

"Since the beginning of 2015, the expatriate housing market has increasingly become a tenant market as reflected in the 25% drop in enrolment at international schools during the same period. One of the reasons for the shrinking expatriate population is the difficulty experienced by some multinational companies in obtaining working permits. The plummet in the global oil prices has further shrunk the demand for expat housing since the oil and gas industry has been the primary demand generator. In light of current market conditions, landlords of expatriate housing have become more accommodating and cooperative in entertaining additional requests from lessees and are attuned to the needs and trends in the market."

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Residential Expatriate Housing Sector

Expatriate Housing

The expatriate housing market has been experiencing a tough condition in general since the beginning of 2015. Anecdotal evidence reflecting the situation can be seen with some international schools that underwent a downturn in school enrollment by as much as 25%, compared to last year. Other factors are the difficulty for multinational companies to get working permit approval for their middle-level expatriates. Top level management has been less affected by the slow immigration process, however many KITAS that are issued have a "transfer of knowledge" stipulation in line with the Indonesian government's aim to expedite the transfer of higher level positions from expert expatriates to local staff.

In an attempt to foster an investment climate, on 23 October 2015, the Ministry of Manpower replaced the previous regulation (Minister of Manpower Regulation No. 16 / 2015) on foreign workers with the much more expat-friendly Regulation No. 35 / 2015. The regulation issued in October came in the face of criticism from both domestic and international companies over tightened restrictions limiting expatriate staffing levels and complicating work permit requirements. The old regulation (No. 16 / 2015) required short-term work permits for those who travel to Indonesia for meetings, obligated foreign-domiciled directors to have work permits and imposed the obligation for employers to hire at least 10 local workers for each foreign worker ("ten to one" rule). These have been removed from the latest regulations. Nevertheless, in general, expatriates still complain about difficulties in getting KITAS (work permit) which can take up to six months, when previously it took only two.

In light of the current market conditions, landlords of expatriate standard housing have become more accommodating and cooperative in entertaining additional requests from the lessees and they are commercially attuned to the needs and trends of the market. Common additional requests are mainly related to the length of lease, renovations, improvements and inquiries about inclusive features of the house. They are generally becoming more flexible in negotiating extensions when leases expire. Landlords used to be quite rigid concerning lease extensions and renewal commonly included a 10 - 15% rent increase. Currently, this situation has changed and many landlords now welcome renewal applications that generally need to be negotiated three to six months before expiration without a rent increase. Moreover, the lease terms often have been reduced from a minimum of two years to only one year, since the work permits that are currently being issued are only valid for one year and must be renewed every year. In terms of rental rate, most landlords are largely willing to consider discounts ranging from 5 to 10% for a standard expatriate house. In some cases, some owners of multiple units with many vacancies are willing to decrease the rent by up to 30% instead of leaving the house empty.

In order to comply with global franchise commitments, hotel chain operators that manage serviced apartments have less flexibility and have restrictions when asked to adjust the rental rate. Similar to home owners, however, service apartment operators may be more flexible in terms of leasing time frame, extras included in the contract and services provided. Options for a lease term can be six months, three months, two weeks or even in some cases, a daily rate.

Although South Jakarta still remains the dominant choice for expat housing, other areas are now being explored. Due to limited land to be developed as well as budget concerns, areas outside South Jakarta are becoming options for expatriates. Areas like Bintaro are still within the catchment of the expatriate community and provide proximity to the international school and acceptable commute times for expatriates that are employed in the Jl. TB Simatupang area. Bumi Serpong Damai (BSD) may appeal to expatriates with a lower budget or individuals that work in the southern end of the city. Industrial locations like the Bekasi and Karawang areas are also becoming a residential location for Asian expatriates who work for multinational companies that have operations or offices in the area. Rather than endure the horrendous traffic conditions to these industrial areas, they

opt for more modest living conditions near the factories to save on commuting time. Living in Jakarta is surprisingly expensive to many newly arrived expats. Based on the living cost index survey conducted by expatistan.com, Jakarta ranks 9th among 19 Asian cities, below Singapore, Manila and Bangkok (3rd, 7th and 8th, respectively).

Many companies have marginally increased their budgets for the upcoming year. This may have been in response to the immigration situation, which is making it more difficult for MNCs to employ middle management therefore limiting them to relocate upper management. Higher-level employees are entitled to larger compensation packages and housing budgets have been adjusted accordingly.

