

JAKARTA & GREATER JAKARTA | RETAIL

Retail Sector

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In Jakarta, occupancy remained stable at 86%, whilst average rents increased 4.4% QoQ to IDR587,904/sq m/month. The high demand for premium retail spaces (particularly at the ground floor) caused mall owners to confidently increase their offering rents. Despite marginally, average rents also grew in Greater Jakarta to IDR353,790/sq m/month.

Forecast at a glance



Supply

New Glodok Plaza and Aeon Jakarta Garden City will begin operation in 2017 and contribute new additional retail spaces. Outside the CBD, more future shopping centres will be completed, bringing around 185,000 sq m of projected additional retail spaces in 2018.



Demand

Malls that are expected to open in 2018 have secured some committed tenants coming from home furnishing, cinema, fashion, and food and beverages.



Occupancy

Occupancy for shopping centres for lease (mall) is forecasted to be relatively flat, although two malls will soon be completed and bring large spaces in 2017. On the back of sound GDP growth and low inflation, the retail market is expected to perform better with higher occupancy, particularly because the amount of future supply will be much more controlled.



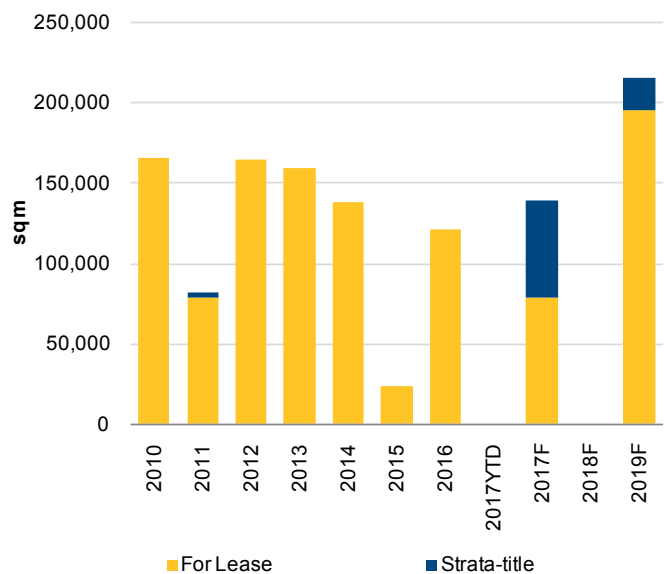
Rent

The cost of occupancy has gradually moved in an upward trend, much underpinned by a moderate amount of new retail spaces. A regulated number of future retail spaces will provide rooms for landlords to continue adjusting their rental rates going forward.

Supply

Jakarta

Annual Retail Space Supply in Jakarta



Source: Colliers International Indonesia - Research

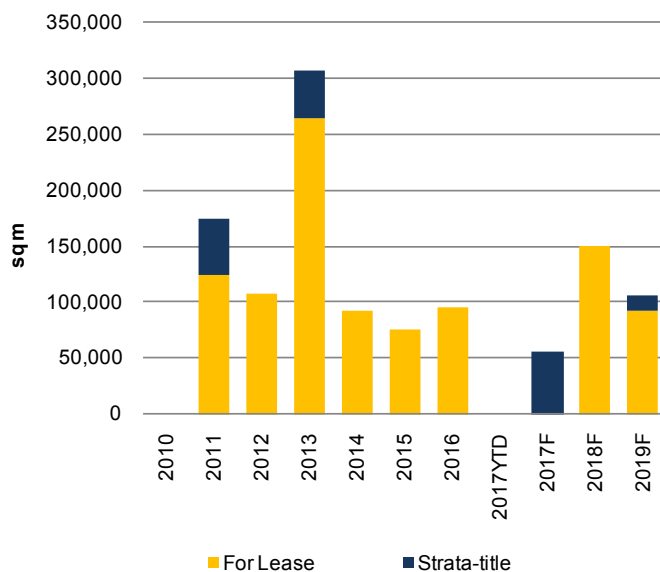
In Jakarta, three shopping centres are expected to bring 139,000 sq m of new supplies in 2017. Nevertheless, none of them began operation in Q1 2017 and caused the current cumulative supply to still register at 4.57 million sq m. Should these three shopping centres be completed, the cumulative supply will increase by 3% YoY. As recorded, the 2017 growth of cumulative supply is the same as the previous year, which was contributed by four shopping centres in 2016.

The number of future retail centres will be very limited in Jakarta. Apart from the future supply in 2017, the city will see another seven future shopping centres until 2019. D'Entrance retail centre, a newly launched project in Jakarta, will bring more lifestyle and al fresco dining experiences. This retail centre will stand on the former location of Arkadia Office Tower A at TB Simatupang (South Jakarta), which was demolished in 2016. Including this project, South Jakarta will contribute five of 10 future shopping centres in 2017-2019.

Based on area, 18.4% of the current total supply was located in the CBD. Nevertheless, the CBD does not expect to have additional supply in 2017 and 2018, and so the projected cumulative supply will remain the same at 839,985 sq m by the end of 2018. Meanwhile, cumulative supply outside the CBD was recorded at 3.73 million sq m as of Q1 2017, with an expected 310,000 sq m additional supply, approximately, up to 2019. Four of eight future shopping centres have been under construction, representing 50% of the total projected additional retail spaces outside the CBD, up to the end of 2019.

