



“Buy low, Sell high” - Warren Buffet, Forbes Billionaire #2 Worldwide

INTERVIEW WITH GLOBAL REAL ESTATE FINANCIER: MICHAEL RIADY - LIPPO GROUP

TOPIC: INVESTMENT STRATEGIES 2010

The Indonesia Property Development Society, a world class leading independent organization, is fortunate enough to have a moment to interview Mr. Riady regarding his investment strategy for the year 2010. Here are two questions that was asked.

Q: Mr. Riady, what is your concept of a profitable investment?

A: In my opinion, generally speaking, the most hopeful profitable investment is one considered a “safe” project with a “bright future” that is “growing” at double-digit rates, for example 20% per year. With a “small down payment” today of only 20%, you could “borrow” 80% from the bank with “interest rate” at 7% per annum. You return on equity (ROE) each year is 90% per year for the next five years. This reflects a return that is 13x better than the bank’s deposit interest rate today. If we understand this concept of investing, then we can make a lot of money. Absolutely, there is no better investment concept than this. (See table example below)

Q: Mr. Riady, so where can we find a profitable investment project?

A: Well, first we need a “safe” investment, and I believe property is a safer investment compare to stocks that is more volatile especially in a period of uncertainty like today. Most of the billionaires today in Forbes magazine invest in property so it makes sense if we just follow them.

Secondly, we know banks will lend up to 80% of your purchase price on the property sector only because property loans are safer to the bank if there is a default. There is no other industry today that banks will give out up to 80% loan of your purchase price so an investor need to take advantage of this offering in a responsible way. The bigger the loan amount we take, the higher the return we may receive.

Third, the highest ‘growth’ area in terms of property in DKI Jakarta is West Jakarta corridor. The West Jakarta has a lower price base but it is increasing so much faster than other parts of Jakarta. Billionaire investor

Warren Buffet said business is all about “buy low, sell high” so follow him. I like the West because it’s cheaper and has room to grow.

Finally, understand the concept of “supply and demand” and “uniqueness”. CBD West Jakarta (the newest 135 hectares government master-plan that may be home of the future Fortune 500 global companies) is limited with land supply and this makes it a unique investment proposition. I like to find investments that have a strong hidden value behind it.

I believe St. Moritz apartment is well positioned to take advantage of the economic boom if we can understand risk, return, leverage, supply demand and uniqueness concept altogether.

Follow these basic principles and you are ready to become a self made billionaire too.

Q: Mr. Riady, which investment strategy is better? Should I rent or “buy low and sell high”?

A: In my personal opinion, the way you can make a substantial profit at the least amount of time is to “buy low sell high”. I think this is a better investment strategy when it comes to investing in properties. The disadvantage of renting a property as an investment is that it takes about 10 years to pay back your investment. So it is too long of a time horizon and many things can change in that period.

I generally like to focus on mid-term investment horizon where I can “buy low and sell high” and be more certain with my investments.

ILLUSTRATION TABLE

Year	1	2	3	4	5	Total
G rowth (property value)	100	120	144	172	207	207
C ost (property)	100	0	0	0	0	100
I nterest (bank)	5.6	4.4	3.3	2.2	1.1	16.8
						Profit 90 M

$$ROE = \frac{\text{Return (profit)}}{\text{Equity (modal)}} = \frac{90 \text{ M}}{20 \text{ M}} = 4.5 \times 100\% = 450\% @ 5 \text{ years}$$

$$= \frac{450\%}{5} = 90\% \text{ ROE / year}$$

Property investment = 90% / year **Property Investment WINS BIG**
 Bank's certificate deposit = 7% / year

Disclaimer: This is for illustration purposes only. The developer, management, and person interviewed is not liable for your investment decisions & results. All data based on assumptions that is subject to changes without prior notice. Please consult your independent financial advisor for your investments.

COMPARISON STUDY : APARTMENT VS. LANDED HOME?? (RESEARCH DATA AS OF FEB 2010)

• Landed Home Price (Puri Indah)

Land Size (a)	Land Price psm (b)	Land Cost (c = a x b)	Construction Cost (d)	Total Cost to live in Puri Indah today (e = c + d)	NO FACILITIES (POOL, GARDEN), NO SECURITY, NO FRESH AIR, NOT CONVENIENT
200	Rp. 10,000,000	Rp. 2 milyar	Rp. 1 milyar	Rp. 3 milyar	
300	Rp. 10,000,000	Rp. 3 milyar	Rp. 1.7 milyar	Rp. 4.7 milyar	
500	Rp. 10,000,000	Rp. 5 milyar	Rp. 2.5 milyar	Rp. 7.5 milyar	

• Apartment Price (The St. Moritz)

ROYAL TOWER	Rp. 1.4 milyar to 1.7 milyar (Easy installment) Plus BONUS facilities, security, fresh air, ambience, integrated development, free from flooding, and direct to toll
--------------------	---



Disclaimer: This is for illustration purposes only. The developer, management, and person interviewed is not liable for your investment decisions & results. All data based on assumptions that is subject to changes without prior notice. Please consult your independent financial advisor for your investments.

