

Everyday land speculation without production in state-led urbanization: The case of Indonesia's new capital city

EPA: Economy and Space
1–17

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DOI: 10.1177/0308518X261447120

journals.sagepub.com/home/epn

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Abstract

Indonesia's new capital city construction is inducing state-led urbanization in the absence of private investments. Reports show the impacts of this process as a rapid land price increase and the government's policy to control it. However, little is known about how the residents in surrounding settlements of the new city have extracted value from this process and the implication of these speculative activities for the state-led urbanization. Critically engaging with the concept of everyday speculation elaborated in Leitner et al. in this journal, and drawing on fieldwork in East Kalimantan during the construction of the city in 2022–2024, we clarify how differentiated land titles, which have been historically established between indigenous populations and transmigrants settled in the area, are working to exclusively benefit transmigrant landowners with strong land claims, while tacitly displacing the indigenous populations. We show how the government's attempt to control the land prices further benefits the landowners entitled to full compensation. Theoretically, we show that everyday land speculation in the new city takes place *without* production activities, unlike the cases in Leitner et al. where urban residents extract values from spatiotemporal rent gaps produced through the livelihood activities or new rental unit construction. We argue that this dynamic ends up benefiting the government, as they also claim land for urban infrastructure development, with political support from the residents with strong land claims, and leads to further marginalization of indigenous populations.

Keywords

everyday speculation, land claim, state-led urbanization, new capital city, Indonesia

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Relocation of Indonesia's capital city and everyday speculation

At the Indonesian parliamentary session to inaugurate the President Joko Widodo's second term on 16 August 2019, the President, widely known as Jokowi, pleaded for the relocation of Indonesia's capital city from Jakarta on Java Island to Kalimantan (Metro TV (Indonesia), 2019a). The relocation was rationalized by several factors including Jakarta's over-crowdedness, chronic traffic congestion, poor air quality, limited access to clean drinking water, and vulnerability to flooding exacerbated by rising sea levels and land subsidence (PPN/Bappenas, 2021). Ten days later from this speech, the President announced that the new capital city would be built in *Ibu Kota Negara Nusantara* (hereafter, IKN) in a designated area across Penajam Paser Utara District (*kabupaten*) and Kutai Kartanegara District in East Kalimantan Province. Two years later, the government passed the Law 3/2022 on Nusantara Capital City (*Ibu Kota Negara Nusantara/IKN*) to enable the official relocation of the capital city from Jakarta to IKN.

Initially, the government expected to attract foreign investments for the IKN construction, as the involvement of international consultants such as McKinsey at the planning stage shows (Hudalah, 2025: 54). At the end of April 2023, Indonesia's Minister of Public Works and Public Housing, Basuki Hadimuljono, clarified that there had been no private investments flowing into the IKN Project, and the IKN construction had to solely rely on the annual state budget, *Anggaran Pendapatan dan Belanja Negara* (APBN; CNNIndonesia.com, 2023). The lack of non-state investment makes the IKN a fully state-led urbanization project. The state-led IKN development continues until today with the political interests and support for the project maintained by Jokowi's successor President Prabowo elected in October 2024 (Saptohutomo, 2024).

The reports emerged that as soon as Jokowi's announcement of the capital city relocation was made in 2019, land prices in Sepaku, a Sub-district (*kecamatan*) of Panajam Paser Utara District where the city center was going to be built, started to increase rapidly (see Nurjaman and Rusata, 2023), and the number of land registrations at the sub-district land agency soared: land registrations in Sepaku increased by 150% from around 1000 per annum in previous years to 2500 in 2019 (Mediakaltim.com, 2022). This rapid increase in land registration reflected the process through which Sepaku's land owning residents anticipated to be benefiting from their land ownership formalization and the potential sales of their land in response to the planned construction of the new capital city.

In other words, it seemed that Sepaku's residents were actively speculating on the land prices and land trade in the state-led urbanization process. This initial observation led us to wonder whether "everyday speculation" discussed in Leitner et al. (2023) was taking place in the new capital city and if so what the implications are for the new city development. Aiming to clarify roles of residents' speculative activities in Jakarta's peri-urbanization process, Leitner et al. (2023) shows that residents "extract value" out of ongoing speculative urban development led by and mainly for the benefit of major, usually market-oriented, players such as "developers, land brokers, and investors" (Leitner et al., 2023: 388–389). The residents actively participate in everyday speculation to utilize "their available assets to manage risk, improve their livelihoods possibilities, and accumulate wealth" (Leitner et al., 2023: 389), while being forced by "broader structural conditions and actions of developers and land brokers" (Leitner et al., 2023: 392). These residents can be divided into those displaced who sold their land prior to the displacement and those who did not relocate by speculating on an increase in values of their land while holding out. More specifically:

Those who are displaced speculate on where to move, how to invest money from the sale of their land, and how to make a living and realize their social and cultural aspirations. Those holding out speculate on when to sell, whether and where to buy up more land, and when and where to build rental units. (Leitner et al., 2023: 385)

The displaced group extracts value through spatial "rent gaps" (Smith, 1987), representing the difference between the land price in their previous *kampung*s (organic settlements) and the land price in the

new settlements (Leitner et al., 2023: 402) where they build new rental units or *kontrakan* (Leitner et al., 2023: 396). Those who stay extract value through the temporal rent gaps, that is, the difference of land prices in the same *kampung* when the new land price is “rapidly increasing” (Leitner et al., 2023: 402) as new *kontrakan* is built on the top of such land (Leitner et al., 2023: 398).

