Defining Gap between Housing Land Value and the Facilities Provision in Urban Housing Development by Private Developers in Malang City, Indonesia

I N S Wijaya

Department of Urban and Regional Planning, Brawijaya University, Malang 65145, Indonesia

Email: nyoman@ub.ac.id

Abstract. One of Indonesian government strategy in fulfilling the national housing target is by improving private developer’s roles in housing provision. Due to the provision of housing facilities, obligated by Indonesian government for every private developer since 1987, the practical implementation shows opposite circumstances for the private residential area. This research aims at describing conflict between the fulfilment of urban housing facilities and the housing land price in Malang City. Hence, comparison between the existed land prices to the availability of facilities is conducted to identify the gap. Since the price-contour is resulted by the land price mapping, this paper compares between the price and the existed facilities in order to show the practical gaps between the prices and the facilities. Finally, this research indicates: 1). The residential areas with unfulfilled facilities are located at the urban area with high prices, 2) The efficiency of housing prices becomes the main motivation of the developers in building the facilities, without much consideration on environmental quality of the residential areas.

Keywords: land value, housing facilities, gap, and urban areas

1. Introduction

The 11th target of SGD’s is actualizing sustainable cities and communities. For many city governments, this target is concerned to the development of urban inclusivity. It may be appreciated by all of city’s government as giving adequate opportunity for all people to live in urban areas. In other word, city government should assure their urban areas become adequate and affordable shelter and the facilities for all people. It becomes a complicated work for city governments in many developing countries where urban agglomeration, population and land are in unfavourable circumstances in this past decade, especially in Indonesia.

Indonesian government, since 1987, had motivated private developers in taking over the government role as housing provider instead of enabler that is still on government hand. Ministerial Regulation No 34/Permen/M/2006 (Permen PU 34/2006) replaces the government provider roles for housing facilities development to private developer. Private developers are given with broad opportunity in investing their money to housing development. They are obligated to provide adequate housing facilities for all their invested residential areas. Corresponding to the regulation; in 2007, many Indonesian cities face the boost of private housing development. Thus, urban population grow in great speed followed by the demand of housing development. It is characterized as fast growth housing development with high price; high marketable house located in high value urban areas. As the most valuable area in Von Thunen’s perspective, these areas should become the best-serviced area for
housing facilities compared to the other urban areas [1]. However, this high value may be lead to the unwillingness of the developers in providing the facilities. Additionally, the use-value of the land tends to be the crucial factors in determining the price [2], [3], [4].

However, along with the trend of the development, the value of land (read: the price) is also rising up. Private developer responds to this situation by focusing their investment merely to houses development. As a result, housing price becomes irrational when the demand is inflated. Irrational means the price is extremely high comparing to the facilities that the buyers can get. It is apparent that with the high price, government and private cannot assure the availability of adequate housing facilities. The number of houses development significantly increases; whereas, the infrastructure is suffered from serious insufficiencies.

In order to build comprehensive knowledge, this paper describes the practical gap between urban housing land prices and the availability of facilities. It is crucial in building government comprehension towards private developer’s attitudes in managing the value of their project. Further, the resulted discussion should be the government basic consideration in controlling the situation. Therefore, research towards the availability of urban housing facilities has broadly conducted by many researchers for the land value. However, towards the comprehensive gap identification between them might not be much discussed. This research thus presents the novelty in such area.

In building the comprehensive description, these paper overlays the evaluated availability of housing facilities to the practical circumstance of urban land prices. In this case, Malang City is one case study of the discussion, as one of big cities of East Java that, hardly suffered from housing and the facilities development. Firstly, this paper identifies the distribution of land price in Malang city to draw the contour of land prices and define the highest price in the city. The contour of land prices is developed based upon the price of the land corresponding to NJOP. Secondly, this paper evaluates the availability of housing facilities based on Ministerial Regulation No 34/Permen/M/2006. The result of evaluation demonstrates the available percentage of the facilities to the regulation. Thirdly, the result of evaluation is overlaid to the resulted land prices contour in order to identify the gap between prices and the facilities provided. Finally, this paper discusses and concludes the gap completed by some perspectives of the developer in defining their market price.

