“Nothing much happened in the retail sector since the beginning of the year with asking rental rates having moved upward slightly by 4% to IDR531,070 / sq m / month. With limited new retail space and moderate absorption, occupancy increased slightly from 86.3% to 87.2% over the last six months.”

Ferry Salanto | Associate Director - Research

RETAIL SECTOR

Supply

Jakarta

Jakarta Shopping Center Cumulative Supply

The absence of new retail space in Jakarta has continued since 4Q 2014. Despite their construction progress, developers of upcoming shopping centers are seemingly waiting for the right time to start opening their malls. Besides PIK Mall in North Jakarta, four other shopping centers showed timely construction progress as of 2Q 2015, namely Neo Soho Mall at Podomoro City and New Harco Plaza in West Jakarta, as well as two shopping malls, Pancoran and One BelPark Mall in Fatmawati, South Jakarta. These upcoming shopping centers are expected to be completed in 2016 - 2017.

Of those five shopping center projects under construction, Pantai Indah Kapuk (PIK) Mall will only be ready to open sometime at the end of 2015 or in early 2016. In addition to the five projects, Pondok Indah Group will likely commence with their new mall project. This project will be integrated into the operating Pondok Indah Mall 2 and a forthcoming hotel project. Most likely, this project will be called Pondok Indah Mall 3 and will be completed in 2017. All in all, the performance of the retail market in 2H 2015 will be the turning point for the upcoming retail projects whether to speed up the completion time or to delay it.

Jakarta is anticipating limited additional supply by 2018 because most future shopping center projects are in the planning stage.
Aeon Mall became the only newly operating mall in the Greater Jakarta area during this quarter. This mall brought the cumulative supply in BoDeTaBek (BoDeTaBek stands for Bogor, Depok, Tangerang and Bekasi) to 2.33 million sq m as of 2Q 2015. Aeon Mall contributed 75,000 sq m of space bringing the total supply of retail space for lease in BoDeTaBek to 1.6 million sq m or 67% of the cumulative supply as of 2Q 2015. Aeon will be the only additional supply available in BoDeTaBek during 2015. The next upcoming shopping center supply in BoDeTaBek will start being available in 2016. The BoDeTaBek area will see 14 new shopping centers by 2018. Of the total retail space available in the next three years, only 25% had started construction as of 2Q 2015. Most probably, the completion of shopping center developments during the period will be postponed and this may alter the overall supply projection in BoDeTaBek. In BoDeTaBek, Bekasi will be the biggest contributor of retail space with seven shopping center projects, followed by Tangerang. The Bogor retail market is expected to grow in the future with additional shopping centers in Cibinong and Sentul.

Three shopping centers will likely be built inside industrial estates in the Bekasi area attracting the residents of the neighboring communities as well as the workers of industrial tenants.
# New Supply Pipeline