Housing Rental Rates in Several Expatriate Areas			
EXPATRIATE HOUSING BY AREA	SIZE (SQ M)	RENTAL RANGE (USD/UNIT/MONTH)	
		MINIMUM	MAXIMUM
Menteng			
4 - 5 Bedrooms House	500 - 1,200	4,500	13,500
Kuningan			
4 - 5 Bedrooms House	500 - 900	4,050	10,800
Pondok Indah			
4 - 5 Bedrooms House	450 - 1,000	4,050	13,500
Kebayoran Baru			
4 - 5 Bedrooms House	600 - 1,500	4,500	13,500
3 - 4 Bedrooms Townhouse/complex	250 - 700	3,150	7,650
Permata Hijau			
4 - 5 Bedrooms House	400 - 1,500	4,050	10,800
3 - 4 Bedrooms Townhouse/complex	220	3,150	
Kemang			
4 Bedrooms Townhouse/complex	400 - 700	3,150	4,950
3 Bedrooms House	400 - 750	3,150	4,500
4 - 5 Bedrooms House	550 - 1,000	3,600	6,300
Cilandak			
4 Bedrooms Townhouse/complex	300 - 700	3,600	5,850
3 Bedrooms Apartment + Study	300 - 600	3,150	4,950
4 - 5 Bedrooms House	450 - 750	3,600	6,300
Cipete			
3 Bedrooms Townhouse/complex	200 - 300	3,150	4,500
4 Bedrooms Townhouse/complex	400 - 700	4,050	5,400
3 Bedrooms House	300 - 500	2,700	3,150
4 - 5 Bedrooms House	400 - 800	3,150	6,300
			<i>continued</i>

EXPATRIATE HOUSING BY AREA	SIZE (SQ M)	RENTAL RANGE (USD/UNIT/MONTH)	
		MINIMUM	MAXIMUM
<i>Continuation</i>			
Pejaten			
3 Bedrooms Townhouse/complex	400 - 600	3,600	6,300
4 Bedrooms House	500 - 900	3,150	6,300

Source: Colliers International Indonesia - Research and Residential Tenant Representation

Demand

Over the full year 2015, we believe that the situation of the expatriate housing sector is similar to other sectors that experienced a tenant market condition and has proven to be very challenging. The number of new expatriate arrivals substantially decreased. The slowing economic pace during 2015 has contracted transaction activities in the expatriate housing market and led to many early lease terminations and repatriations for the expat community. The market has slowed since early 2015 with fewer residential lease transactions than in 2014.

The year 2015 was affected partly by the plummet in oil prices that began at the end of 2014. Overall, this hit investments in Indonesia's oil and gas industry as well as many supporting industries. The feasibility of continuing projects that were still in the planning stages and the manpower that was needed to run the current operations was in turn affected. To reduce relocation costs, some oil companies decided to repatriate more senior management with families and children in international schools and replace them with a younger, single executive who needs smaller and cheaper living conditions. Some employees were given an option to continue working in Indonesia but their families had to return to their home country. Many were relocated to locations that were not as severely affected as Indonesia.

It is expected that the property market in general is likely to see a period of transition in the first semester of 2016 and that it will start to recover in the following semester given a firm plan for economic reform, a massive amount of government spending and the ongoing infrastructure plan.

Apartment for Expatriates

There was no change in the asking rental rate for selected expatriate apartments compared to 1H 2015. Apartments located in the favourite locations maintained a steady demand from the expatriate market and remain optimistic in sustaining their rates while keeping occupancy rates healthy at 75 to 90%. In addition, with the downsizing of relocation tenure of a typical two to three year employment contract, replaced with shorter-term contracts of less than a year, serviced apartments become popular among expatriates, particularly with younger (often single or couple) Asia-Pacific expats who are more mobile than Western expats with families.

The rental rate of a typical two-bedroom non-serviced apartment (including strata-title apartments rented to expatriates) is similar to the rates recorded last semester from USD1,400 to 4,300/unit/month. Likewise, a three-bedroom apartment is offered at USD2,700 to 6,000/unit/month. Kebayoran Baru areas, in particular the Dharmawangsa, remains one of the most expensive location for non-serviced apartments, which is offered in the range of USD8,000 to 10,000/unit/month for four- to five-bedroom apartment (penthouse). A two-bedroom serviced apartment is offered at USD3,150 to 5,600/unit/month, while the three-bedroom is offered at USD3,225 to 7,500/unit/month. Serviced apartments larger than three-bedroom are offered at USD3,350 to 15,000/unit/month.

