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Lombok – an up-and-coming resort investment frontier?

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Andrew Corkery, managing partner of Indonesian resort developer Selong Selo Group, first saw Lombok's potential as a resort destination in 2009 when he visited the island with his business partners. "We saw its untapped potential as the next tourist destination," he says. "We felt Bali had become saturated and commercialised."

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he 38-year-old Australian was a director of foreign exchange options trading at RBS Global Banking and Markets in Singapore before he decided to call it quits after 11 years in financial services. In 2010, he became a full-time partner of Selong Selo Group, which he co-founded with several investors and an Indonesian partner in 2009.

The group has since purchased 70ha of development site on the hillslope of southern Lombok. The first phase comprising 15ha is currently being developed into its maiden villa project called Selong Selo Residences. The project was showcased in Singapore last November and on April 23 this year as part of its overseas roadshows.

First phase 74% sold

To date, 46 of the 62 plots of land offered for sale at Selong Selo Residences have been taken up. Of the 46 plots, 10 were purchased by expatriates in Singapore, another 20 by Hong Kong-based expatriates, and the rest by those from Australia, Indonesia and the US.

While Indonesians are allowed to buy and own freehold land, foreigners in Lombok are restricted to buying property on a 100-year leasehold tenure. At Selong Selo Residences, land sizes range from 5,400 to 16,000 sq ft. Buyers are given two choices of villa designs, namely the bespoke Bale Samar Collection and the standard Kayu Villa Collection.

View of the sea from the living room of a two-bedroom Kayu villa



According to Corkery, the majority of buyers have opted for the Kayu Villa Collection, which features 2,443 sq ft, two-bedroom villas with prices starting from US\$339,000 (\$454,266). There is an option to add a private swimming pool, which brings the price to US\$480,000. Those who want a three-bedroom villa will have to fork out an additional US\$75,000. The villas come with US\$15,000 worth of fittings, furniture and appliances.

For the Bale Samar Collection, buyers pay between US\$85 and US\$200 psm for the land, depending on the elevation. They have the option to work with one of the three appointed architects to customise the villas, with the construction managed by Selong Selo Group. The construction cost is estimated to be about US\$1,350 psm, inclusive of fittings, furnishings and equipment.

As the villas are located on an elevated site on the hillslope of the southern part of Lombok, they will have views of the Indian Ocean, says Corkery. “Sunset views are spectacular.”

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Proposed design of a bespoke Bale Samar villa



Rental pool

The villas at Selong Selo Residences are scheduled to be completed in phases starting from January 2017. However, three show units — two Kayu villas and one Bale Samar villa — will be completed by July. The villas will be made available for rent then.

The developer has offered buyers an option to put their villas into the rental pool if they choose to. All 62 villas will be managed by the developer. In the subsequent phase, the developer is planning to appoint a five-star hotel operator to manage another 45 to 55 one-bedroom villas that may be put up for sale.

Villas listed for sale in Lombok range widely from US\$95,000 for a 3,229 sq ft, three-bedroom villa sitting on an 11,000 sq ft plot in Tanjung Aan with ocean views to US\$1.8 million for a three-bedroom unit. Rents for resort villas on Gili Trawangan, the largest of three islands to the northwest of Lombok, start from \$151 a night.

According to Corkery, high-end hotels in Lombok have an annual average occupancy rate of 50% to 60% and average room rates of US\$120 to US\$150 a night.

However, there are no residential resort schemes similar to Selong Selo Residences offered for sale to investors as yet, says Corkery. What investors have to bear in mind is that on top of the purchase price for the land and villa, there are monthly and annual maintenance charges. For instance, the developer will deduct 21% of the rental proceeds to cover the monthly maintenance cost and other service fees. On top of that, investors have to pay an annual fee of US\$6,000 to US\$10,000 per two-bedroom villa for the maintenance of the common areas.

If an investor wishes to exit, the management of Selong Selo Group will help him or her sell the unit. Alternatively, the investor can appoint his or her own property agent to divest the property.

View from the highest point of the Selong Selo Residences' site overlooking the South Lombok bay and the Indian Ocean



Source: Selong Selo Group

For most holidaymakers and investors, access to the resort is key. With the opening of the new international airport at the centre of Lombok in 2011, the travel time from the new airport to Selong Selo Residences has been halved to an hour, says Corkery.

Ku Swee Yong, CEO of Century 21, reckons that paying US\$340,000 for a two-bedroom villa in Lombok is “reasonable” if one is seeking a resort lifestyle property. “However, if it’s for investment, there is a wide range of options available in the region,” he says.

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