<table>
<thead>
<tr>
<th>SHOPPING CENTERS</th>
<th>LOCATION</th>
<th>REGION</th>
<th>NLA (SQ M)</th>
<th>DEVELOPMENT STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jakarta</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pantai Indah Kapuk Mall</td>
<td>Pantai Indah Kapuk</td>
<td>North Jakarta</td>
<td>30,000</td>
<td>Under Construction</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Shopping Mall @ Pancoran</td>
<td>Pancoran</td>
<td>South Jakarta</td>
<td>8,000</td>
<td>Under Construction</td>
</tr>
<tr>
<td>Neo SOHO Mall (Podomoro City)</td>
<td>Slipi</td>
<td>West Jakarta</td>
<td>40,000</td>
<td>Under Construction</td>
</tr>
<tr>
<td>One Belpark</td>
<td>South Jakarta</td>
<td></td>
<td>23,650</td>
<td>Under Construction</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Harco Plaza</td>
<td>Glodok</td>
<td>West Jakarta</td>
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<tr>
<td>Pondok Indah Mall 3</td>
<td>Pondok Indah</td>
<td>South Jakarta</td>
<td>60,000</td>
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<td>Holland Vilage Mall</td>
<td>Cempaka Putih</td>
<td>Central Jakarta</td>
<td>40,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Mall @ Green Pramuka City</td>
<td>North Jakarta</td>
<td></td>
<td>30,000</td>
<td>In Planning</td>
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<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mal Puri Indah 2</td>
<td>Puri Indah</td>
<td>West Jakarta</td>
<td>50,000</td>
<td>In Planning</td>
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<tr>
<td>Shopping Mall at Podomoro Park</td>
<td>Buaran</td>
<td>East Jakarta</td>
<td>40,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>AEON Mall Garden City</td>
<td>Cakung</td>
<td>East Jakarta</td>
<td>90,000</td>
<td>In Planning</td>
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<tr>
<td><strong>BoDeTaBek</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td></td>
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<tr>
<td>AEON Mall BSD</td>
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<td>Tangerang</td>
<td>75,000</td>
<td>Operate</td>
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<tr>
<td><strong>2016</strong></td>
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<tr>
<td>Bekasi Trade Center 2</td>
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<td>Bekasi</td>
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<td>Cileungsi</td>
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<tr>
<td><strong>2017</strong></td>
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<td>Grand Dhika City Mall</td>
<td>Bekasi</td>
<td>Bekasi</td>
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<td>In Planning</td>
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<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Vivo Sentul Lifestyle</td>
<td>Cibinong</td>
<td>Bogor</td>
<td>30,000</td>
<td>In Planning</td>
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<td>Cibinong</td>
<td>Bogor</td>
<td>13,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>AEON Mall Deltamas</td>
<td>Deltamas</td>
<td>Bekasi</td>
<td>90,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>AEON Mall Bogor</td>
<td>Cibinong</td>
<td>Bogor</td>
<td>20,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>AEON Mall Sentul</td>
<td>Sentul</td>
<td>Bogor</td>
<td>15,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Lippo Grand Mall</td>
<td>Karawaci</td>
<td>Tangerang</td>
<td>120,000</td>
<td>In Planning</td>
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<tr>
<td>Embarcadero</td>
<td>Bintaro</td>
<td>Tangerang</td>
<td>30,000</td>
<td>In Planning</td>
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<td>Living World Jababeka</td>
<td>Jababeka</td>
<td>Bekasi</td>
<td>18,000</td>
<td>In Planning</td>
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<td>Hollywood Central</td>
<td>Cikarang</td>
<td>Bekasi</td>
<td>25,000</td>
<td>In Planning</td>
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<tr>
<td>Kota Harapan Indah</td>
<td>Bekasi</td>
<td>Bekasi</td>
<td>51,000</td>
<td>In Planning</td>
</tr>
</tbody>
</table>

Source: Colliers International Indonesia - Research
Demand and Occupancy

Jakarta

The downturn in the economy followed by the increasing cost of living in Jakarta is hurting the purchasing power of consumers. Major retailers, particularly those selling foreign brands, reported weaker demand and a decline in net earnings. This has curbed the expansion of new stores at other locations since the projected growth of the businesses is decreasing.

The Ministry of Finance has revised the income tax policy to lower the tax rate for luxury goods. This policy is expected to restrain people from going abroad and to increase the number of people purchasing luxury goods at a relatively affordable price.

Absorption of Retail Space and Occupancy Rates in Jakarta

Space demand from apparel retailers is expected to continue to increase. Apparel and clothing brands from Asia and Europe are targeting to the retail sector in Indonesia highlighted by rapid stores expansions in Jakarta during 2014 - 2015 YTD. Many fashion brands are still seeking to showcase their merchandise as they perceive Indonesia as a potential market for stylish fashion and lifestyle brands.

In addition to fashion and food retailers, other types of retailers like home furnishings, department stores and supermarkets, both local- and foreign-owned are also looking to expand their businesses in Jakarta. For these mini-anchor or anchor tenants, finding sizeable available spaces is a major challenge at locations in Jakarta, especially in the CBD area. The existing spaces in locations such as this have been generally secured by big tenants for long lease terms.

