“There are no significant changes in the retail space supply in either DKI Jakarta or the rest of Jabodetabek. Total retail space stock for both areas remained at 6.56 million sq m. Given the limited increase in retail space and the continued demand, average asking base rental rates for upper class shopping malls recorded a 11.6% increase to IDR842,315 in the first six months of the year. The average asking rental rates for typical retail space available is now IDR504,629 psm / month in Jakarta (all classes) and IDR302,618 psm / month in the rest of Jabodetabek.”

- Ferry Salanto, Associate Director | Research

With no additional new shopping center this quarter, the total retail space in Jakarta remained unchanged and caused the cumulative supply to remain the same as in the previous quarter at 4.32 million sq m as of 2Q 2014. St Moritz is the last shopping center projected to begin operation in 2014. Thus far, the additional supply of shopping centers in Jakarta only recorded growth of 3.3% per year from 2011 to 2014. Since the retail moratorium issued by the government of DKI Jakarta province in 2011, the total supply of shopping centers in Jakarta has only increased by 333,081 sq m.

From 2015 to 2017, the supply of new shopping centers in Jakarta will see increasing growth of 3.4% per year. It is forecast that during this period, Jakarta will see an additional 473,000 sq m of new shopping centers. Several shopping centers, which are still in the planning stages, are projected to enter the market as new supply in 2017. This includes New Harco Plaza, Jatinegara City and Mall at Green Pramuka City.

The vacuum in new strata-title shopping centers in Jakarta has existed for almost five years. Projected to be completed in 2015, the extension project of Pulogadung Trade Centre, will invigorate the strata-title retail market in Jakarta. Jakarta will see another retail center for sale, i.e. New Harco Plaza, which is expected to begin construction soon.
As the government of DKI Jakarta limit the permits for developing new shopping centres in Jakarta, developers are looking at the acquisition and revamping of existing shopping centres. A notable developer has taken ownership of a mall in Kramat, Central Jakarta. The developer acted quickly to make some changes to the façade and tenancy layout by temporarily relocating the existing tenants to a vacant floor. Without major construction works, the developer converted this shopping centre into retail space for strata-title sale. In addition to that, a hotel will be part of the integrated commercial compound to synergise with the shopping centre.

Large land availability is stimulating the increasing development of the shopping centre supply in East and West Jakarta. Geographically, East and West Jakarta are connected to surrounding cities, especially Bekasi and Tangerang, respectively. Growing residential projects including landed houses in Bekasi and Tangerang have had an impact, which is why shopping centres have the potential to be developed in East and West Jakarta. Seven of 13 future shopping centres in Jakarta during 2014 - 2017 will be located around East and West Jakarta, while South and Central Jakarta will contribute five shopping centres with the remainder in North Jakarta.

Future Retail Supply (2H 2014 - 2018) by Region in Jakarta

Greater Jakarta Area (BoDeTaBek - Bogor, Depok, Tangerang, Bekasi)

Cumulative Retail Supply in the Greater Jakarta (BoDeTaBek)

After contributing 351,585 sq m in the previous year, similar to Jakarta, there was no new supply of shopping centres in the BoDeTaBek area as of 2Q 2014. Two shopping centres that will bring an additional 100,000 sq m of new supply are expected to be completed by the end of 2014.

New supply of shopping centres in the BoDeTaBek area will be developed in areas such as Cikarang (Bekasi) and Cibinong (Bogor). The development of shopping centres continues to expand in line with the growth of other property sectors, especially apartments and landed houses. The residential growth in Cikarang and Cibinong areas has triggered new shopping centre developments.
Notable developers continue to observe the prospects of BoDeTaBek as those areas still have availability of very large plots of land. In the Cikarang area, the joint venture of Plaza Indonesia Realty, Jababeka and Kawan Lama will develop shopping centres with building areas of around 20,000 to 25,000 sq m. Those shopping centres are projected to become operational sequentially in the next three years (2015 - 2017). Megapolitan Group is expediting the development progress of Cinere Bellevue Suites while also beginning the construction of Vivo Sentul. The latter project was previously known as Cimandala City. One of two planned shopping centres at this future mixed-use development will be marketed for sale. Another developer, Lippo, also will announce their new project in the Bintaro area. Within this mixed-use development, a mall with an area of 40,000 sq m will be integrated with residential projects. Another project, AEON Mall Indonesia, will also contribute additional retail supply in BoDeTaBek. Another AEON mall will also be built in Cibinong, Bogor in 2017. As of 2Q 2014, it is projected that there will be an additional 435,000 sq m of new shopping centres in BoDeTaBek by 2017. This number indicates that shopping centres in BoDeTaBek will record growth of 5% per year from 2014 to 2017.