Economic Growth Projection 2016			
BANK INDONESIA	IMF	ADB	WORLD BANK
5.2 - 2.6%	5.1%	5.3%	5.3%

Source: ADB, IMF, Bank Indonesia and World Bank

Apartment Rental Rates in Several Expatriate Areas			
APARTMENT BY AREA	SIZE (SQ M)	RENTAL RATE (IN USD/UNIT/MONTH)	
		NON-SERVICED APARTMENT	SERVICED APARTMENT
Sudirman			
2 Bedrooms Apartment	106 - 257	2,500 - 4,000	4,250 - 5,600
3 Bedrooms Apartment	156 - 500	3,500 - 6,000	5,000 - 7,500
Menteng			
2 Bedrooms Apartment	90 - 142	2,700 - 3,900	4,200 - 4,350
3 Bedrooms Apartment	124 - 213	3,000 - 5,000	5,000
4 Bedrooms Apartment	319		15,000
Kuningan			
2 Bedrooms Apartment	120 - 145	2,500 - 3,500	3,150 - 5,500
3 Bedrooms Apartment	157 - 323	3,000 - 4,500	3,450 - 5,500
4 Bedrooms Apartment	440	5,500 - 7,000	
Pondok Indah			
2 + 1 Bedrooms Apartment	117 - 190	3,250 - 3,700	3,500 - 4,200
3 Bedrooms Apartment	190 - 455	3,500 - 5,250	4,000 - 5,400
4 - 5 Bedrooms Apartment	285 - 455	5,050 - 5,450	5,650 - 6,400
Kebayoran Baru			
2 Bedrooms Apartment	140 - 203	3,200 - 4,300	
3 Bedrooms Apartment	243 - 302	4,500 - 6,000	
4 - 5 Bedrooms Apartment	400 - 500	8,000 - 10,000	
Permata Hijau, Simpruk			
2 Bedrooms Apartment	105 - 115	3,100 - 3,150	
3 - 4 Bedrooms Apartment	165 - 300	2,700 - 4,000	3,225 - 3,550
Kemang			
3 Bedrooms Apartment	165 - 303	2,500 - 4,500	
Cilandak			
3 - 4 Bedrooms Apartment	262 - 300	3,450 - 5,000	
3 Bedrooms Apartment + Study	300	4,500	
Cipete			
3 - 4 Bedrooms Apartment	220 - 295	4,000 - 6,000	
Pejaten			
2 - 3 Bedrooms Apartment	102 - 191	1,400 - 2,200	

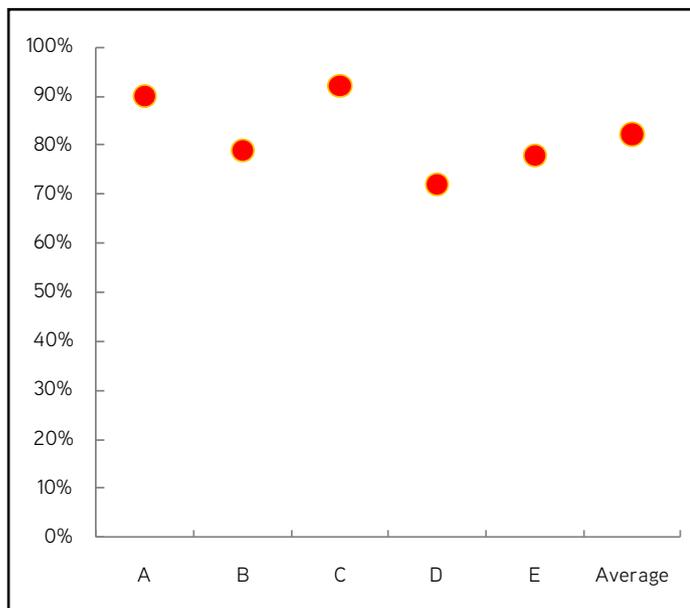
* exclude breakfast

Source: Colliers International Indonesia - Research and Residential Tenant Representation

Occupancy

The occupancy performance of selected expatriate apartments has been somewhat stable over the year. Apartments categorised in the upper market segment registered relatively high occupancy ranging from 72 to 92%. This has been a steady figure even when compared to the second semester of 2014. The CBD locations remain the primary preference for expatriates with high accommodation budgets as well as certain locations in South Jakarta with proximity to the CBD and international schools. Among these apartment buildings are The Plaza Residence, Plaza Senayan Apartments, Golf Pondok Indah Residence and Fraser Residence.

Average Occupancy Rate of Selected Apartments Preferred by Expatriates



Source: Colliers International Indonesia - Research

Notes:

- A: Dharmawangsa, The Capital Residence, SCBD Suites, Pakubuwono Residence, Oakwood
- B: The Residence at Ritz Carlton, Plaza Senayan, The Plaza Residence, Airlangga Apartment, Senayan City
- C: Setiabudi Residence, Golf Pondok Indah, Somerset Grand Citra, The Ascott, Menteng Executive
- D: Aston Rasuna, Somerset Berlian, Puri casablanca, Casablanca
- E: Taman Rasuna, Palm Court, Puri Imperium

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\$2.3

billion in
annual revenue

158

million square meters
managed

16,300

professionals
and staff

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