Leitner et al. (2023) emphasize the importance of understanding such dynamics of everyday speculation in order to conceptualize peri-urbanization as a steady and organic process of urban growth. By contrast, the state-led urbanization through new city planning is temporally distinct, as it proceeds with very rapid and sudden city building dynamics (Bunnell et al., 2026), mixed with slower processes of urbanization over time. In the case of IKN, we encounter the dynamics of dramatically increased land prices and everyday speculation by the residents of Sepaku at least in the first years after Jokowi’s IKN announcement. The residents who extract value from the increased land prices seem to do so without using additional labor to produce and extract values from the land, unlike the residents in Jakarta’s *kampungs*. This might be a phenomenon specific to the spatiotemporal conjuncture of the early stages of new city planning. Yet, given the key importance of this phase in (re)producing winners and losers and directing future uneven development, we urgently need to understand the everyday speculation in the state-led urbanization and potentially resulting inequalities.

Hence, we ask: How do residents exposed to state-led urbanization engage in everyday speculation in land markets without working on the land to produce value?

To answer this question, we first review the concept of speculative urbanism in general and everyday speculation in particular in the context of urban development. We then explain our methodology to present our case study of everyday land speculation observed in Sepaku. Our case study follows the historical process that led to differentiated land ownership and claims in order to explain how IKN triggered everyday speculation in Sepaku and what the implications of the government attempts to control the soaring land prices are for those who speculate. Based on the analysis, we discuss how these dynamics have enabled the various groups of residents’ broad but unequal participation in land speculation without involving any productive activities or labor input to create values in the state-led land market. We conclude by highlighting our theoretical contributions to speculative urbanism in general and everyday speculation in particular and the implications of our case study for the new city development.

Everyday land speculation without production

In studies on urbanization, the concept of speculation has been ubiquitous over the past decade. As a major contribution on speculation in contemporary cities, Goldman (2020) established the concept of “speculative urbanism” to highlight the role of multiple types of financial institutions in turning houses into property assets for speculative investments. Speculative urbanism has analytically extended beyond financialization of housing to include speculative activities broadly taking place in cities, such as land speculation due to large-scale urban infrastructure and development projects (Goldman, 2011, 2021), speculation through online transportation platforms (Nowak, 2021), and speculation reconfiguring socionatural relationships such as “financial speculation” by which urban development generates flood risks and “environmental speculation” by which the solution to the flood risks further produces the market for speculation (Colven, 2022). In general, the studies show that speculation in urbanization follows a “pattern of accumulation through financial channels rather than through trade or commodity production” (Krippner, 2011; quoted in Goldman, 2021: 377). This means that labor and raw materials are less significant in the production of profit. This decoupling of profit from labor and raw materials has enabled the mobilization of the “inter-scalar hyper-mobility of finance capital,” which has created “relentless dynamism” (Goldman, 2021: 367), involving various spaces and actors beyond the rural-urban or north-south divides.

Leitner et al. (2023) extend this understanding of speculative urbanism to foreground the peri-urban residents' participation in speculative activities, conceptualized as everyday speculation, in order to clarify that financialization of ongoing urbanization is not only shaped by major developers and financial institutions. The crux of everyday speculation theory lies in the urban residents' participation in extracting value through spatiotemporal rent gaps that emerge in urbanization processes. In the peri-urban settlements of Jakarta, the everyday speculation encompasses not only land-based assets but also social and cultural aspects, such as the reproduction of solidarity in a *kampung's* life (Leitner and Sheppard, 2022; Leitner et al., 2023). They show that everyday speculation has an "inequalizing nature," which works to polarize the *kampungs'* residents into "those experiencing market-induced displacement and those holding out in kampungs threatened by displacement" (Leitner et al., 2023: 390). Either way, the residents with better positions in terms of finance, social, and cultural capacities benefit more from the financial dimension of everyday speculation.

When the residents of peri-urban Jakarta speculate on their land, their speculation is based on how the land is or will be worked to produce value. For the peri-urban Jakarta residents, the extracted values through "spatiotemporal rent gaps" (Leitner et al., 2023: 388) are produced by "constructing" rental units (p. 398; see also pp. 395 and 396). We could thus identify such everyday speculation observed in Jakarta as the process of value extraction via land and property speculation with production.

In other words, seen through the "value-based" (Mitra, 2019: 153) interpretation of Marx's theory of ground rent, the extracted values explained by Leitner et al.'s (2023) conceptualization of everyday speculation are shaped after additional works of labor injected into the land through construction. Leitner et al.'s (2023) spatiotemporal rent gaps are thus in line with Marx's definition of ground rent as a portion of "the surplus-value" (Marx, 1894 [1991]: 778). Here, the surplus-value is a part of value produced by the unpaid work of waged-labor (the variable capital), already exploited by the capitalists. A portion of the surplus-value flows to the capitalist's pocket as profit and another part flows to the pocket of the landowner as ground rent. In Marx's (1894 [1991]: 755) words:

the actual cultivators are wage-laborers, employed by a capitalist, the farmer, who pursues agriculture simply as a particular field of exploitation of capital, as an investment of his capital in a particular sphere of production. At certain specified dates, e.g. annually, this farmer-capitalist pays the landowner, the proprietor of the land he exploits, a contractually fixed sum of money (just like the interest fixed for the borrower of money capital), for the permission to employ his capital in this particular field of production. This sum of money is known as ground-rent.