Greater Jakarta (BoDeTaBek)

Annual Retail Supply in Greater Jakarta



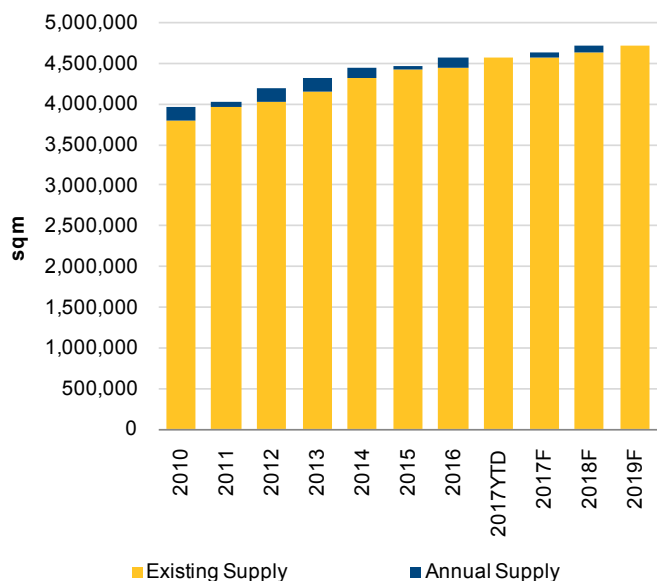
Source: Colliers International Indonesia - Research

A shopping centre recently began operation in East Bekasi, located within a mixed-use project called BTC City. This new shopping centre is owned by Gapura Prima, which developed Bekasi Trade Centre, an existing shopping centre within the same compound. These additional retail spaces raised the cumulative supply to 2.52 million sq m as of Q1 2017.

Based on construction progress, only BTC City Shopping Mall in Greater Jakarta contributed additional retail spaces in 2017. Seven future shopping centres are expected to meet completion from 2018 to 2019 to bring around 260,000 sq m of additional supply in Greater Jakarta. Grand Dhika, Galleria Vivo Sentul and Aeon Mall Sentul City will be completed first in 2018. Galleria Vivo Sentul (in Cibinong) is expected to provide a trade mall concept. Meanwhile, based on leasable area, Aeon Mall Sentul City will be the one shopping centre that has a net leasable area larger than 70,000 sq m in Greater Jakarta. This shopping centre has begun construction since early 2016.

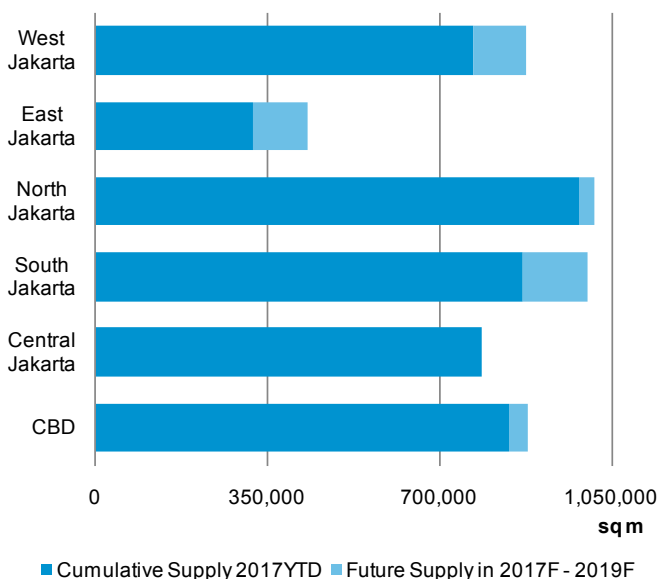
In addition, Aeon Mall Sentul City will become the third shopping centre project by Aeon in Indonesia, after Aeon Mall BSD in Tangerang, Greater Jakarta and Jakarta Garden City in East Jakarta. For future shopping centres, besides Jakarta Garden City and Sentul City, Aeon partnered with Sinarmas Land as the local developer in building two shopping centres in Greater Jakarta. As partners, these developers are currently preparing to start the construction of a new shopping centre at Tanjung Barat (South Jakarta) and Deltamas (Bekasi). Apart from Aeon, Sinarmas itself will also develop a shopping centre at Kota Wisata (Bekasi).

Cumulative Supply of Retail Spaces in Jakarta



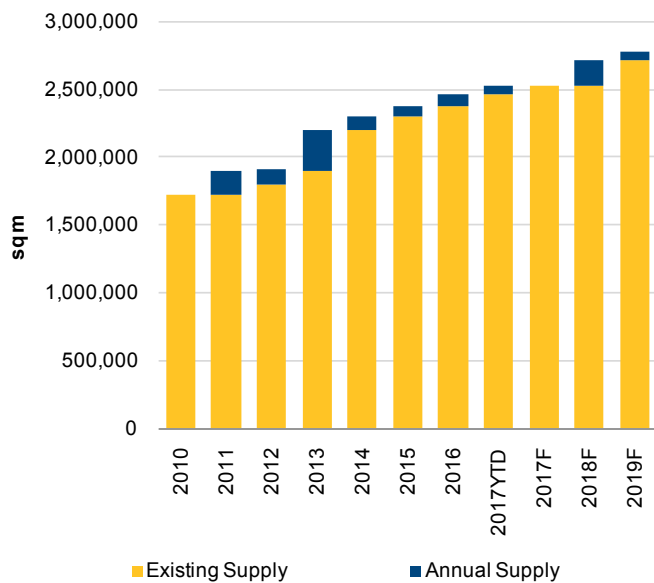
Source: Colliers International Indonesia - Research

