years. The region has firmly established itself as a leading global hub for property investments, boasting an impressive annual return ranging between 10-20%.

"This was an excellent way for me to use my money and set up my retirement."

Isabel Whitaker, Australian Investor

How to Purchase a Property in Bali

Purchasing property in Bali as a foreigner can be a rewarding experience. With its stunning landscapes, vibrant culture, and growing economy, the island offers a unique investment opportunity.

Navigating the legalities and ensuring your investment is secure requires working with a reputable developer who understands the nuances of Bali's property market. With the right guidance, you can own a villa in one of the world's most sought-after locations with minimal hassle.



Mazari Villas: Your Trusted Partner

At Mazari Villas, we've crafted a buyer-friendly process that simplifies securing your dream villa in Bali. Whether you're looking to invest remotely or plan to visit in person, the process is designed to be as smooth as possible.

Here's how it works:

1. Reserve Your Villa

To begin, you can reserve a villa for 14 days with a refundable \$2,500 reservation fee. This holds the property for you, ensuring no one else can purchase it during this period.

2. Review the Contracts

During the 14-day reservation period, you'll have the time to review all contracts carefully. We encourage you to ask questions and seek legal advice if needed. If you're not completely satisfied, you can cancel the reservation within this period and receive a 100% refund of your reservation fee.

3. Sign the Purchase Contracts

Once you're ready to move forward, you'll sign the purchase contracts and pay the initial deposit, which is 15% of the villa's purchase price. The \$2,500 reservation fee you initially paid will be applied toward this deposit.

Mazari will give you timely updates on your villa's construction progress so that you're up-to-date whether you're in Bali or investing from overseas.

Because all villas by Mazari are turned over fully-furnished, you can start earning or staying in your property from day 1.



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