Annual Future Retail Supply in Greater Jakarta Based on Region

Future Retail Supply (2H 2014 - 2018) by Region in Jakarta

Annual Retail Space Supply Comparison Between Jakarta and BoDeTaBek

Source: Colliers International Indonesia - Research
### New Supply Pipeline in Jakarta

<table>
<thead>
<tr>
<th>SHOPPING CENTERS</th>
<th>LOCATION</th>
<th>REGION</th>
<th>NLA (SQ M)</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Moritz</td>
<td>Puri Indah</td>
<td>West Jakarta</td>
<td>129,200</td>
<td>Under Construction</td>
</tr>
<tr>
<td>Central Park Mall Extension</td>
<td>Slipi</td>
<td>West Jakarta</td>
<td>40,000</td>
<td>Under Construction</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>Shopping Mall @SOHO Pancoran</td>
<td>Pancoran</td>
<td>South Jakarta</td>
<td>8,000</td>
<td>Under Construction</td>
</tr>
<tr>
<td>AEON Mall Garden City</td>
<td>Cakung</td>
<td>East Jakarta</td>
<td>90,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Grand Cipulir</td>
<td>Cipulir</td>
<td>South Jakarta</td>
<td>40,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Holland Village Mall</td>
<td>Cempaka Putih</td>
<td>Central Jakarta</td>
<td>40,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Mal Puri Indah 2</td>
<td>Puri Indah</td>
<td>West Jakarta</td>
<td>75,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Pulo Gadung Trade Center extension</td>
<td>Pulo Gadung</td>
<td>East Jakarta</td>
<td>10,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Jatinegara City</td>
<td>Jatinegara</td>
<td>East Jakarta</td>
<td>50,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Mall @ Green Pramuka City</td>
<td>Pramuka</td>
<td>North Jakarta</td>
<td>30,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>New Harco Plaza</td>
<td>Taman Sari</td>
<td>West Jakarta</td>
<td>60,000</td>
<td>Under construction</td>
</tr>
</tbody>
</table>

Source: Colliers International Indonesia - Research

### New Supply Pipeline in Greater Jakarta

<table>
<thead>
<tr>
<th>SHOPPING CENTERS</th>
<th>LOCATION</th>
<th>REGION</th>
<th>NLA (SQ M)</th>
<th>STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEON Mall BSD City</td>
<td>Serpong</td>
<td>Tangerang</td>
<td>75,000</td>
<td>Under construction</td>
</tr>
<tr>
<td>Centro Cinere (Cinere Bellevue Lifestyle)</td>
<td>Cinere</td>
<td>Depok</td>
<td>28,000</td>
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<tr>
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<td>Cikarang</td>
<td>Bekasi</td>
<td>90,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>Plaza Indonesia @ Jababeka</td>
<td>Cikarang</td>
<td>Bekasi</td>
<td>20,000</td>
<td>In Planning</td>
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<tr>
<td>Bekasi Trade Centre 2</td>
<td>Bulak Kapal</td>
<td>Bekasi</td>
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<tr>
<td>Grand Dadap Mall</td>
<td>Dadap</td>
<td>Tangerang</td>
<td>20,000</td>
<td>Under construction</td>
</tr>
<tr>
<td>Living World Jababeka</td>
<td>Cikarang</td>
<td>Bekasi</td>
<td>18,000</td>
<td>In Planning</td>
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<tr>
<td>VIVO Sentul Lifestyle</td>
<td>Cimandala</td>
<td>Bogor</td>
<td>30,000</td>
<td>In Planning</td>
</tr>
<tr>
<td>VIVO Sentul Trademall</td>
<td>Cimandala</td>
<td>Bogor</td>
<td>13,000</td>
<td>In Planning</td>
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<tr>
<td>AEON Mall Bogor</td>
<td>Cibinong</td>
<td>Bogor</td>
<td>20,000</td>
<td>In Planning</td>
</tr>
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<td>Embarcadero</td>
<td>Bintaro</td>
<td>Tangerang</td>
<td>40,000</td>
<td>In Planning</td>
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<tr>
<td>Hollywood Central</td>
<td>Cikarang</td>
<td>Bekasi</td>
<td>25,000</td>
<td>In Planning</td>
</tr>
</tbody>
</table>

Source: Colliers International Indonesia - Research
The occupancy rate for shopping centres for lease in Jakarta was 89.2% as of 2Q 2014. The remaining 10.8% vacancy means that around 306,000 sq m has not been occupied. Despite being relatively flat QoQ, occupancy rates have grown by 1.9% YoY and demonstrate that the annual demand could reach approximately 110,000 sq m in one year.