Cumulative Supply Based on Area in Jakarta



Source: Colliers International Indonesia - Research

Cumulative Supply of Retail Spaces in Greater Jakarta

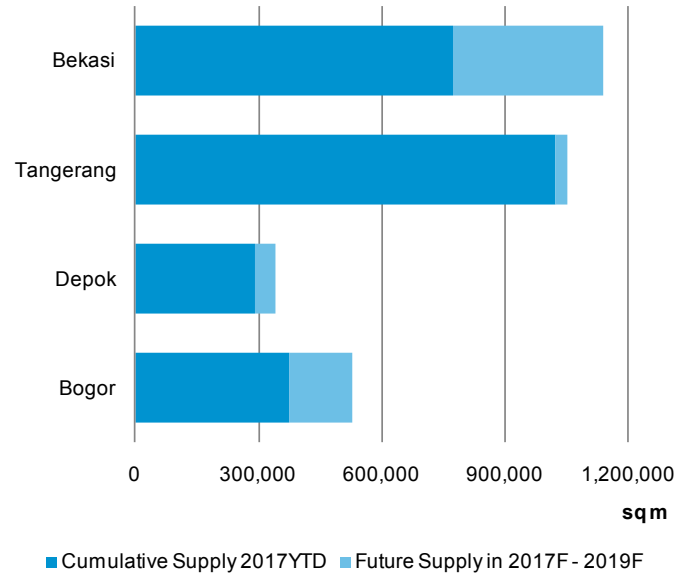


Source: Colliers International Indonesia - Research

From the developer's side, besides Sinarmas Land, Lippo Group and Agung Podomoro Land (APL) will become the most active developers of new shopping centres in Greater Jakarta. Until 2020, both APL and Lippo Group will contribute three future shopping centres each. Two of three future

shopping centres owned by Lippo will be developed in Tangerang, namely Embarcadero at Bintaro and Lippo Grand Mall at Karawaci. Meanwhile, three future shopping centres owned by APL will be constructed in Jakarta.

Cumulative Supply Based on Area in Greater Jakarta



Source: Colliers International Indonesia - Research

New Supply Pipeline

SHOPPING CENTRE	LOCATION	REGION	DEVELOPER	NLA (SQ M)	DEVELOPMENT STATUS
JAKARTA					
2017					
Shopping Mall @ SOHO Pancoran	Pancoran	South Jakarta	Agung Podomoro Land	8,000	Under Construction
New Harco Plaza	Glodok	West Jakarta	Wahana Sentra Sejati (Agung Podomoro Land)	60,000	Under Construction
Aeon Mall Jakarta Garden City	Cakung	East Jakarta	Metropolitan Land & Aeon	71,000	Under Construction
2019					
D'Entrance	TB Simatupang	South Jakarta	Loka Mampang	10,000	Under Construction
Shopping Mall at Podomoro Park	Buaran	East Jakarta	Graha Cipta Kharisma (Agung Podomoro Land)	40,000	In Planning
Grand Metro Cipulir	Cipulir	South Jakarta	Priamanaya	30,000	In Planning
Pondok Indah Mall 3	Pondok Indah	South Jakarta	Metropolitan Kentjana	60,000	In Planning
Shopping Mall at South Gate	Lenteng Agung	South Jakarta	Sinarmas Land & Aeon	35,000	In Planning
Benhil Central Mall	Bendungan Hilir	CBD	Wijaya Karya & PD Pasar Jaya	20,000	In Planning
Benhil Central Trade Centre	Bendungan Hilir	CBD	Wijaya Karya & PD Pasar Jaya	20,000	In Planning

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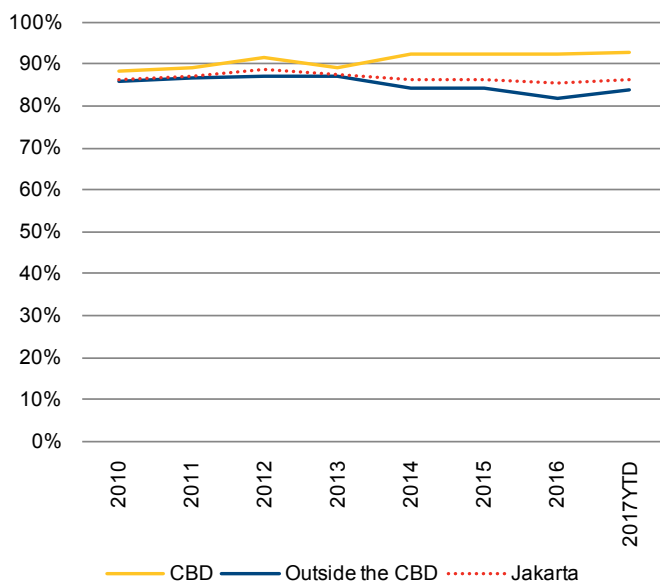
SHOPPING CENTRE	LOCATION	REGION	DEVELOPER	NLA (SQ M)	DEVELOPMENT STATUS
<i>continuation</i>					
GREATER JAKARTA (BODETABEK)					
2018					
Galleria Vivo Sentul	Cibinong	Bogor	Megapolitan	35,000	Under Construction
Grand Dhika City Mall	Bekasi	Bekasi	Adhi Persada Realty	24,000	Under Construction
Plaza Indonesia Jababeka	Jababeka	Bekasi	Plaza Indonesia & Graha Buana Cikarang	55,685	Under Construction
AEON Mall Sentul City	Sentul	Bogor	Sentul City & Aeon	71,000	Under Construction
2019					
Living World Jababeka	Jababeka	Bekasi	Kawan Lama	18,000	In Planning
Shopping Mall at Pesona Square	Juanda	Depok	Menara Depok Asri	30,000	In Planning
Hollywood Central	Cikarang	Bekasi	Graha Buana Cikarang	25,000	In Planning
2020					
AEON Mall Deltamas	Deltamas	Bekasi	Sinarmas Land & Aeon	90,000	In Planning
Lippo Grand Mall	Karawaci	Tangerang	Lippo Karawaci	120,000	In Planning
Embarcadero	Bintaro	Tangerang	Lippo Karawaci	30,000	In Planning
Kota Harapan Indah	Bekasi	Bekasi	Hasana Damai Putera	51,000	In Planning
Shopping Mall at Green Lake	Cimanggis	Depok	Cempaka Group	20,000	In Planning
Shopping Mall at Kota Wisata	Kota Wisata	Bekasi	Sinarmas Land	45,000	In Planning