Scholars have presented different interpretations of Marx's ground rent theory (Robertson, 2023; Ward and Aalbers, 2016). In general, the first type of ground rent, called differential rent I, is understood to be emerging out of spatial and physical conditions attributed to mainly the different fertility and location of agricultural lands; the second type, called differential rent II, emerges out of successive investments over time made into land with different fertility and location. These two types are related to each other, as the fertile land which produced differential rent I could produce a larger differential rent II. Then, there is an absolute rent, which is "conceptually distinct from differential rent" (Marx, 1894 [1991]: 895), arises for instance due to "the existence of a class of landlords acting as a barrier to entry for capital or consumers" (Ward and Aalbers, 2016: 1765). In this general understanding of the ground rent theory, labor power needs to be injected into the land to produce value. That is why, considering the role of labor and land in the production of agricultural ground rent, Marx (1894 [1991]: 773) said: "Natural fertility sets one limit" of the ground rent "as a point of departure or basis. The development of the social productivity of their labor sets the other limit."

Following this ground rent theory, everyday speculation analyzed in Jakarta follows the logic of the ground rent production in urban settings. Value is produced through construction – people who are holding out or displaced alike produce value by building rental units.

In contrast, the increased land price at the location of Indonesia's new capital city is caused by the national government policy to build a new city. The government's announcement to relocate the capital city led to this sudden increase, reflecting that the state created the land market (cf. Kelly and Peluso, 2015), which persuaded the residents to participate in their land transaction. This is a similar phenomenon observed in proliferating new cities in Asia. For example, in India, the new city's residents started "trading on risk or expected fluctuation in price" of their land (Upadhyaya, 2020: 144).

This means that in everyday speculation in the new city making, the residents involve in land trading to capture the increased land price without adding "expenditure of human labor-power" (Marx, 1867 [1982]: 166). While as Bear (2020; see also Fields, 2023: 514) writes, the "speculative labor" is injected to drafting and enacting laws and regulations at the state level to administer land transactions, the labor power to produce values on the land through clearing, hoeing, irrigating agricultural land, or developing built environments is non-existent in the speculation of the land surrounding the planned new city.

Therefore, the residents' participation in extracting value in the new capital city in East Kalimantan proceeds without producing value, but creating what we may call speculative rent, manifested in the soaring land price. Leitner et al. (2023) further problematizes how value extraction in everyday speculation with productive activities leads to inequalities between the residents depending on the access to finance or social resources. In the following case study, we explore whether and how the everyday land speculation in Sepaku, where speculative rent is driving up the land prices, leads to inequalities and under what mechanisms, if the residents do not rely on productive activities.

Methodology

To analyze the process by which the residents speculate in Sepaku, we use two types of sources: (1) legal and policy documents and online media and (2) fieldwork data obtained in Sepaku.

We first consulted legal documents to analyze the legal status of the new capital city. The Master Plan of IKN or *Rencana Induk IKN*, an annex to Law 3/2022, published by the national government (Republik Indonesia, 2022a), has helped to clarify the precise location of the capital city, its size, spatial categorization, and affected spaces and villages. Regulations enacted by the government at provincial and district levels have allowed us to understand the government's attempts to control the land market by banning the issuance of land-based permits and land certificates and controlling the registration of land transactions within the area of IKN.

We use online media as a source to follow the President's statements and other publicly disseminated information at the early phase of the capital city relocation in 2019. The primary platform through which we obtain this information is *YouTube*, notably Metro TV (Indonesia), an Indonesian Jakarta-based television channel.

The lead author conducted the first round of fieldwork in August–September 2022 and the second round of fieldwork in December 2022–May 2023. The first and the second authors visited Sepaku on 12–19 August 2024 to follow up on the development of IKN construction and land markets in Sepaku. Together, we generated two types of data sets from these three fieldwork periods: The first set consists of field notes created from recorded and un-recorded interviews and observations. As of August 2024, we produced 74 notes (Notes 1–74, in total 202 pages), which serve as the basis of the analysis for this case study. The second data set from the fieldwork consists of transcribed recorded interviews. During the fieldwork period of 2022–2024, we conducted 32 interviews relevant for this case study: 28 recorded interviews with *Lurah* (head of *Kelurahan* or urban village, appointed by the district's head), *Kepada Desa* (head of *desa*/village, elected by villagers), village secretary, laborers (concrete factory and dam engineers, and an operator of heavy equipment), residents from the indigenous community of Balik (a group with the well-known indigeneity in Sepaku), as well as residents who moved from Java under the transmigration program in the 1970s–1980s or their offspring in Sepaku; and 4 recorded

interviews with NGO activists and government officers working in Jakarta and Samarinda (the capital city of East Kalimantan Province). The interviews varied in length, from 20 minutes to more than 1 hour (Interviews 1–32).

Background: Underlying conditions for everyday speculation in Sepaku

Sepaku Sub-district is a two-hour drive from the Airport of Balikpapan, the economic center of East Kalimantan Province. Before the 1960s, Sepaku had been occupied by indigenous communities such as the Balik people. In the 1960s, the national government issued a large-scale land concession for forest extraction. The concessions were allocated to the business wing of the Indonesian Army, the IRDA Cooperative (Karya TNI-AD Republik Indonesia), in tandem with logging companies based in the United States: Delong Corporation and Weyerhaeuser Far East Ltd. These land concessions deprived the indigenous community of Balik of land ownership and access to the forest.¹

At the end of the 1970s and early 1980s, the national government implemented a transmigration program to move Indonesian citizens, primarily landless peasants, from the over-crowded Java Island to Kalimantan, where resource extractions were widely taking place, with the promise of jobs, housing and land ownership. By 1984, in total 4000 households had settled in Sepaku under the transmigration program.² This mobilized population was needed for the impending industrial plantation in Sepaku and for supplying the labor-power to cultivate the land after logs were extracted. New *desas* (villages) were established to accommodate the transmigrants and today there are 11 *desas*. Eight out of 11 *desas* in Sepaku were established for the transmigrants.