South Jakarta, including the CBD, saw the highest growth of occupancy level at 5.8% YoY. This growth also has driven the average occupancy rate at shopping centres in South Jakarta to 90.7% and contributed 71,790 sq m of annual demand to the overall Jakarta market YoY. This growth also demonstrated that shopping centres in South Jakarta continue to be the preferred locations for retailers to expand their businesses. Some shopping centres, such as Lotte Shopping Avenue (LOVE), Kota Kasablanka, Kuningan City, Lippo Mall Kemang and Pondok Indah Street Mall, continue to underpin the performance of the Jakarta retail market in general.

The growth in occupancy rates at shopping centres in East Jakarta also saw a similar trend. Despite remaining flat at 0.3% QoQ, the occupancy rate grew by 3.8% YoY. Cipinang Indah Mall, which has been in operation since 2013, helped to bring the average occupancy rate to 86.5% in 2Q 2014.

The performances QoQ of shopping centres in North, West and Central Jakarta reached a plateau. West and Central Jakarta also saw flat growth in occupancy rates YoY. Only shopping centres in North Jakarta saw higher growth of 2.6% YoY.
Tight competition can be seen at shopping centres in Mangga Dua, Glodok and surroundings. Those areas are included in the areas mentioned above (West, Central and North Jakarta). There are at least 16 shopping centres in these regions with a total area of 445,495 sq m, representing 10% of the total supply in Jakarta. Six of the 16 shopping centres are for sale and contribute 58.3% of the total retail space in the Mangga Dua and Glodok areas. The average occupancy rate for those shopping centres was 75% with approximately 110,000 sq m of space still vacant, 65% of which is retail space for sale.

Other areas which also have tight competition are Kelapa Gading and Pluit, which contribute 365,868 sq m and 250,152 sq m, respectively. Due to new supply at The Baywalk, the average occupancy rate for shopping centres in Pluit was 76%. Almost all shopping centres in Kelapa Gading saw occupancy rates above 90%, but the low performance of a retail centre for sale (Kelapa Gading Trade Centre) caused the average occupancy rate in Kelapa Gading to be around 85%. With vacant space of around 55,000 sq m in Kelapa Gading including Sunter, 60% is at that retail centre for sale.

On the tenant side, entertainment retailers, especially cinemas, seemingly will face tough competition in the future. A long-experienced group in this business will meet a serious challenge from a new brand, called Cinemaxx, that was introduced by property developer, Lippo Group. As a first start, Lippo, which owns several malls in the JaBoDetaBek area, will not renew the contracts for cinema operators when their leases expire in 2014.

Shopping centres for lease (malls) reached 90% occupancy since 2007 while occupancy of shopping centres for sale only reached 71% as of 2Q 2014. With the current cumulative 1.45 million sq m, vacant space at shopping centres for sale in Jakarta amounted to 421,534 sq m. Of this vacant space, almost 80% is at retail centres for sale in North and Central Jakarta.

Annual Supply and Demand of Retail Space in BoDeTaBek

A slight increase was demonstrated by the average occupancy rates for shopping centres in the BoDeTaBek area. With no additional retail supply during the quarter, occupancy stood at 82.9% as of 2Q 2014. The good performance of shopping centres in Tangerang dan Bekasi helped to maintain moderate growth of the occupancy rate at 0.9% QoQ. New shopping centres in Tangerang and Bekasi that have been operating since 2013 helped the average occupancy rates in each of those areas to grow by 1.8% QoQ. Bogor and Depok recorded below 1% for each of the occupancy rates.
YoY, the annual retail space absorption in the BoDeTaBek area was 161,269 sq m. Retail space absorption during 2Q 2014 was the lowest, contributing around 15,000 sq m or only 9.8% of the total demand YoY in BoDeTaBek. These absorption numbers were only contributed by two areas, Tangerang (7,000 sq m) and Bekasi (8,000 sq m). Meanwhile, total space absorbed in 1Q 2014 was 57,913 sq m (comprising 36% of total demand during 2Q 2013 - 2Q 2014).