Source: Colliers International Indonesia - Research

Absorption

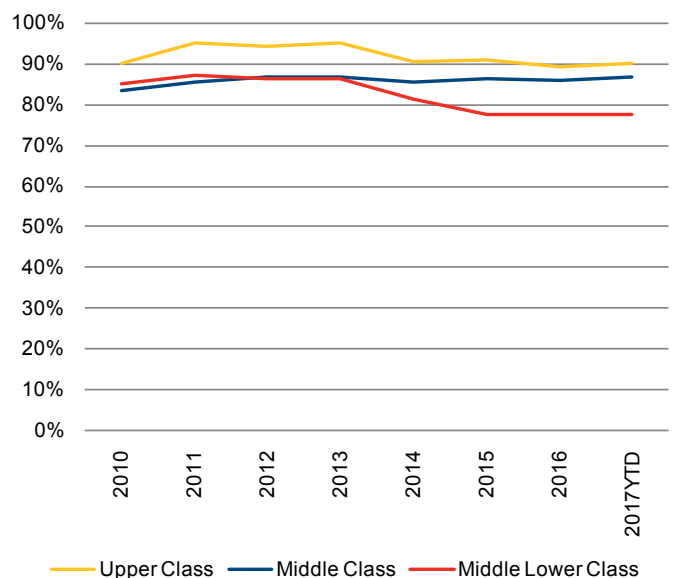
Jakarta

Occupancy Rates



Source: Colliers International Indonesia - Research

Occupancy Based on Mall Grade



Source: Colliers International Indonesia - Research

Occupancy performance in Jakarta has been relatively stable. In 2015, Jakarta received around 120,000 sq m of additional retail supply. However, occupancy hovered at 85%-86% in 2016. Occupancy performance currently showed an upward trend again, despite slightly, and registered at 86.3% as of Q1 2017. With limited additional retail spaces and improving economic growth, we forecast occupancy to reach 87%-88% by the end of 2017 in Jakarta.

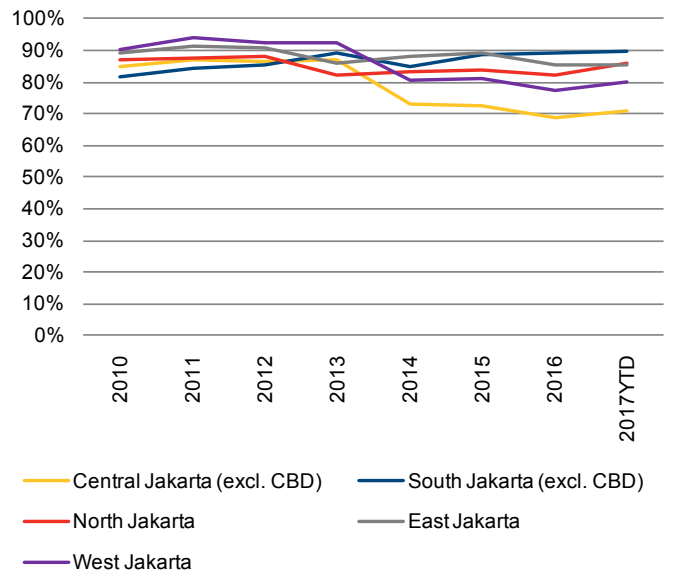
In Jakarta, shopping centres in all classes helped improve occupancy rates, whilst upper class shopping centres maintained the highest occupancy rate. Due to the influx of new shopping centres in 2016, occupancy dropped, but upper class shopping centres gradually climbed to 90.2%. We expect occupancy to be maintained at a high level partly due to the absence of additional retail spaces for upper class shopping centres in 2017.

Occupancy for middle class shopping centres improved QoQ, despite marginally, and was registered at 86.8% as of Q1 2017. It continued to show a narrower gap than with upper class shopping centres. The future supply of middle class shopping centres will likely impact the projected occupancy rates in 2017. Meanwhile, occupancy has been recorded relatively flat at 77% for middle lower class shopping centres since 2015 and will continue to flatten by the end of 2017, due to the availability of large vacant spaces.

South Jakarta (the non-CBD area) led with the highest occupancy rates since 2016, exceeding East Jakarta. Without additional supply, occupancy in South Jakarta was

relatively stable QoQ. After decreasing due to the influx of newly operating shopping centres, occupancy rates in North Jakarta, West Jakarta and Central Jakarta climbed moderately as of Q1 2017, but not East Jakarta. Nevertheless, together with North Jakarta, East Jakarta recorded the second-highest occupancy rates by area. East Jakarta is expected to see large additional retail spaces and will likely bring the projected occupancy to drop by the end of 2017.