Occupancy Performance Based on Area

Limited space availability has helped maintain the moderate growth of the occupancy level in the CBD at 92.9% as of 2Q 2015. Large shopping centers that are located in the CBD are categorised as upper class and have secured an average occupancy of above 90% since 2011.

In general, most middle and mid-low shopping centers that are located in the outside CBD had lower occupancy, at 84.8%. The opening of small stores by fashion and accessories retailers of less than 300 sq m in this segment of shopping centers only helped the occupancy to climb moderately QoQ. As of 2Q 2015, the mid-low class shopping centers had 81% occupancy, while the middle class reached 85.8%.
Several shopping centers in Bogor saw declining performance QoQ. Approximately 50,000 sq m of vacant space is currently available in Bogor. Some of the vacant space is caused by the renovation of a well-known mall in Bogor, called Ekalosari Plaza. With the vacated space, the average occupancy of shopping centers in Bogor was down by 4.1% to 82% as of 2Q 2015.

Three other regions (Depok, Tangerang and Bekasi) recorded occupancy between 81 and 85%. Each area only registered a slightly higher occupancy rate QoQ.

The opening of Aeon Mall is expected to bring higher demand and more visitors to BoDeTaBek, particularly in Tangerang. Fashion and F&B retailers are still the strongest attraction for most shopping centers in general.

The occupancy rate in the BoDeTabek area was down by 1.8% QoQ bringing it to 81.6% as of 2Q 2015. The physical occupancy of Aeon Mall has yet to raise the overall occupancy in the Greater Jakarta area. Nevertheless, looking at the pre-commitment level when all stores open, the overall occupancy should be better.
## Committed Tenants at Future Shopping Centers

<table>
<thead>
<tr>
<th>NAME OF SHOPPING CENTERS</th>
<th>LOCATION</th>
<th>FASHION</th>
<th>F&amp;B</th>
<th>HOME FURNISHING</th>
<th>DEPARTMENT STORE</th>
<th>SUPER-MARKET</th>
<th>ENTERTAINMENT</th>
<th>OTHERS</th>
</tr>
</thead>
</table>
### JAKARTA
- Pantai Indah Kapuk Mall
  - Pandanloop, Muji
  - Bread Talk, J.CO Donuts, Starbucks
- One Belpark Mall
  - Pantai Indah Kapuk
  - Uniqlo, Muji Bread Talk, J.CO Donuts, Starbucks
  - Ace Hardware, Informa
- Neo Soho Mall
  - Slipi
  - Central Department Store

### BODETABEK
- AEON Mall
  - BSD, Tanggerang
  - Dorothy Perkins, The Executive, Wood, GUESS, Watch and Time
  - Planet Surf, Staccato, Birkinstock, Payless, Urban & Co, Coconut Island
  - Levi's Store, Polo Ralph Lauren, Bonia, Clinis, Baleno, Giordano, Bank Kiri, Uniqlo, H&M, Pedro, Charles & Keith, Donini, Anap, Bata, Bataeq
  - Cicioquina, Erisse, El Cetera, Folie Folie, Everbest, Hush Puppies, Minimal, Samuel & Kevin, Quicksilver, Nike, Planet Sports
- JYSK Store, Ace Hardware
- Cinere Bellevue
  - Cinere, Depok
  - Best Denki
- Grand Dadap
  - Dadap, Tangerang
  - Pojok Busana
  - J.CO, Bread Talk, Coffee Bean, Yong Tau Fu, Solaria
  - Superindo
- Metropolitan Mall
  - Ciilungsi, Bogor
  - Pojok Busana
  - J.CO
- Belasi Trade Center Z
  - Bekasi
  - Ace Hardware

Source: Colliers International Indonesia - Research
Average Asking Rents and Service Charges

Jakarta

Average Asking Rents of Retail Space in Jakarta (typical floor)

The availability of more vacant space does not directly translate into rental adjustments because landlords have to consider many aspects. In the current market, despite the relatively sluggish performance, landlords tend to maintain their asking rents. Even for upper class shopping centers, the asking rental rates tend to move upward, particularly because of limited vacant space that puts tenants with an interest in opening stores on a long waiting list before being selected by the mall operators.