In addition to 11 *desas*, there are four (4) so-called urban villages (*kelurahan*) in Sepaku. This categorization reflects the Indonesian model of village-level administration. The differences are, amongst others: (1) heads of *desas* are elected by the villagers, whilst heads of *kelurahans* are appointed by the district head; (2) *desas* receive substantial village funding distributed by the national government while *kelurahans* do not (see Aspinall et al., 2025; Sidik and Habibi, 2023). The majority of the indigenous people of Balik live in *kelurahans*, such as Kelurahan Pemaluan and Sepaku, while the majority of transmigrants live in *desas*. This arrangement prejudices the indigenous community because the leader of a *kelurahan* is appointed by the government, offering less autonomy and no village funding. Sibukdin, a leader of the Balik People who lives in Kelurahan Sepaku, explicitly expressed his aspiration to change the status of Kelurahan Sepaku to a *desa* to realize the benefit the villagers would get from such a change.³

The differences between transmigrants and indigenous people in Sepaku are most reflected in their land claims. Transmigrant families and their offspring hold *sertifikat hak milik* (SHM), Indonesia's strongest land claim, and the indigenous people hold a weaker claim of *segel*. We observe that this difference offers a greater opportunity for SHM holders because land with an SHM is easier to trade in the land market and carries a higher price than land with a *segel*. According to interviewees,⁴ in the past, each transmigrant family in Sepaku was given two (2) hectares of land, with one hectare allocated for housing and one for farming *without* a land certificate or SHM. Sometimes, "the transmigration staff allowed the Javanese [transmigrants] to clear as much land as they wanted" (Hidayati, 1994: 121). Later, central government, including the one under Jokowi, legalized most transmigrant lands with the SHM.⁵ In contrast, the majority of the Balik people live in *kelurahan* on their lands inherited from their ancestors. These indigenous communities' land claims are substantiated with a *segel*,⁶ embodied in a notice letter which explains that the land is owned *by the government*.⁷ Therefore, *segel*, in Bahasa Indonesia, literally means "seal," and is a tool/certificate/letter issued by government/state to claim/seal indigenous land, in order to legalize land grabbing by the state.

This all shows that there was an underlying inequality in Sepaku when Jokowi announced that a total of 180,000 hectares of land would be controlled by the government in order to build the new

capital city (Metro TV (Indonesia), 2019b).⁸ The Master Plan (*Rencana Induk IKN*), which accompanied the Law 3/2022 on Nusantara Capital City (hence, IKN), outlines that IKN would be built on 256,142 hectares of land and 68,189 hectares of the offshore area (article 6, Law 3/2022). The land area of the new capital city is spatially categorized into three zones (Figure 1). The first zone is the core area for the government's offices, totaling 6671 hectares (the *Kawasan Inti Pusat Pemerintahan, KIPP*). The second zone allocated to the Capital City Area totals 56,180 hectares (*Kawasan IKN, KIKN*). The third zone is for further development (*Kawasan Pengembangan IKN, KPIKN*), with a total area of 199,962 hectares (Republik Indonesia, 2022a: 9).

With this demarcation, three villages within Sepaku Sub-district now find part of themselves within the core zone (*KIPP*). The three villages are Kelurahan Pemaluan, Desa Bukit Raya, and Desa Bumi Harapan, and before 2022 or before IKN they together had a population of 6137: Kelurahan Pemaluan had a total population of 1539, Desa Bukit Raya had 2749, and Desa Bumi Harapan had 1849. The population in Desa Bumi Harapan is the most affected, in the sense that 554 of residents of Bumi Harapan and 230 residents of Kelurahan Pemaluan now live inside the *KIPP* area (Republik Indonesia, 2022b: 3–12).

When the central government decided to relocate the capital city into Penajam Paser Utara District in East Kalimantan Province with the center of the new capital city in Sepaku, residents in many villages such as Tengin Baru, Sukaraja, and Bumi Harapan (Table 1) took their chance in land market, amidst the sudden rise of land prices.

Everyday land speculation in the making of the new capital city

Within Sepaku, land prices began to increase after Jokowi's announcement of the capital city relocation, but the increase in each land plot varied in magnitude (Table 1). We mark in Figure 1 our estimation of locations of traded lands, which are all in *KIKN*. Data in Table 1 show that although there are variations in the price data we collected, one thing is clear: the decisive moment is the government's decision to relocate the capital city to Sepaku.