Occupancy Based on Area in Outside the CBD



Source: Colliers International Indonesia - Research

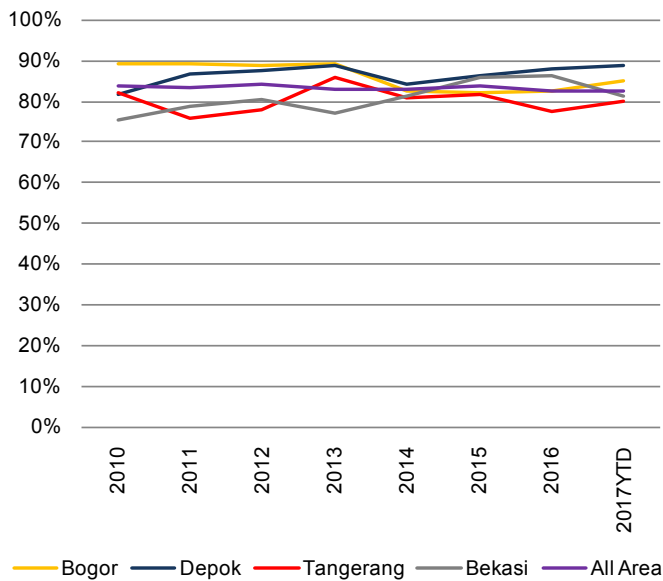
Committed Tenants at Existing Shopping Centres

SHOPPING CENTRE	AREA	TENANT NAME	PRODUCT
Lotte Shopping Avenue	Satrio, CBD	Ace Hardware	Home Furnishing
Lotte Shopping Avenue	Satrio, CBD	Toys Kingdom	Kid's Toys, Hobbies & Gift
Pacific Place Mall	SCBD	Tory Burch	Fashion Boutique & Accessories
Mall Kelapa Gading V	Kelapa Gading, North Jakarta	Kintan Buffet	Restaurant
Senayan City	Senayan, CBD	Kintan Buffet	Restaurant
Senayan City	Senayan, CBD	The Watch	Fashion and Accessories
Senayan City	Senayan, CBD	Zara Home	Home Furnishing
Senayan City	Senayan, CBD	Furla	Fashion
Mall Puri Indah	Puri Indah, West Jakarta	Metro	Department Store
Cibubur Junction	Cibubur, East Jakarta	Cinemaxx	Entertainment
Kalibata City	Kalibata, South Jakarta	Ace Hardware	Home Furnishing

Source: Colliers International Indonesia - Research

Greater Jakarta

Occupancy Rates



Source: Colliers International Indonesia - Research

Consecutively, two large shopping centres began operation in the previous quarter and brought large additional retail spaces in Greater Jakarta. After decreasing by the end of 2016, occupancy was still restrained at 82.4% as of Q1 2017. Hypermart, Informa, Ace Hardware, Fun World, Pojok Busana and some food and beverages retailers will officially occupy spaces at Bekasi Trade City Shopping Centre. As projected additional supply will be very limited, we forecast occupancy in Greater Jakarta to continue climbing in 2017.

Except at Bekasi, occupancy increased QoQ at other areas. Limited additional retail spaces brought Depok to currently achieve the highest average occupancy rates in Greater Jakarta.

Committed Tenant at Shopping Centres in 2016 - 2018

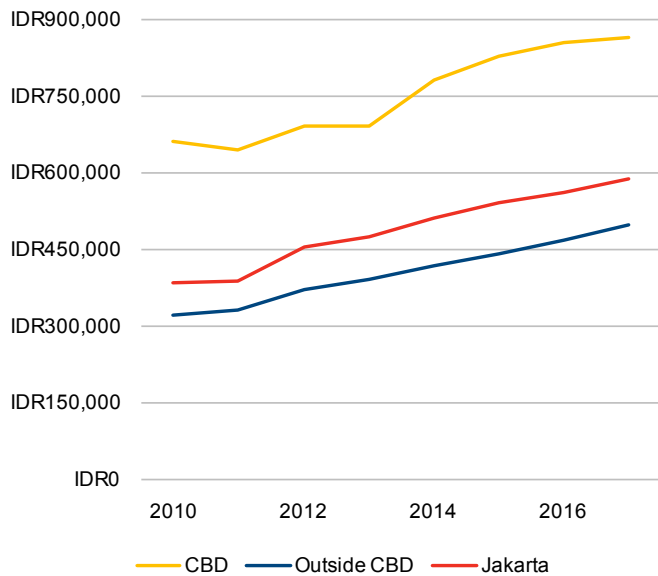
SHOPPING CENTRE	AREA	YEAR OPERATION	TENANT NAME
JAKARTA			
PIK Avenue	Pantai Indah Kapuk, North Jakarta	2016	Uniqlo, The Food Hall, Flix Cinema, Ace Hardware, Gold's Gym, Informa, H&M, Optik Melawai, Sports Station, Giordano, Levi's Store, Timberland, Pizza Hut, Starbucks, Excelso, Kidz Station, Carl's Junior, Payless
Neo SOHO Podomoro City	Slipi, West Jakarta	2016	Central Dept Store, Kid Station, Electronic Solution, Pedro, The Body Shop, Clarks, Staccato, Polo Ralph Lauren, Samsonite, Wrangler, Wood, Cotton On, Mango, Nine West, Charles & Keith, Armani Jeans, Furla, Ta Wan, Pizza Hut, Pepper Lunch, Muji, Pedro, Kidz Station, Electronic Solution, Cotton On
Bassura City Mall	Cipinang, East Jakarta	2016	XXI, Lion Superindo, Optik Melawai, Sports Station, The Body Shop, Starbucks, Imperial Kitchen, Wood
Green Pramuka City Mall	Pramuka, Central Jakarta	2016	CGV, Lotte Mart, Ace Hardware, Funworld, Kidz Station, Wood, Ta Wan, Starbucks, Marugame Udon, Electronic Solution, Optik Melawai
Aeon Jakarta Garden City	Cakung, East Jakarta	2017	Footgear, Ichiban Sushi, H&M, Clarks, Charles & Keith, Uniqlo, Guess, Wood, Wrangle, CGV Blitz
GREATER JAKARTA (BODETABEK)			
Metropolitan Mall Cileungsi	Cileungsi, Bogor	2016	Matahari, Starbucks, Cinema XXI, Jysk, Electronic City, Gramedia, Pojok Busana, Funworld, The Executive, Giordano, Optik Melawai, Optik Seis, Steak 21, D'Cost, Pizza Hut, Solaria, Batik Keris
Q Big BSD	BSD City, Tangerang	2016	Starbucks, Toys Kingdom, Ace Hardware, Informa, Mitra 10, Rockstar Jeans, Lulu Department Store
BTC City Shopping Mall	Bulak Kapal, Bekasi	2017	Hypermart, Informa, Fun World, Ace Hardware, Pojok Busana, Solaria, D'Cost
Galleria Vivo Mall Sentul	Cibinong	2018	Centro Department Store, Lulu, Cinema CGV Blitz, Fun World, Lotte Mart

