

OPPORTUNITIES AND CHALLENGES OF PROPERTY INVESTMENT IN INDONESIA

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Abstract

Property investment is a profitable and promising business because the business always experiences an increase every year. Property investment is an investment in land, buildings or parts of buildings, or both, which are controlled by an entity to get rentals. Property investment has opportunities and challenges. The opportunity from property investment is that it can help national development because it can generate government revenues, both central and regional, and also help improve welfare, both directly (through job creation) and indirectly (through its contribution to national GDP). In addition, land and building prices continue to increase so that more and more buildings are emerging such as housing, apartments, shopping centers, or other property projects

INTRODUCTION

Investment activity is one component of aggregate expenditure, where an increase in investment will increase aggregate demand and national income (Sukirno, 2003). Property investment is one of the promising investments. This investment property is an asset that is made for resale or for rent, it depends on how the investment is made. Investment property is property in the form of land or buildings or part of a building or both that are controlled by the owner (lessee) through a finance lease to generate rental or for value appreciation or both and not for use in the production or provision of goods or services or for administrative purposes and not sold in the course of daily business (Financial Accounting Standards Statement (PSAK) No. 13, 2015).

Investment property is part of an asset that is not used solely for the owner's purposes. Unlike fixed assets whose purpose is used for production activities, the purpose of investment property is to rent the property to the lessee so as to obtain rental income and/or to obtain an increase in the value of the investment property. The value of investment property at initial recognition is reported at acquisition cost which includes the purchase price and any directly attributable expenses, then the

measurement method after initial recognition of the investment property must use the cost method (PSAK No. 13, 1994). There are two types of leases in investment property, namely, finance leases and operating leases.

The development of property investment in Indonesia has increased every year, this is because property investment is quite promising and the investment product is different from other investments. This condition is supported by low interest rates and supported by the large market demand in the country for various products. For example, many investors are shifting their funds from deposits to land investments. Moreover, every year land prices in Indonesia increase between 15-20 percent. This growth is influenced by several things, including the increasing number of middle-class people in Indonesia so that the demand for residential housing also increases (Murtiningsih, 2009).

There are several reasons why Indonesia is used as a location for the best property investment in Indonesia. Political and economic stability in Indonesia is considered very helpful in creating an increasing foreign investment climate in Indonesia. First, the Indonesian government's policy to increase property investment also plays a role in increasing property investment in Indonesia. Second, the community's need for property is still very high. (Schreiben Reiys, 2013).

Indonesia's economic growth, which has grown by around 5% in recent years, is greatly supported by the growth of the real sector, one of which is the building sector which includes the property industry. The real sector, especially the property industry, is one indicator of the rise in the macroeconomic conditions of a country, especially in Indonesia. In developed and developing countries, property development and business are growing rapidly. Meanwhile, in countries experiencing economic downturn or developing countries such as Indonesia, property development that is increasing quite rapidly indicates the beginning of significant economic improvement towards a better future (Rafitas, 2005). This improvement is marked by the many project developments in big cities, especially in DKI Jakarta and other big cities, both commercial, industrial, residential or long-term investment that will bring in large additional foreign exchange for the country and provide significant job opportunities for the Indonesian people.

RESEARCH METHODS

The literature research method is an approach used to collect, analyze, and synthesize information from various library sources such as books, scientific journals, articles, and other documents relevant to the research topic. This method aims to build a strong theoretical foundation, identify gaps in existing knowledge, and provide new insights into the subject being studied. In conducting literature research, researchers must systematically search for, select, and evaluate credible and trusted

sources. Then, the information obtained is organized, critically analyzed, and interpreted to answer research questions or build coherent arguments. The results of literature research can be presented in the form of a literature review, theoretical framework, or synthesis that integrates findings from various sources.

RESULTS AND DISCUSSION

Property Investment

According to the Big Indonesian Dictionary or KBBI, property is an asset in the form of land, buildings and facilities and infrastructure that are inseparable from the land or building in question. Property in general is the term for a building or land owned by someone. It can be said that property is not only limited to buildings that stand but also to the ownership rights of the land and buildings on it. While the meaning of the word property specifically is a term that is associated with luxurious or large buildings, but this statement is not quite right. The reason is that one plot of land can be said to be property if it has a valid law.

According to economic theory, investment is the purchase or production of capital goods that are not consumed but are used for future production or production goods. While the property business is a business that never dies. This is because housing is a primary human need that will never be eaten by time.

Property is the purchase of property or real estate with the aim of making a profit through rental business activities, reselling property in the future, or both. So, it is not purchased as a place to live for the buyer. Property investments can be owned by individuals or institutions or business entities. Property investments can include long-term or short-term investments. Property investments are often called second homes. The first house to live in, the second house as an investment. But not everyone uses that method. Someone can also buy a second house, for example a villa in a tourist destination as a place to stay when on vacation in the area. In other words, it is not a property investment. But for personal interests. Property is not used as a source of income.

So it can be concluded that the definition of property is assets in the form of infrastructure in the form of ownership rights, use rights, use rights or lease rights to utilize a building and a plot of land and anything on the land. Property is usually associated with land, business, property rights related to a person. The word property is also usually used by business people and investors, so it is not surprising that the word property is very popular among business people and investors.