As of 2Q 2015, the asking rent at upper class malls was IDR971,941 / sq m / month, an increase of 5.5% QoQ. The average rents for lower class shopping centers were still in the range of IDR250,000 to 380,000 / sq m / month.

Overall, the average asking rents of all classes of shopping centers in Jakarta increased by 1.5% QoQ to IDR531,070 / sq m / month. Asking rents in the CBD area were registered at an average of IDR807,726 / sq m because they are supported by upper class malls which dominate the area, and IDR433,396 / sq m / month for the average asking rent in the outside CBD areas. Projected asking rents in both areas (inside and outside the CBD) are expected to go up, given the fact that retail space is relatively limited. In areas like the CBD, asking rent will have more growth due to the limited future supply until 2018.

BoDeTaBek

The overall asking base rental rates in Greater Jakarta have been stable since 2014 with only Bogor showing an anomaly. As mentioned above, the overall retail market in Bogor experienced declining occupancy QoQ. This quarter, two shopping centers in Bogor raised their asking rents, in contrast to the lowering occupancy performance. One old shopping center in this group increased the rent because their previous rental rate was below the average market rate, while another shopping center is renovating its premises and expects to charge higher rents when the upgrading work is finished. The overall rent in Bogor further increased because another shopping center has just posted a new rental rate this quarter and thus, the overall asking rents in Bogor jumped by 10.6% QoQ to IDR324,616 / sq m / month.

This current average rent in Bogor was 15% lower than in Tangerang where retail rents have been the highest in BoDeTaBek since 2011. Two other areas, Bekasi and Depok, recorded asking rents of IDR290,190 and 252,852 / sq m / month, respectively.

Going forward, we do not expect a substantial adjustment in the rental rates. The tenancy profile in the BoDeTaBek area is largely middle and lower classes which are quite sensitive to any rent adjustment particularly during the economic hard times. Landlords will typically prefer to maintain the occupancy rate rather than adjust the rents.
Average Asking Rental Rates of Retail Space in the BoDeTaBek Area

Service Charges

Jakarta

Service charges in the CBD continue to grow mainly due to the increasing operational costs. Increasing operational costs in the Jakarta CBD was the main factor of upper class shopping centers that charge higher rates. The average service charge at upper class malls was IDR150,900 / sq m / month and experienced an increasing growth of 5% during 2015 YTD.

Average Service Charges in Jakarta (CBD and Outside CBD)

A significant increase in service charges at two malls in North Jakarta only caused a modest adjustment at middle and mid-low class malls to IDR89,284 / sq m / month as of 2Q 2015.

BoDeTaBek

Average Service Charges in BoDeTaBek
The occupancy cost of retail space in Bogor has been the lowest of all regions, but during 1H 2015, the region tried to catch up to the other regions of Greater Jakarta. The service charge in Bogor has shown an upward trend since several malls in Bogor adjusted their service charges after having compared them to the other regions. Currently, the average service charge in Bogor ranges between IDR70,000 and 125,000 / sq m / month and the average service charge jumped by 25.7% to IDR89,151 / sq m / month. Now Bogor has the highest service charge in BoDeTaBek as of 2Q 2015.

Both Tangerang and Bekasi also recorded service charges of above IDR80,000 / sq m / month. Conversely, compared to Bogor, both of these areas (Tangerang and Bekasi) recorded modest growth in service charges. The average service charges in Tangerang and Bekasi are IDR88,086 and 85,052 / sq m / month, respectively.

As of 2Q 2015, service charges in Depok were the lowest, at IDR73,106 / sq m / month. However, one of the malls operating in Depok has the third highest service charge in the BoDeTaBek area, at over IDR100,000 / sq m / month.

Overall, the average service charge was IDR84,581 / sq m / month in BoDeTaBek as of 2Q 2015, a 5.8% rise QoQ.
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- Canada: 31
- Latin America: 24
- Asia: 39
- ANZ: 160
- EMEA: 108

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158 million square meters managed

16,300 professionals and staff

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