Source: Colliers International Indonesia - Research

Average Rental Rates

Jakarta

Average Asking Rents in Jakarta



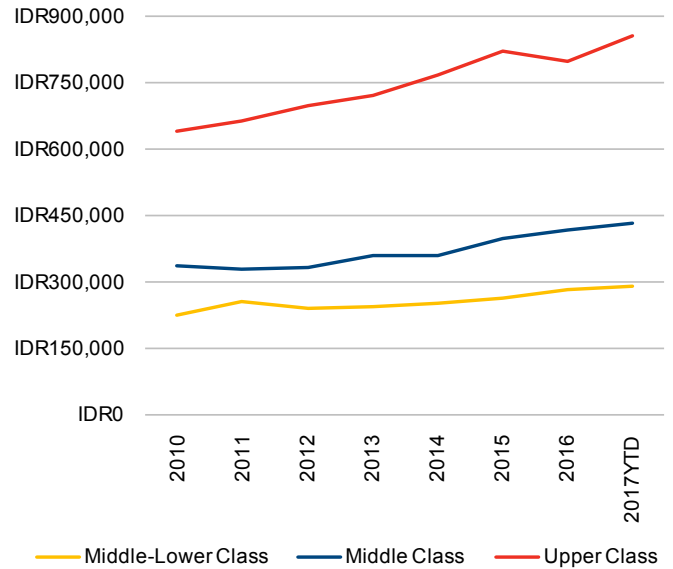
Source: Colliers International Indonesia - Research

In Jakarta, some shopping centres helped increase asking rents by 4% QoQ to IDR587,904/sq m/month as of Q1 2017. Continuing enquiries for retail space triggered most of these shopping centres to raise their asking rents, particularly for prime retail areas (ground floor). High occupancy level has been the reason for landlords to confidently introduce asking rents that are 10% higher YoY for new tenants on the ground floor area. Asking rents at regular floors grew slower, only increasing by 3.5% YoY. Meanwhile, as recorded, landlords commonly adjusted asking rents ahead, higher by 3% up to 5% than in previous contracts for a renewal lease period of three to five years.

The upper class retail space were quoted between IDR700,000 and IDR2,000,000/sq m/month on the ground floor area. Meanwhile, newly operating shopping centres still offered launching rates that are lower than IDR700,000. On regular/typical floors, landlords offered rents starting at IDR300,000/sq m/month. This range currently brought the asking rents to IDR857,816/sq m/month, which is a 7.4% increase QoQ for upper class shopping centres. We forecast asking rents to likely increase 10% YoY, as contributed by steady occupancy performance with limited additional retail spaces at upper class shopping centres by the end of 2017.

Middle and middle lower class shopping centres showed a calm growth YoY in asking rents. As of Q1 2017, asking rents were recorded at IDR433,923/sq m/month for middle class shopping centres, which is a 3.4% increase QoQ, whilst middle lower was at IDR289,863/sq m/month. Middle to middle lower class shopping centres currently offer rents at IDR200,000 to IDR550,000/sq m/month.

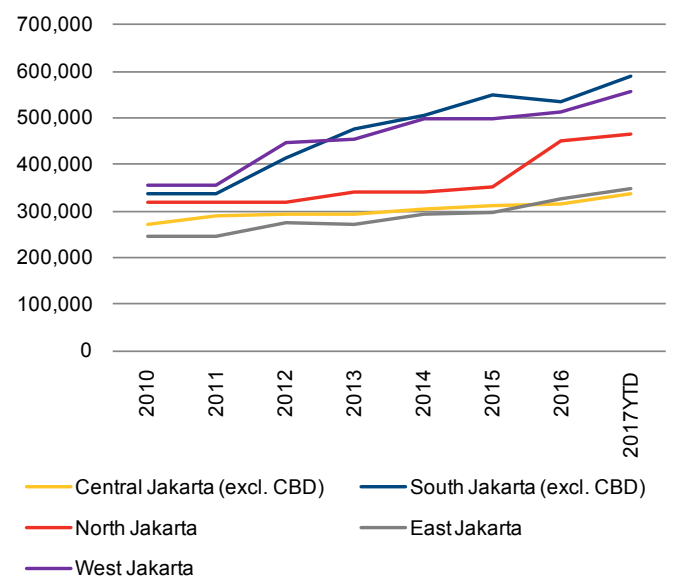
Average Asking Rents Based on Mall Grades



Source: Colliers International Indonesia - Research

Based on area, asking rents in the CBD were recorded at IDR864,043/sq m/month, around 75% higher than average rents outside the CBD, which was at IDR499,033/sq m/month as of Q1 2017. The highest asking rents outside the CBD were still found at shopping centres, such as Pondok Indah Mall, Gandaria City and Kota Kasablanka in South Jakarta. Meanwhile, high rents in West Jakarta were fuelled by shopping centres located in Slipi and Puri. The average rents for these shopping centres remained relatively stable starting at IDR700,000 to IDR900,000/sq m/month. Except South Jakarta and West Jakarta, asking rents of shopping centres outside the CBD were from IDR300,000 to IDR600,000/sq m/month.

