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The Liberalization of Foreign Property Ownership in Bali
Indonesian Government Promises Liberalization of Foreign Property Rights, But Warns there Will be Restrictions.

(3/30/2010) The National Land Agency (Badan Pertanahan Nasional-BPN) is busily looking a number of possible revisions to the laws banning foreign ownership of property in Indonesia and what limitations should be put on place when, and if, foreigners are allowed ownership or long-term leases.

The chief of the BPN, Joyo Winoto, told Bisnis Indonesia that suggested revisions are now being considered by the government to the property law of 1996 governing ownership and occupancy of Indonesian properties by foreigners and the 1985 law on multiple residence dwellings.

The Minister for Housing, Suharso Monoarfa, is compiling revisions that would result in a single regulation addressing ownership of property by foreigners and access to financial instruments for their purchase.

Limitations on Foreign Ownership

Joyo is asking the government and the Minister of Housing to provide clear guidelines on what limitations should be imposed on foreigners owning property in Indonesia addressing issues such as lease terms, location, minimum price thresholds, building types and maximum periods of ownership.

Property developers in Indonesia are urging a liberalization of the property sector. Foreign residents in Indonesia are presently allowed to lease lands for 25 years with subsequent extensions possible for 25 and 20 years. Developers are asking the government to allow leaseholds of 70 years for foreign owners.

The Chairman of the Indonesian Real Estate Association (REI), F. Teguh Satria, says, "In other countries the right of ownership extends to 90 years making the Indonesian ownership option unattractive and in need of change." Teguh assured that REI is preparing a number of limitations on foreign ownership, including ownership access only for apartments or condominiums with a minimum price of US\$100,000 per unit.

Echoing the need for control on foreign ownership, the Housing Minister Suharso, quoted by the Bali Post, said limitations were needed in a number of areas, including how financial instruments for the purchase of property would be structured for foreigners. He promised that any changes to the current law would offer more opportunities to property developers but, at the same time, would place some controls on foreign ownership.

Suharso confirmed that changes to the law were being intensively considered by his ministry. He hopes that a new draft regulation will be ready to place before the President in May. He cautioned that the implementation of any new regulation faces problems via an amendment process awaiting any regulation in the national legislature.