2. Method

This research overlays between maps that are a contour map of land prices to the map of facilities availability, described in the following steps. Firstly, in order to build the contour map, the price of land is utilized as the result of investigation towards practical market land prices. It reflects real price of land in many terms, such as the hedonic terms of land based on Indonesian Formal tax Value of Land (Nilai Jual Object Pajak – NJOP). The resulted map gives indication about the position of each observed residential area in the land price contour. Table 1 presents the land prices of 9 samples, categorized as private residential areas as Cluster A by Malang Municipal Government.

| No | Housing/Residential Name                  | Land price Existing (rupiah) |
|----|------------------------------------------|----------------------------|
| 1. | Bukit Cemara Tidar (Tidar Pines Hills)   | 5.000.000                  |
| 2. | Griyashanta Eksekutif (Griyashanta Executive) | 5.000.000                  |
| 3. | Istana Gajayana (Gajahyana Palace)       | 6.500.000                  |
| 4. | Pondok Blimbing Indah (Blimbing Indah Estate) | 5.000.000                  |
| 5. | Riverside (Riverside)                    | 4.000.000                  |
| 6. | Puncak Buring Indah (Beautiful Buring Hills) | 7.000.000                  |
| 7. | De Cassablanca (De Cassablanca)           | 3.500.000                  |
Secondly, the map of available facilities is built as the result of evaluation towards the availability, consisting of supporting facilities and basic facilities as detailed by Table 1. Further, for each private residential area, the availability of housing facility is valued based on Ministerial Regulation No 34/Permen/M/2006. Table 2 gives list of type of facilities that are observed in 9 samples of residential areas.

### Table 2. Type of Observed Facilities

| Supporting                                      | Basic Facilities          |
|------------------------------------------------|---------------------------|
| Public services and government offices          | Roads                     |
| Education                                      | Drainage                  |
| Health                                         | Fresh Water Instalation   |
| Mosque, Church, Temple, etc                     | Grey Water Instalation    |
| Shopping Facilities                            | Garbage                   |
| Culture and Recreation                          | Electrical                |
| Open Green Spaces, Park, Sports Park            | Communication             |

Source: Analysis, 2016

### 3. Result and Discussion

#### 3.1 Indicated Value

##### A. Land Prices Distribution

Table 1 depicts 9 samples from 105 samples of land prices in Malang City surveyed by this research. Based on these samples, the range of land prices is defined. These ranges are utilized in drawing the contour of land price in Figure 1. The ranges of the actual prices are shown as follows:

a. IDR 2,000,000 – 3,400,000
b. IDR 3,400,000 – 4,800,000
c. IDR 4,800,000 – 6,200,000
d. IDR 6,200,000 - 7,000,000
e. IDR 7,000,000 – 9,000,000
Figure 1 describes smooth distribution of land prices for whole area of Malang City indicating that the highest price is located in centre area of the City. The contour, gradually, changes from the highest in the centre to the lowest in the peripheral areas. Logically, the highest price reflects the highest value of the land corresponded to the availability of the facilities. Therefore, the practical situation is clarified by the further discussion.

3.2 Housing Facilities Availability

| Private Residential Areas    | Facilities   | Percentage Availability(%) |
|-----------------------------|--------------|----------------------------|
| Bukit Cemara Tidar          | Supporting   | 5                          |
|                             | Basic        | 57                         |
| De Cassablanca              | Supporting   | 6                          |
|                             | Basic        | 57                         |
| Istana Gajayana             | Supporting   | 0                          |
|                             | Basic        | 71                         |
| Pondok Blimbing Indah       | Supporting   | 10                         |
|                             | Basic        | 57                         |
| Puncak Buring Indah         | Supporting   | 6                          |
|                             | Basic        | 71                         |
| Riverside                   | Supporting   | 24                         |
|                             | Basic        | 57                         |
| Griyashanta Eksekutif       | Supporting   | 0                          |
|                             | Basic        | 71                         |
| De Rumah                    | Supporting   | 0                          |

Figure 1. Resulted Land Price Contour
For each area, Table 3 presents specific result of assessment for the facilities availability. Based on Table 3, mostly, the percentage availability values are similar among 9 samples. All private residential areas have no significant differences in their provision of basic facilities. Meanwhile, for supporting facilities, significant differences are clearly indicated by the high differences percentage. Hence, Riverside shows highest value of availability of the supporting facilities. The other two (Griyashanta Executive and Istana Gajahyana) similarly have low percentage of the supporting facilities availability. Further, Figure 2 describes the map of availability housing facilities of private residential areas in Malang City.

Generally, based on two resulted values on Table 3, there is no specific pattern to draw specific type of the availability of housing facilities in Malang City. The above situation indicates that distribution of supporting facilities which significantly varies among the private residential areas in Malang City.