Average Asking Rents Based on Area

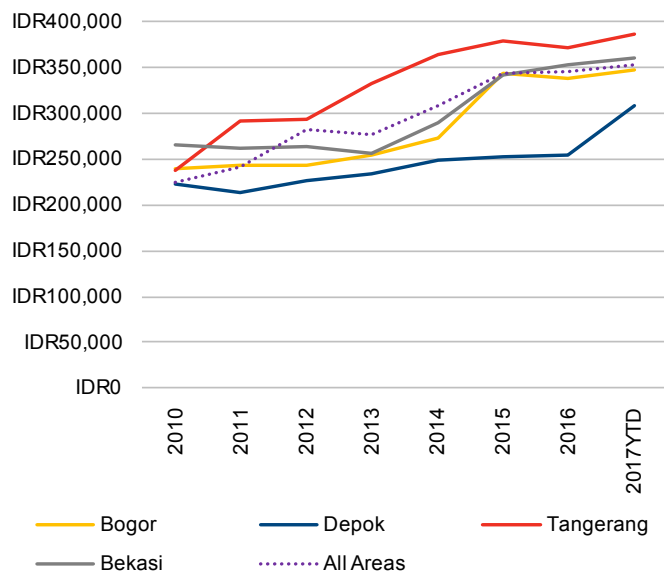


Source: Colliers International Indonesia - Research

Some shopping centres in Pluit and Kelapa Gading also currently recorded high average rents at IDR500,000/sq m/month. However, we recorded other shopping centres in North Jakarta that still offer rents from IDR200,000 to IDR300,000/sq m/month. East Jakarta and Central Jakarta still recorded the lowest average rental rates, contributed mostly by shopping centres with average rents starting from IDR200,000 to IDR400,000/sq m/month.

Greater Jakarta

Average Asking Rents in Greater Jakarta



Source: Colliers International Indonesia - Research

Except Depok, other areas in Greater Jakarta experienced a 2%-4% growth in asking rents QoQ. Conversely, Depok recorded a significant growth QoQ, contributed by a well-performing shopping centre in Depok that raised the rental rates particularly on the ground floor. However, the average asking rents of each shopping centre in Depok were recorded lower than in other areas in Greater Jakarta, which starts at IDR200,000 to IDR450,000/sq m/month. This made Depok record the lowest average asking rents in Greater Jakarta.

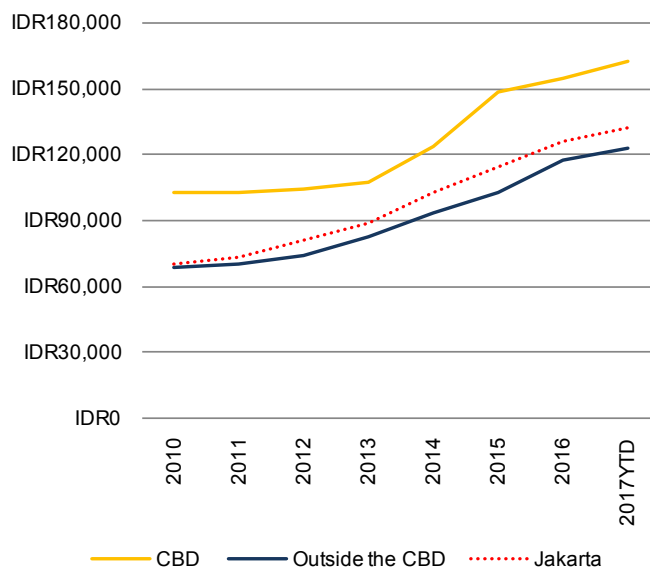
Tangerang and Bekasi achieved and maintained the highest average rents in Greater Jakarta. Supermal Karawaci, Living World, Mall at Alam Sutera, Metropolitan Mall and Summarecon Mall Bekasi offer the highest rents in Greater Jakarta.

Overall average asking rents only registered a 2.6% growth QoQ, moderately increasing to IDR353,790/sq m/month in Greater Jakarta as of Q1 2017.