The data from secondary sources (#1 and 2) shown in Table 1 are most likely an average of multiple transactions, while data from primary sources (#3, 4, 5, and 6) are from single transaction. Data from the primary sources show that the highest annual increase of land price is more than 8 times. This is a distinctive pace, if we compare it, for instance, with the pace of land price increases in Gunungsewu (Yogyakarta Province in the central part of Java) and Ciletuh (West Java Province) due to the development of geoparks and roads. For the former province, the land price increased at 206% per year, from IDR 30,000 in 2005 to IDR 1 million per square meter in 2021. For the latter, the land price increased 135% per year, from IDR 300,000 in 2016 to IDR 800,000 per square meter in 2018 (see Ristiawan et al., 2024: 8). For Jakarta, the average annual increase of land price from 2010 to 2014 was 16% (Roberts et al., 2019: 254). At the peri-urban of Jakarta, the most extreme case recorded by Leitner et al. (2023: 400) is located close to mega urban development project of Meikarta, with an average annual increase between the year 1995 and 2019 of 16,666%. This shows the unexceptionally large price increase that happened in Sepaku.

Before the official announcement as the location for the new capital city, Sepaku was a hinterland of the Indonesian center (Java) and planetary capitalism, sending logging abroad (Barr, 1998; Gellert, 2003). Few people were interested in buying land in Sepaku. After the announcement of the IKN Project, buyers came from big cities in Indonesia, including Samarinda, Balikpapan, Surabaya, and Jakarta,⁹ to purchase land adjacent to the land needed by the government to develop the new city and infrastructure. They bought land for many purposes, as they subdivided the land into smaller plots for housing, agriculture, and speculation,¹⁰ as they expected to extract value out of fluctuation in the land price. For the locals who sold their land, similar with the displaced identified by Leitner et al. (2023), they further

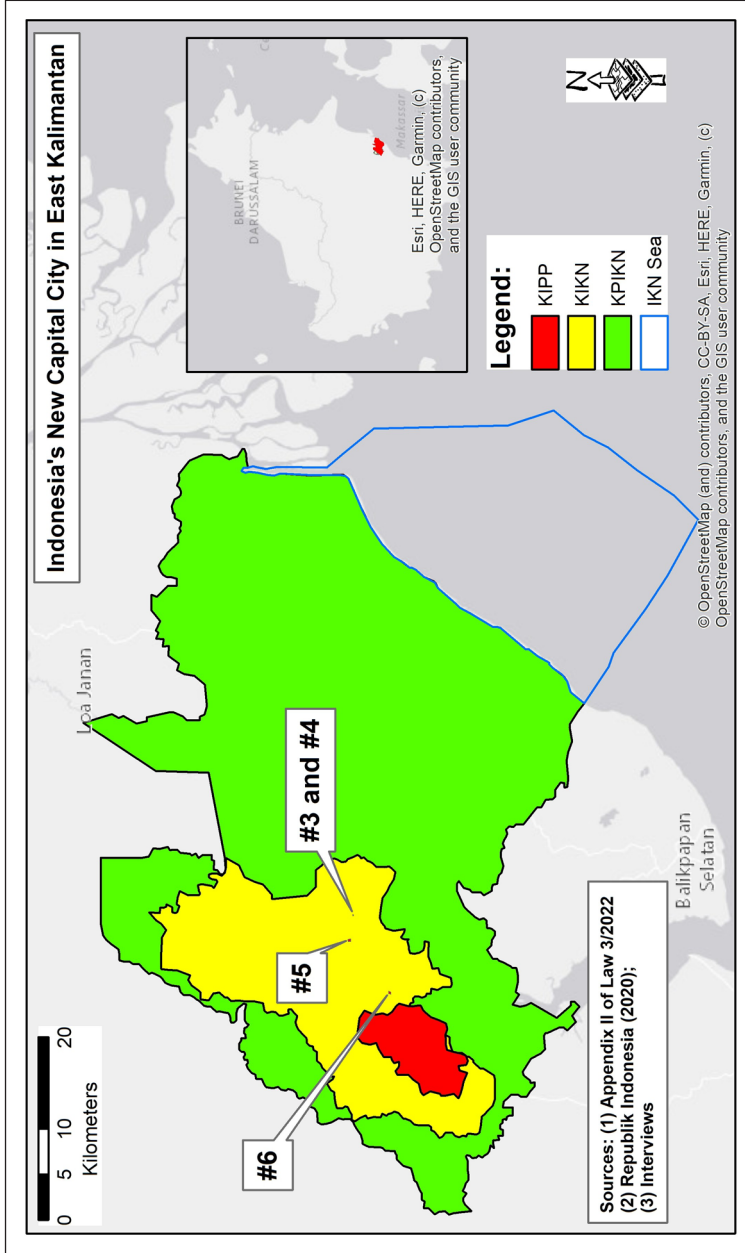


Figure 1. Location and zonation of IKN Project.
Source of IKN map: Reproduced from state's document (Republik Indonesia, 2022a: 8).
Numbers in the figure indicate the location of land trade explained in Table 1.

Table 1. Land price increase in Sepaku sub-district between 2018 and 2022/2023.