![Figure 2. The availability of housing facilities for each](image)

3.3. Defining the Gaps
By overlying the map of facilities availability (Figure 2) to the map of land prices contour (Figure 1), the gap between the prices and value of availability can be clearly described. Figure 3 describes the overlaid map as well as the real situation, marking one residential area (Ijen Nirwana) located in the fifth/highest contour of land prices. There is also one residential sample (De Rumah) located in the fourth contour of land prices. Four samples are located in area of the third contour, such as Bukit Cemara Tidar, Griyashanta Executive, istana Gajahyana, and Pondok Blimbing Indah (Araya). In addition, there are two samples (De Casablanca and Riverside) located in area of the second contour, indicating Ijen Nirwana as the one located in fifth contour having average basic facilities (71%) and 0% (zero) supporting facilities. This lowest availability percentage of supporting facilities is also founded in the fourth and the third contour. Meanwhile, Figure 3 does not present the lowest availability of supporting service in the fourth area.

Based on Figure 3, irregular pattern of availability percentage does not correspond to the pattern of the contour. There is no specific pattern to draw specific type of the availability of housing facilities in Malang City concerning to the location of residential areas. Figure 3 indicates the distributions of availability percentage of housing facilities which are randomly spread over the land price contour. It is assumed that the highest contour does not mean that the area for residential with highest availability percentage of housing facilities. Also, the lowest contour is not the area with lowest availability percentage. This circumstance is contradicted to the preposition that the highest contour should be an urban area with highest land price with best-serviced facilities. Concerning to the percentage, the highest availability percentages are founded in the third and fourth contour of land prices.

Interestingly, this research also reveals two important matters corresponded to the private developer’s behaviour in treating their project of residential areas. First, for basic facilities, 9 samples of residential area have more than 50% availability. However, there is no maximum availability percentage for all private residential areas. Although it may not be seen as a serious urban problem,
the above circumstance means that compatibility of practical provision of urban housing facilities to the national standard is low. Without any concern to this phenomena, the aimed of ‘role sharing’ between government and private investors cannot achieve the desired result.

The second matter is related to availability percentage of the supporting facilities. The highest percentages are founded in the third and fourth contour of land prices. Two residential areas (Riverside and Pondok Blimbing Indah (Araya)) respectively have 24% and 10% availability. Moreover, these two residential areas (Riverside and Pondok Blimbing Indah) also indicate high percentage availability of basic housing facilities compared to others. Pondok Blimbing Indah has highest percentage (75%) and Riverside has 57% availability. Concerning to the developer’s behaviour in treating their project, it may be reasonable that lowest contour of land prices gives much opportunity for the developer in fulfilling the facilities, especially the supporting one. In this situation, the best-serviced facilities escalate the market appreciation and the value of the project.

In spite of high valued land in Thunen’s location theory [1], the above circumstance shows some contradiction. The result of this research presented in Figure 3 does not reveal high valued urban area reflected by the high accessibility to the urban centre and urban facilities. High valued urban land that should be located in the fifth contour does not conform to the completeness of the facilities in servicing the inhabitant. It also means that high price of urban land does not reflect the actual value of the land in Thunen’s perspective. Moreover, Malang case tends to indicate that land prices for residential area are not merely determined by the location. It is closely related to the Eckert’s preposition that perspective of provider (private developer) and buyer towards the use of land is the most determining factors to decide the price [5]. In this research, it is revealed by the provider’s lower opportunity in escalating the availability percentage of housing facilities for their residential area in highest contour of urban land price.

4. Conclusion
By this research, there are some concluding remarks which are:
1. There is no specific pattern in the relation between the land prices contour and the availability of housing service.
2. The availability percentage of basic facilities is relatively similar among the samples of residential areas.
3. Significant variance of percentage is revealed on the availability percentage of supporting facilities although it is not clearly correspond to the pattern of land price contour
4. Unavailable maximum percentage of basic facilities leads to the fact that the compatibility of practical housing facilities to the National standard is low.

In order to develop comprehensive understanding about the practical trend of Indonesian housing price, developer’s motivation, deliberation, and decision in treating the land related to land market system, it should be the future research’s discussion. Indeed, more case studies about some similar cities should be the observed cases in building the complete figures of the practical trend and model of housing facilities provision in Indonesia.

References
[1] Von Thunen, J. H; Wartenberg, C. M; Hall, P. Isolated State (an english version Oxford). London. Pergamon press (1966).
[2] Sujarto, D. Beberapa Pengertian tentang Perencanaan Fisik. Jakarta. Brata Karya Aksara (1985).
[3] Wolcott, Richard C. The Appraisal of Real Estate American Institute of Real Estate Appraiser. North Michigan, Chicago Illinois. p. 22-63 (1987).
[4] Sutawijaya, A. Analisis Faktor-Faktor yang Mempengaruhi Nilai Tanah Sebagai Dasar Penilaian Nilai Jual Obyek Pajak (NJOP) PBB di Kota Semarang. Jurnal Ekonomi Pembangunan, 76. (2004).
[5] Eckert, J.K. Property Appraisal and Assessment Administration. IAAO, Chicago. Illinois. p. 151-180. (1990).