Asking Base Rental Rates

Jakarta

Average Asking Base Rental Rates in Jakarta (psm/month)

As of 2Q 2014, average base rent at shopping centres in Jakarta continued climbing from 2012 to 2Q 2014. From 2012 to 2013, the average base rent grew moderately by 2.1% YoY. The growth was 6.0% higher in 2014 than in the previous year, bringing the average base rent for typical retail space to IDR504,629 psm / month as of 2Q 2014.

Shopping centres in the CBD are still the main contributor to the increasing base rent in Jakarta. A premium mall located around Thamrin has raised their base rent by approximately 30% over the previous quarter. Limited vacant space has motivated landlords to confidently adjust their base rents, especially for premium leasable areas. This newly launched rate has raised the average base rent for shopping centres in the CBD to an average of IDR787,440 psm / month.

There is a fairly big gap in average asking base rent between inside and outside the CBD. Currently, the highest base rent in the outside CBD is only IDR484,190 psm / month in West Jakarta. South Jakarta follows at IDR477,150 psm / month, at several shopping centres around Kemang, Pejaten, Gandaria, Casablanca and Pondok Indah.

Shopping centres in North Jakarta averaged IDR342,383 psm / month as of 2Q 2014, while shopping centres in Central Jakarta (excluding the CBD) and East Jakarta saw almost similar rates at IDR296,258 and 294,902 psm / month, respectively. Most shopping centres in East Jakarta are categorised as middle to middle-low class and the majority of those malls have kept their base rents at around IDR200,000 - 300,000 psm / month. Only some malls in Cibubur and Rawamangun, due to limited vacant space, charge around IDR300,000 - 375,000 psm / month. In addition to the limited vacant space, repositioning and major revamping have also caused a mall belonging to Lippo to currently have the highest average base rent in East Jakarta. Similarly, base rents in Central Jakarta, excluding the CBD, were lower because several of them are old shopping centres.

BoDeTaBek

Average Asking Base Rental Rates in Different Region in BoDeTaBek (psm/month)
Base rents at shopping centres outside Jakarta (BoDeTaBek) are in the range of IDR250,000 - 360,000 psm / month. The average base rent was steady at IDR302,618 psm / month as of 2Q 2014.

Due to moderate growth of base rents QoQ, shopping centres in Tangerang were the highest at IDR360,091 psm / month based on area. Bekasi, Bogor and Depok followed at IDR286,186, IDR272,396 and IDR253,235 psm / month, respectively.

Service Charge

Average Service Charges in Jakarta and BoDeTaBek

Almost all shopping centres in Jakarta experienced an upward adjustment in their service charges during the last three years. The increasing operational costs have always been the reason for the adjustment.

In 2013, service charges was adjusted by 8.6% YoY. Currently, service charges are IDR99,303 psm / month, an increase of 12.4% over 2013. Compared to last quarter, service charges only moved upward modestly by 3.1%. The adjustment in the service charges in 2014 is expected to be the highest in the last five years.

The average service charge at middle-upper class malls has risen by 3.1% QoQ, the highest growth of all classes. Currently, the average service charge for middle-upper class shopping centres is IDR130,467 psm / month. The highest increase in the service charges was experienced by the middle-lower class at 5.3% QoQ, which brought the average service charges for this segment to IDR63,335 psm / month.

BoDeTaBek

Service charges in BoDeTaBek as of 2Q 2014 were IDR77,462 psm / month and only saw an increase of 1.5% QoQ. Based on region, service charges in Tangerang and Bekasi were the highest compared to other regions at IDR88,332 and 87,531 psm / month, respectively. As of 2Q 2014, service charges in Bekasi saw an increase of around 15%, at two shopping centres that raised their service charges by about 20% over the previous quarter. Tangerang and Depok also saw an increase although a very modest one. Two shopping centres in Tangerang raised their service charges by about 10%.

There was no change in the service charges for shopping centres in Bogor during the quarter.

Service charges in BoDeTaBek are forecast to rise until the end of 2014. This will occur at several malls that will potentially increase their service charges because they did not adjust them in recent years.

Concluding Thought

The hike in the electricity tariff will undoubtedly have a direct impact on the adjustment in the service charges, which will take effect at least in 2015. This will be a new challenge for both retailers and mall operators. From the landlords’ perspective, retail business is projected to be bullish given the fact that supply will grow in a regulated manner,) particularly in the DKI Jakarta area. On the positive side, this will allow areas other than DKI Jakarta to grow as well, particularly since the cities surrounding Jakarta have been transformed into a growing residential area that largely underpins the economic activity.
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