



## Ubud Property 2016 Market Outlook :

### The Worst is Over

Soon we will write 2016. Have you planned your property investment for 2016? Maybe you are still wondering how the economy and property market in Indonesia will develop? I trust that the following insights come in handy.

In December 2014, we published our 2015 market forecast. This forecast was meant to help you to foresee movements in 2015. It makes now interesting re-reading and to look at

it again just click this link : <http://www.ubudproperty.com/title=Welcoming%202015%20%20%20%20Challenge%20is%20Opportunity>

So now, - „What about year 2016“ ? our visiting investors ask often.

The definite answer : The Worst Part is Over. Yes Sir!

How come?

The main factor is the high possibility of decreasing interest rates in Indonesia during 2016.

The positive liquidity caused the Indonesian banks in Indonesia to stop the policy of high interest rates. Only about December, banks will be very keen to offer high interest rates to meet the end-of-year incoming funds. That did not happen this year. This proves, banks have ample liquidity. The Bank of Indonesia also issued two policy strategies that are sure to have a positive influence in the property market.

The first is the abolition of the regulation for multi level Loans To Value, for the first house, second house and more. As the reader may recall from our article last year (link above), this regulation is one of the major factors leading to the decrease of the property market in 2015. Now this regulation has been revoked. Gone for good. In consequence, domestic buyers will be encouraged and more active again.

The second policy is the reduction of Statutory Reserve Requirements, therefore banks will have even more funds and liquidity to be issued as loans. This policy was released recently in November. Market analysts predict the beginning of the impact on the market from February next year on.

The biggest negative factor that could be a possible threat for the development of the Indonesian property market in 2016 is the political uncertainty. There are strong divided opinions about the results of the current presidency and politics. However, already from 1998 on Indonesian politics have never been totally stable or predictable, still continuous positive market developments always followed.

One surely unsettling factor is the instability of the Rupiah to USD . This trend will continue until at least the first Semester 2016. The US Fed just decided raised its benchmark interest rate for 0.25%. As a result the Rupiah could drop again and could reach IDR 14,000 / USD.

Luckily the Indonesian Government understands the impact and is determined to continue to respond by providing incentives through suitable policy packages. Seven such policy packages have been released now and seem to bring measurable results. The President, Bapak Jokowi promised: „if necessary 200 packages will be launched!“. We have much reason to be happy that finally someone is working on seriously wanting to do his intended job 😊

With the situation unfolding like this, which kind of property investment will be safe and profitable? For Indonesian citizen it is naturally the freehold title, and for foreigners now the leasehold title as totally safe legal option. Leasehold title has been and is recognized and protected very clearly in the Indonesian legal system to ensure and protect the particular rights of foreigners in Indonesia.

So, how may your investment plan for the coming year look like taking a steady improvement of conditions into account? The sun might not shine brightly again, but the worst is definitely past us.

In the next edition we will talk about which kind of investment properties are top choices and what to expect from such a purchase.

Happy New Year Everyone !



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