No.	Land price before the IKN Project (Indonesian Rupiah or IDR million/ha)	Land price after the IKN Project (IDR million/ha)	The pace (the increase/time)	Annual increase (percent/year)	Source	Estimated location at Figure 1
1	50 (most likely in 2018)	300 (in 2022)	6 times in 5 years	120	Daton and Belarminus (2022), information is based on an interview with the head of Sepaku Sub-district (<i>Camat</i>).	Unclear
2	Unknown (most likely in 2018)	Unknown (in 2019)	5–10 times in 1 year	500–1000	Hikam (2022), information is based on an interview with the Secretary of Sepaku Sub-district.	Unclear
3	150–200 (most likely in 2018)	1000 (in 2020–2022)	5–6 times in 3–5 years	100–200	Interview 2 (transmigrant interviewee, 11/08/2022); these figures are for land with a <i>segel</i> land claim.	#3 (Tengin Baru Village)
4	450 (most likely in 2018)	2500–3000 (most likely in 2020–2022)	5.5–6.6 times in 3–5 years	110–220	Interview 2 (11/08/2022); this is for land with <i>SHM</i> land claim.	#4 (Tengin Baru Village)
5	20 (before 2018)	1000 (in 2023)	50 times in around 6 years	833	Interview 14 (transmigrant interviewee, 24/12/2022); an insight gained from the interview is that the high annual increase includes the need to change/improve the land claim from <i>segel</i> to <i>SHM</i> .	#5 (Sukaraja Village)
6	500 (prediction in 2018)	10,000 (end of 2022)	20 times in 5 years	400	Note 41, based on conversations with interlocutor from transmigrant family (12/01/2023).	#6 (Bumi Harapan Village)

Source: Compiled by authors from on-line sources and interviews.

speculated on where to invest their money. For instance, a transmigrant villager used the money he got from selling a plot of land to buy a car and open a car-rental business.¹¹

What makes Sepaku residents who speculate different from Jakarta residents who speculate in Leitner et al. (2023) is their full use of the differentiated land claims. The transmigrant families who

hold the SHM can extract more from the land market.¹² The type of landownership arrangement also explains why our interviewees from the transmigrant group support the IKN Project – because it increases the price of their land. An interlocutor from the transmigrant groups, whose story we used at Table 1 row #5, explained this to us:

- Interviewer: Could you please explain to me the difference between land price with *segel* and that of with SHM now?
- Interviewee: land with *segel* certificate is 20 million [IDR/hectare]
- Interviewer: 20 million? Interviewee: Yes. After the announcement of IKN Project [in 2019], I have a friend who sold 2 hectares of land with SHM certificate, the price was [IDR] 350 million/hectare
- Interviewer: This is with SHM certificate, right?
- Interviewee: Yes! 350 million is for land with SHM certificate
- Interviewer: That one you mentioned, IDR 20 million, that was for land with *segel*, right?
- Interviewee: *Segel*
- Interviewer: Okay
- Interviewee: And in 2022, it [land with SHM certificate] again increased to [IDR] 1 billion per hectare.¹³

Therefore, for the offspring of transmigrant families, the increase in land prices was a recurring topic mentioned in interviews¹⁴ to rationalize their participation in the land market and their support for the IKN Project. This deepens the existing inequality between the transmigrant families and the Balik people who increasingly demand recognition from the government, especially to issue them SHM to replace their *segel*. According to one of our Balik interlocutors, without recognition from the state, they are like “a bird with only one wing” (*kalo model burung tu, dah patah sayap sebelah*) – still alive but incapable of flying, with one wing first broken when their land was grabbed by logging companies in the 1960s.¹⁵ A statement by Sibukdin, the Balik leader, sums up their aspiration: “We do not reject the IKN. It is just that we cannot support it before our existence and rights are acknowledged.”¹⁶

While the government’s decision to relocate the capital city to Sepaku has increased the land price at a distinctively rapid pace, through which residents extract but not produce value, government institutions also started to attempt to control the land price. They were not entirely successful due to the residents’ active participation in the land transactions.

Government attempts to control the land market

The sudden increase in land prices is unfavorable for the government, especially since the government plans to build infrastructures such as a dam, a water intake (smaller) dam, and waste-water plants for the new capital city (see Swara et al., 2025, 2026, for water infrastructure development at IKN). If Sepaku’s land prices continue to rise, the government must pay higher compensation for the land acquisition. Hence, the government started to enforce its power to control the land price.

Sibukdin explains that his land, appropriated for the development of water intake infrastructure in *Kelurahan* Sepaku, was compensated at IDR 100,000 per square meter, slightly higher than the sales value of the taxable object (*Nilai jual objek pajak, NJOP*). Such compensation from the government, according to Sibukdin, is not competitive. He cannot use that sum to buy similar-sized land in other places in Sepaku because the market-based land price was much higher than that of *NJOP* (in August 2022). Specifically, the market-based price of a square meter of land far away from the road was IDR 0.5 million and IDR 1 million for a parcel of land close to the access road (Zakaria, 2022). By the same token, according to one of our interlocutors, many speculators from Indonesian cities who had rushed to buy parcels of land close to the *Titik Nol* (literally means Point Zero, the spot created by the

government within KIPP as a place for ceremonies) at the market price, suffered financial losses since their lands became required for infrastructure project developments, and were compensated by the government slightly above the *NJOP* price and below their purchasing price.¹⁷

To stabilize the land prices to restrain compensation rates for the infrastructure implementations, the government issued regulations to monitor land use and ban the enactment of land-based permits to stop the legal registration of land transactions. These bans are regulated through Penajam Paser Utara Head of District Regulation 22/2019 (dated 2 September 2019), East Kalimantan Governor Regulation 6/2020 (dated 2 March 2020), and East Kalimantan Provincial Land Agency Letter HP.01.03/205-64/II/2022 (dated 8 February 2022). The latter letter lists all the *desas* and *kelurahans* where the ban applies.

The government tried to implement the ban, up to the village level, as explained by a Village Secretary to us:

Interviewee: We, village government, are tidying up the letter. In this case, let's say parents inherit 1 plot of land for several kids, [and parcel out and distribute those plots of land] this [plot] is for A, this is for B, you cannot do it now. We, the village government, are prohibited from doing that. We are not allowed to issue land *segel*.