Dear Mom and Dad:

The St. Moritz is a great VALUE because you can now afford to live in Puri Indah elite community, for 50% CHEAPER cost than buying a new landed home. Besides, the apartment is so SPACIOUS that comes with full of facilities and amenities to further make your family’s life safer, convenient, and healthier that is PRICELESS.

Please DON'T POSTPONE buying your family an apartment today, because the longer your postpone, the more expensive property

becomes tomorrow as a result of inflation, rising material cost, and lack of supply. Whether you plan to live or rent out the apartment, there is absolutely NO MISTAKE in a good property investment. Remember, an apartment property is the BEST GIFT for your family and children.

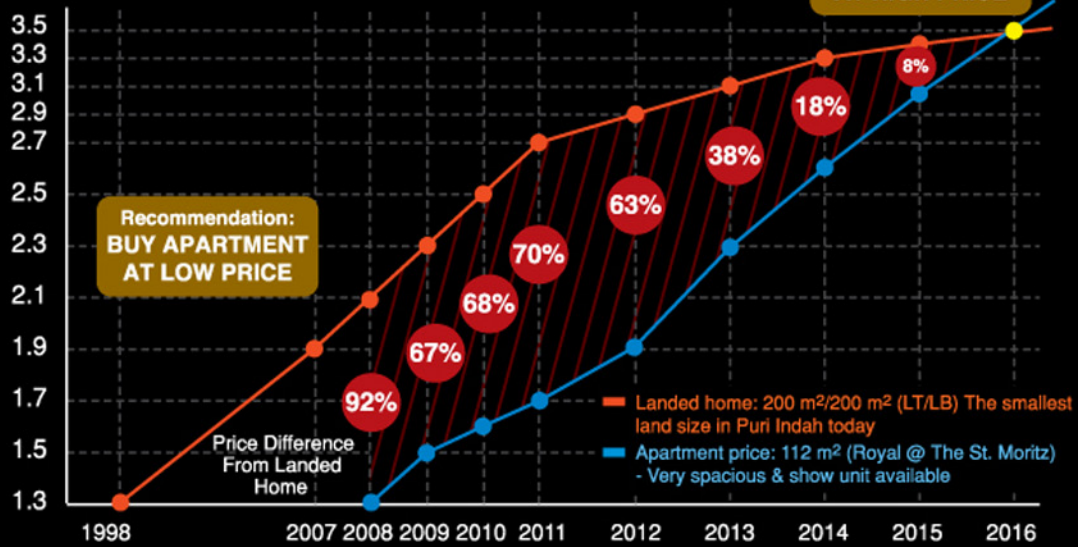
Do you live a responsible life?

Your children is always on our mind – ❤ from The St. Moritz

Projected Price Growth: Landed Home Price vs Apartment Price (Puri Indah)

Source: The Indonesia Property Development Society (February 2010)

Rp (Milyar)



- Indonesia's GDP growth 5% per annum
- Strong demographics in Puri Indah but weak commercial development
- Infrastructure: JORR W2 not yet completed
- No more land supply in Puri Indah = apartment as alternative housing option for new home buyers
- St. Moritz global city introduction to Puri Indah
- Apartment launch at pre-sale price: cheapest because construction is not complete

FUTURE TREND

- Indonesia's GDP growth 9-10% per annum
- Robust population growth in West Jakarta
- Infrastructure: JORR W1 / W2 completed
- No more land supply in Puri Indah
- St. Moritz global city full complex completed
- More commercial development in Puri Indah
- Apartments hand-over to customers
- Apartment growth prices increase substantially because it's completed, strong growth fundamentals

"Buy low, Sell high"

- Warren Buffet, Forbes Billionaire #2 Worldwide

"Prices for landed home at Puri Indah is relatively expensive & near its peak. There is less room for growth. Apartment price is under valued today."

Disclaimer: This is for illustration purposes only. The developer, management, and person interviewed is not liable for your investment decisions & results. All data based on assumptions that is subject to changes without prior notice. Please consult your independent financial advisor for your investments. All prices exclude PPN. All price reflects cash price (30 days paid off in full)