Development of Indonesian property investment

In its development, real property built and developed on earth according to the owner and developer/developer is divided into: 1) Primary Property, which is

property built and owned by an institutional body that is part of the Indonesian Real Estate Association (REI) as a REI member developer consisting of several large property groups, consortiums, and/or joint ventures. 2) Secondary Property, which is property built and owned by individuals such as contractors, investors, owners, and users themselves. Buildings in the property business based on their use are divided into: Commercial Buildings consisting of office buildings, shophouses, shops, and hotels and motels, Residential Buildings consisting of houses and condominiums/apartments, Industrial Buildings consisting of heavy industry, light industry and warehouses and offices, warehousing, and industrial parks, Public Facility Buildings consisting of hospitals, universities, government buildings, and gas stations/gas stations and Entertainment Buildings consisting of cinemas, golf courses, museums, sports facilities, convention centers, etc.

Property investment opportunities

Indonesia's economic growth of around 5% in recent years is greatly supported by the growth of the real sector, one of which is the construction sector which includes the property industry. The real sector, especially the property industry, is one indicator of the rise of a country's macroeconomic conditions. In developed and developing countries, property development and business are growing rapidly. Meanwhile, in countries that are experiencing economic downturns or developing countries such as Indonesia, property development that has increased quite rapidly indicates the beginning of significant economic improvements towards a better future. This improvement is marked by the many construction projects in big cities, especially in DKI Jakarta and other big cities, both commercial, industrial, residential or long-term investment which will generate large foreign exchange for the country and provide significant job opportunities for the Indonesian people. In 2009, the population of Indonesia is estimated to reach 230 million people (BPS, 2008). With a population that large, the need for the property sector, especially housing, will be even greater. Likewise, demand for apartments, shopping centers, offices and other commercial buildings will also increase. This will of course have implications for the growth of the property industry which will later affect economic activities and national economic development. Property is included in the construction sector which is one of the potential sectors for national development because it is able to generate government revenues, both central and regional. The property sector is able to provide a multiplier effect on improving welfare, both directly (through job creation) and indirectly (through its contribution to national GDP).

Property Investment Challenges

Historically, the property business has always been characterized by repeated up and down swings. The periodic up and down cycle is one of the real characteristics

of the property business throughout the world. Normally, there is always a boom and a downturn that comes in turns. The property business cycle in Indonesia usually occurs within a period of 5 years (DPMPP REI, 1995). This is not a benchmark because it can happen slower/faster depending on economic conditions and government policies. Although up and down conditions are something that naturally happens, maintaining the stability of the property industry is important considering the relationship between this industry and other economic sectors. A decent place to live is one of the basic human needs that must be met. Likewise, in big cities, housing and settlements have an important function for city life. For Indonesia, development in the housing and settlement sector faces challenges that are increasingly greater and more complex. One of the most fundamental challenges in housing and settlement development in Indonesia is the still high national population growth, especially in urban areas. Referring to data from the Central Bureau of Statistics (BPS), the increase in population in the Jakarta, Bogor, Tangerang, and Bekasi (Jabotabek) area from 2006 to 2020 reached 8.1 million people, or increased from 24.5 million to 32.6 million. Of this number, the population of Jakarta is predicted to increase by 400 thousand people, from 8.8 million to 9.2 million. Meanwhile, the population in the Botabek area increased by 7.7 million people, from 15.7 million to 23.4 million. With such population growth, it is estimated that the need for housing will continue to increase every year. Another challenge of property investment according to Siti (2009) is that the property industry is closely related to the banking sector. This is because the banking sector's financing of property projects is quite large. As we know that most of the funds in the banking sector come from third party funds or the community. Usually these funds are stored in the form of savings and deposits that are short-term. This can cause a mismatch in maturity, because property sector credit is generally long-term while the source of funds can be withdrawn by the community at any time. This dependence on financing from banks is what makes the property business in Indonesia very much influenced by the policies of banks/financial institutions, the state monetary authority (Bank Indonesia), and further influenced by the overall macroeconomic conditions of the country. In addition, it should be noted that experience in other countries shows that the decline in a country's finances begins with the bankruptcy of the property business. While the bankruptcy of the property business is usually marked by an increase in non-performing loans and bad debts. Therefore, economic stability and a healthy banking system are needed to support the growth of the property sector.

Conclusion

Judging from the analysis above, it can be concluded that property investment is a profitable and promising business because the business always experiences an increase every year. Property investment is an investment in land, buildings or parts

of buildings, or both, which are controlled by an entity to get rentals. Property investment has opportunities and challenges. The opportunity from property investment is that it can help national development because it is able to generate government revenue, both central and regional, and also help improve welfare, both directly (through job creation) and indirectly (through its contribution to national GDP). In addition, land and building prices continue to increase so that more and more buildings are emerging such as housing, apartments, shopping centers, or other property projects. Then the profit mix of property investment comes from the banking sector as it is known that property investment funds come from third parties. Usually these funds are saved in savings xum in deposits. These savings funds are used for the short term, so they can be used at any time. As a result, the funds for the property investment.

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