Interviewer: Waiting for . . . ?

Interviewee: IKN Authority, according to the instruction from Minister of ATR/BPN [Ministry of Agrarian Affairs and Spatial Planning/National Land Agency].¹⁸

However, according to a villager, the ban only works in the legally registered market. People are still participating in the land market,¹⁹ including the indigenous community with *segel* land claims.²⁰ These sales can happen through the *transaksi bawah tangan* (literally means below, or under, hand transaction, or under-the-table transaction), which are land transactions not legally registered with the official land agency database. The legalization of *transaksi bawah tangan* requires clarity on the land deals regulation in the area of IKN Project, which, according to Law 3/2022, in the future would be organized under the jurisdiction of the IKN Authority (*Otorita IKN*).²¹ A Village Secretary explained this to us:

Interviewer: What about land trading?

Interviewee: Yes, with letter

Interviewer: How does it go?

Interviewee: Before the ban, there was transaction already, change in the ownership. After the ban, this depends on the residents, so far there is nobody . . . actually there are one or two who reported to us regarding land transaction. [The resident said:] I have sold the land there to someone from Balikpapan, there was a person who dared to pay, and that person held the certificate. When the IKN Authority is in power, that person will legalize the transaction, for now the system is *bawah tangan*.

Interviewer: You call it *bawah tangan* transaction?

Interviewee: Yes, an agreement between both parties.

Interviewer: legally binding?

Interviewee: Yes, but not really.²²

Reflecting the above quote, for example, outside the areas restricted in the Kalimantan Provincial Land Agency Letter HP.01.03/205-64/II/2022 in Desa Sukaraja, around 14km away from the *Titik Nol* but within the *KIKN* zone, one can easily find advertisements for land sales on the side of the main road (Figure 2), depicting a parcel of land awaiting buyers.



Figure 2. A physical form of land market: “This land is for sale, please contact . . .,” a land-selling advertisement in Desa Sukaraja or Sepaku 2, within the KIKN zone, 14km away from the Titik Nol (photo by authors, 26/12/2022).

The government’s attempts to control the land market have thus diversified the effects of everyday land speculation. For those with the *segel*, the state managed to seize land control for infrastructure developments from the residents by paying compensation well below the market price; and eventually it also forced the land speculators from outside to sell their newly bought land to the state for a price lower than their purchasing price. Yet, the landowners are engaged in informal land transactions, which undermine the government control. Institutionally, however, this also politically benefits the state, as the landowners are generally supportive of the IKN project.

Conclusions: Everyday land speculation’s benefits to the state

We have documented how the government’s decision to relocate Indonesia’s capital city from Jakarta to East Kalimantan caused a sudden increase in land prices and the residents’ wide participation in land speculation. We have shown that the varying types of land claims have worked to benefit transmigrants, as they historically hold the strongest land claim known as SHM and hence can even evade the government’s attempts to control the land price by engaging in the informal land transactions. In turn, they lay a strong political basis for the ruling government promoting state-led urbanization through IKN construction, and this might explain the wider public support for the IKN in Sepaku despite the fact that promised private foreign investments are still largely absent.

We argue that this speculation serves to extract value from the land market without producing value, unlike everyday speculation observed in more organically developed peri-urban settlements where residents strive to engage in and extract value from productive livelihood activities. In the case of *kampung*s in Jakarta (Leitner et al., 2023), everyday speculation takes place as the residents try to benefit from the temporal rent gap, which is the difference in land prices and rents before and after gentrification, arising from the additional injection of capital, including variable capital or labor-power, into an urbanized space to produce value through rental unit construction. Our case study has shown that, apart from the speculative labor invested in making government policies and regulations in the first place – which (re)established the state as the leading actor in controlling the land market – no active productive activities took place. Instead, the ongoing development of infrastructure projects such as dam, water intake infrastructure, roads, water-treatment plants, hotels, and hospitals in and around the core zone of IKN came after the increase in land prices in Sepaku. In this sense, everyday speculation in Sepaku captures a specific spatiotemporal conjuncture at the IKN Project before additional labor-power was put into the land to produce additional value to increase its price. In and through this process, residents have participated and speculated differently. This conceptualization contributes to the understanding of state-led urbanization, particularly in the early phases of planning of large-scale greenfield new city projects. It clarifies why specific groups of people such as transmigrant families and their offspring with SHM are able to benefit the most by speculating on the land by reference to the government’s rules and controls. This also suggests that the indigenous people with the weak land claim *segel* continue to be disadvantaged in benefiting from the state projects, as the compensation scheme for infrastructure development on indigenous land is much lower than the compensations for the landowners with the stronger land claims. These reinforced historical inequalities lay the basis for creating potential further land-based inequalities as the project enters different phases where more value production may take place.

Theoretically, we have contributed to the conception of speculative urbanism by showing that speculation without production of value, or the less significant role of labor often seen in speculative urbanism, also occurs in everyday speculation. We have conceptualized different types of everyday speculation by applying value-based analysis. One type is everyday speculation with clear intentions of value production, for example, by construction of rental units, as conceptualized by Leitner et al. (2023). The other type operates without value production, as we have shown in this article. The latter type is partly enabled, and its effect is exacerbated, by existing differentiated land claims, which benefit one group of people more than the others, and eventually benefit the government as they enjoy the political support of those with strong land claims. Distinguishing everyday speculation without value production from the process with value production allows us to highlight that the preconditions such as the differentiated land claims to participate in everyday speculation largely determine who benefit and who lose out in the rapid urbanization process led by the state.