Service Charges

Jakarta

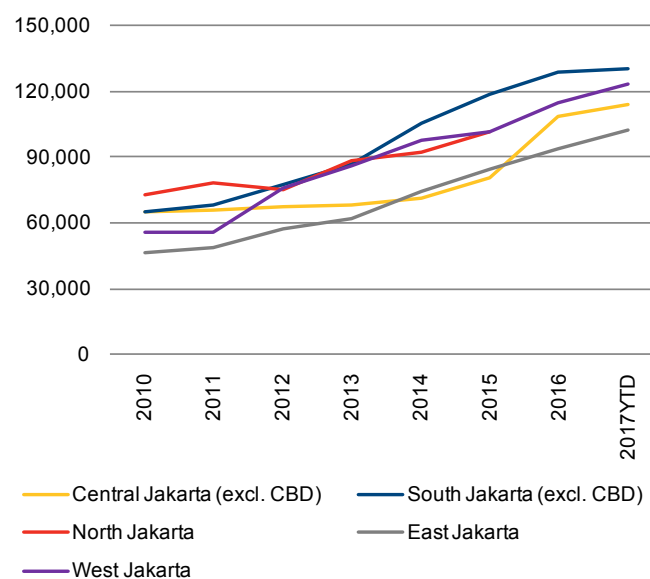
Service Charges in Jakarta



Source: Colliers International Indonesia - Research

Service charge showed an upward trend in Jakarta, increasing 4.3% QoQ to be registered at IDR131,708/sq m/month as of Q1 2017. The CBD area maintained its average service charge, higher than other areas in Jakarta. Most shopping centres offered service charges from IDR100,000 to IDR270,000/sq m/month in the CBD. This current range raised the average service charge by 5.9% QoQ to IDR162,041/sq m/month in the CBD.

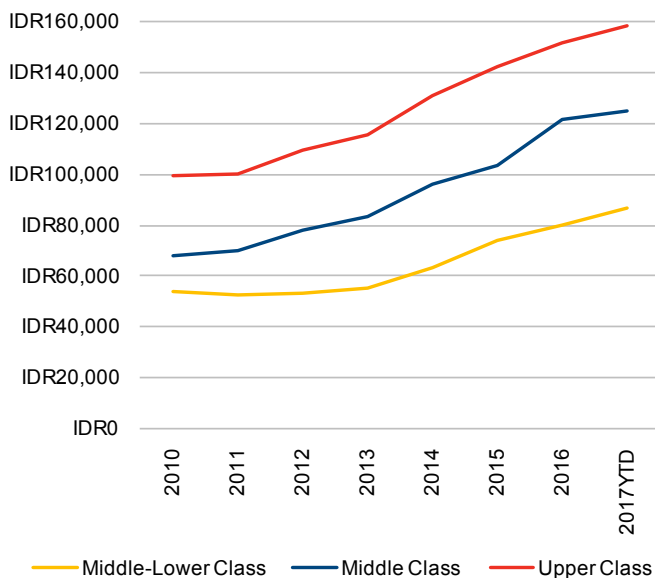
Service Charges in Jakarta Based on Area in the Outside CBD



Source: Colliers International Indonesia - Research

Despite being lower than the CBD, service charge jumped 14.2% QoQ to IDR121,946/sq m/month outside the CBD. South Jakarta recorded the highest service charge, contributed by shopping centres at Pondok Indah, Kasablanka and Gandaria. Shopping centres in these areas currently offered service charges between IDR150,000 and IDR180,000/sq m/month, whilst the lowest was recorded in East Jakarta. Nevertheless, we recorded two shopping centres owned by Lippo in East Jakarta with a service charge of more than IDR130,000/sq m/month as of Q1 2017.

Service Charges in Jakarta Based on Mall Grades



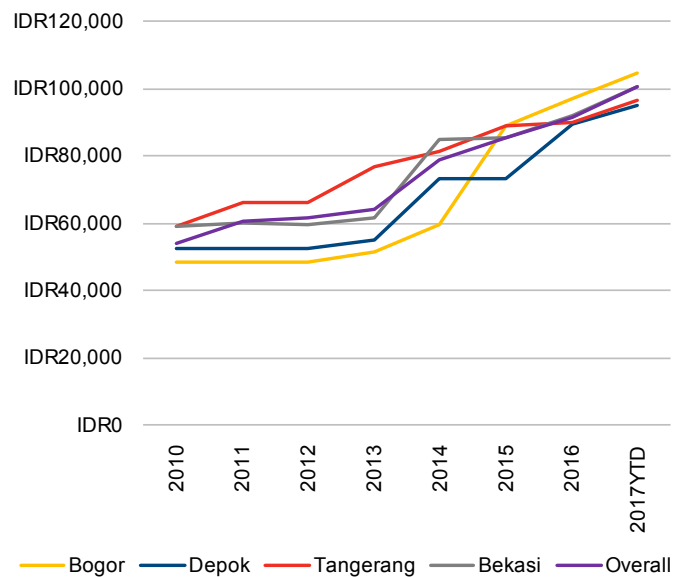
Source: Colliers International Indonesia - Research

Upper class shopping centres currently offered service charges starting from IDR120,000 to IDR270,000/sq m/month. Some upper class shopping centres increased 6% up to 15% QoQ to bring the average service charge at IDR158,574/sq m/month as of Q1 2017. Middle class shopping centres also showed similar growth, increasing service charge by 5% to 20% QoQ. Shopping centres owned by two well-known developers, Lippo and APL Land, helped in bringing the average service charge at IDR124,834/sq m/month for the middle class in Jakarta.

Meanwhile, the average service charge was recorded at IDR86,639/sq m/month for middle lower class shopping centres, due to the fact that most middle lower class shopping centres still offered service charges below IDR100,000.

Greater Jakarta

Service Charges in BoDeTaBek



Source: Colliers International Indonesia - Research

Service charge showed an upward trend at each area in Greater Jakarta. As of Q1 2017, average service charge increased 9.7% QoQ to IDR100,494/sq m/month.

Most shopping centres in Greater Jakarta still recorded service charges below IDR100,000, relatively lowering the average service charge. Only a few well-known shopping centres in Greater Jakarta offered service charges above IDR120,000/sq m/month, one of which is Aeon Mall BSD that began operation in 2015.

Concluding Thought

The retail sector is expected to improve in terms of occupancy and asking rents. The growth in the retail industry will be supported by relatively stable electricity tariff, and gas and oil prices. In addition, low inflation is expected to trigger higher consumer spending.

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