

# Global recession overshadows property market

## The Jakarta Post

Jakarta

Indonesia's property sector is already feeling the pinch from the global economic downturn as demand is slowing at a time when interest rate adjustments have become a necessity for developers to keep business going, a property consultant says.

PT Colliers International Indonesia said over the weekend in its latest survey that the slowdown had already been evident since the end of the third quarter, in particular in Jakarta and surrounding areas, but it continues to be felt in the fourth quarter and most likely will continue to impact into next year.

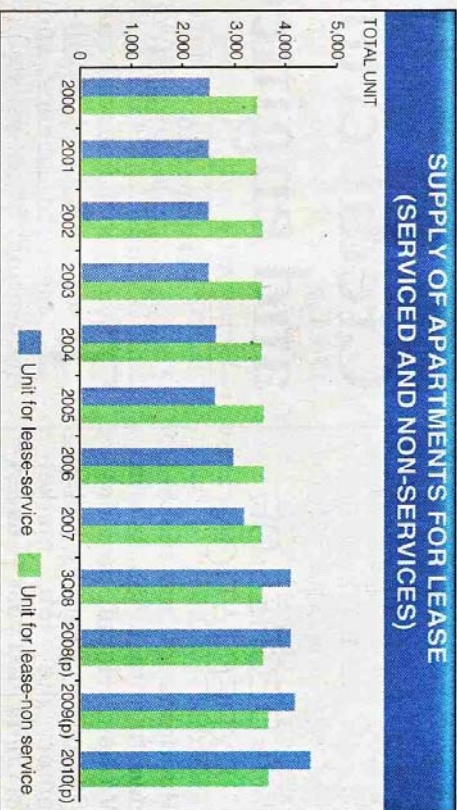
Bank Indonesia's benchmark interest rate currently stands at 9.5 percent, with

cumulative inflation already hitting double digits in the first ten months of the year.

Colliers' report comes just days after a similar survey by another property consultant, PT Procon Indah, which focused on the Greater Jakarta market and said that the industry is heading for a slowdown due to increases in interest rates and the effects of inflation on prices of materials and rental costs.

Colliers said the industrial sector in the Greater Jakarta area, for example, had already experienced lower transaction levels in the third quarter compared to the previous quarter as export-oriented companies cut back on their investment plans amid slowing demand.

Average rental rates in central business districts (CBD) rose in the same period slightly from Rp 87,268 per square



Source: Colliers International Indonesia

meter per month to Rp 88,117 per square meter.

The total supply for CBD office stock is now reported to be 3.9 million square meters, up from 3.71 million square meters last quarter, while occupancy rates decreased slightly down to 88.76 percent from 89.62 percent previously.

Supply for strata title

apartments grew by 3 percent in the second quarter and 0.91 percent in quarter three. On the demand side however, out of 77,277 apartment units under construction, only 65 percent were already taken up and net absorption for apartments in the third quarter

reached 459 units, declining from 551 in quarter two.

"With the current total units being built equivalent to about half of the total existing units and anticipating additional supply from new projects over the next two years, the apartment market will be very tough in the future," the survey says.

The occupancy rate for retail space is expected to decline in the fourth quarter, with shopping centers adjusting their rental rates to meet market conditions.

Still, retail space supply is set to increase from 3.21 million square meters in 2007 to 3.31 million square meters.

Meanwhile, the hotel occupancy rate nationwide increased by 0.82 percent from the second quarter, with the five-star category dominating the market at 47.5 percent. (dis)