Overall, we show that the state takes a full advantage of this pre-conditioned land claim differentiation. Such a constant reproduction of inequality – and marginalization of indigenous people with weak land claims – is entirely ignored when the national government claims that the new capital city brings “inclusive” development for all (Republik Indonesia, 2022a: 6). Further research is needed, as the IKN keeps on developing – albeit currently at a slower pace – to show how this everyday speculation unfolds, and to whose benefits.

Acknowledgments

We would like to particularly thank all of our interlocutors for the cordial knowledge sharing with us; the Dutch Research Council (NWO) for funding our research entitled “*Following Frontiers of the ‘Forest City’: Towards Sustainable and Inclusive Urbanization in Kalimantan and Beyond*” (grant number: 482.20.507) of which this article is part of; 2023 Center for Global Cooperation Research, Universität Duisburg Essen for facilitating a workshop in which we discussed our work and from which we are benefited by comments made by Malcolm Campbell-Verduyn and Matthias Kranke; audiences in our panel at 2024 Land Deal Politics Initiative

Conference in Bogota for their comments/questions on our presentation; Vandy Yoga Swara for collaboration in the first and the third round of fieldwork; Asia Research Institute of the National University of Singapore for supporting the first author to work on this article; and three anonymous reviewers for their extremely helpful comments to improve our draft both in terms of theory and the way we present our case. The responsibility for the final version stays with us.

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Funding

The authors disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: The Dutch Research Council (NWO)'s Merian Fund within the context of a broader research project entitled "Following Frontiers of the 'Forest City': Towards Sustainable and Inclusive Urbanization in Kalimantan and Beyond" (grant number: 482.20.507).

Declaration of conflicting interests

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Notes

1. Interviews 1 (11/8/2022) and 5 (12/8/2022), both interlocutors, are members of the Balik community; see also company report: PT ITCIKU (2005: II-1).
2. Our source for the history of transmigration in Sepaku is Bukit Raya Village's website: <https://penajamkab.go.id/wp-content/uploads/2023/04/selayang-pandang.pdf> (accessed 4 May 2026). A summary of transmigration program in Sepaku can be found at Swara et al. (2026: 145); see also Hidayati (1994).
3. Interview 6 (12/08/2022).
4. Interview 2 (11/8/2022) and 14 (24/12/2022): both interviewees are from the transmigrant families.
5. Interview 14.
6. Interview 4 with Balik people (12/8/2022).
7. There are other groups of people in Sepaku, such as migrants beyond the state-sponsored transmigration program. In this article we focus on both groups of state-sponsored transmigrants and the indigenous community of Balik because both groups represent two different land claims (*SHM* and *segel*) in Sepaku. Other group such as migrants from Sulawesi can have both *segel* (see Olijkan, 2023) and *SHM* land claims, which they could buy in the market.
8. Jokowi most likely pointed to the land managed by corporations under the state's large-scale land concession scheme. According to Johansyah et al. (2019: 4–5), most land in the location of the new capital city is occupied by plantation and coal mining concessions.
9. Interview 2, 11/08/2022.
10. Interview 32a and 32b with a Sepaku's villager, migrant from East Java (10/05/2023).
11. Note 41 (12/01/2023), a conversation with a driver.
12. In the past, many transmigrant families returned to their places of origin in Java because they were unsatisfied with the conditions in East Kalimantan. The land they received from the government was sold to whoever would buy it, for example, to other transmigrant fellows, and at a low price. As an interlocutor explained, sometimes a parcel of land was exchanged with a cow or with a sum of money that was enough to buy tickets to go back to Java. Hence, within the transmigrant group itself, there is differentiation in land control and ownership; some managed to collect more land, and some sold their land. The well-known powerful *tuan takur* (landlord) in Sepaku is a transmigrant. His family runs many businesses, from fuel stations to travel agencies, and with such enterprises, the family has managed to accumulate land control by buying land from fellow transmigrants (Note 41, 12/01/2022).

13. Interview 14 (24/12/2022). Gnagey and Tans (2018: 72) found that the price of land with customary or informal land rights are lower 30.71% than land with *SHM* (“property outright in perpetuity”).
14. For example, Interviews 2 (11/08/2022) and 14 (24/12/2022), and Note 14 (11/08/2022). Furthermore, in the 2024 Indonesian presidential election, 81.91% out of a total of 4333 votes in the three villages (Kelurahan Pemaluan, Desa Bukit Raya, and Desa Bumi Harapan) went to the pair-elect of Prabowo Subianto-Gibran Rakabuming Raka, who campaigned/promised to continue (*keberlanjutan*) Jokowi’s policy, including developing the IKN. We retrieved 2024 election data from the government’s website: <https://pemilu2024.kpu.go.id/pilpres/hitung-suara> (accessed 15 June 2024).
15. Interview 5 (12/08/2022).
16. Sibukdin’s statement is accessible at: <https://www.youtube.com/watch?v=D0Aj3MGFaAI> (minutes: 22, accessed 14 February 2024).
17. Note 40 (drawing on many conversations with a villager from Sulawesi (a Buginese) community in early January 2023).
18. Interview 16 (26/12/2022).
19. Note 30 (15/12/2022), based on several conversations with a villager who independently moved from East Java to Sepaku in the 1980s.
20. Interview 20 (04/01/2023) with a member of the Balik Community.
21. Interview 16.
22. Interview 16.

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