

Property prices are continuing to increase.

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Dani Sulistyo - Director of PT.UbudProperty says -

In the last 4 years, the trend of rising property prices increased drastically. The "standard" formula that a 100% price increase will occur every 4 years did not apply any more. In fact, 100% of increase were reached in just 2 years, and in some special areas it took even only one year to get a 100% profit. Wow!



Some people began to talk about the emergence of a property bubble. Quite understandable, based on the simple fact that everything that goes up usually comes down one day. Property prices will not rise forever. At one point raised prices would not be affordable anymore, so the price will be automatically corrected. The question is, when will this saturation point being reached, or when will the bubble not hold any longer?

Leading industry sources and I myself tried to find the answer by looking into why the property prices soared that much. We are dealing with factors that are fortunately fundamental, so the increasing trend is likely to last long, likely several more years. Governing all is the improvement of Indonesia's macro economy. Amid the global economic crisis, Indonesia recorded a growth of 6.5%. This figure is the second highest in the world after China with 11% growth.

In short, Indonesia is very healthy, self sufficient and continues to grow even when developed countries in Europe and America are on crisis. This economic growth is driven by domestic consumption which increased significantly, which then becomes our second factor. Indonesia GDP figure is penetrating the psychological barrier of \$ 3,000. Referring to the experience of other countries such as China, reaching \$ 3,000 may take a dozen years. But once its passed, the next level will be reached in a much shorter period. This \$ 3,000 GDP can not be underestimated considering that the denominating factor is the huge number of Indonesia's population with 270 million consumers.



Data from an AC Nielsen survey and Credit Swiss showed an amazing increase in the number of wealthy people in Indonesia. In 2011, Indonesia saw 50 million new 'well off' people, accompanying the former 5 million super rich people in Indonesia. This phenomenon is seen as "rise of the middle class". - These new wealthy people have completed their primary needs, and are now targeting secondary and tertiary needs such as vacations, cars and investments. Bali as the number one tourist destination enjoys an abundance of good fortune from these new financially well situated citizens.

If you are near Jl Raya Kuta and Sunset road, there are many city hotels with room rates IDR 500 thousand - 1 million, newly built and fully occupied, proving the above right. The potential of "middle class" is incredible. Compare it with the total population of Malaysia which is only 26 million, and not all of them are rich. Indonesia has 55 million of rich people. Ready and eager to buy!



The third factor is the level of tourist arrivals to Bali, which continues to reach new records each year. Since 2009 foreign tourists increased steadily by 20% per year. In 2011 Bali has been visited by nearly 3 million of overseas tourists, another new record. That is not including the domestic and newly rich group which easily can be found in every corner of the Bali Gift Store Scene, every day all year around (not just on school holidays and during the new year as in the previous years). It turns out that Bali's economy is growing, all businesses are running, people have money, also being spent on property. The trend holds and

therefore prices will continue to move up.

The fourth factor is also remarkable. Based on an Indonesian population survey, completed in 2011, 60% of Indonesia's population are in productive age or still children. This means with the growth of the nation, the economy will continue to grow as consumption increases. This condition is similar to Japan in 1955. Indonesia is like becoming a beautiful girl coveted by international investors because of its huge potential market and will continue to evolve naturally. Automotive and gadget companies now launching their new products in Indonesia more intensively than in other countries. So long as there is no 'force majeure', the trend of those extraordinary positive developments are seen to last for a very long period, at least until the productive age starts to decrease.

As a result, property price increases are almost certain to continue. It is by no means too late to invest successfully. Today the price is already above year long traditional levels, but will keep going higher. Time to read the signs and to buy property. The next question now is - how to earn profit during the trend of rising property prices?

What kind of properties to buy, where to buy and then what to do best with your golden egg?
Looking forward to discuss this with you in the next edition